

COVER SHEET

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SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

(Business Address: No. Street City/Town/Province)

Atty. Jocelyn Grace N. Navato

(Contact Person)

8840-0026

(Company Telephone Number)

Definitive Information Statement

1	2
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Month

3	1
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Day

2	0	-	1	5
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(Form Type)

0	6
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Month

1	7
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Day

(Annual Meeting)

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Amended Articles Number/Section

395,867

Total No. of Stockholders

Total Amount of Borrowings

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Domestic

of Borrowings

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

[illegible]

Document ID

LCU

Cashier

STAMPS

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Remarks: Please use BLACK ink for scanning purposes.

A member firm of Ernst & Young Global
Limited



PVB Building, 101 V.A. Rufino cor. Dela Rosa Sts. Legaspi Village, Makati City

NOTICE OF THE 2023 SPECIAL MEETING OF STOCKHOLDERS

TO ALL STOCKHOLDERS:

Notice is hereby given that the Philippine Veterans Bank (PVB) will hold a virtual Special Meeting of the Stockholders (SSM) on Friday, **March 17, 2023, at 10:00 a.m.** The 2023 SSM will be conducted via livestream at the link provided in the Company's website at <https://www.veteransbank.com.ph>. There will be NO physical venue for stockholders to attend the meeting.

The AGENDA for the meeting is as follows:

1. Call to order
2. Proof of due notice of meeting
3. Determination and announcement of presence of a quorum
4. Business of the Meeting: Stockholders' approval of the following:
 - a) Subscription Agreement between Philippine Veterans Bank and RYM Business Management Corporation
 - b) Conversion of Unclaimed Cash Dividends amounting to Php361 Million (as of December 31, 2022) into Stock Dividends
 - c) Merger of PVB with New Rural Bank of Agoncillo, Inc. (NAGON)
5. Adjournment

Only stockholders of record as of end of business day of **February 17, 2023** will be entitled to attend and vote at the meeting. For this purpose, the Stock and Transfer Books of the Corporation will be closed from end of business day of **February 17, 2023** to end of business day of **March 17, 2023**.

Stockholders who cannot attend the meeting may execute a **proxy** in favor of **another stockholder** [Article III, Section 1 (b) and (c) of the Amended By-Laws] which must be received by the Office of the Board Secretary at PVB Building 101 V.A. Rufino cor. Dela Rosa Sts., Legaspi Village, Makati City, and/or by email to stockcertificate@veteransbank.com.ph not later than **March 10, 2023**.


ATTY. JOCELYN GRACE N. NAVATO
Board Secretary

*Stockholders desiring to attend the meeting via livestream may pre-register through the SSM portal beginning March 1, 2023 up to 5:00 pm on March 15, 2023. When registering, please make sure that you have an electronic copy of an **acceptable ID with photograph**.

*A copy of the Information Statement is available or accessible at any of the following:

- a) PVB website [for at least fifteen (15) days];
- b) All PVB branches nationwide; or
- c) All offices of District Presidents of the Veterans Federation of the Philippines

STOCKHOLDER'S PROXY

KNOW ALL MEN BY THESE PRESENTS:

I, a stockholder of the PHILIPPINE VETERANS BANK, do hereby appoint _____ as my attorney and proxy to represent me and vote all shares in my name in the books of said corporation at any and all regular and special meetings of the stockholders of said corporation and any adjournment thereof, as fully to all intents and purposes as I might or could do if present and acting in person, hereby ratifying and confirming any and all matters which may properly come before any meeting or any adjournment thereof.

In case of non-attendance or disqualification of my said attorney and proxy above named at any particular meeting or any other cause resulting in the inability of the above named attorney or proxy to act as such at any particular meeting, I authorize and empower the Chairman and/or Secretary of the meeting to fully exercise all rights as my attorney and proxy at such meeting. This proxy shall continue until such time as the same is withdrawn by me through notice in writing delivered to the Secretary but in no case shall its validity exceed five (5) years from date hereof. If I shall be present at such meeting, this proxy shall stand suspended during said meeting but shall again be effective and in full force after the adjournment of said meeting.

Usual Signature

Address

Printed Name Here

Date

(OBS/SSM (2023))

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
☐ Preliminary Information Statement
☒ Definitive Information Statement
2. Name of Registrant as specified in its charter: **Philippine Veterans Bank**
3. Province, country or other jurisdiction of incorporation or organization: **Metro Manila, Philippines**
4. SEC Identification Number: **0000024681**
5. BIR Tax Identification Code: **000-836-616**
6. Address of principal office: **PVB Building, No. 101 V.A. Rufino** Postal Code: **1226**
corner Dela Rosa St., Legaspi Village, Makati City
7. Registrant's telephone number, including area code: **(632) 8840-0026**
8. Date, time and place of the meeting of security holders
Date : **17 March 2023**
Time : **10:00 a.m.**
Place : **Online Platform / Zoom / Video Conferencing**
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **February 24, 2023**
10. **In case of Proxy Solicitations:**
Name of Person Filing the Statement/Solicitor: Not Applicable – No Proxy Solicitations.
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):
Not Applicable
12. Are any or all of registrant's securities listed in a Stock Exchange?
Yes () No (X)
If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
Not applicable

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. **Date, time and place of meeting of security holders.**

Date : **17 March 2023**

Time : **10:00 a.m.**

Place : **Online Platform / Zoom / Video Conferencing**

Mailing address of principal office: **PVB Building, No. 101 V.A. Rufino corner Dela Rosa Sts.,
Legaspi Village, Makati City**

Approximate date on which copies of the Information Statement are first to be sent or given to security holders: **February 24, 2023**

We are not asking you for a proxy and you are requested not to send us a proxy

Item 2. **Dissenters' Right of Appraisal**

A stockholder has a right to dissent and demand payment of the fair value of his shares in any of the following instances under Section 80 of The Revised Corporation Code of the Philippines (R.A. No. 11232): (a) in case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (b) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; and (c) in case of merger or consolidation; and (d) in case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

The dissenting stockholder who votes against a proposed corporate action may exercise the right of appraisal by making a written demand on the corporation for the payment of the fair market value of shares held within thirty (30) days from the date of which the vote was taken: Provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. In order to perfect such right, the stockholder shall follow the procedures as described under Section 80 to 85 of The Revised Corporation Code of the Philippines.

Item 3. **Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

No director, officer, nominee for election as director, or any associate of the foregoing persons, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon as contained in the agenda of the meeting other than election to office.

No director has informed the Bank in writing that he intends to oppose any action to be taken as contained in the agenda of the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. **Voting Securities and Principal Holders Thereof**

(a) **Class of voting Securities:** 23,338,564 common shares entitled to vote as of February 17, 2023

(b) **Record Date:** Stockholders of record as of February 17, 2023 are entitled to notice of and vote at the meeting.

(c) **Outstanding Capital Stock that is undelivered:**

Common Shares – 33,139

Preferred Shares – 33,139

(d) **Nomination and Election of Directors and Independent Directors and Manner of Voting:**

Not applicable. There is no action to be taken with, as the election of Directors and Independent Directors is not included in the agenda of the special stockholders meeting.

(e) **Security Ownership of Certain Record and Beneficial Owners and Management**

(i) **Security Ownership of Directors and Management as of February 17, 2023:**

Directors

Title of Class	Name	Position	Amount & Nature of Beneficial / Record Ownership	Citizenship	Percent
Common	Roberto F. De Ocampo	Chairman & CEO	162	Filipino	0.00069542%
Common	Guillermo L. Parayno Jr.	Vice – Chairman	124	Filipino	0.00053230%
Common	Gerardo Manuel Luis B. Anonas	Director	124	Filipino	0.00053230%
Common	Percianita G. Racho	Director	804	Filipino	0.00345136%
Common	Ma. Cecilia G. Soriano	Director	1	Filipino	0.00000429%
Common	Reynaldo V. Velasco	Director	1	Filipino	0.00000429%
Common	Jose A. Nuñez, Jr.	Director	124	Filipino	0.00053230%
Common	Francisco S. Magsajo, Jr.	Director	64	Filipino	0.00027474%
Common	Michael Democrito C. Mendoza	Director	1	Filipino	0.00000429%
Common	Cesar A. Rubio	Director	1,124	Filipino	0.00482503%
Common	Renato A. Claravall	Director	724	Filipino	0.00310794%
		Total	3,253		0.01396427%

Executive Officers

Title of Class	Name	Position	Amount & Nature of Beneficial / Record Ownership	Citizenship	Percent
Common	Roberto F. De Ocampo	Chairman & CEO	162	Filipino	0.00069542%
Common	Renato A. Claravall	President and Chief Operating Officer	724	Filipino	0.00310794%
		Total	886		0.00380336%
GRAND TOTAL			4,139		0.01776763%

Item 5. **Directors and Executive Officers**

(a) **Incumbent Directors**

INCUMBENT DIRECTORS

The following directors shall hold office from date of election until the next annual shareholders' meeting or their resignation, unless sooner terminated or removed in accordance with law:

Roberto F. De Ocampo, 77, Filipino – Chairman. A former Department of Finance Secretary, he is a well-respected business leader who brings with him an exceptional track record in the domestic and international financial arena. Aside from being the top fiscal manager during the term of President Fidel V. Ramos, he was also president of the Asian Institute of Management, and was the youngest chair and chief executive officer of the state-owned Development Bank of the Philippines. During his stint as Finance Secretary, he was credited for turning around the Philippine Government's fiscal position from large deficits to surpluses. His term saw the longest period of consecutive years of fiscal surpluses in the Philippines. It was during his term that the key

features of the country's investment liberalization and privatization strategies were designed and implemented. As Finance Secretary, he was awarded the Global Finance Minister of the Year in 1995 by Euromoney and Asian Finance Minister of the Year in 1996 and 1997 by Euromoney and AsiaMoney, respectively. He is also a veteran in multilateral initiatives, having Chaired the Asia-Pacific Economic Conference (APEC) and ASEAN (Association of Southeast Asian Nations) Finance Ministers. He was also previously a Governor of the World Bank, International Monetary Fund, and Asian Development Bank. He also has the distinction of being the only Filipino knighted by both the United Kingdom & France. He was conferred "Most Excellent Order of the British Empire" or OBE by Her Majesty Queen Elizabeth II in 2012 for his efforts in promoting Philippine-UK relations during his years as a public servant and as Chair of the British Alumni Association. He was also named Chevalier in the French Legion of Honor by the Republic of France for his promotion of links between France and the Philippines in the economic domain. At present, he Chairs the Board Advisers of the RFO Center for Public Finance & Regional Economic Cooperation, an ADB Regional Knowledge Hub. He is also the present Chairman of Intervest Projects, Inc. (IPI) and Intervest Insurance Agency, Inc. (IIAI), and New Rural Bank of Agoncillo, Inc. (NAGON). IPI and NAGON are wholly-owned subsidiaries of PVB while IIAI is a wholly-owned subsidiary of IPI. He has attended seminars on Corporate Governance in 2013, and the Embracing Good Corporate Governance for Effective and Efficient Management on October 15 and 22, 2021.

Guillermo L. Parayno, Jr., 74, Filipino – Vice-Chairman. He is a former Commissioner of the Bureau of Internal Revenue and the Bureau of Customs. He is a recipient of the PMA Alumni Cavalier Award for outstanding accomplishments in Public Administration, Outstanding Professional of the Year by the Professional Regulatory Commission of the Phils., and the Economic Warrior Award of the Department of Finance. He completed his Bachelor of Science degree, magna cum laude, at the Philippine Military Academy. He finished his Master's degree in Psychology at the University of the Philippines and took Computer Programming at the National Computer Center. He also holds a Master of Business Management from the Asian Institute of Management. His career includes key advisory and operations positions on strategic systems in the private sector and government, both at the national and international levels. He developed information technology systems for fiscal and governance institutions including the PMA entrance examination and Faculty Rating Instrument, systems re-engineering and computerization at the Bureau of Customs, Computerized Import Licensing Model for meat and meat products at the Bureau of Animal Industry, Customs-DOF Computer Link-up for Fiscal Policy Analysis, Automated Export Documentation System, Automated Customs-PEZA Cargo Transfer System and productivity enhancement systems at the Bureau of Internal Revenue. He wrote blueprints for the Customs-SBMA Partnership for Trade Competitiveness and for the Reform and Modernization of the Bureau of Internal Revenue. Chairman of the Human Resources Committee (HRCom); IT Steering Committee (ITSC); and Remuneration Committee (RemCom).; Member, Executive Committee (ExCom); and Nomination Committee (NomCom). He attended the seminar on Corporate Governance in 2013, and has attended the seminar on AMLA Compliance in the Age of the Digital World on September 27, 2021.

Renato A. Claravall, 71, is the President & Acting CEO. He joined Philippine Veterans Bank as a Director/Member of the Board on 19 June 2015 and eventually became the President & COO on 1 December 2018. He holds a degree of Bachelor of Arts in Economics at the Ateneo de Manila University. He was a Senior Vice President and Chief Finance Officer (CFO) of Benguet Corporation from 2010 to 2015, and has served as Director of various wholly-owned companies of Benguet Corporation. He held Senior Management positions in various Financial Institutions from 1997 to 2010. He was a Deputy General Manager of Bank of Boston Manila Offshore Branch from 1984 to 1997. He was a Senior Manager of Union Bank of the Philippines from 1979 to 1984. He has attended various training programs. Member of Executive Committee (ExCom), Credit Committee (CreCom), Human Resources Committee (HRCom), and Trust Committee (TrustCom). Vice-Chairman of New Rural Bank of Agoncillo, Inc. (NAGON) and Director of Intervest Projects, Inc. (IPI) and Intervest Insurance Agency, Inc. (IIAI). NAGON and IPI are wholly owned subsidiaries of PVB while IIAI is a wholly-owned subsidiary of IPI. He has attended the Corporate Governance seminar in 2015.

Gerardo Manuel Luis B. Anonas, 65, Filipino, son of a veteran. He is the former President and Director of Optimum Development Bank, Court-appointed Corporate Receiver-J.S. Gaisano Inc., and a lecturer for various local banks on the "Reconstruction of Financial Statement and Credit Evaluation". Among his work experiences are the following: Court-appointed Financial Advisor, Steel Corporation of the Philippines, 2006-2008; Executive Vice President, East West Banking Corporation, 1998-2006; Executive Vice President, The Philippine Banking Corporation, 1994-1998; Senior Vice President, Urban Bank, 1991-1994; First Vice President, Boston Bank of the Philippines, 1988-1991; Philippine Commercial International Bank (PCIB), 1986-1988; Insular Bank of Asia and America (IBAA), 1981-1985. He is a B.S. Business Administration graduate from Ateneo de Manila University and has a Masters in International Business from Schiller International University in Paris Study

Center. He has had extensive training and experience in Banking and other related fields. Chairman of Credit Committee (CreCom) and Member of Executive Committee (ExCom); Assets Disposal Committee (ADC); Human Resources Committee (HRCOM) and Risk Management Oversight Committee (RMOC). Director of Intervest Projects, Inc. (IPI) and Intervest Insurance Agency, Inc. (IIAI). IPI is a wholly owned subsidiary of PVB while IIAI is a wholly-owned subsidiary of IPI. He has attended the Corporate Governance seminar in 2015.

Francisco S. Magsajo, Jr., 75, Filipino, son of a veteran. He is the former President and CEO of Rizal Commercial Banking Corporation (RCBC), 2003-2007; RCBC Savings Bank, 1998-2003; Executive Vice President, Philippine National Bank, 1995-1997; Managing Director, PNB International Finance Ltd., HK, 1991-1995; Director, Batangas Sugar Central, 1991-1997; Director, Passi Sugar Central, 1995-1997; and Director Bulawan Mining Corp., 1996-1997. He is a Bachelor of Science, Major in Economics graduate from Lyceum of the Philippines. He is currently an Independent Director of PSBank. Chairman of Assets Disposal Committee (ADC) and Member of Executive Committee (ExCom), Credit Committee (CreCom); IT Steering Committee (ITSC); Risk Management and Oversight Committee (RMOC); and Trust Committee (TrustCom). Director of Intervest Projects, Inc. (IPI) and Intervest Insurance Agency, Inc. (IIAI). IPI is a wholly owned subsidiary of PVB while IIAI is a wholly owned subsidiary of IPI. He attended the seminar on Corporate Governance in 2018 and has extensive training and experience in Banking and other related fields. He also attended the FDIC Training in June 2021.

Michael Democrito C. Mendoza, 61, Filipino, son of a veteran. He has 29 years of experience in Associated Labor Unions-Trade Union Congress of the Philippines (TUCP). He is currently the Chairperson and Lead Convenor of NAGKAISA Coalition. He is the National President of Philippine Seafarers Unions – (ALU-TUCP-ITF) and National President of Associated Labor Unions-TUCP, positions he has held since 2012. Among his work experiences are the following: Organizer/National Executive Assistant/Assistant Operations Director of Associated Labor Union-TUCP from 1986 to 1992; Held the following various positions from 1997-2010: Area Vice President for Central Visayas Region-Philippine Seafarers' Union-TUCP; Area Vice President for Central Visayas Region-Associated Professional Supervisory; Area Vice President for Central Visayas Region-Associated Labor Unions-TUCP; Executive Board of TUCP, Oversight Executive Committee of Associated Labor Unions-TUCP. He holds a degree in AB Political Science from the University of the Philippines - Cebu and a Bachelor of Laws degree from Southwestern University. He attended various seminars in the Philippines and abroad from 1986-2014: 75th Annual Congress of All Japan Seamen's Union (JSU) in Japan; ITF, Sofia Bulgaria; JSU Conference in Tokyo, Japan and ILO, Geneva Switzerland. Member of Credit Committee (CreCom); Assets Disposal Committee; and Human Resources Committee (HRCOM). He attended the seminar on Corporate Governance in 2022.

Percianita G. Racho, 65, Filipino - National President, VFP Sons & Daughters Association, Inc. (VFPSDAI); Former Mayor & Vice Mayor of Buenavista, Agusan del Norte and former Provincial Administrator and Deputy Chairman Provincial Disaster Risk Reduction Management Council of Agusan del Norte. Member of the Related Party Transactions Committee (RPTCom), Corporate Governance and Compliance Oversight Committee (CGCOC), Audit Committee (ACOM), IT Steering Committee (ITSC), and Remuneration Committee (NomCom). Director of Intervest Projects, Inc. (IPI) and Intervest Insurance Agency, Inc. (IIAI). IPI is a wholly-owned subsidiary of PVB while IIAI is a wholly owned subsidiary of IPI. Has attended seminars on Corporate Governance, Risk Management Program and Anti-Money Laundering in 2005.

(b) Independent Directors

Jose A. Nuñez, Jr., 69, Filipino, son of a Veteran. He was previously appointed as Chairman of Development Bank of the Philippines (DBP) from 2010-2016; Chairman of Asian Express Money Services Corporation, a company engaged in foreign exchange dealership, money changing and global remittance services. He was also former director and treasurer of Bukidnon Hydro Electric Corp., Universal LRT Corp., Ltd., and ULCOM Company Inc. He was also a former director of Philippine Veterans Bank, serving as Chairman of its board credit committee and member of the executive and corporate governance committees. He also served as director of Camp John Hay Development Corporation, Northwood Resources Corporation, Citystate Savings Bank, and Goldenville Holdings Corporation. He was vice chairman and chief executive officer of Federal Savings and Mortgage Bank from 1997-2000 until its merger with Security Bank Corporation; and executive vice president and chief operating officer of Premiere Development Bank from 1982-1986 and 1989-1991. He was also affiliated with Allied Banking Corporation and Rizal Commercial Banking Corporation. At present, he is a director and the treasurer of Tranzen Group Inc., La Costa Development Corp., Agus 3 Hydropower Corp., and Lear Aero LTD., Inc.. He is also the Vice-Chairman of Unicapital Securities, Inc., an independent director of Unicapital, Inc. and Unicapital Finance, Inc. He has a Bachelor of Arts major in Economics degree (Honors

Program) from Xavier University, and is a candidate for a Masters in Business Administration degree from the Ateneo de Manila University. Chairman of Corporate Governance and Compliance Oversight Committee (CGCOC) and Nomination Committee (NomCom); Member, Executive Committee (ExCom); Credit Committee (CreCom); Audit Committee (ACom); and Risk Management Oversight Committee (RMOC). Director of Intervest Projects, Inc. (IPI) and Intervest Insurance Agency, Inc. (IIAI). IPI is a wholly owned subsidiary of IPI while IIAI is a wholly owned subsidiary of IPI. He attended a seminar on Corporate Governance on March 3, 2021 and has extensive training and experience in Banking and other related fields.

Cesar A. Rubio, 75, Filipino, son of a Veteran. He is currently an Independent Director. Among his work experiences are the following: Director and Chairman of the Audit Committee of Rural Bank of Mexico (Pampanga), Chief Financial Officer, Executive Vice President and Head of Support Services Group of United Coconut Planters Bank; Senior Executive positions in Rizal Commercial Banking Corp. and Metropolitan Bank and Trust Co.; Lecturer at the Development Center for Financial Executives and Inter Forex Resources, Inc.; Director of Merchants Savings and Loan Association. He holds a Bachelor of Science degree in Commerce, Major in Accounting, De La Salle University; Master of Business Management from Asian Institute of Management and also attended the Pacific Rim Bankers Program from August to September 1996, in University of Washington, Seattle. He is a Certified Public Accountant (CPA) and has 45 years' experience in banking and finance. Chairman of Audit Committee (ACom); Member, Executive Committee (ExCom); IT Steering Committee (ITSC); Corporate Governance and Compliance Oversight Committee (CGCOC); Related Party Transactions Committee (RPTCom); Risk Management Oversight Committee (RMC); Nomination Committee (NomCom); and Remuneration Committee (RemCom). Director of Intervest Projects, Inc. (IPI) and Intervest Insurance Agency, Inc. (IIAI). IPI is a wholly-owned subsidiary of PVB while IIAI is a wholly owned subsidiary of IPI. Has attended seminar on Corporate Governance in 2000 and has extensive training and experience in Banking and other related fields. He also attended the following seminars for the year 2021: a) Building Better Bankers: fostering a Stronger KYE Program; b) A Virtual Forum: The Economy Amid the Rise of the DELTA Variant; and c) AML/CFT/CPF (BSP Circular No. 1022).

Ma. Cecilia G. Soriano, Ph.D., 65, Filipino, former Undersecretary of the Department of Finance. She is currently holding or has held the following positions in various non-government organizations such as: member, Board of Trustees, Foundation for Economic Freedom (FEF); Founding Member, Steering Committee of AguaJaring (Sea Capacity Building Network for Integrated Water Resources Management). She is also the co-founder and President of PhilCapNet and Network Manager of Cap-Net. She was a consultant for various government institutions on different projects. She holds a Bachelor of Science degree in Management Engineering, magna cum laude at the Ateneo de Manila University, and finished her Doctor of Philosophy in Economics degree at the International and her Development Economics degree from the University of California at Berkeley. Chairman of Risk Management Oversight Committee (RMC); Member, Human Resources Committee (HRCOM); and Audit Committee (ACOM).

Reynaldo V. Velasco, 73, Filipino, former Board Chairman and Administrator of the Metropolitan Waterworks and Sewerage System (MWSS) and member of the Executive and Governance Committees. A graduate of the Philippine Military Academy, he was the recipient of two (2) Cavalier Awards and retired as Deputy Director General from the Philippine National Police. He was a former mayor of Sta. Barbara, Pangasinan. His other directorships and trusteeships include those in: Filipino War Veterans Foundation (FILVETS), Inc.; Asia Water Council; Independent Insights Inc.; International Security Service, Inc.; PMA Educational Trust Fund Inc.; and Philippine Water Works Association (PWWA). Chairman of Related Party Transactions Committee (RPTCom); Member, Assets Disposal Committee (ADC); Trust Committee (TrustCom); Corporate Governance and Compliance Oversight Committee (CGCOC); Nomination Committee (NomCom) and Remuneration Committee (RemCom).

The independent directors have met and continue to meet all the qualifications and possess none of the disqualifications of an Independent Director under the Bank's Code of Corporate Governance, Section 38 of the Securities Regulation Code, and relevant BSP rules.

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

Name of Director	No. of Board Meetings Attended	No. of Board Meetings Not Attended	Percentage of Attendance to Board Meetings
Chairman Roberto F. De Ocampo	13	0	100%

Name of Director	No. of Board Meetings Attended	No. of Board Meetings Not Attended	Percentage of Attendance to Board Meetings
Vice Chairman Guillermo L. Parayno, Jr.	13	0	100%
President Renato A. Claravall	12	1	92%
Gerardo Manuel Luis B. Anonas	13	0	100%
Ma. Nieves R. Confesor ⁰¹	6	0	100%
Judith V. Lopez ⁰¹	6	0	100%
Francisco S. Magsajo, Jr.	13	0	100%
Michael Democrito C. Mendoza	8	5	62%
Jose A. Nunez, Jr. ⁰	13	0	100%
Percianita G. Racho	13	0	100%
Cesar A. Rubio ⁰	13	0	100%
Ma. Cecilia G. Soriano ⁰²	6	0	100%

⁰ Independent Director (ID)

⁰¹ Finished ID term on 17 June 2022

⁰² Elected on 17 June 2022

(c) Executive Officers

The following are the Bank's executive officers who are all Filipinos:

Renato A. Claravall, 71, President and Chief Operating Officer since December 1, 2018, and President and Acting Chief Executive Officer since January 25, 2023. (Please refer to Item 5 for the related profile.

Edwin T. Amahan, 58, joined PVB on August 1, 2021 as Senior Vice President and Head of Branch Banking Group. He was the former Senior Vice President and Branch Banking Group Head of Bank of Commerce. He has brought with him 35 years of experience in operations, sales and marketing, particularly in Branch Banking. He completed his Bachelor's Degree of Commerce major in Accounting in University of San Jose - Recoletos, Cebu City. He is a Certified Public Accountant and has attended various trainings in leadership.

Clodoveo P. Atienza, 68, Senior Vice President since November 2018, is the Senior Credit Officer of Credit Group. He more than 38 years of working experience. Prior to joining PVB, he was the Credit Administration Division Head of Philippine National Bank. He was the Head of Credit Policy and Review at Union Bank of the Philippines. He also worked at National Commercial Bank in Saudi Arabia as Head of Credit Unit, International Division. He was the Philippine Representative of Filinvest Finance Hong Kong Ltd. He started his career as Account Officer at Family Bank Corporation and Insular Bank of Asia & America.

Camille Maricelle M. Canullas, 56, Senior Vice President since July 2003, is the Chief Information Officer /Head, Information Technology Group. She obtained her Bachelor of Science degree in Computer Science and was a Dean's Lister from the De La Salle University, Manila in 1987. She holds Master's degree in Business Administration and also a Dean's Lister at the Ateneo Graduate School of Business in 1996. Prior to joining the Bank, she was the Director of Risk Consulting in Ernst & Young and a Director of Business Consulting in "Arthur Andersen".

Jose Noel L. Cadiena 49, Senior Vice President since August 2015, is the Head of Central Operations Group. He earned his degree in Bachelor of Arts in Economics and Bachelor of Science in Accountancy, Honor's Program from the De La Salle University. He also obtained a Basic Management Program, Superior Performance Awardee from the Asian Institute of Management. He is a Certified Public Accountant and a Certified Management Accountant from the Institute of Certified Management Accountants - Australia. He has 19 years of experience in finance and general accountancy, backroom operations and support functions in banking industry. Before joining Philippine Veterans Bank, he was a Vice President/Country Head of Finance at Australia and New Zealand Banking Group Limited, Philippine Branch from 1996 to 2010. He was also an Assistant Vice President – Team Lead, Deutsche Knowledge Services at Deutsche Bank from 2011 to 2014. He is presently Director of New Rural Bank of Agoncillo, Inc. (NAGON).

Annabelle Y. Yong, 59, Senior Vice President since January 2005, is the Head of Consumer Lending Division. She has been with the Bank since August 2001. She obtained her Bachelor of Science degree major in Business Management from the Ateneo de Manila University. She has 27 years of extensive retail loans experience from

various top local and foreign banks, having been Head of Mortgage Banking with Dao Heng Bank, Customer Relationship Manager with Citigold Priority Banking in Citibank, N.A. and Account Officer with BPI Family Bank. She has attended various seminars and training programs in the Philippines, Singapore, Taiwan and Hong Kong.

Maria Antonia N. Bacabac, 58, First Vice President since November 2017, is the Chief Risk Officer and Head of Risk Management Division. She is bringing with her 32 years of experience. Prior to joining Philippine Veterans Bank, she was the Chief Risk Officer / First Vice President at First Metro Investment Corporation. She was also the Head of Credit Evaluation and Analysis Division / Vice President at Metropolitan Bank & Trust Company. She started her Banking career as Analyst III at Far East Bank & Trust Company for 10 years and worked her way up to the Deputy Head of Credit Policy & Risk Management. She also worked at Bank of the Philippine Islands as the Head of Industry Monitoring Department (2000), Head of Credit Risk Management Department/IBG (2000–2004) and also head of Financial Institutions Department/IBG (2005). She holds a Bachelor of Science in Management Engineering from the Ateneo de Manila University; also have a Master in Business Administration at University of the Philippines.

Charina DC Balanquit, 43, First Vice President effective August 1, 2022, is the Chief Digital Marketing Officer under the Office of the President. She has an MBA degree from the Ateneo Graduate School of Business. She graduated Cum Laude with a degree of BS Business Administration from the University of the Philippines, Diliman. She is bringing with her 22 years of Banking experience in Corporate Banking Products and Marketing. She was the former Marketing Group Head at United Coco Planters Bank (UCPB).

Leah Mabel M. Faustino, 58, First Vice President since July 2019, is the Head of Human Resources Division. She earned her degree in Bachelor of Arts in Psychology and Guidance Counseling at St. Scholastica's College, Manila. Ms. Faustino has more than 30 years of experience in the banking industry in the field of Human Resources Management. She started her career in Boston Bank of the Philippines as Psychometrician and Employee Assistant for 6 years. She moved to Philbank as Head of Recruitment and Testing Section then became the Head of Training Department for 9 years. In late 1990's, the Philbank was merged with Global Bank where she continued her career as Head of Organizational Development Division for three (3) years. Then, she moved to Citibank, N.A where she handled numerous titles under HR for nine (9) years such as HR Generalist (AVP), Country Talent Acquisition Head (AVP), HR Program Manager (VP) and CSI Training Officer (VP). For a short period of time, she moved to other industries: Araneta Center as Assistant HR Head for four (4) months and Hi- EISAI Pharmaceutical Corporation as HR Director for more than a year. She came back to the Banking Industry in late 2014 with First Metro Investment Corporation as Head, Human Resources Division.

Patrick Jerold T. Juan, 54, First Vice President since January 2017, is the Head of Institutional Banking Group. He has 21 years of experience in the banking industry with key strengths in credit and corporate banking. Prior to joining Philippine Veterans Bank, he was the Head of Large Corporates, Papua New Guinea in Australia and New Zealand Banking Group Limited (ANZ). He managed the Large Corporates Division of the Bank in the Northern Region of the said country with a total portfolio of under USD600M. He was also responsible in formulating and implementing marketing and sales strategies and structured calling programs. He started his banking career at HSBC Corporation in 1994 and worked there for more than 11 years. He held different positions such as Manager of Treasury Credit (September 2002- March 2006), Manager of Credit Recoveries (September 2001- August 2002) and various positions in Securities Division, Marketing Department, the Sunlife Demutualization Project and underwent Executive Management Training (April 1994- August 2001). He also worked for the National Commercial Bank, Saudi Arabia as Senior Corporate Banker and Corporate Credit Analysis Manager from 2006 to 2012. Patrick earned his degree in Bachelor of Science in Industrial Management Engineering minor in Mechanical Engineering from De La Salle University.

Atty. Federico A. Manalo, 74, First Vice President since September 10, 2021, is the Program Director of Veterans Affairs Office. He was a Director of Philippine Veterans Bank from 2019 to 2021. Prior to this, he was the Board Secretary of PVB for 18 years. He also worked with Monte De Piedad & Savings Bank as Corporate Secretary and was a former Legal Assistant of Philippine Trust Company. He obtained his Bachelor's Degree in Commerce major in Accounting at University of Batangas and was a graduate of Bachelor's of Law at Far Eastern University.

Ma. Flor B. Manaois, 60, First Vice President since April 2018, is the Chief Audit Executive/ Head of Internal Audit Division. She obtained her Bachelor of Accountancy degree, Academic Scholar from the Polytechnic University of the Philippines. Prior to joining Philippine Veterans Bank, she was a Senior Accountant, Treasury Supervisor and eventually a Credit and Collection Officer at Mondragon Savings and Loans Association from 1986 to 1991; Chief Accountant at Toyota Alabang, Inc. from 1991 to May 1992; she was Chief Accountant/

Assistant Finance Manager and Finance Manager of Honda Cars Quezon City and Manila from May 1992 to February 2007. She has attended various trainings and seminars.

Frederick P. Rosario, 49, First Vice President since March 2011, is the Head of Business Solutions Division under Information and Technology Group. He has been with the bank since 2003. He obtained his Bachelor of Science Degree in Computer Science from AMA Computer University. Prior to joining Philippine Veterans Bank, he was a Manager at Export Bank. He also worked as IT Consultant at Global Bank.

Miguel Angelo C. Villa-Real, 55, First Vice President since April 2018, is the Head of Marketing and Communications Division. He has been with the Bank since 2003. He obtained his Bachelor of Science Degree in Community Development from University of the Philippines. Prior to joining Philippine Veterans Bank, he was a Marketing Officer at Bank of the Philippine Islands.

Atty. Vincent Jason T. Villanueva, 57, First Vice President since November 2016, is the Head of Legal Services Division. Atty. Villanueva is bringing with him 23 years of solid experience in legal with specialization in corporate law, litigation and compliance which he gained from both Private Institutions and the Banking Industry. Prior to joining Philippine Veterans Bank, he worked for St. Francis Square Group, Auto Sweep Post Corporation (San Miguel Corp. Subsidiary) and Cortel Law Office as a Consultant from February 2014 to November 2016. He started his banking career at ANB AMRO Bank Inc. as Litigation Section Head in 2000. He was given the opportunity to work with The Royal Bank of Scotland from May 2002 to May 2010 as Country Legal Head. He also worked for Robinsons Bank Corporation as the Head of Legal Group from July 2010 to June 2013. He was in charge of the legal affairs of the bank, covering legal advisory, documentation, case management, and corporate secretary ship support. Atty. Villanueva earned his degree in Bachelor of Science in Business Management in Ateneo De Manila University in 1986 and Bachelor of Law 1991 (L.L.B.) in the same university.

Thaddeus Anthony L. Tan, 55, First Vice President effective January 16, 2023, is the Head of the Commercial Banking Group. He graduated with a degree of Bachelor of Science in Business Administration and Bachelor of Science in Applied Mathematics at De La Salle University. He is bringing with him 31 years of experience in different banking industries. He was a former Business Development officer at Philippine Business Bank.

Roberto S. Vergara, 71, First Vice President since November 2018, is the Head of Trust and Investment Division. He earned his degree of Bachelor of Arts in Economics at Ateneo de Manila University. He also obtained units in Graduate School of Business in the same school. He was the former Chief Trust Officer and Head of Trust Banking Group in Philippine National Bank (PNB). He began his career in 1973 and held various positions in Trust, Treasury, Investment Banking and Global Banking/ Overseas Remittances. Prior to joining PVB, he was Trust officer of HSBC and then became the Trust Officer, then Treasury Group Head and lastly Global Banking / Overseas Remittance Group Head of Land Bank of the Philippines. He is the Executive Director of the Trust Institute Foundation of the Philippines (TIFP). Among others, he was a Director in the Trust Officers Association of the Philippines (TOAP), is an active member of Financial Executives Institute of the Philippines (FINEX) and a member of the Fund Managers Association of the Philippines (FMAP). He is a fellow at the Institute of Corporate Directors (ICD) under the Center for Good Governance (CGG), and is a qualified Independent Director for any listed or non-listed company in the Philippines.

George B. Arenas, 50, Vice President since March 6, 2020, is the Head of ICAAP Department concurrent to Operational Risk Officer under Risk Management Division. He finished his Bachelor's Degree in Commerce major in Accounting at Ateneo de Naga University. He is Certified in Risk and Information Systems Control (CRISC), Certified Public Accountant and Certified Internal Auditor. He was the former Head of Operational Risk Department/ AVP at First Metro Investment Corporation (FMIC). He also held the position as Risk Officer and Head of the Audit Department in FMIC. He also worked as Supervisor in Operational Risk Department at Doha Bank, Doha Qatar. He was the Senior Executive and Head of Investigation Unit at Maybank Philippines, Inc. He also worked as Auditor at Far Eastern Bank and Trust Company and Sycip, Gorres, Velayo (SGV) and Co.

Romcyn D. Camatog, 49, Vice President since July 2018, is the Head of Credit Evaluation Division under Credit Group. Mr. Camatog has more than 17 years of experience in the banking industry specializing in credit risk management. He was also exposed to corporate finance, account management, analysis and marketing. His last position was an Enterprise Risk Manager at Security Bank. He started his career in banking industry when he joined China Banking Corporation as Credit Investigator in 1995 and worked in the same company for almost 8 years. He also worked for PBCOM and BDO from 2010 to 2015 where he was exposed to credit risk management and corporate finance.

Ricardo V. Carreon, 57, Vice President since December 2019, is the Head of Quality Management Division under Information Technology Group. Mr. Carreon obtained his Bachelor of Science in Electronics and Communications Engineering in 1987. He took up his Master of Science in Business Administration in Pamantasan ng Lungsod ng Maynila in 2005. He has more than 28 years of work experience in the field of Information Technology from different industries. He was the former VP/ Head of IT Pacific Cross Insurance Inc. He worked as MIS Manager at Fortune General Insurance Corporation (January 2002 – August 20016) then was promoted to Assistant Vice President MIS. He also worked in other insurance companies such as Nicphil Insurance Corporation (March 1999 – December 2001), Paramount Life and General Insurance Corporation (August 1993 – February 1999) and Loyola Plans Inc. (November 1988 – July 1993).

Ma. Theresa L. Escobar, 48, Vice President since May 1, 2022, is the Chief Compliance Officer and Head of Compliance Division. She has been with the Philippine Veterans Bank since July 1995. She obtained her Bachelor of Science degree in Psychology from St. Paul College.

Armand D. Eugenio, 52, Vice President since May 2016, is the Head of Assets Recovery and Remedial Management Division. He is bringing with him 23 years of solid banking experience with key strengths in Remedial, Credit and Collections, and Risk Management. Prior to joining Philippine Veterans Bank, he was the Chief Risk and Compliance Officer/ Vice President at Philippine Export- Import Credit Agency (PhilEXIM). He was responsible for the design, implementation, monitoring and revision of Risk Management Policy, BSP & AMLA Compliance programs. He was also involved in Credit and Operational policies, formulation, review, implementation and compliance monitoring. He started his banking career as Credit Card Consultant at Citibank NA in 1991. He also worked at Chinatrust (Philippines) Commercial Bank for 13 years where he was exposed to Remedial Management covering Commercial, Consumer, Housing and Corporate. He was a Vice President for Special Asset Management Institutional Credit Risk Management Group. Armand earned his degree in Bachelor of Arts, Major in Economics, from University of Santo Tomas, Manila.

Erwin V. De Guia, 46, Vice President since May 1, 2022, is the Head of Operations Control and Support Division under Branch Banking Group. He has been with PVB since February 2018. Prior to joining PVB, he was the Unit Operational Risk Manager at Standard Chartered Bank. He was the former Branch Operations Risk Manager and Branch Risk Control Officer at Philippine Bank of Communications. He also worked as the Quality Assurance Officer at Union Bank of the Philippines and International Exchange Bank. He worked at Security Bank Corp. as the Area Operations Officer, Branch Sales Assistant and Jr. Bookkeeper. He obtained his Bachelor's Degree in Accountancy from the Ateneo de Davao University.

Mary Jean A. Go, 59, Vice President since March 1, 2021, is the Head of Relationship Management Division 1 under Institutional Banking Group. She finished her Bachelor's Degree in Commerce major in Management in Financial Institutions at De La Salle University. She brings with her more than 35 years of experience in Corporate Banking and Credit. She was a former Vice President of Corporate Credit Group at United Coconut Planters Bank (UCPB).

Jamie James M. Javier, FRM, 35, Vice President effective August 1, 2022, is the Head, Market Risk and Liquidity Department under Risk Management Division (RMD). He graduated with a degree of BSM Applied Mathematics Major in Mathematical Finance Minor in Economics from the Ateneo De Manila University. He is bringing with him 14 years of experience from the Financial industry in Risk Management. He was the former Chief Risk Officer at First Metro Investment Corporation (FMIC).

Jonathan Thaddeus V. Jimenez, 49, Vice President since January 2018, is the Head of Treasury Group. He is bringing with him his 22 years of experience. Prior to joining Philippine Veterans Bank, he was the Chief Risk Officer / Director at PDS Group – Philippine Dealing & Exchange Corporation (Sept. 2017-Jan 2018). Before his promotion as the CRO he was the Head of Market Management Department/Associate Director (March 2017 – Sept. 2017). He had work with UCPB for 9 years, Equitable PCI Bank for 4 years, Dao Heng Bank LTD for 2 years, Societe Generale for one (1) year. He started his banking career at Union Bank of the Philippines as a Senior Dealer (1995-1997). He holds a Bachelor of Arts degree, Major in Economics, and Bachelor of Science in Commerce, Major in Management of Financial Institution at De La Salle University.

Ella R. Makalintal, 47, Vice President since July 2019, is the Head of Projects Division under Information Technology Group. She has been in the Philippine Veterans Bank since October 2004. She obtained her Bachelor of Science in Computer Management at Polytechnic University of the Philippines.

Racquel B. Mañago, 55, Vice President since January 2016, is the Head of Operational Risk Department under Risk Management Division. She has 22 years of solid experience in Bank Operations with key strengths in Operational Risk Management. Prior to joining Philippine Veterans Bank, she was an Assistant Vice President for Operational Risk in PBCOM. She specialized in operational risk framework of various business units. She started her banking career at Citibank Philippines as an Operations Officer. She also worked at Union Bank for 8 years where she was exposed to enhancing the business systems and processes throughout Treasury covering different areas such as Trading, Marketing, Private Banking, Liquidity Management, Risk Management & Operations and Trust. She is an active contributor of Bankers Institute of the Philippines (BAIPHIL) as Subject Matter Expert in Operational Risk Management since 2005. She earned her degree in Bachelor of Science major in Economics from University of the Philippines, Diliman.

Iris Veronica Go Lim, 38, Vice President effective August 1, 2022, is the Digital Marketing Officer under the Office of the President. She graduated with a degree of Bachelor of Arts major in Management Economics from the Ateneo De Manila University. She is bringing with her 15 years of Banking experience in a broad range of bank products such as Cash Management, Cards, Deposit /Retail, Insurance, and Remittance. She was the former Head of Product Management Department at United Coco Planters Bank (UCPB).

Atty. Jocelyn Grace N. Navato, 52, Vice President, joined PVB on November 1, 2021 as Board Secretary and concurrent Acting Chief Governance Officer. She earned her Bachelor's Degree in Mass Communications (major in Communications Research) and her LLB degree from the University of the Philippines, Diliman. She was the former Chief Compliance Officer and Corporate Secretary of RCBC Leasing and Finance Corporation. She was also the former Assistant Corporate Secretary of Rizal Commercial Banking Corporation and Corporate Secretary of Rizal Microbank, Inc. and of RCBC Rental Corporation. Formerly the Chief of Staff of Board Trustee Karina Constantino-David in GSIS, she has held various officer positions in Bank of Tokyo – Mitsubishi UFJ, Ltd. (now MUFG Bank) and Maynilad Water Services Inc.

Florence T. Palacio, 55, Vice President since February 2016, is Controller/ Head, Finance and Administration Group. She is bringing with her 25 years of solid banking experience with specialization in Accounting, Finance, and Taxation. Prior to joining Philippine Veterans Bank, she was a Vice President and Head of Treasury Operations Department in CTBC Bank (Philippines) Corporation where she was responsible for all procedures and workflows of Treasury Operations. She managed all processes in line with the standards and requirements of the parent bank and internal and external regulations. She also worked at Export & Industry Bank, Inc. for almost 10 years where she held different positions such as Head of Tax Compliance and Financial Analysis, General Accounting, and Tax Compliance Division. She started her banking career at Equitable Banking Corporation in 1988. She earned her degree in Bachelor of Science in Business Administration major in Accounting from University of the East Manila. She is a Certified Public Account.

Jean S. Parrilla, 60, Vice President since August 2019, is the Head of Financial and Control Division under Finance and Operations Group. She earned her Bachelor of Science in Business Administration major in Accounting at Sienna College. She is a Certified Public Accountant. She has 36 years of solid experience in Banking Industry with expertise and experience in Wealth Management Trust Operations and Accounting, Treasury Operations, Risk and Controls, Financial Accounting and Controls, Asset and Capital Management. Prior joining to Philippine Veterans Bank, she worked at HSBC, Solid Bank Corporation and Security Bank Corporation.

Alvaro M Punsalan, 53, Vice President since August 2018, is the Chief Information Security Officer of Risk Management Division. He has 27 years of work experience in the banking industry. Prior joining to PVB, he was the Chief Information Security Officer and Data Protection Officer/ AVP at Philippine Bank of Communication from 2015- 2018. He spent 24 years of his banking career with the Development Bank of the Philippines where he held positions such as Chief Information Security Officer/ VP, Compliance Monitoring Manager/M, Senior Internal Auditor/AM, Junior Internal Auditor and Internal Audit Assistant (1991-2015). His first job is at Masagana Superstore, Inc. as an Internal Audit Staff (1990-1991).

Mario L. Rabie, 58, Vice President since July 2019, is the Head of Credit Risk Department under Risk Management Division. He has been in Philippine Veterans Bank since July 2015. He obtained his Bachelor of Science in Business Management at Polytechnic University of the Philippines. He has 37 years working experience in Financial Institutions Industry. Prior to joining PVB, he was the Assistant Vice President and Head of Credit Department at Premier Bank. He worked at Trade & Investment Development Corporation of the Philippines as Credit Policy Supervision & Compliance Officer. He also worked as Account Officer in Omni

Savings Bank and Union Bank. He worked at PhilBank Corporation as Credit Review Officer. He started his career as Loan & Credit Analyst / Clerk at Development Bank of the Philippines.

Geraldine L. Romano, 52, Vice President since June 2019, is the Head of Sales & Services under Branch Banking Group. She has been in the Philippine Veterans Bank since June 1993. She obtained her Bachelor of Science in Commerce at Ateneo De Naga University. She started her career at Mirabella Hotel as Bookkeeper.

Jose Enrique L. Salvador, 57, Vice President since March 17, 2022, is the Head of Relationship Management Division 2 under Institutional Banking Group. He obtained his Bachelor of Arts in Economics and Masters in Business Administration degrees from the University of the Philippines, Diliman. Prior joining with PVB, he was the Assistant Vice President 2 / Team Head of Corporate & Investment Banking Group. He worked with various Banks such as China Banking Corporation as Lending Officer under Branch Banking Group and Security Bank as Relationship Manager & Enterprise Risk Manager. He also worked as an Account Officer with several Banks namely Metropolitan & Trust Co., Global Business Bank, Far Eastern Bank, Bank of the Philippine Islands, and City Trust Banking Corp.

Andres B. Saracho, 57, Vice President since May 1, 2022, is the Head of Veterans Affairs Office. He has been with Philippine Veterans Bank since October 2018. Prior to joining PVB, he was the Communications Director at MCA Philippines. He worked with CBK Power Co., Ltd as Community Relations Manager and with Edison Mission Energy Phil. as Research Analyst. He was the Assistant Manager for Investment Promotion at AB Capital Investment Corp. He graduated from the University of Sto. Tomas with the Degree of Bachelor of Science in Commerce major in Economics.

Eymard Ryan O. Sumulong, 41, Vice President since May 1, 2022, is the Head of IT Operations Division under Information Technology Group. He has been with PVB since October 2015. He graduated with a Bachelor's Degree in Computer Science from AMA Computer University, Makati. Prior to joining PVB, he was the former Senior Systems Specialist at Fujitsu Philippines, Inc. He worked with Accenture Inc. as Senior Software Engineer and Team Leader. He also worked as the Senior Desktop Administrator in Affiliated Computer Services. In First Advantage Philippines Inc., he was the Senior IT Associate and eventually became the IT Supervisor. He also worked with Integrated Network Services Inc. as part of the Technical Support team.

Johanna C. Tan, 50, Vice President effective January 16, 2023, is the Head, Commercial Banking Division under Commercial Banking Group. She graduated with a degree of BS computer Science at AMA Computer University. She is bringing with her 27 years of Banking experience in different banking industries such as Bank of Commerce, Rizal Commercial Banking Corp. and Philippine Business Bank. She was a former Center Head, Binondo Lending Center at Philippine Business Bank.

(d) Involvement in Legal Proceedings

None of the directors, nominees for election as director, executive officers or control persons of the Bank have been the subject of any (a) bankruptcy petition, (b) conviction by final judgment in a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, (c) order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities, which is not subsequently reversed, suspended or vacated, or (d) judgment of violation of a securities or commodities law or regulation by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, which has not been reversed, suspended or vacated, for the past five (5) years up to the date that is material to the evaluation of his ability or integrity to hold the relevant position in the Bank.

(e) Significant Employees

There are no significant employees other than those occupying executive positions.

(f) Family Relationship

There are no family relationships up to the fourth civil degree either of consanguinity or affinity among any of the directors, executive officers and persons nominated or chosen to become directors or executive officers.

(g) Relationships and Related Transactions

The Bank, in its regular course of trade and business, enters into transactions (mainly loans and sales/purchases) with its Directors, Officers, Stockholders, and Related Interests (DOSRI) and these are disclosed to the Bangko Sentral ng Pilipinas (BSP) in accordance with the Manual of Regulations for Banks.

All transactions of the Bank, whether with DOSRI, related parties or non-related parties, are conducted and entered into, in the Bank's best interest and on an "arm's length basis".

The Bank has the following subsidiaries and affiliates as of December 31, 2022:

Subsidiary	Percentage of Ownership	Country of Incorporation	Country of Incorporation	Principal Activities
Interinvest Projects, Inc.	100%	Philippines	Philippines	Property Development
New Rural Bank of Agoncillo, Inc.	97.7%	Philippines	Philippines	Rural Bank

Item 6. Compensation of Directors and Executive Officers

(a) Compensation of Directors

The Bank director/member and the Chairmen of the Board and the Board Committees receive a per diem for every Board or Board Committee meeting attended as follows:

Type of Meeting	Director	Vice-Chairman	Chairman of the Board
Board Meeting	₱50,000.00	₱55,000.00	₱150,000.00

Type of Meeting	Director	Vice-Chairman	Chairman of the Committee
Board Committee Meeting (except Executive Committee)	₱10,000.00		₱15,000.00
Executive Committee	₱30,000.00	₱40,000.00	₱80,000.00

In compliance with Section 29 of the Revised Corporation Code, the total compensation of each of the Company's directors as of December 31, 2022 is as follows:

Name of Director	Total Compensation Received by Directors ⁰³
Chairman Roberto F. De Ocampo	7,279,411.84
Vice Chairman Guillermo L. Parayno, Jr.	1,172,222.23
Gerardo Manuel Luis B. Anonas	1,189,473.69
Ma. Nieves R. Confesor ⁰¹	755,555.56
Judith V. Lopez ⁰¹	705,263.16
Francisco S. Magsajo, Jr.	1,283,333.33
Michael Democrito C. Mendoza	544,444.46
Jose A. Nunez, Jr. ⁰	1,216,666.65
Percianita G. Racho	1,252,631.57
Cesar A. Rubio ⁰	1,536,842.09
Ma. Cecilia G. Soriano ⁰²	622,222.22
Reynaldo V. Velasco	622,222.22

⁰ Independent Director (ID)

⁰¹ Finished ID term on 17 June 2022

⁰² Elected on 17 June 2022

⁰³ Consisting of the monthly allowance and per diem. Per diem is based on the directors' attendance in the Board and Board Committee meetings, and their Committee memberships for the period January 1 to December 31, 2021.

The Bank's By-Laws state that the directors are entitled to a compensation of not more than ten percent (10%) of the Bank's net income before income tax of the preceding year. However, members of the Board only receive a fixed allowance/honorarium for every meeting attended. The Board issued a Resolution in 2019 reducing the amount of honorarium per meeting.

(b) **Compensation of Executive Officers**

Name	Year	Salary	Bonuses & Other Compensation	Total
IN MILLION PESOS				
Total for the 5 highest compensated executive officers *	2022 (actual)	27.910	29.373	57.283
	2021 (actual)	27.583	23.196	50.780
	2020 (actual)	48.197	10.079	50.276
	2019 (actual)	27.563	31.364	58.972
	2018 (actual)	29.998	51.800	81.799
	2017 (actual)	28.164	28.999	57.163
Total for all officers	2022 (actual)	233.755	182.750	416.505
	2021 (actual)	214.118	203.489	417.607
	2020 (actual)	378.768	103.110	481.878
	2019 (actual)	221.424	218.023	439.448
	2018 (actual)	191.309	224.143	415.452
	2017 (actual)	187.191	199.117	386.308

Top 5 : Camille Maricelle Canullas, Roberto De Ocampo, Clodoveo Atienza, Maria Antonia Bacabac, Renato Claravall

Item 7. **Independent Public Accountants**

Changes in and Disagreements with Accountant on Accounting and Financial Disclosure

(EXTERNAL AUDIT FEES – MC No. 14, Series of 2004)

Punongbayan & Araullo (P & A Grant Thornton) is the newly appointed Bank's Independent accountant on its Board meeting held last 17 June 2022. The engagement team is headed by the partner in charge Mr. Jerald M. Sanchez.

(a) **Audit and Related Fees**

Fiscal Year	Audit and Related Fees
<i>2020 payments</i>	
For 2019 paid in 2020	P1,921,920.00
For 2020 paid in 2020	P3,277,120.00
<i>2021 payments</i>	
For 2020 paid in 2021	P3,141,600.00
For 2021 paid in 2021	P2,077,600.00

As of December 31, 2021, SGV & Co. has unbilled charges of P3,858,000.00 for 2021 audit which will be paid in 2022.

(b) **Other Fees**

Fiscal Year	Other Fees
For 2020 paid in 2020	P398,000.00
For 2021 paid in 2021	P280,000.00

The above fees pertain to: (a) Other assurance and related services by the External Auditor that are reasonably related to the performance of the audit or review of the Bank's financial statements; and (b) All Other Fees are for services other than the reported items under item (a) above

(c) **Audit Committees' Approval Policies and Procedures for the above fees**

The hiring of the Bank's external auditor is being evaluated by the Audit Committee upon a favorable endorsement from the Bank's President. Consistent with the provisions of the Code of Corporate Governance, the Audit Committee submits its nominated external auditor for Board approval and subsequently ratified by the shareholders during the annual stockholders' meeting.

Also, the Board of Directors approved the Bank's Financial Statements as of December 31, 2021 as audited by SGV & Co. Ernst & Young on **September 23, 2022**.

SGV & Co. Ernst & Young in its letter to the Bank's President dated September 6, 2021 confirmed that they are independent certified public accountants with respect to the Bank within the meaning of the Philippine Code of Professional Ethics for Certified Public Accountants promulgated by the Philippine Board of Accountancy and approved by the Philippine Professional Regulation Commission. Accordingly, none of the principal partners or associate of their firm holds or owns two percent or more of the Bank's equity.

(d) Changes In and Disagreements with Accountant on Accounting and Financial Disclosure

- **Name of the previous accountant or the handling partner in case of a firm**
 - Ray Francis C. Balagtas
 - SYCIP GORRES VELAYO & CO.
 - CPA Certificate No. 108795
 - Tax Identification No. 216-950-288
 - BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
 - SEC Partner Accreditation No. 108795-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. 08-001998-107-2020, November 27, 2020, valid until November 26, 2023
 - PTR No. 8853467, January 3, 2022, Makati City
- **Date of his resignation, dismissal or cessation from service:**
 - The appointment of the new auditor (P&A) was approved by the BOD and Stockholders in its meeting held on **May 25, 2022** and **June 17, 2022**, respectively, as endorsed by the Audit Committee.
 - The President (RAC) and FAG Head/Controller (FTP) informed the previous partner in writing dated **September 12, 2022** – (Annex "I")
 - Ray Francis C. Balagtas notify BSP in writing dated **October 26, 2022** in compliance with the reportorial requirements regarding termination of external auditor as stated under Appendix 39 of the MORB) – (Annex "J")
- **Reason for the cessation of service:**
 - Primary reason for the cessation of service is due to significant increase in audit fees compared to previous years.
- **Description of any disagreement on any matter of accounting principle or practices, FS disclosures, etc.**
 - No disagreements with previous auditor.
- **Letter from former accountant addressed to the Commission (exhibit)**
 - We only have the letter of previous auditor addressed to BSP – (Annex "I")

Item 8. Compensation Plans

Not Applicable.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

Not Applicable

Item 10. Modification or Exchange of Securities

Not Applicable

Item 11. Financial and Other Information

- (a) Brief Description of the general nature and scope of the business of the Bank, attached as Annex "A"
- (b) Market Information, Dividends, and Top 20 Stockholders, attached as Annex "B"
- (c) Discussion of Compliance with leading practice on Corporate Governance, attached as Annex "C"
- (d) Management's Discussion and Analysis or Plan of Operation, attached as Annex "D"
- (e) Statement of Management Responsibility for Financial Statements, attached as Annex "E"
- (f) Audited Financial Statements as of 2021, attached as Annex "F"
- (g) Interim Financial Statement as of 31 October 2022, attached as Annex "G"
- (h) Certificate of Qualifications of Independent Directors, attached as Annexes:

- H.1 Mr. Jose A. Nuñez, Jr.
- H.2 Mr. Cesar A. Rubio
- H.3 Ms. Ma. Cecilia G. Soriano
- H.4 Mr. Reynaldo V. Velasco

- (i) Letter of the President (RAC) and FAG Head/Controller (FTP) informed the previous partner in writing dated **September 12, 2022**, attached as Annex "I":
- (j) Letter of Mr. Ray Francis C. Balagtas notify BSP in writing dated **October 26, 2022** in compliance with the reportorial requirements regarding termination of external auditor as stated under Appendix 39 of the MORB), attached as Annex "J":

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

Not Applicable

Item 13. Acquisition or Disposition of Property

Not Applicable.

Item 14. Restatement of Accounts

Not Applicable.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

Approval of the following:

- (a) Stockholders' Agreement with RYM Business Management Corporation that will pave the way for the latter to infuse capital into the Bank
- (b) Conversion of Unclaimed Cash Dividends amounting to Php361,796,154 (as of December 31, 2022) into Stock Dividends

This will benefit shareholders, as stock dividends will form part of their total shareholdings where value per share will increase due to Bank's continued earnings (value per share); this will impact future cash dividend declarations.

The move will also benefit PVB as follows:

- Eliminates reconciling item on “Liability and Capital” portions of the Balance Sheet between PFRS Books (Capital) and Prudential Books (Liability)
- Increase in Capital under Prudential Books
- Improvement of Capital Adequacy Ratio (CAR) and Basel Leverage Ratio (BLR)

the proposal will be beneficial to existing stockholders, as the value of their shares will be enhanced. If the amount remains as unclaimed cash dividends, their value will remain the same until they are claimed

(c) Merger Between PVB and New Rural Bank of Agoncillo, Inc. (NAGON)

Item 16. Acts of Directors and Officers which are subject of Ratification by the Stockholders

Not Applicable. This was already presented during the Annual Stockholders’ Meeting held on June 17, 2022.

Item 17. Amendment of Charter, Bylaws or Other Documents

Not applicable. No proposals to amend the Bank’s Articles of Incorporation and/or By-Laws will be submitted to the stockholders for their ratification or approval.

Item 18. Voting Procedures

With respect to the election of the members of the Board of Directors, Article III, Section I (b), (c) & (d) of the Bank’s Amended By-Laws specifies that any stockholder who is not delinquent in his subscription shall be allowed to vote either in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact in accordance with the requirements of existing rules and regulations. The guidelines for voting, as approved by the Board, shall be followed.

Only verified stockholders will be allowed to vote, via electronic means or via proxy, for or against each of the items in the agenda. The votes will be tabulated by the Office of the Board Secretary and shall be validated by the Board Secretary, the Chief Audi Executive and the Head of the Legal Services Division.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 24th day of February 2023.

PHILIPPINE VETERANS BANK

By:

A black rectangular box redacting the signature of the Board Secretary.

Atty. JOCELYN GRACE N. NAVATO
Board Secretary

BUSINESS AND GENERAL INFORMATION

1. Description of Business

(a) Form and Year of Organization

On June 18, 1963, Republic Act (R.A.) No. 3518 was approved creating the Philippine Veterans Bank (hereafter referred to as "PVB" or "Bank"). The idea to establish a veterans' bank began in 1956 when the reparations agreement with Japan was concluded. It provided for payment by Japan to the Philippines the amount of US \$20 million in cash, US \$5 million in capital goods, and US \$10 million in services. Under Republic Act No. 1789, better known as the Reparations Act, the cash reparations were set aside into a special trust fund for the use of World War II veterans and their families. There were plans to split the funds evenly among all veterans, but legislators say that it is in the higher interest that the funds be invested in a bank that would service their needs. If the funds were split at the time, each veteran would get only one hundred pesos at the then-prevailing exchange rate of two pesos per U.S. dollar.

While PVB was conceived and created as a private bank exclusively owned by the World War II veterans, its enabling law also declared it to be a government depository as a gesture of appreciation by a grateful nation to the veterans for the sacrifices that they offered on the altar of freedom.

Under the PVB charter, the bank's subscribed capital of one hundred million pesos would be divided into 510,000 common shares and 490,000 preferred shares, all with a par value of one hundred pesos. All common shares were subscribed by the government on behalf of the veterans, their families and descendants, while the preferred shares were distributed for free among the veterans. Also, under PVB's charter, the members of the board would be appointed by the government during the first five years from the organization of the Bank pending the transfer of the common shares to the veterans. Thereafter, the World War II veterans owning PVB were to elect the members of the board in the manner prescribed by the Corporation Code.

However, even after the common stocks were transferred to the veterans, subsequent amendments to R.A. No. 3518, through a series of Presidential Decrees issued during the Martial Law era enabled the government to continue appointing board members. As a consequence, the right of the veterans to elect members of the board was curtailed, and they became PVB owners in name only. As history would later unfold, the Bank fell prey to political excesses during that era. Because of capital deficiency, PVB was closed by the Monetary Board of the Central Bank on April 10, 1983 and placed under receivership. Subsequently, it was placed under liquidation on June 17, 1985.

With the EDSA Revolution and through the initiative and determined efforts of the Veterans Federation of the Philippines (VFP), new Philippine government on January 2, 1992 passed Republic Act No. 7169, which would rescind all amendments made during the Martial Law era to the PVB charter. The law would revert back the PVB charter to its original state. Through the law, the veterans regained their rights as rightful shareholders of the bank, which were denied during the Marcos era. Since the law also understood that the veterans took no role in the failure of PVB, it allowed the restructuring of its locked government deposits, totaling 1.48 billion pesos at the time, into a seven-year loan. Unlike other banks of its classification, which were bailed out by the government, PVB had to rely on internal funds to keep its commercial banking license. Because of that, its authorized capital was raised to one billion pesos from the previous P100 million. Today, PVB has an authorized capital of five billion pesos.

On May 6, 1992, the Central Bank of the Philippines granted PVB the authority to operate as a private commercial bank. On July 3, 1992, Fidel V. Ramos, then Philippine President, symbolically opened PVB. Commercial operations began a month later.

Since reopening in 1992, PVB has enjoyed profitability and success even with its conservative investment stance. With its recapitalization, the original two shares of each veteran grew to 64 common and 10 preferred shares now with a combined value of P7,400. PVB also embarked on goodwill programs for World War II veterans such as free medical care. It also gives preference to veterans in banking transactions and to their descendants in hiring bank personnel. As part of its charter, PVB also provides 20% of its annual net income for the benefit of its shareholders.

Today, PVB is again a proud member of the banking community. In 2010, PVB became a member of [BancNet](#), the Philippines' largest interbank network. PVB successfully migrated to BancNet in April 2011. The migration to BancNet allowed its over 240,000 cardholders 24/7 access to PVB through the network's over 16,000 ATMs nationwide as well as access to BancNet services (BancNet Online, POS, Mobile Banking, E-Shopping, E-Load, e-Gov payments, i.e. SSS, Philhealth, BIR). As of December 31, 2020, PVB has a total of 140 ATMs (57 onsite and 83 Offsite) and 60 branches in key cities and municipalities nationwide.

On December 10, 2021, President Rodrigo R. Duterte signed the RA 11597 amending RA 3518 or the law creating the Philippine Veterans Bank. The law expanded the ownership of the Bank to all veterans as well as the private (non-veteran) sector and raised the equity of the Bank to P10 billion from P100 million of the old charter. This amendment will promote socio-economic security and general welfare of all Filipino war veterans and retired military personnel.

Based on the published Statements of Condition as of December 31, 2021, out of the 46 universal and commercial banks operating in the country, PVB ranked 26th in Assets with P52.174 Billion; 23rd in Deposits with P46.796 Billion; 45th in Capital Accounts with P1.047 Billion; and 27th in Loans with P17.814 Billion.

The Bank has the following subsidiaries and affiliates as of **December 31, 2022**:

Subsidiary	Percentage of Ownership	Country of Incorporation	Principal Activities
Intervest Projects, Inc.	100%	Philippines	Property Development
New Rural Bank of Agoncillo, Inc.	97.7%	Philippines	Rural Bank

2. **Business of Issuer**

(a) **Principal Products and Services.**

PVB's main products and services include deposit taking, lending to Local Government Units (LGUs) and other select Government Owned and Controlled Corporations (GOCCs), private corporations and middle market, housing loans, treasury and foreign exchange trading, trust and investment services, cash management services, salary loans, and pension loans.

The income from these products and services are divided into two main categories, namely: (1) net interest income from the Bank's deposit taking and lending and investment activities, which accounts for 76.01% of revenues; and (2) other income such as service charges, fees, commissions, trading gain, foreign exchange gain, trust fees, income from sale of acquired assets and other miscellaneous income which account for 23.99% of revenues, as of December 31, 2021.

The table below lists out and describes the various principal products or services of the Bank which contribute the majority of our sales or revenues:

PRODUCT	DESCRIPTION
Micro, Small & Medium Enterprises (MSME) Loan	Financial assistance program of PVB that can be extended to Micro, Small or Medium Enterprises to be used by the borrower as additional working capital, fixed asset expenditure and other business-related acquisitions or investments.
Salary Loan - Private Companies	Financial assistance program for the regular employees of registered private companies (sole proprietorships, partnerships, associations and other private corporations) with at least ten regular employees.
Salary Loan - Department of Education	Financial assistance program for the teaching and non-teaching employees of the Department of Education.

Salary Loan - Barangay	Financial assistance program for the Barangay Officials.
Back-to-Back Loan	Credit accommodation granted to Philippine Veterans Bank depositors against a hold-out on cleared and Unencumbered Peso/Dollar Savings or Time Deposits, Government Securities and other deposit products of the Bank except checking or current account.
Real Estate Equity Loan	Term loan secured by residential mortgage for various personal consumption purposes.
Real Estate Repeat Client Loan	Additional credit granted to selected PVB real estate loan accounts.
Contract-to-Sell Without Recourse	Credit facility available to Eligible Developers on a without recourse basis.
Developmental Loan	Term loan extended to a Real Estate Developer-Borrower to finance the development of residential subdivisions and/or construction of housing units and construction of residential condominiums/buildings fully secured by real estate mortgage over the project and additional property if required.
Contract-to-Sell Facility with Recourse	Term loan extended to a Real Estate Developer-Borrower fully secured by real estate mortgage and assignment of the Developer's installment receivables arising from the sale of the lot, house and lot, or condominium units.
Pension Loan	Financial package designed for Pensioners accredited by the Philippine Veterans Bank Administration Office (PVAO) to borrow against his/her monthly pension deposited with the bank and AFP Loan with deduction code from Armed Forces of the Philippines (AFP).
Interbank Call Loan Market/ Money Market	Serves the purpose of providing banks the facility to cover reserve requirements or lend excess funds.
Overnight Lending Facility – Interbank Trading	Monetary tool which allows the bank to obtain overnight liquidity from the BSP on an open-volume basis, against eligible government securities in order to quickly cover short-term liquidity requirements.
Overnight Deposit Facility– Interbank Trading	Monetary tool of the BSP where the bank may place fixed term deposits overnight to mop up excess liquidity.
Overnight Reverse Repurchase Facility– Interbank Trading	Monetary policy instrument by the BSP where it acts as a seller of government securities to the bank with a commitment to buy it back after a specific period of time at a specific rate.
Term Deposit Auction Facility–Interbank	Monetary tool of the BSP where it may accept fixed term

Trading	deposits from the bank and other participating entities. It will initially be offered in two tenure (7 and 28 days).
Treasury Bills	Government securities which mature in less than a year. Denominated in local currency and are direct, unconditional and fully guaranteed by the Republic of the Philippines. The yields are quoted at a discount.
Treasury Bonds	Government bonds which mature more than one (1) year which are sold at its face value on origination. Denominated in local currency and are direct, unconditional and fully guaranteed by the Republic of the Philippines. The yield is represented by coupons, expressed as percentage of face value on per annum basis, payable quarterly.
US Treasuries	US dollar securities issued by the United States of America. These are backed by full faith and credit of the issuing government, have low liquidity risk and almost zero credit risk.
Peso Corporate/ Institutional Bond	Debt obligations issued by corporations/institutions. These maybe either secured or unsecured. Corporate bonds usually yield more than government or agency bonds and are usually sold in book-entry form. Interest may be fixed, floating or the bonds may be zero-coupons. Interest on corporate bond is typically paid semi-annually and is fully taxable to the bondholder.
Republic of the Philippines Dollar Bonds	Long-term debt obligations of the Philippine Government denominated in United States Dollars (USD). These bonds yield fixed rate of interest (coupon) payable semi-annually for the entire life of the securities.
Retail Treasury Bonds	Government bonds which mature more than one (1) year denominated in local currency and are direct, unconditional and fully guaranteed by the Republic of the Philippines. These securities are sold at its face value on origination. The yield is represented by coupons, expressed as percentage of face value on per annum basis, payable quarterly.
Revolving Promissory Note Line	Credit line offered to private corporations, cooperatives and partnerships to augment their operating and working capital requirements. The offered promissory notes are with a term of up to 360 days.
Omnibus Line	Multi-purpose loan offered to private corporations, cooperatives and partnerships depending on their credit requirements.
Discounting Line	Credit line offered to private corporations, cooperatives and partnerships whose businesses normally accept postdated check payments which aims to quickly convert the client's postdated check collections into cash.

Domestic Bills Purchased Line

Credit line offered to private corporations, cooperatives and partnerships to convert their checks and bank drafts into cash by purchasing their checks, drafts, Treasury Warrants and other negotiable peso instruments.

Local Government Unit Loan

Financial assistance offered to local government of provinces, cities and municipalities in providing required basic services to the public which requires large capital expenditures that cannot be solely funded by their annual income alone.

Specifically, the Bank offers the following products and services:

Deposit Products and Cash Management Services**❖ Current Account, Savings Account, Time Deposits, Foreign Currency Deposits:**

- Regular Individual Passbook
- Regular Individual ATM
- PVB Employee Passbook
- PVB Employee ATM
- SSS/GSIS Pensioner Passbook
- SSS/GSIS Pensioner ATM
- USVA Pensioner Passbook
- USVA Pensioner ATM
- Veteran Pensioner Passbook
- Veteran Pensioner ATM
- Company Payroll Passbook
- Company Payroll ATM
- Company Payroll with SC Agreement Passbook
- Company Payroll with SC Agreement ATM
- OFW Global Remittance ATM
- OFW Global Remittance Passbook
- OFW Global Remittance US Dollar Passbook
- Trust RA 897 Savings Account Passbook
- VFP Associations Special Account with Passbook (interest-bearing)
- Kiddie Savings Account w/ Passbook (interest-bearing)
- Corporate w/ Passbook (Regular Account)
- Government w/ Passbook
- Individual FCDU Passbook (US Dollar)
- USVA Pensioner Passbook (US Dollar)
- Corporate Passbook (US Dollar)
- Regular Checking Account
- Special Checking Account (Interest Bearing)
- Special Checking Account with Passbook (Interest Bearing)
- OFW Special Checking Account (Interest Bearing)
- Regular Checking Account (Government)
- MDS Checking Account (Government)
- Case-to-Case Checking Account (Government & Interest Bearing)
- Special Account with Passbook (Government & Interest Bearing)
- Individual Premium Savings Deposit
- Corporate Premium Savings Deposit
- Government Premium Savings Deposit
- Individual Time Deposit (30, 60, 90, 180, 271 or 360 day term)
- Corporate Time Deposit (30, 60, 90, 180, 271 or 360 day term)
- Government Time Deposit (30, 60, 90, 180, 271 or 360 day term)
- Individual FCDU Time Deposit (30, 60, 90, 180, 271 or 360 day term)
- Corporate FCDU Time Deposit (30, 60, 90, 180, 271 or 360 day term)
- Government FCDU Time Deposit (30, 60, 90, 180, 271 or 360 day term)
- Individual Hyper-Saver Time Deposit
- Corporate Hyper-Saver Time Deposit
- Government Hyper-Saver Time Deposit
- Individual Maxi-Return Time Deposit
- Corporate Maxi-Return Time Deposit
- Government Maxi-Return Time Deposit
- Individual Advantage Plus Time Deposit
- Corporate Advantage Plus Time Deposit
- Government Advantage Plus Time Deposit
- CA Special Individual Interest Bearing
- SA Special Individual Interest Bearing
- CA Special Peso Statement Individual Interest Bearing
- AFP Pensioner ATM Pension Account

❖ **Cash Management Services:**

- Payroll Servicing Facility:
 - ATM and ATM IDs
- Biometric Units
 - NSL IN02 (Wall-mounted)
- Payroll System
- ATM Unit
 - Via Leasing
 - PVB owned (Lobby Type and Through the Wall)
- Deposit Pick-up
- Online Viewing Facility
- E-Gov Facility & Bancnet Online Tax Payment Gateway (BOTPG)
- POS Cash-out and Acquiring
- Intelligent Payment Machine
- Bills Payment Facility
- PVAO Door to Door Delivery
- DSWD Pantawid Pamilya Pilipino Program (4Ps) Payout
- Automatic Debit Arrangement
- Philhealth Payment Collection

❖ **Foreign Exchange**

- We offer foreign exchange services including spot, swaps and forward exchange contracts
- Subject to current BSP rules and regulations.
- Subject to approved Treasury (PSR) Limits.

❖ **Government Securities**

- Also known as sovereign bonds, these are certificates of indebtedness that are unconditionally guaranteed by the National Government and issued thru the Bureau of Treasury.

Treasury Bills

- Securities which mature in less than a year
- Three (3) tenors: 91 day, 182-day and 364-day bills

Treasury Bonds

- Securities which mature beyond 1 year
- Six (6) tenors: 2-year, 5-year, 7-year, 10-year, 20-year

❖ **RoP's Bonds**

- US Dollar denominated bonds issued by the Philippine Government.

❖ **Corporate Bonds**

- Corporate bonds are debt issued by corporations.

Security	Issuer	Minimum Amount	Coupon Rate	Tax
Treasury Bills	Bureau of Treasury	PHP 50,000.00	Discounted	20% withholding tax
Treasury Bond	Bureau of Treasury	PHP 50,000.00	Semi Annual or Quarterly	20% withholding tax
Corporate Bond	Corporation	Subject to Terms and Conditions of the Issuer	Subject to Terms and Conditions of the Issuer	Subject to Terms and Conditions of the Issuer
RoP Bond	Government	USD 50,000.00	Semi Annual	None

❖ **Loans and Financial Packaging Services**

- Back-to-back Loans
- Revolving Promissory Note Line (RPNL)
- Domestic Bills Purchase (DBP)
- Case-to-case DBP
- Term Lending
- Letter of Credit (LCs)

- Trust Receipt (TR)
- Open Account (OA)
- Document Against Payment (DP)
- Document Against Acceptance (DA)
- LGU Financing Program
- Purchase of Receivables

❖ **Trust Products & Services**

- Asset Management Services
 - Investment Management Accounts
 - Employee Benefit Trusts
 - Pre-need Plan Trusteeship
- Personal Trusts
 - Personal Management Trust
 - Estate Planning Services
 - Life Insurance Trust
- Trust and Other Fiduciary Services
 - Mortgage/Collateral Trust Indentures
 - Loan Facility Agency
 - Escrow
 - Guardianship - Administratorship

(b) Distribution Methods of Products and Services

PVB's products and services are made available to its clients through its offices, 61 branches nationwide, 191 ATMs, and for some services/products, thru its own ATMs or through other ATM networks. In 2010, PVB has joined BancNet, the largest interbank network in the Philippines.

PHILIPPINE VETERANS BANK BRANCHES

LIST OF BRANCHES

METRO MANILA BRANCHES

Northern Metro Manila Area

- | | |
|--------------------------|--|
| 1. ANTIPOLO BRANCH | - 182 P. Oliveros Street Barangay San Roque, Antipolo City 1870 |
| 2. CALOOCAN BRANCH | - Caloocan Judicial Building, 10th Avenue, Caloocan City |
| 3. CAMP AGUINALDO BRANCH | - PVB Building Boni Serrano Avenue Murphy Cubao, Quezon City 1109 |
| 4. CAMP CRAME BRANCH | - PVB Building Boni Serrano Avenue Camp Crame, Quezon City 1111 |
| 5. GAGALANGIN BRANCH | - PVB Building 2666 Juan Luna Street Gagalangin, Tondo, Manila 1012 |
| 6. MARIKINA BRANCH | - PVB Building G. Fernando corner Redwood Streets San Roque, Marikina City 2600 |
| 7. TAYTAY BRANCH | - Manila East Arcade 2 along Don Hilario Avenue, Taytay Rizal |
| 8. TIMOG BRANCH | - 130 Cabrera I Building Timog Avenue, Quezon City 1103 |
| 9. UP DILIMAN BRANCH | - Ang Bahay ng Alumni R. Magsaysay Avenue corner Balagtas Streets UP Diliman, Quezon City 1101 |

Southern Metro Manila Area

- | | |
|--|---|
| 10. IMUS BRANCH | - JSS Building E. Aguinaldo Highway, Bayan Luma IV, Imus, Cavite 4103 |
| 11. LAS PIÑAS BRANCH | - Units 101-103 The Palm Square Building Pamplona 3, Alabang-Zapote Road, Las Piñas City 1740 |
| 12. MAIN OFFICE SERVICE DEPARTMENT (MOSD) BRANCH | - G/F PVB Building 101 V.A Rufino corner Dela Rosa Streets Legaspi Village Makati City 1229 |
| 13. MUNTINLUPA BRANCH | - G/F CVA Building National Road Brgy Putatan, Muntinlupa City 1772 |
| 14. PARAÑAQUE BRANCH | - 8280 Buenamart Commercial Complex Dr. A. Santos Avenue Barangay San Isidro, Parañaque City 1700 |
| 15. PASAY BRANCH | - Holiday Plaza Commercial Unit 9B and 10A Arnaiz St. (Libertad) Cor. Fb Harrison, Pasay City. |

- 16. PORT AREA BRANCH - PPA Building A. Bonifacio Drive Port Area, Manila 1018
- 17. TAGUIG BRANCH - G/F VFP MDC Building Veterans Center, Western Bicutan Taguig City 1650

PROVINCIAL BRANCHES

LUZON BRANCHES

Central Luzon Area

- 18. BALANGA BRANCH - The Bunker, Capitol Compound, Brgy. Tejenhero, Balanga City, Bataan
- 19. BALIUAG BRANCH - PVB Building Rizal corner Barrera Streets Poblacion, Baliuag, Bulacan 3006
- 20. CABANATUAN BRANCH - G/F Ramos Building Maharlika Highway, Barrera District Cabanatuan City, Nueva Ecija 3100
- 21. CLARK BRANCH - Building 2435 E. Quirino Street, Clark Freeport Zone, Pampanga
- 22. MALOLOS BRANCH - Unit 1 & 2 MTKJ Building Paseo del Congreso, Brgy.
- 23. PANIQUE BRANCH - PVB building Zamora corner Burgos Streets Paniqui, Tarlac 2307
- 24. SAN FERNANDO, PAMPANGA BRANCH - Unit 2-3 The Peninsula Plaza MacArthur Highway, Dolores San Fernando City, Pampanga 2000

Northern Luzon Area

- 25. BAGUIO BRANCH - Pine Lake View Building, Rizal Park Road 1 corner Otek Street, South Road, Baguio City
- 26. DAGUPAN BRANCH - G/F CAP Building Burgos Street, Dagupan City, Pangasinan 2400
- 27. LA UNION BRANCH - PVB Building P. Burgos Street, Barangay Ilocanos Sur, San Fernando City, La Union 2500
- 28. LAOAG BRANCH - PVB Building Gen Segundo Avenue, Barangay 13 Laoag City, Ilocos Norte 2900
- 29. LINGAYEN BRANCH - RBP Building Avenida Rizal West Poblacion, Lingayen, Pangasinan 2401
- 30. SANTIAGO BRANCH - Eveready Building, Magsaysay St. corner Maharlika Highway, Victory Norte, Santiago City, Isabela 3311
- 31. TUGUEGARAO BRANCH - PVB Building Mabini corner Luna Streets Tuguegarao, Cagayan 3500

Southern Luzon Area

- 32. BATANGAS BRANCH - G/F CAP Building #53 Rizal Avenue Batangas City, Batangas 4200
- 33. CALAMBA BRANCH - PVB Building Crossing Barangay Real Calamba City, Laguna 4027
- 34. LEGAZPI BRANCH - PVB Building Peñaranda Street, Legazpi City, Albay 4500
- 35. LIPA BRANCH - SMB Building Brgy. Marauoy Lipa City, Batangas 4217
- 36. LUCENA BRANCH - G/F CAP Building C.T. Profugo corner Granja Streets Barangay V, Poblacion, Lucena City, Quezon 4301
- 37. NAGA BRANCH - PVB Building Elias Angeles Street Naga City, Camarines Sur 4400
- 38. PUERTO PRINCESA BRANCH - Rizal Avenue, Barangay Tanglaw Puerto Princesa City, Palawan 5300
- 39. SAN JOSE BRANCH - PVB Building Quirino corner Rizal Streets San Jose, Occidental Mindoro 5100
- 40. SAN PABLO BRANCH - LiAngelo Building, Km 80 Maharlika Highway, Brgy. San Rafael, San Pablo City, Laguna 4000
- 41. STO. TOMAS BRANCH - G/F Plaza Veridad Commercial Complex along J.P. Laurel Highway, Brgy. San Roque, Sto. Tomas, Batangas
- 42. TALISAY-SATELLITE BRANCH - Unit 101/ 102 Paseo de San Guillermo, Club Balai Isabel, Barangay Banga, Talisay, Batangas

VISAYAS BRANCHES

- 43. BACOLOD BRANCH - PVB Building General Lacson Street corner Cottage Road Bacolod City, Negros Occidental 6100

- | | |
|-----------------------|--|
| 44. CATARMAN BRANCH | - Ortiz Bldg., Eusebio Moore cor. Bonifacio Sts., Brgy. Mabolon, Catarman 6400 |
| 45. CEBU BRANCH | - G/F PVB Building Osmeña Boulevard Cebu City, Cebu 6000 |
| 46. DUMAGUETE BRANCH | - PVB Building Percides corner San Juan Streets Dumaguete City, Negros Oriental 6200 |
| 47. ILOILO BRANCH | - PVB Building Valeria corner Delgado Streets Iloilo City, Iloilo 5000 |
| 48. KALIBO BRANCH | - Ruiz-Igtanloc Building Capitol Site Kalibo, Aklan 5600 |
| 49. MANDAUE BRANCH | - Unit 103-106 Arcada 5, Lopez Jaena National Highway Tipo, Mandaue City |
| 50. ROXAS BRANCH | - PVB Building Legaspi corner P. Gomez Streets Roxas City, Capiz 5800 |
| 51. TACLOBAN BRANCH | - PVB Building Justice Romualdez Street Tacloban City, Leyte 6500 |
| 52. TAGBILARAN BRANCH | - PQVC Business Plaza C.P Garcia Avenue Tagbilaran City, Bohol 6300 |

MINDANAO BRANCHES

- | | |
|---------------------------|--|
| 53. BUTUAN BRANCH | - JC Aquino Avenue corner Imadejas Subdivision Butuan City, Agusan del Norte 8600 |
| 54. CAGAYAN DE ORO BRANCH | - PVB Building R.N Abejuela corner Tiano Brothers Streets Cagayan de Oro City, Misamis Oriental 9000 |
| 55. DAVAO BRANCH | - PVB Building CM Recto Street, Barrio Sexy, Davao City, Davao 8000 |
| 56. GENERAL SANTOS BRANCH | - Tri-star Building I. Santiago Boulevard General Santos City, South Cotabato 9500 |
| 57. KIDAPAWAN BRANCH | - CAP Building, Quezon Blvd. (National Highway) corner Datu Matalam Street, Kidapawan City, North Cotabato |
| 58. KORONADAL BRANCH | - YMEI Building General Santos Drive Koronadal, South Cotabato 9506 |
| 59. PAGADIAN BRANCH | - KC Building, Rizal Avenue, Balangasan District, Pagadian City, Zamboanga del Sur 7016 |
| 60. VALENCIA BRANCH | - Ground Floor GV Hotel, Triple J Building, Sayre National Highway, Valencia, Bukidnon |
| 61. ZAMBOANGA BRANCH | - PVB Building Governor Lim Avenue corner Saavedra Streets, Zamboanga City, Zamboanga del Sur 7000 |

LIST OF ATMS

NORTH METRO MANILA (ON-SITE)

- | | |
|----------------------|--|
| 1. Camp Aguinaldo | - Boni Serrano Ave., Camp Aguinaldo, Quezon City |
| 2. Camp Crame | - Boni Serrano Ave., Camp Crame, Quezon City |
| 3. Gagalangin Branch | - PVB bldg., 2666 j. Luna Street, Gagalangin, Tondo, Manila |
| 4. Timog | - 130 Cabrera I Bldg., Timog Avenue, Quezon City |
| 5. Marikina | - PVB Bldg. A. Tuazon corner Redwood St. San Roque, Marikina City 2600 |
| 6. Antipolo | - Unit 1-4, BAJ Building, P. Oliveros St., Antipolo City, Rizal |
| 7. Caloocan | - Caloocan Judicial Building, 10th Ave. Caloocan City |
| 8. UP Diliman Branch | - Ang Bahay ng Alumni R. Magsaysay Avenue corner Balagtas Streets UP Diliman, Quezon City 1101 |

NORTH METRO MANILA (OFF-SITE)

- | | |
|---|---|
| 9. Camp Aguinaldo (AFPFC MPC) | - AFP FC MPC Bldg. Main Entrance Boni Serrano 18th Ave., Q.C. |
| 10. Marikina (Marikina City Hall 1) | - Marikina City Hall, Marikina City |
| 11. Marikina (Marikina Cityhall 2) | - Marikina City Hall, Marikina City |
| 12. Marikina (Brgy. Concepcion 1) | - Brgy. Concepcion Uno Hall Entrance J. Flora St., Marikina City |
| 13. Marikina (Marikina Finance Bldg.) | - Shoe Ave. Sta Elena, Marikina City Finance Bldg. City Hall Grounds |
| 14. Marikina (Sports Plaza) | - Marikina Sports Park, Jacamar St., Brgy. Sta. Elena, Marikina City |
| 15. UP Diliman (Lung Center of the Phil.) | - Lung Center of the Philippines, Quezon Ave., Quezon City |
| 16. UP Diliman (Philhealth Pasig) | - 15th floor, City State center, 709 Shaw Blvd., Pasig City |
| 17. UP Diliman (NHA 1) | - National Housing Authority Elliptical Road, Quezon City |
| 18. UP Diliman (NHA 2) | - National Housing Authority Elliptical Road, Quezon City |
| 19. UP Diliman (Philhealth Quezon Ave.) | - Corporate 145 Building, 145 Mother Ignacia St., Brgy. South Triangle, Quezon City |

- | | | |
|-----|-------------------------------------|--|
| 20. | UP Diliman (Cashiers Office) | - UP Coop Bldg., UP Campus, Diliman, Quezon City |
| 21. | Marikina (Rizal Provincial Capitol) | - Rizal Provincial Capitol, Circumferential Road, Antipolo City, Rizal |
| 22. | Aguinaldo (PVAO) | - PVAO, PVAO Bldg., Camp Gen. Emilio Aguinaldo, Murphy, Cubao, Quezon City |
| 23. | Antipolo (Binangonan Municipal) | - Municipality of Binangonan, Binangonan Rizal |
| 24. | Crame (Dep-Ed Cainta) | - DepEd Region 4-a office Karangalan village Cainta, Rizal |
| 25. | Marikina (Rodriguez Municipal) | - Municipality of Rodriguez (formerly Montalban, Rizal) |
| 26. | Marikina (Rodriguez Municipal 2) | - Municipality of Rodriguez (formerly Montalban, Rizal) |
| 27. | Timog (LRA) | - East Ave, Cor. Nia Road, Diliman, Quezon City |
| 28. | Marikina (PLMar-1) | - PLM, Brazil St. Greenheights Subd. Concepcion Uno, Marikina City |
| 29. | Timog (PNR) | - PNR Executive Bldg., Mayhaligue street corner Dagupan Street, Tondo, Manila |
| 30. | Antipolo (Antipolo City Hall) | - Antipolo City Hall, Antipolo City, Rizal |
| 31. | Marikina (PLMar-2) | - PLMAR (New Campus) Rainbow cor. Russet street SSS village, Concepcion Dos, Marikina City |
| 32. | Timog (NEA) | - National Electrification Authority, NEA BLDG, NIA Road Govt Center Diliman Quezon City |
| 33. | Antipolo (Binangonan – BRCC) | - BRCC, Manila East Road, Barangay Batingan, Binangonan Rizal |
| 34. | Marikina (Kalayan PHIC) | - 3rd Floor VCP Bldg., 68 Kalayaan Ave. Teachers Village West Quezon City |
| 35. | Antipolo (Antipolo City Hall 2) | - 2nd Floor Antipolo City Hall, Antipolo City, Rizal |
| 36. | Antipolo (Rizal Provincial Ynares) | - Ynares Complex Circumferential Road Brgy. San Roque, Antipolo City |
| 37. | Antipolo (Binangonan Municipal 2) | - Municipality of Binangonan, Binangonan Rizal |

SOUTH METRO MANILA (ON-SITE)

- | | | |
|-----|-------------------------|---|
| 38. | MOSD-Head Office (H.O.) | - 101 Rufino cor. Dela Rosa St., Legaspi Village, Makati City |
| 39. | Pasay Branch | - Unit 9-B and 10-A, Liberty Commercial Center, Libertad Street, Pasay City |
| 40. | Taguig | - Veterans Center, Taguig, Metro Manila |
| 41. | Taguig 2 | - Veterans Center, Taguig, Metro Manila |
| 42. | Port Area 1 | - PPA Building A. Bonifacio Drive, South Harbor Port Area, Manila |
| 43. | Port Area 2 | - PPA Building, PMO Office, South Harbor, Manila |
| 44. | Paranaque Branch | - Buenamart Commercial Complex Dr. A. Santos Avenue Barangay San Isidro, Parañaque City |
| 45. | Muntinlupa | - CVA Bldg. National H-way Muntinlupa City |
| 46. | Las Pinas Branch | - Units 101-103 The Palm Square Building Pamplona 3, Alabang-Zapote Road, Las Piñas City 1740 |
| 47. | Imus Branch | - JSS Building E. Aguinaldo Highway, Bayan Luma IV, Imus, Cavite 4103 |

SOUTH METRO MANILA (OFF-SITE)

- | | | |
|-----|--|--|
| 48. | Muntinlupa (Muntinlupa – San Pedro) | - San Pedro Municipal Govt., New Municipal Hall, Cataquiz1, Brgy. Pablacion, San Pedro, Laguna |
| 49. | Taguig (Taguig City hall) | - Taguig City Hall, Taguig City, Metro Manila |
| 50. | Port Area (North Harbor) | - Pier 8, Marcos Road, North Harbor, Tondo Manila |
| 51. | Port Area (South Harbor) | - Marsman Bldg. MDSF St., South Harbor Port Area Manila |
| 52. | Muntinlupa
(Muntinlupa - Ospital ng Muntinlupa) | - Ospital ng Muntinlupa, Civic Drive Filinvest Corp. City, Alabang, Muntinlupa City |
| 53. | Imus (Trece Martirez) (GRG) | - Trece Martires City Hall, Brgy. San Agustin, Trece Martires City, Cavite |
| 54. | Imus (Trece Martirez 2 (GRG) | - Trece Martires City Hall, Brgy. San Agustin, Trece Martires City, Cavite |

CENTRAL LUZON (ON-SITE)

- | | | |
|-----|---------------------|--|
| 55. | Clark 1 Branch | - Bldg. 2435 Elpidio Quirino St, Clarkfield, Pampanga |
| 56. | Clark 2 Branch | - Bldg. 2435 Elpidio Quirino St, Clarkfield, Pampanga |
| 57. | San Fernando Branch | - Unit 3-4 The Peninsula Plaza, McArthur Highway, Dolores, San Fernando City, Pampanga |

- 58. Paniqui Branch - PVB Building, corner Burgos Streets Paniqui, Tarlac
- 59. Baliuag Branch - PVB Bldg., Rizal corner Barrera Street, Poblacion, Baliuag City, Bulacan
- 60. Balanga Branch - Saver's Digital Hub Appliance Depot Building, Rizal Ave., Tapinac, Olongapo City
- 61. Malolos Branch - MTKJ Bldg., Paseo del Congreso, Brgy. Catmon, Malolos City, Bulacan
- 62. Cabanatuan Branch - G/F Ramos Building Maharlika Highway, Barrera District Cabanatuan City, Nueva Ecija 3100

CENTRAL LUZON (OFF-SITE)

- 63. Clark (CDC Office) - Bldg. 2122 Elpidio Quirino St. Clark Freeport Zone, Philippines
- 64. San Fernando (Pampanga Provincial) - Provincial Capitol of Pampanga (outside Benigno Aquino Hall Area) Capitol Boulevard, San Fernando, Pampanga
- 65. Cabanatuan (Cabanatuan City Hall) - City Government of Cabanatuan, Cabanatuan City
- 66. Cabanatuan (NEECO) - Nueva Ecija Electric Cooperative, Talavera, Nueva Ecija
 - i. Paniqui - Municipal Hall of Gerona, Gerona, Tarlac
- (Gerona Municipal)
- 67. Paniqui (Gerona Municipal 2) - Municipal Hall of Gerona, Gerona, Tarlac
- 68. Paniqui (Paniqui Municipal) - Municipal Building Compound Frontage Parking Area, Tarlac
- 69. Baliuag (Angat Municipal) - Municipality of Angat, Angat, Bulacan
- 70. Baliuag (Angat Municipal 2) - Municipality of Angat, Angat, Bulacan
- 71. Baliuag (Bustos Municipal) - BMA Avenue, Poblacion Bustos, Bulacan
- 72. Balanga (Victory Liner) - Ground Floor, Victory Central Station Anonas S. Cor. 18 West BajacBajac
- 73. Maloloas Branch (Calumpit Municipal) - Purok Uno, Barangay San Marcos, Calumpit, Bulacan

NORTH LUZON (ON-SITE)

- 74. Dagupan Branch - Ground Floor, CAP Bldg., Burgos St., Dagupan City, Pangasinan
- 75. Tuguegarao Branch - Mabini cor. Luna St., Tuguegarao
- 76. La Union Branch - P. Burgos St., San Fernando La Union
- 77. Lingayen Branch - RBP Building, Avenida Rizal West, Poblacion, Lingayen, Pangasinan
- 78. Baguio Branch - Cariño corner Otek Sts., Baguio City 2600
- 79. Laoag Branch - PVB Bldg., Segundo Avenue, Laoag City, Ilocos Norte
- 80. Santiago Isabela Branch - Bretania Building Camacam corner Turingan Streets Centro East, Santiago City, Isabela 3311

NORTH LUZON (OFF-SITE)

- 81. Dagupan (San Jacinto Municipal) - Municipal Hall, San Jacinto, Poblacion San Jacinto, Pangasinan
- 82. La Union (La Union DepEd) - Florez Street, Catbangan, City of San Fernando, La Union
- 83. Lingayen (LGU Lingayen) - Municipality of Lingayen, Poblacion, Lingayen, Pangasinan
- 84. La Union (ITRMC) - Ilocos Training Regional Medical Center Bldg., Brgy. Parian, San Fernando City, LU
- 85. La Union (LGU Bauang) - Central West Bauang, La Union
- 86. Baguio (Baguio City Hall 1) - Kayang St. Ext., Baguio City
- 87. Baguio (Baguio City Hall 2) - Kayang St. Ext., Baguio City
- 88. Santiago (DVMC) - De Vera Medical Center, Santiago City Isabela

SOUTH LUZON (ON-SITE)

- 89. Calamba Branch - Crossing, Brgy. Real, Calamba City
- 90. Lipa Branch - SMB Building, Brgy. Marawoy, Lipa City, Batangas

91. Lucena Branch - G/F CAP Building C.T. Profugo corner Granja Streets Barangay V, Poblacion, Lucena City, Quezon
92. Batangas Branch - Ground Floor, CAP bldg. Unno P. Burgos cor. Calle Alegre Street, Batangas City
93. Naga Branch - PVB Building, Elias St., Naga City
94. Palawan Branch - PVB Bldg., Rizal Ave., Puerto Princesa City, Palawan
95. Palawan Onsite 2 - PVB Bldg., Rizal Ave., Puerto Princesa City, Palawan
96. Legaspi Branch - PVB Bldg., Peñaranda Street, Legaspi City
97. Talisay Branch - Unit 101 / 102 Paseo de San Guillermo, Club Balai Isabel, Talisay, Batangas
98. San Jose Branch - PVB Building Quirino corner Rizal Street San Jose, Occidental Mindoro 5100
99. San Pablo Branch (GRG) - Azores Building Lopez Jaena corner Regidor Streets San Pablo City, Laguna 4000

SOUTH LUZON (OFF-SITE)

100. Calamba (UPLB Student Union) - UPLB Students Union Bldg. UPLB, Los Baños, Laguna
101. Calamba (UP Open Univ.) - UP Open University, Los Baños Laguna
102. Calamba (Calamba City Hall) - Calamba Cityhall Calamba Laguna
103. Lipa (San Pascual Municipal) - San Pascual Public Market, Bauan-Batangas Prov. Rd, San Pascual, Batangas
104. Lipa (Malvar Municipal) - Malvar Municipal Hall, San Pioquinto, Malvar Batangas
105. Lipa (San Pascual Municipal) - San Pascual Public Market, Bauan-Batangas Prov. Rd, San Pascual, Batangas
106. Lucena (Lucena PHIC) - Philhealth Office, Lucena Grand Terminal, Brgy. Ilayang, Dupay, Lucena City
107. Lucena (Tayabas Municipal) - J.P. Rizal, Tayabas Municipal, Tayabas, Quezon
108. Lucena (Tayabas Municipal 2) - J.P. Rizal, Tayabas Municipal, Tayabas, Quezon
109. Lucena (PPA PMO Marquez) - New Operation Building Talaw-talaw Port Area, Lucena City
110. Batangas (Lobo Municipal) - Lobo Municipal, Lobo, Batangas
111. Batangas (Batangas Provincial) - Batangas Capitol Site, Batangas City, Batangas
112. Batangas (Batangas Provincial 2) - Batangas Capitol Site, Batangas City, Batangas
113. Batangas (Batangas Provincial 3) - Batangas Capitol Site, Batangas City, Batangas
114. Batangas (PPA Batangas) - Port Access Road, Diversion Calicanto, Batangas City
115. Batangas (Rural Bank of NAGON) - ALCANTARA STREET, AGONCILLO PROVINCE OF BATANGAS
116. Naga (BMC) - Bicol Medical Center BMC Compound Concepcion Pequena, Naga City
117. Naga (BISCAS) - BISCAS, Penafrancia Ave, Naga City
118. Naga (Naga Magarao) - Municipality of Magarao, Camarines Sur
119. Naga (Milaor Municipal) - Municipal Hall, Sto. Domingo, Milaor Camarines Sur
120. Naga (Canaman Municipal) - Municipal Bldg., Brgy. Dinaga Canaman, Camarines Sur
121. Naga (Minalabac Municipal) - Municipal Bldg., Brgy. San Juan San Lorenzo Minalabac, Camarines Sur
122. Palawan (Hospital ng Palawan) - 220 Malvar Street Barangay San Miguel, Puerto Prinsesa City
123. Palawan (Palawan Municipal) - Provincial Government of Palawan
124. Legazpi (BRTTH) - Bicol Regional Training and Teaching Hospital Rizal St., Legaspi City
125. Legazpi (BRTTH2) - Bicol Regional Training and Teaching Hospital Rizal St., Legaspi City
126. Legazpi (Legazpi City Hall) - Legazpi City Government, Legazpi City, Albay
127. Legazpi (Legazpi City Hall 2) - Legazpi City Government, Legazpi City, Albay
128. Legazpi (Sto Domingo Municipal) - Brgy. San Vicente, Sto Domingo, Albay

VISAYAS (ON-SITE)

129. Cebu Branch - Jones Avenue, Cebu City (right beside PS Bank and adjacent to the SSS Bldg.)
130. Iloilo Branch - PVB Bldg., Valeria cor. Delgado Sts., Iloilo City
131. Bacolod Branch - PVB Bldg., Gen. Lacson St. corner Cottage Road, Bacolod City
132. Mandaue Branch - Aracada 5, Lopez Jaena National Highway Atipolo, Mandaue City
133. Dumaguete Branch - Perdices corner San Juan Streets, Dumaguete City
134. Roxas Branch - PVB Building Legaspi corner P. Gomez Streets Roxas City, Capiz

- 135. Catarman Branch - 108 Jacinto Street Barangay Molave Catarman, Northern Samar
- 136. Tagbilaran Branch - PQVC Business Plaza C.P Garcia North Avenue Tagbilaran City, Bohol 6300
- 137. Kalibo Branch - Ruiz-Igtanloc Bldg., Provincial Capitol, Kalibo, Aklan
- 138. Tacloban Branch (GRG) - PVB Building Justice Romualdez Street Tacloban City, Leyte 6500
- 139. Tacloban Branch 2 (GRG) - PVB Building Justice Romualdez Street Tacloban City, Leyte 6500

VISAYAS (OFF-SITE)

- 140. Cebu (UP Cebu) - University of the Phil. Cebu, Lahug, Cebu City, Cebu
- 141. Cebu (Cebu Phic) - Golden Pick Hotel, Gorordo Ave. Cebu City
- 142. Tacloban (Philhealth Tacloban) - Philhealth Iloilo, Tacloban City
- 143. Tacloban (Tanauan Municipal) - 888 Real St. Tanauan Municipality of Tanauan Municipal Hall
- 144. Bacolod (LGU) - Barangay Poblacion, Bago City Bago City Coliseum
- 145. Bacolod (LGU 2) - Barangay Poblacion, Bago City Bago City Coliseum
- 146. Mandaue (Mandaue City Hall) - Mandaue City Hall, Centro Mandaue, Mandaue City, Cebu
- 147. Dumaguete (PPA Dumaguete) - PPA-PMO Negros Oriental Port Area Looc, Dumaguete City
- 148. Dumaguete (Dumaguete City Hall) - Dumaguete City Hall, Sta. Catalina Street Dumaguete City
- 149. Dumaguete (Dumaguete City Hall 2) - Dumaguete City Hall, Sta. Catalina Street Dumaguete City
- 150. Dumaguete (Dumaguete City Engineer Office) - Port Area Looc Dumaguete City Negros Oriental
- 151. Roxas (Munisipyo ng Dumalag) - Poblacion, Dumalag, Capiz, Munisipyo ng Dumalag
- 152. Kalibo (Banga Municipal) - Banga Municipal Hall, Rosal Street, 5601, Banga, Aklan
- 153. Tagbilaran (Panglao Municipal) - Municipal Bldg. of Panglao, Panglao Bohol
- 154. Tagbilaran (Anda Bohol Municipal) - Anda Bohol Municipal
- 155. Kalibo (Aklan Provincial (Jetty Port) (GRG)) - Barangay Caticlan, Malay Aklan Caticlan Jetty Port

MINDANAO (ON-SITE)

- 156. Davao Recto Branch - CM Recto Street, Davao City
- 157. Cagayan De Oro Branch - PVB Bldg., Abejuela cor. Tiano Bros. Street Cagayan de Oro City
- 158. Zamboanga Branch - Gov. Lim Ave. Cor. Saavedra St., Zamboanga City, Zamboanga
- 159. Zamboanga Branch 2 - Gov. Lim Ave. Cor. Saavedra St., Zamboanga City, Zamboanga
- 160. Gen. Santos Branch - Naranjita St., General Santos City
- 161. Gen. Santos Branch 2 - Naranjita St., General Santos City
- 162. Butuan Branch - PVB Bldg., National Highway, JC Aquino Ave. cor. Emadejos Road, Butuan City
- 163. Koronadal Branch - YMEI Bldg., General Santos Drive, Koronadal, South Cotabato
- 164. Pagadian Branch - JAVAVED Business Corp. Bldg., Rizal Avenue, Pagadian City, Zamboanga Del Sur
- 165. Kidapawan Onsite - CAP Building, Quezon Blvd. corner Datu Matalam Street, Kidapawan City, North Cotabato
- 166. Valencia Branch - Ground Floor GV Hotel, Triple J Building, Sayre National Highway, Valencia, Bukidnon

MINDANAO (OFF-SITE)

- 167. Davao (Philhealth Davao) - Valgosons Building, Bolton Extension, Poblacion, Davao City
- 168. Davao (PPA Davao) - PPA Davao, Km. 10 Sasa, Davao City
- 169. Davao (PPA Davao 2) - PPA Davao, Km. 10 Sasa, Davao City
- 170. Zamboanga (DECS) - DECS Region 9 Office, Normal Street., San Jose Road, Zamboanga
- 171. Zamboanga (Zamboanga DOH) - Upper Calarian Zamboanga City
- 172. Gensan (PPA Gensan) - Macarwharf, Brgy. Labangan, General Santos City.
- 173. Gensan (Gensan GSC Temp) - GSC Teachers and Employees Multipurpose coop. GSCES, Quirino Ave., Brgy. South, Gensan City, South Cotabato
- 174. Gensan (Gensan Deped) - Tiongson St. Lagao General Santos City

- | | |
|---|---|
| 175. Butuan (Aneco) | - Aneco Bldg., J.C. Aquino Ave., Brgy. Bayanihan, Butuan City, Agusan del Norte |
| 176. Butuan (PPA Butuan) | - Port Area, Brgy. Talisay, Nasipit, Agusan del Norte |
| 177. Butuan (Carmen Municipal) | - Treasurer's Office, Municipal Hall, Municipality of Carmen, Agusan Del Norte |
| 178. Koronadal
(South Cotabato Provincial) | - Provincial Capitol of South Cotabato, Koronadal City, South Cotabato |
| 179. Koronadal (Koronadal Cityhall) | - Gensan Drive, Brgy. Zone III, City of Koronadal |
| 180. Koronadal (Surallah Municipal) | - Sangguniang Bayan Session Road, Barangay Libertad Surallah, South Cotabato Province |
| 181. Pagadian
(Zamboanga Del Sur Provincial (GRG)) | - Capitol Building Sto Nino District, Pagadian City |
| 182. Pagadian
(Sangguniang Panlalawigan (GRG)) | - Ground Floor Sangguniang Panlalawigan Bldg., Pagadian City |
| 183. Pagadian (Deped Pagadian) | - PCCA Government Center Balintawak Pagadian City |
| 184. Kidapawan (Makilala Municipal) | - Municipal of Makilala, North Cotabato |

3. Status of Publicly Announced New Products and Services

Not applicable

4. Competition

PVB faces competition from both domestic and foreign banks that operate in the Philippines. In light of such competitive environment, PVB focuses on its key strength as a government depository as mandated in its charter. In the past, the business models it adopted are focused in leveraging this competitive advantage. This makes the Bank a strong player in its chosen businesses.

As the years went by, the Bank's exclusive right as the only commercial bank that is allowed to serve both public and private entities gives the perception that it is a government bank exclusive for the veterans. In changing this image, the Bank launched its "Bank with a Heart for Every Filipino" in 2016 and along this line, the Bank targets new customers which are less serviced by big banks to ensure that it is profitable enough to fulfill its commitment in delivering a certain percentage of its profit to the World War II veterans.

PVB is also keen on providing services to the Armed Forces of the Philippines and all its branches including the Philippine National Police, Philippine Coast Guard; and its personnel, both active and retired, as well as their families, and the communities they belong to.

Additionally, the bank continues to provide loans to LGUs and selected GOCCs, including salary loans to their employees, middle market loans, selective corporate lending, housing loans, trading of fixed-income instruments and foreign exchange. By being focused on its areas of strength, the Bank is able to properly concentrate its resources and capital to ensure service excellence and good risk management and corporate governance.

5. Transactions with and/or dependence on related parties

Except in the ordinary course of business such as DOSRI loans, there are no material transactions with and/or dependence on related parties. These loans and other transactions are in accordance with the Bank's policy and 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. Refer to Note 25 of the attached 2021 Audited Financial Statements of PVB for the details of related party transactions. This includes but not limited to insurance on loans and Project Management for construction and renovation of the branches.

6. Trademarks, Licenses, Franchises, etc.

The Bank is also not dependent on any patents, trademarks, copyrights, licenses, franchises, and royalty agreements. However, PVB, to the exclusion of all other banks, has the exclusive right to use the word "veterans" in its name or title pursuant to Section 25 of R.A. No. 3518.

7. Sources and Availability of Raw Materials and the names of principal suppliers.

Not applicable.

8. Disclose how dependent the business is upon a single customer or a few customers.

As a government depository bank, PVB's bulk of deposit business is from LGUs and other government agencies, which account for 47.03% of its total deposit liabilities as of December 31, 2021. While a loss of government depository status will impact on PVB's deposit business, such a scenario is very much unlikely and remote since the government depository status was conferred by law, and any revocation will require amendment of its charter. In addition, the Department of Finance has revoked its rule that requires national agencies, state-run corporations and local government units to deposit their funds only in government financial institutions.

9. Need for any government approval of principal products or services.

The Bank regularly obtains approvals and permits from regulatory bodies and agencies, as applicable, prior to the offering of its products and services to the public.

10. Effect of existing or probable governmental regulations on the business

As a domestic commercial bank, PVB is governed by the law that created it, the rules and regulations of the BSP, SEC, PDIC, Anti-Monetary Laundering Council, and other government regulators. The Bank observes and complies with all applicable government laws, rules and regulations.

11. Amount spent on research and development activities

There are no major expenses on research and development activities, and these are just incorporated into the ordinary business expense of the Bank

12. Cost and effect of compliance with environmental laws.

Not Applicable.

13. Total number of employees

PVB's manpower complement (excluding contractual employees) is shown below:

Functions	2021			2020			2019		
	Officer	Staff	Total	Officer	Staff	Total	Officer	Staff	Total
Marketing	99	22	121	211	219	430	191	263	454
Operations	94	292	386	36	176	212	47	206	253
Technical	34	25	59	75	87	162	39	22	61
Support	102	142	244	36	22	58	58	70	128
Oversight	30	17	47	31	22	53	23	23	46
Total	389	498	887	389	526	915	358	584	942

PVB has concluded its negotiation of the economic provisions with the New Philippine Veterans Bank Employees Union (NPVBEU), effective September 1, 2020 to August 31, 2025.

Year 2015-2021 CBA

September 01, 2015	August 31, 2016	1,000	First 3 years - Economic Provisions
September 01, 2016	August 31, 2017	1,000	
September 01, 2017	August 31, 2018	1,000	
September 01, 2018	August 31, 2019	950	4th Year Salary Increase

		13,000	(1) time Contract –Signing Goodwill Bonus (taxable)
September 01, 2019	August 31, 2020	1,000	5th Year Salary Increase
September 01, 2020	August 31, 2021	0	CBA year 1: No salary increase
September 01, 2021	August 31, 2022	15,000	CBA year 2: No salary increase <u>Signing Bonus</u> Php10,000.00 – payable upon the signing of this agreement Php 5,000.00 – payable on or before June 30, 2022

MARKET INFORMATION AND RELATED MATTERS

1. Market Information

The Bank's shares are not traded in the stock exchange.

There was no sale of any securities made by the Bank within the last three (3) years.

The book value of the Bank's shares for the last five (5) years is as follows:

2021	2020	2019	2018	2017
87.16	142.02	161.47	126.80	146.97

❖ Principal market where the equity is traded

Not Applicable

❖ Market Value

Not Applicable

2. Holders

The total number of shareholders on record (Common & Preferred) as of February 17, 2023 is **395,895**.

As of February 17 2023, the total number of Common Shares outstanding is **23,338,564** while the total number of Preferred Shares outstanding is **3,612,812** shares.

The Top 20 Stockholders of Common Shares as of February 17, 2023:

	Name	Number of Shares Held	% to Total
1.	MENDOZA, Raymond Democrito C.	76,454	0.3276%
2.	SAMSON, Luis F.	33,224	0.1424%
3.	DE OCAMPO, Emmanuel V.	15,684	0.0672%
4.	ANDRES, Romulo C.	14,788	0.0634%
5.	REYES, Dedicacion A.	14,276	0.0612%
6.	SAN MIGUEL, Francisco T.	13,316	0.0571%
7.	ZAGALA, Cynthia P.	13,188	0.0565%
8.	DE OCAMPO, Roberto F.	10,324	0.0442%
9.	LEYVA, Geo F.	7,424	0.0318%
10.	CABANOS, Esteban B.	7,028	0.0301%
11.	DAVID, Norberto D.	6,400	0.0274%
12.	SALAZAR, Generoso P.	6,336	0.0271%
13.	CABANERO, Leonardo	5,952	0.0255%
14.	GARCIA, Priscilla	5,696	0.0244%
15.	LLAMAS, Alicia C.	5,440	0.0233%
16.	ALZAGA, Primo B.	4,672	0.0200%
17.	NAVARRO, Helene H.	4,288	0.0184%
18.	ESPINO, Romeo C.	4,224	0.0181%
19.	DILAG, Teresita G.	3,904	0.0167%
20.	MARIANO, Jorge, Jr. T.	3,649	0.0156%

	Name	Number of Shares Held	% to Total
	Others (391,709 Stockholders)	23,082,297	98.9020%
	TOTAL	23,338,564	100.00%

The Top 20 Stockholders of Preferred Shares as of February 17, 2023:

	Name	Number of Shares Held	% to Total
1.	CID, Virginia S.	1,140	0.0316%
2.	LEYVA, Geo F.	760	0.0210%
3.	QUIAMBAO, Eufracio C.	710	0.0197%
4.	PILAPIL, Eduardo P.	500	0.0138%
5.	DUMLAO, Liberty S.	460	0.0127%
6.	LLAMAS, Alicia C.	440	0.0122%
7.	RAMOS, Matea R.	410	0.0113%
8.	DE OCAMPO, Emmanuel V.	400	0.0111%
9.	ESPINO, Romeo C.	340	0.0094%
10.	NAVARRO, Helene H.	330	0.0091%
11.	CABANOS, Esteban B.	300	0.0083%
12.	ARNALDO, Gregoria C.	280	0.0078%
13.	SALONGA, Roel E.	270	0.0075%
14.	PUJEDA, Carmen C.	230	0.0064%
15.	ARCEO, Juan O.	210	0.0058%
16.	VALERO, Carlos G.	200	0.0055%
	SAMSON, Luis F.	200	0.0055%
17.	PROFETA, Atanacio S.	190	0.0053%
	BASAONG, Ignacio	190	0.0053%
18.	POE, Francisca O.	170	0.0047%
19.	CAGARA, Meliton	160	0.0044%
	REYES, Dedicacion A.	160	0.0044%
20.	GARCIA, Priscilla G.	150	0.0042%
	GABRIEL, Vicente S.	150	0.0042%
	Others (395,636 Stockholders)	3,604,462	99.7689%
	TOTAL	3,612,812	100.00%

3. Dividend History

PVB did not declare cash or stock dividends between 1 January 2021 and 31 December 2021.

As of the date of submission, there are no restrictions that limit the Bank's ability to pay dividends on common shares or that are likely to do so in the future. Any dividend declaration to be made by the Bank is subject to its By-Laws and to the approval by the BSP.

4. Unregistered Securities

- (a) **Date of sale and the Title and Amount of Securities Sold**
- (b) **Names of the Underwriters or Identify of Persons to whom the Securities were Sold**
No underwriters; Persons to whom the Securities were sold, viz:

LIST OF STOCKHOLDERS WHO AVAILED OF THE STOCK RIGHTS OFFERING (SRO)

Name	Reference #	Date of Transaction	TOTAL Unissued shares	
			# of shares	Amount
Anonas, Gerardo Manuel Luis B.	337368	10/11/2018	60	6,000.00

Name	Reference #	Date of Transaction	TOTAL Unissued shares	
			# of shares	Amount
Dinglasa, Ninfa V.	53329	10/15/2018	10	1,000.00
Pablo, Ma. Majella B.	45709	10/15/2018	60	6,000.00
Culla, Emelita C.	252994	10/15/2018	120	12,000.00
Quevedo, Milagros N.	217907	10/15/2018	60	6,000.00
Deles, Evelyn T.	53229	10/17/2018	200	20,000.00
Lu, Antonietta A.	50760	10/17/2018	120	12,000.00
Buca, Inez M.	242053	10/19/2018	120	12,000.00
Angala, Reynaldo G.	211665	10/22/2018	60	6,000.00
Cruz, Simeon A.	53085	10/23/2018	60	6,000.00
Gahum, Rosario B.	274932	10/23/2018	10	1,000.00
Galvez, Andres J.	68978	10/23/2018	120	12,000.00
Sol, Miguel C.	22307	10/23/2018	60	6,000.00
Argao, Victorino C.	1183	10/24/2018	120	12,000.00
Balgos, Antonio A.	73373	10/24/2018	60	6,000.00
Andres, Crestita A.	97490	10/24/2018	5	500.00
Gonzalo, Narcisa V.	76716	10/24/2018	120	12,000.00
Lucas, Eduardo S.	90464	10/25/2018	60	6,000.00
Erese, Gregorio N.	56975	10/25/2018	60	6,000.00
Garcia, Marcelito	410827	10/25/2018	240	24,000.00
Manalo, Norma S.	371549	10/26/2018	60	6,000.00
Macatangay, Conrado C.	70192	10/26/2018	60	6,000.00
Delos Reyes, Tirzo Victorio Jr. B.	438548	11/7/2018	60	6,000.00
Dalupo, Cornelio V.	109248	10/29/2018	60	6,000.00
Dimalanta, Divinia H.	124388	10/29/2018	5	500.00
Semena, Elizabeth C.	74957	10/29/2018	60	6,000.00
Dela Cruz, Nieva M.	103362	10/30/2018	120	12,000.00
Dizon, Aida P.	83428	10/30/2018	120	12,000.00
Capistrano, Luisa C.	455058	10/31/2018	60	6,000.00
Banes, Maria Adelia P.	84001	11/5/2018	30	3,000.00
Flores, Exaltacion B.	305984	11/5/2018	60	6,000.00
Doctor, Lydia E.	39928	10/30/2018	60	6,000.00
Costo, Mario A.	62103	11/5/2018	60	6,000.00
Concepcion, Penamante D.	100124	11/5/2018	100	10,000.00
Santiago, Larry F.	262744	11/5/2018	30	3,000.00
Abubo, Marylou G.	310301	10/26/2018	60	6,000.00
Cayachen, Sebastian P.	279777	11/5/2018	60	6,000.00
Capellan, Cesar G.	410275	11/6/2018	120	12,000.00
Delizo, Melba F.	160030	11/6/2018	60	6,000.00
Concha, Yolanda D.	56768	11/6/2018	60	6,000.00
Guerrero, Nida P.	414638	11/6/2018	60	6,000.00
Perez, Carolino D.	378807	11/6/2018	10	1,000.00
Francisco, Maria A.	157693	11/7/2018	10	1,000.00
Rivera, Eduardo O.	181326	11/7/2018	10	1,000.00
Pineda, Eduardo Jr., S.	358100	11/7/2018	60	6,000.00

Name	Reference #	Date of Transaction	TOTAL Unissued shares	
			# of shares	Amount
Pecson, Jaime E.	8123	11/7/2018	16	1,600.00
Cadiz, Paz R.	279689	11/7/2018	10	1,000.00
Austriaco, Lilia R.	71891	11/7/2018	60	6,000.00
Carpio, Moises T.	110691	11/7/2018	60	6,000.00
Vergara, Gavino B.	100576	11/7/2018	10	1,000.00
Valmores, Jose D.	202681	11/6/2018	60	6,000.00
Balabbo, Catherine C.	83834	11/6/2018	60	6,000.00
Saquin, Celedonia S.	105283	11/6/2018	60	6,000.00
Llorico, Tomasa R.	350099	11/6/2018	10	1,000.00
Cuaresma, Cristituta R.	44364	11/8/2018	60	6,000.00
Santiago, Isabel I.	163386	11/8/2018	60	6,000.00
Cajudo, Cynthia G.	49541	11/8/2018	60	6,000.00
Renegado, Elisa O.	409238	11/7/2018	20	2,000.00
Mendoza, Francisco	432488	11/8/2018	60	6,000.00
Cosme, Emilia S.	358749	11/8/2018	60	6,000.00
Gregorius, Diosdado R.	237413	11/8/2018	10	1,000.00
Ticson, Leonila P.	105362	11/8/2018	60	6,000.00
Jabonero, Luis G.	222404	11/8/2018	60	6,000.00
Davo, Betty S.	53140	11/8/2018	10	1,000.00
Babera, Amante L.	1397	11/8/2018	1	100.00
Rosendo, Eleonore C.	103896	11/8/2018	10	1,000.00
Francisco, Edwin G.	48595	11/8/2018	60	6,000.00
Garrovillas, Ligaya C.	49079	11/8/2018	60	6,000.00
Charcos, Lilia N.	37546	11/8/2018	10	1,000.00
Tionko, Macarse P.	105369	11/8/2018	100	10,000.00
Adevoso, Jesus Terry F.	113532	11/6/2018	420	42,000.00
Torres, Julita C.	152998	11/7/2018	5	500.00
Salazar, Roberto A.	131136	11/7/2018	36	3,600.00
Pascua, Felicidad C.	167785	11/8/2018	60	6,000.00
Bermio, Estrella G.	85399	11/7/2018	10	1,000.00
Cadizon, Victor C.	88466	11/8/2018	60	6,000.00
Escolano, Ricardo O.	106195	11/7/2018	40	4,000.00
Santos, Elizabeth B.	39032	11/7/2018	10	1,000.00
Managuey, Dominador M.	214383	11/9/2018	10	1,000.00
Lacuata, Agnes D.	1783	11/9/2018	60	6,000.00
Delaon, Edilyn M.	178096	11/9/2018	60	6,000.00
Balasico, Basilia C.	366831	11/9/2018	60	6,000.00
Cabides, Joel Joseph A.	184183	11/9/2018	300	30,000.00
Jumangit, Gavina G.	106520	11/9/2018	100	10,000.00
Osteria, Janette P.	300522	11/8/2018	60	6,000.00
Deduque, Paulina U.	330067	11/9/2018	120	12,000.00
Mendoza, Emma Concepcion D.	68125	11/9/2018	1,000	100,000.00
Marasigan, Mario L.	254537	11/9/2018	94	9,400.00
Enriquez, Anita P.	16641	11/9/2018	60	6,000.00

Name	Reference #	Date of Transaction	TOTAL Unissued shares	
			# of shares	Amount
Martinez, Thelma R.	35667	11/9/2018	60	6,000.00
Cruz, Antonio S.	229379	11/9/2018	24	2,400.00
Miranda, Teresita B.	293322	11/7/2018	60	6,000.00
Toledo, Lilia C.	27061	11/7/2018	120	12,000.00
Vasquez, Anastacia	63842	11/8/2018	10	1,000.00
Yap, Pablito H.	181723	11/7/2018	60	6,000.00
Manalo, Federico A.	166151	11/8/2018	120	12,000.00
Aberion, Veronica T.	72536	11/8/2018	120	12,000.00
Rubio, Cesar A.	166688	11/8/2018	1,060	106,000.00
Parayno, Guillermo L.	105174	11/9/2018	60	6,000.00
De Ocampo, Roberto F.	109395	11/9/2018	100	10,000.00
Racho, Percianita G.	296892	11/9/2018	100	10,000.00
Claravall, Renato A.	432363	11/9/2018	660	66,000.00
Sarmiento, Dominador A.	97050	11/9/2018	10	1,000.00
Bartiana, Jacinta P	10716	11/7/2018	500	50,000.00
Carolino, Rosalina S.	67176	11/5/2018	120	12,000.00
Nuñez, Jose Jr., A.	96745	11/9/2018	60	6,000.00
Mendoza, Raymond Democrito C.	201481	11/8/2018	62,627	6,262,700.00
Comora, Teresita P.	274022	11/5/2018	3	300.00
Bachini, Virginia L.	50718	11/6/2018	2	200.00
Acabo, Marita B.	113193	11/5/2018	10	1,000.00
Gilbuela, Zenaída M.	312134	11/9/2018	1	100.00
Odaya, Elizabeth Salido	178754	11/9/2018	1	100.00
Tabunda, Cristeta D.	277853	11/9/2018	1	100.00
Docena, Josefina Rufina P.	339156	11/9/2018	2	200.00
Tolibas, Francisco R.	246919	11/9/2018	5	500.00
Capilitan, Maria Thelma P.	277853	10/22/2018	1	100.00
Ramos, Ana L.	165993	11/8/2018	60	6,000.00
Quinajon, Rosa E.	230167	11/8/2018	60	6,000.00
Bongcawel, Cornelia G.	234602	11/9/2018	60	6,000.00
GRAND TOTAL			72,869	7,286,900.00

- (a) **If sold for cash:** All sold for cash; Offering Price is at par and no Underwriting Discounts or Commissions.

Sold otherwise for cash: not applicable

- (b) **Exemption from Registration Claimed** – Section 10(e) of the Securities Regulation Code (R.A. No. 8799); sale of capital stock to its own stockholders exclusively and no commission or other remuneration is paid or given directly or indirectly in connection with the sale of such capital stock.

5. Free Float Level

Not Applicable.

DISCUSSION OF COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

Corporate Governance

The Bank has adopted a Manual of Corporate Governance, which is being continually revised to align with the world’s best and leading practices on corporate governance and comply with latest regulatory issuances.

Conformably with existing rules and regulations, the Bank’s Articles of Incorporation and By-Laws, and Manual of Corporate Governance, the Board organized six (6) committees to assist it in governance matters consisting of the following: (1) Executive Committee; (2) The Corporate Governance & Compliance Oversight Committee (3) Related Party Transaction Committee; (4) Audit Committee; (5) Risk Management Oversight Committee; and (6) Trust Committee.

- The Executive Committee (“ExCom”) is headed by Roberto F. De Ocampo as Chairman, with six members of the Board appointed with a tenure of one (1) year. It is authorized to act on behalf of the full Board on urgent matters that arise between its regular meetings. It may review and coordinate information from other committees as well as oversee Bank operations. Its functions also include the review and approval of credit facilities in excess of the approval authority of the Credit Committee, the review of DOSRI transactions for final approval by the Board and the review and approval of the Bank’s budget and business plans. Moreover, it obtains from the Bank’s management a timely assessment of the potential effect of any instability or crisis in the economic and political environment.
- The Corporate Governance & Compliance Oversight Committee (“CGCOC”) is headed by Independent Director Jose A. Nuñez, Jr. as Chairman, with Percianita G. Racho, Cesar A. Rubio and Reynaldo V. Velasco as Members. The CGCOC, pursuant to BSP Circular No. 456 (Series of 2004), is responsible for ascertaining that the Board seats, including those of Independent Directors, as well as other positions that necessitate Board appointment, are filled by individuals who meet the required qualifications as set forth in the by-laws of the Bank. It oversees the periodic performance evaluation of the Board, its Committees. It also conducts an annual self-evaluation of its performance. In its assessment of a director’s performance, it considers competence, candor, attendance, preparedness, and participation. It monitors not only the Board’s performance, effectiveness, and observance of corporate governance principles, but also those of the other committees and the Executive Management of the Bank. Further, it adopts guidelines for directors serving on multiple boards and makes recommendations to the Board on the continuing education of directors, their assignment to Board committees, succession, and remuneration. It also approves the hiring and promotion of the Bank’s Group Heads. Likewise, it is also involved in Human Resources matters such as the review and revision of the Performance Management System, Benefits Policy, Salary Structure, Merit Increase, and Performance Bonus distribution.
- The Related Party Transactions Committee (“RPT Com”) is headed by Independent Director Reynaldo V. Velasco as Chairman, with Cesar Rubio, Jose A. Nuñez, Jr. and Percianita G. Racho as Members. The RPTCom is tasked to: (a) evaluate relationships to ensure related parties are identified and captured; (b) evaluate material related party transactions (RPTs); (c) ensure appropriate disclosures/information provided to regulators; (d) report to the Board status and aggregate exposures to related parties; (e) ensure RPTs are subject to periodic independent review or audit; and (f) oversee implementation of the RPT system.
- The Audit Committee (“AC”) is headed by Independent Director Cesar A. Rubio as Chairman, with Jose A. Nuñez, Jr., Percianita G. Racho and Ma. Cecilia G. Soriano, as Members. The members of the Audit Committee must possess accounting, auditing, or related financial management expertise and experience. Tasked primarily with assisting the Board in fulfilling its oversight responsibilities, the Audit Committee reviews the Bank’s financial information, its systems of internal controls and risk management, the audit process, and compliance with significant applicable legal, ethical, and regulatory requirements. It monitors the Bank’s compliance with approved internal policies and controls, as well as statutory regulations, emphasizing an accounting system that is 100% compliant with Philippine International Accounting Standards. The Committee facilitates free and open communication among Management, Compliance

Officer, Risk Manager, Internal Audit, the external auditors, BSP examiners, and the Committee members. It enjoys sufficient authority to promote independence and to ensure broad audit coverage, adequate consideration of audit reports, and appropriate action on audit recommendations. It is also empowered, among others, to appoint, compensate and oversee external audit engagements; review and comment on internal and external audit reports; and resolve financial reporting disputes between management and the auditor.

- The Risk Management Oversight Committee (“RMOC”) is headed by Independent Director Ma. Cecilia G. Soriano as Chairman, with Jose A. Nuñez, Jr., Francisco S. Cesar A. Rubio, Magsajo, Jr., and Gerardo Manuel Luis B. Anonas as Members. The Risk Management Committee is responsible for the development and oversight of the Bank’s Risk Management Program and Compliance Program. Likewise, it oversees the system of limits to discretionary authority that the Board delegates to management. It is tasked to ensure that the system remains effective, that the limits are observed, and that immediate corrective actions are taken whenever limits are breached. To achieve this, the Committee takes on the critical role of identifying and evaluating the Bank’s risk exposures, ensuring that the appropriate risk management strategies and plans are in place and ready to be executed as necessary, and evaluating the risk management plan to ensure its continued relevance, comprehensiveness, and effectiveness. Hand in hand with the Enterprise Wide Risk Management Unit which functions under the auspices of the Committee, it performs oversight functions in managing credit, market, liquidity, and operational risks. It also ensures that all reports are in compliance with BSP Manual and Regulations.
- The Trust Committee (“TrustCom”) is headed by Independent Trust Professional Regina Paz Goco-Morales as Chairman, with another Independent Trust Professional Karen Liza M. Roa, Directors Francisco S. Magsajo, Jr., Reynaldo V. Velasco, and PVB President & Acting CEO Renato A. Claravall and Roberto S. Vergara as Trust Officer, Head, as members. It reviews and approves the quality and movement of the Bank’s trust assets, including the opening and closing of trust and other fiduciary accounts, the investment, reinvestment, and disposal of funds and the acceptable fixed income & equity investments, including the investment outlets. It reports to the Board any changes in regulations, market conditions & other factors that may affect the trust business.

The President is further assisted by various management committees - such as the Operations Committee, Asset & Liability Committee, and other ad hoc committees which he may create from time to time.

The Directors have full access to all relevant information about the Bank in the discharge of their duties and responsibilities. The Bank also ensures that the right of the stockholders to information is respected and is committed to make this right meaningful by readily providing shareholders all the material information they needed about the Bank.

The Bank uses the Corporate Governance Self-Rating Form as prescribed by SEC in evaluating the level of compliance of the Board of Directors and Top-Level Management to its Manual of Corporate Governance. It also conducts an annual self-assessment for individual directors, which includes an evaluation of the performance of the Board Committees.

The Bank is generally in compliance with adopted leading practices on good corporate governance. Presently, it is working on the formulation of (1) an overarching RPT policy and group-wide RPT policy in accordance with BSP Circular No. 895; and (2) an information drive cum training program to cascade the contents and procedures embodied in newly adopted Corporate Governance Policies and Procedures to ensure awareness among all stakeholders.

The Bank has no knowledge of any instance of non-compliance with its Manual of Corporate Governance by the Board of Directors or its members, or by the Bank’s officers or employees.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.**(a) Management's Discussion and Analysis and Results of Operations****Balance Sheet (Consolidated)****December 31, 2021 compared to December 31, 2020**

Philippine Veterans Bank and Subsidiaries posted total resources of P53.69 Billion at the close of 2021, increased by 13.50% than the P52.94 Billion as at December 31, 2020. Furthermore, Total Liabilities of P50.94 Billion in 2021 showed an increase of 4.10% from P48.93 Billion as at December 31, 2020. The Group's equity decreased by 25.75% to P2.75 Billion in December 31, 2021, from the P3.71 Billion reported as at December 31, 2020. This is after considering the staggered booking of allowance for credit losses for five (5) years as part of financial reliefs issued by the Bangko Sentral ng Pilipinas (BSP) and approved by the Securities and Exchange Commission (SEC) in response to COVID-19 pandemic starting 2020.

Net non-performing loans (NPL) ratio of the Bank (Parent Company) as of December 31, 2021 increased to 8.32% from the 3.22% in December 2020 report. Capital adequacy ratio, is at 4.85% for 2021 (with BSP relief), lower than the minimum regulatory requirement of 10%.

December 31, 2020 compared to December 31, 2019

Philippine Veterans Bank and Subsidiaries posted total resources of P52.64 Billion at the close of 2020, decreased by 11.83 % than the P59.70 Billion as at December 31, 2019. Furthermore, Total Liabilities of P48.93 Billion in 2020 showed a decrease of 11.39% from P55.22 Billion as at December 31, 2019. The Group's equity decreased by 17.31% to P3.71 Billion in December 31, 2020, from the P4.48 Billion reported as at December 31, 2019. This is after considering the staggered booking of allowance for credit for five (5) years as part of financial reliefs issued by the Bangko Sentral ng Pilipinas (BSP) and approved by the Securities and Exchange Commission (SEC) in response to COVID-19 pandemic.

Net non-performing loans (NPL) ratio of the Bank (Parent Company) as of December 31, 2020 decreased to 3.22% from the 7.71% in December 2019 report. Capital adequacy ratio, is at 7.38% for 2020 (with BSP relief), lower than the minimum regulatory requirement of 10%.

Income Statement (Consolidated)**For the years ended December 31, 2021 and 2020**

Philippine Veterans Bank and Subsidiaries incurred a net loss of P1.06 Billion in 2021, as compared to net loss of P782.72 Million in 2020 primarily due to the continuous effect of pandemic that has started since the year 2020.

For the years ended December 31, 2020 and 2019

Philippine Veterans Bank and Subsidiaries incurred a net loss of P782.21 Million in 2020, a decrease of 234.14% from the net income of P583.12 Million in 2019 primarily due to the adverse effect of pandemic and increase in operating cost related thereon.

(b) Key Financial Indicators

The following comparative ratios reflect the performance of the Group:

Financial Ratios	December 31, 2021	December 31, 2020	December 31, 2019
Current Ratio	64.06%	69.29%	84.83%
Debt-to-Equity Ratio	18.50	13.20	12.34

Asset-to-Equity Ratio	19.5	14.20	13.34
Interest Rate Coverage Ratio	-2.76	-38.93	0.01
Profitability Ratios:			
a. Return on Average Equity (ROE)	-32.69%	-19.1%	1.13%
b. Return on Average Assets (ROA)	-1.99%	-1.39%	9.82%

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

- Current Ratio --- Current assets divided by current liabilities
- Debt-to-equity Ratio --- Total liabilities divided by total equity
- Asset-to-equity Ratio --- Total assets divided by total equity
- Interest Rate Coverage Ratio --- Earnings before interest and taxes divided by interest expense
- Return on Average Equity --- Net Income divided by average total capital funds for the period indicated
- Return on Average Assets --- Net Income divided by the average total resources for the period indicated

Additional Management Discussion and Analysis (for variances of more than 5% December 31, 2021 vs. December 31, 2020)

Balance Sheet (Consolidated)

Cash and Other Cash Items of P865.78 Million in 2020 increased to P982.68 Million in 2021, 13.50% higher than 2020.

Due from BSP of P12.03 Billion in 2020 increased to P17.19 Billion in 2021, 42.89% higher than 2020.

Due From Other Banks of P820.95 Million in 2020 increased to P900.80 Million in 2021, 9.73% higher than 2020.

Interbank Loans Receivable and Securities Purchased Under Resale Agreement increased to P2.29 Billion in 2021 from P2.15 Billion in 2020 or 6.81%.

Financial Assets at Fair Value Through Profit or Loss of P1.37 Billion in 2020 decreased to P142.21 Million in 2021, which is 89.60.12% lower than 2020.

Financial Assets at Fair Value Other Comprehensive Income of P4.83 Billion in 2020 decreased to P3.86 Billion in 2021, which is 20.15% lower than 2020.

Debt Securities at Amortized Cost of P5.25 Billion in 2020 decreased to P3.67 Billion in 2021, which is 29.98% higher than 2020.

Loans and receivables decreased by 3.93% from P20.64 Billion in 2020 to P19.83 Billion in 2021. The balances for the year 2021 involves the application of relief on provision for expected credit losses with BSP in relation to COVID-19. The relief covers the years 2020 to 2024.

Bank Premises, Furniture, Fixtures and Equipment of P961.94 Billion in 2020 increased to P1.09 Million in 2021, which is 12.84% higher than 2020.

Investment Properties of P2.25 Billion in 2020 decreased to P2.06 Billion in 2021, which is 8.23% lower than 2020.

Deferred Tax Assets of P344.94 Million in 2020 decreased to P287.45 Billion in 2021, which is 16.67% lower than 2020. The decrease is attributed to the implementation of CREATE Law.

Other Assets of P1.14 Billion in 2020 decreased to P1.39 Billion in 2021, which is 21.88% higher than 2020.

Demand Deposit Liabilities of P28.27 Billion in 2020 increased to P31.60 Billion in 2021. Savings Deposit Liabilities of P15.24 Billion in 2020 decreased by 8.95% or to P13.88 Billion in 2021. Time Deposit Liabilities of P3.17 Billion in 2020 increased to P3.25 Billion in 2021, which is 2.51% higher than 2020.

Bills Payable of P32.32 Million in 2020 decreased to P10.94 Million in 2021, which is 66.15% lower than 2020. This represents borrowing of Bank's subsidiary to other financial institution.

Managers Check of P36.61 Million in 2020 decreased to P48.66 Million in 2021, which is 32.92% higher than 2020.

Accrued Taxes, Interest and Other Expenses of P393.11 Million in 2020 increased to P411.99 Million in 2021, which is 4.80% higher than 2020.

Lease Liabilities of P Million in 2020 increased to P269.53 Million in 2021, which is 18.57% higher than 2020.

Income Tax Payable of P0.16 Million in 2020 decreased from P3.44 Million in 2021, which is 95.26% higher than 2020 due to change in recognition of 4th quarter income tax payable.

Other Liabilities of P1.56 Billion in 2020 increased to P1.47 Billion in 2021, 5.73% lower than 2020.

Deficit of P353.07 Million in 2020 increased to P1.409 Million deficit in 2020 or 299.07%.

Remeasurement losses on net retirement plan of P55.73 Million in 2020 reverted to P1.76 Million income, which is 103.15% higher than 2020.

Net accumulated unrealized losses on available-for-sale financial assets of P44.13 Million in 2020 decreased to P0.217 Million in 2021, which is 99.51% lower than 2020.

Cumulative Translation Adjustment of P0.15 Million in 2020 decreased to P0.029 Million in 2021, which is 81.06% higher than 2020.

Income Statement (Consolidated)

Total Interest Income decreased to P1.91 Billion in 2021, which is 29.59% lower as compared to total interest income earned in 2020 of P2.72 Billion. The decrease is attributed to the following items:

- Interest income on Loans and Receivables of P1.99 Billion in 2020 decreased to P1.39 Billion in 2021, which is 29.98% lower than 2020.
- Interest income on Deposits with Other Banks of P413 Million in 2020 decreased to P252.99 Million in 2021, which is 38.74% lower than 2020.
- Interest income on Interbank loans receivable and securities purchased under resale agreement of P67.77 Million in 2020 decreased to P20.31 Million in 2021, which is 70.03% lower than 2020.
- Interest income on Financial assets at fair value through profit or loss of P12.23 Million in 2020 increased to P17.13 Million in 2021, which is 39.99% higher than 2020.

Total Interest Expense decreased to P235.12 Million in 2021, which is 42.78% lower as compared to Total Interest Expense in 2020 of P410.92 Million. Interest expense on Deposit Liabilities of P383.72 Million in 2020 decreased to P206.17 Million in 2021, which is 46.27% lower than 2020. Interest expense on Bills Payable and Other Borrowings of P3.70 Million in 2020 decreased to P1.92 Million in 2020, which is 48.22% lower than 2020. Interest expense on Lease Liability increased by 15.04% from P23.50 Million to P27.03 Million for 2020 and 2021 respectively.

Gain on Sale of Assets of P198.90 Million in 2020 increased to P213.35 Million in 2021 or 7.27% higher than 2020.

Service Fees and Commissions of P160.86 Million in 2020 increased to P187.99 Million in 2021, which is 16.86% higher than 2020.

Gain on Asset foreclosure and Dacion transaction of P27.21 Million in 2020 increased to P52.15 Million in 2021 or 91.65% higher than 2020.

Trading Gains of P52.66 Million in 2020 decreased to P9.97 Million in 2021, which is 81.07% lower than 2020.

Foreign Exchange Losses of P4.47 Million in 2020 reversed to P0.42 Million gain in 2021 or 109.28% improvement from 2020.

Loss on Loan Modification has no recognition for the year 2021 as compared to 2020 amounting to P108.40 Million.

Other Operating Income of P58.13 Million in 2020 decreased to P53.16 Million in 2021 or 8.55%.

Provision for Impairment, Credit and Other Losses in 2020 of P834.16 Million increased by 10.06% loss to P918.10 Million loss in 2021. This includes recognition of relief on staggered basis over five (5) years as approved by BSP and SEC.

Write-off of Software in Progress has no recognition for the year 2021 as compared to 2020 amounting to P228.87 million. This pertains to retirement of system enhancement of Bank Fusion Equation.

Repairs and Maintenance of P173.75 Million in 2020 increased to P193.58 Million in 2021, or 11.41% higher than 2020.

Taxes and Licenses of P209.36 Million in 2020 decreased to P159.03 Million in 2021, which is 24.04% lower than 2020.

Insurance of P127.94 Million in 2020 increased to P137.67 Million in 2021, or 7.60% higher than 2020.

Amortization of Software Costs of P25.69 Million in 2020 increased to P49.31 Million in 2021, which is 91.94% higher than 2020. Due to implementation of new accounting system.

Communications increased to P42.97 Million in 2021 or increase of 9.99% from P39.07 in 2020.

Transportation and Travel Expenses of P32.43 Million in 2020 increased to P40.49 Million in 2021, which is 24.86% higher than 2020.

Professional Fees of P47.10 Million in 2020 decreased to P32.59 Million in 2021, which is 30.80% lower than 2020.

Advertising and Publicity Expenses of P26.06 Million in 2020 increased to P29.74 Million in 2021, which is 14.12% higher than 2020.

Membership Fees and Dues of P9.26 Million in 2020 increased by 32.47% or to P12.26 Million in 2021.

Office supplies of P19.40 Million in 2020 decreased by 42.54% or to P11.15 Million in 2021.

Fines and Penalties of P1.92 Million in 2020 decreased by 95.30% or to P0.09 Million in 2021.

Based on material decrease and increase on operating income and expenses, respectively, Loss Before Income Tax amounted to P570.89 Million in 2020 compared to P883.91 Million in 2021.

Provision for Income Tax of P211.32 Million in 2020 decreased to P172.04 Million in 2021, which is 18.59% lower than 2020.

Total Net Loss of P782.21 Million in 2020 increased to P1.06 Billion in 2021, which is 35.00% higher than 2020.

(c) Past Financial Conditions and Results of Operations

During the last five (5) years, the Group has continued to build its financial strength following a strategy of prudent balance sheet management. The resources reached P53.69 billion in 2021, which is 7.01% higher than the P50.09 billion in 2017. Loans and Receivables which is the core business of the Bank decreased from P20.64 Billion in 2020 to P19.83 Billion in 2021 due to the adverse effect of the pandemic. Ratio of Loans and Receivables to Total Assets is at 36.92% and 39.20% for 2021 and 2020 respectively.

The Group also reported a net loss of P1.06 Billion in 2021 as compared to net income of P782.21 Million in 2020. The Parent Company Capital Adequacy Ratio for 2020 is 4.85% (with BSP relief). This is primarily due to the impact of the COVID-19 pandemic on the core income of the Bank.

(d) Future Prospects

Through the years, PVB is positioned to become a major player in local government finance, as well as favored provider of mortgages, small enterprise loans, remittance, personal loans and other innovative and unique banking products and services. It hopes to become the preferred choice of community-based enterprises and rural financial institutions. This time the Bank aims to expand its clientele to the retail sector, but first has to correct the notion that it is a government-owned bank that is only limited to accommodate the veterans and the government. As a result, the Bank launched a new tagline “Bank with a heart for every Filipino.” The Bank plans to focus on institutional lending to build a steady revenue stream and continue to pursue a long-term strategy that focuses on serving more customers, booking more businesses and expanding the Bank’s balance sheet.

With the approval of the Bank’s new charter in R.A. 11597, the Bank started its Capital Raising efforts beginning with the Stock Rights Offer to existing shareholders which ended on November 29, 2022. The remaining unsubscribed common shares were also offered to post-World War II veterans and AFP retirees via a Stock Subscription Offer program, with plans to later offer them to other Investors.

Material Changes

(i) Events that will trigger direct or contingent financial obligation that is material to the company including any default or acceleration of an obligation

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

(ii) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period

- There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Bank with unconsolidated entities or other persons created as of the reporting date.

(iii) Any Material Commitments for Capital Expenditure and Expected Funds

- None

(iv) Any known trends, events, or uncertainties (material impact on sales)

- Due to the COVID-19 pandemic that has started in 2020, the operations of the Bank has been affected adversely resulting in huge provision on credit losses that has to be recognized on a staggered manner as approved by the BSP starting 2020 until 2024. This is one of the major factors that caused the capitalization to be lower than the minimum requirement of the BSP. Despite of this material impact, the Bank remains liquid with a high Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) which is above the regulatory requirement.

The amended charter of the Bank was signed into law under Republic Act 11597 or the “The Philippine Veterans Bank Act” which became effective on January 21, 2022. The new charter effectively a) raised the Bank’s authorized capital from P100 million to P10 billion, b) expanded the definition of veterans to include post World War II veterans, veterans of other wars and Philippine military campaigns, and retirees of the Armed Forces of the Philippines, and c) allowed non-veterans to become shareholders of the Parent Company provided that the veterans shall at all times retain

majority of the shares of the Parent Company. The Bank immediately began its capital raising activities starting March 2022.

On September 8, 2022, DOF Circular No. 003-2022 "Inclusion of the Philippine Veterans Bank as an Authorized Government Depository Bank Amending Section 5.2 of Department Circular 002-2022" was signed and published on October 14, 2022 which now include the Parent Company in the list of authorized government depository bank (AGDBs) for a period of two years.

Aside from those mentioned above, there are no known trends, demands, commitments, events or uncertainties that will have material impact on the Bank.

(v) Causes for any material changes from period to period of Financial Statements

- The causes for any material changes in 2021 and 2020 are explained in item 6(a) of SEC Form 17-A.

(vi) Seasonal aspects that has material effect on the Financial Statements

- None

UNDERTAKING

The Bank undertakes to furnish a copy of its Annual Report (SEC Form 17-A) exclusive of attachments, free of charge, upon the written request of the stockholder addressed to the Office of the Board Secretary, 6th floor, PVB Building, No. 101 V.A. Rufino corner Dela Rosa Street., Legaspi Village, Makati City.



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

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

ROBERTO F. DE OCAMPO, OBE
Chairman of the Board & Chief Executive Officer

RENATO A. CLARAVALL
President & Chief Operating Officer

FLORENCE T. PALACIO
Vice President / Contoller

20 OCT 2022

SUBSCRIBED AND SWORN to before me this _____ affiants exhibiting to me their
TIN/UMID Nos. as follows:

NAMES

Roberto F. De Ocampo, OBE
Renato A. Claravall
Florence T. Palacio

IDENTIFICATION NO.

DATE OF ISSUE

August 1, 2003

Doc. No. 439 ;
Page No. 88 ;
Book No. VI ;
Series of 2022

ATTY. SHERWIN R. DELLOS SANTOS
Notary Public for and in Makati City until December 31, 2021
Extended until December 31, 2022 Pursuant to Bar Matter No. 3795
Appointment No. M-317
PVB Building, No. 101 V.A. Rufino cor. Dela Rosa Sts., Legaspi Village, Makati City
P.T.R. No. 8552767 (01-04-2022) / Makati City
IBP Life Member No. 013190 (Roll of Attorneys No. 83646)
M.C.L.E. Compliance No. VII-0020286/ June 02, 2022
MCLE Extended until April 14, 2023 (Per Bar Matter No. 850)

PVB Bldg., 101 V.A. Rufino cor. Dela Rosa Sts., Legaspi Village, Makati City 1229 Philippines

+632 7 902 1600 | +632 7 902 1700 | +632 8 857 3800

www.veteransbank.com.ph



**SECURITIES AND EXCHANGE COMMISSION**

Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City, 1307 Metro Manila Philippines

Tel: (632) 818-0921 Fax: (632) 818-5293 Email: mis@sec.gov.ph

The following document has been received:

Receiving: Buen Jose Mose

Receipt Date and Time: October 24, 2022 02:02:07 PM

Company Information

SEC Registration No.: 0000024681

Company Name: PHIL. VETERANS BANK

Industry Classification: J65100

Company Type: Stock Corporation

Document Information

Document ID: OST1102420228816690

Document Type: Financial Statement

Document Code: FS

Period Covered: December 31, 2021

Submission Type: Annual

Remarks: None

Acceptance of this document is subject to review of forms and contents

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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U	B	S	I	D	I	A	R	I	E	S															

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

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Form Type

A	A	F	S
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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
corpcomm@veteransbank.com.ph	7902-1727	
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
395,856		

CONTACT PERSON INFORMATION

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

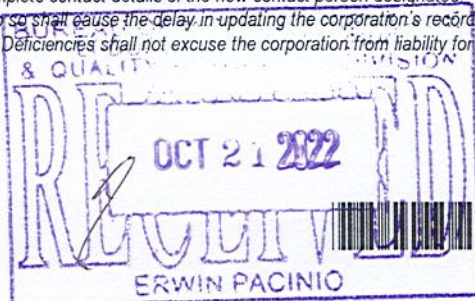
Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Florence T. Palacio	ftpalacio@veteransbank.com.ph	7902-1744	

CONTACT PERSON'S ADDRESS

PVB Bldg. 101 V.A Rufino corner Dela Rosa Sts., Legaspi Village, 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.



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

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

[Redacted Signature]

ROBERTO F. DE OCAMPO, OBE
Chairman of the Board & Chief Executive Officer

[Redacted Signature]

RENATO A. CLARAVALL
President & Chief Operating Officer

[Redacted Signature]

FLORENCE T. PALACIO
Vice President / Controller

20 OCT 2022

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Florence T. Palacio

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MCLE Extended until April 14, 2023 / Per Bar Matter No. 850



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Philippine Veterans Bank
101 V.A. Rufino corner Dela Rosa Streets
Legaspi Village, Makati City

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

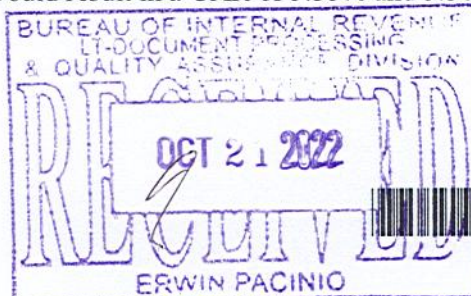
Disclaimer of Opinion on the 2021 Consolidated and Parent Company Financial Statements

We were engaged to audit the financial statements of Philippine Veterans Bank and Subsidiaries (the Group) and Philippine Veterans Bank (the Parent Company), which comprise the consolidated and the parent company statement of financial position as at December 31, 2021 and the consolidated and the parent company statement of income, the consolidated and the parent company statement of comprehensive income, the consolidated and the parent company statement of changes in equity and the consolidated and the parent company statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Group and the Parent Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion on the 2021 Consolidated and Parent Company Financial Statements* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion on the 2021 Consolidated and Parent Company Financial Statements

As disclosed in Note 4 to the financial statements, the Parent Company is subject to minimum capital requirements of ₱10.0 billion under banking laws and regulations. In October 2019, the Bangko Sentral ng Pilipinas (BSP) approved the Parent Company's revised capital build-up plan (the 2019 CBUP), providing relief over the minimum capital requirements but subject to minimum capital commitments from 2019 to 2023 and minimum capital adequacy ratio (CAR) of 10%. The Group and the Parent Company incurred net losses amounting to ₱1.06 billion and ₱782.2 million in 2021 and 2020, respectively (Note 4). As at December 31, 2021, the qualifying capital of the Group and the Parent Company amounted to ₱0.59 billion and ₱0.61 billion, respectively, which translated to CAR of 2.00% and 2.11%, respectively. On April 26, 2021, the BSP approved the request of the Parent Company for the staggered booking of allowance for credit losses on loans and receivables over a period of five (5) years starting in 2020 following the regulatory relief provided for under BSP Memorandum M-2020-061. Should the staggered booking of allowance amounting to ₱1.02 billion as of December 31, 2021 be considered, the qualifying capital of the Group and the Parent Company would both amount to ₱1.60 billion as of December 31, 2021, which would result in a CAR of 5.35% and 5.30%, respectively.



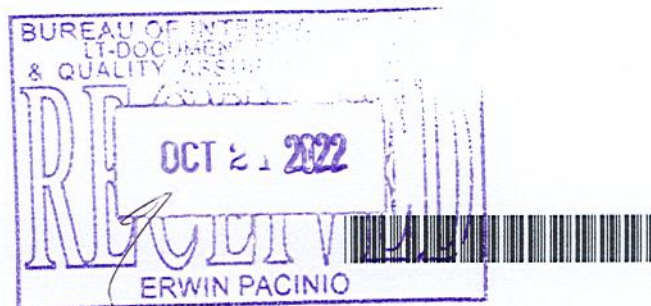
As of December 31, 2021, the Group and Parent Company's qualifying capital and CAR, before and after regulatory relief provided under BSP Memorandum M-2020-016, have not complied with the capital commitment under the 2019 CBUP of ₱7.77 billion as of December 31, 2021 and CAR of 10%. The Parent Company is subject to regulatory action such as imposition of non-monetary restrictions, among others, due to its non-compliance with the CUBP. Additional regulatory actions as prescribed by banking laws and regulations maybe imposed on the Parent Company until compliance with the CUBP is met.

Further, as discussed in Notes 3, 4 and 32 to the financial statements, on December 10, 2021, Republic Act (RA) No. 11597, An Act Providing for the Revised Charter of the Philippine Veterans Bank, Repealing for the Purpose Republic Act No. 3518, as Amended was signed into law and became effective on January 21, 2022. RA No. 3518, confined ownership of the Parent Company's shares to World War II veterans or their heirs, which significantly impacted the Parent Company's ability to successfully raise additional capital.

RA No. 11597 expands the definition of veterans to include post World War II veterans, veterans of other wars and Philippine military campaigns, and retirees of the Armed Forces of the Philippines (AFP). It also allows non-veterans to become shareholders of the Parent Company provided that the veterans shall at all times retain majority of the shares of the Parent Company. Also, as discussed in Notes 3, 4 and 32, with the enactment of RA No. 11597, the Parent Company has undergone a stock rights offering to its existing shareholders, initiated discussions with potential new investors, processed its application for increase in authorized capital stock with the Securities and Exchange Commission, and engaged a financial advisor to assist it with the public offering of shares to post-World War II veterans, AFP retirees, and other investors in order to raise capital for the Parent Company to meet the BSP's minimum capital requirements. To date, the Parent Company has yet to secure additional capital for it to meet its capital requirement of ₱7.77 billion as of December 31, 2021 per the 2019 CBUP and CAR.

Further, as discussed in Notes 3 and 32, the Parent Company is a private bank granted authority to receive deposit of government funds as an official government depository under RA No. 11597. However, based on the Department of Finance Circular (DOF) No. 002.2022 issued on May 16, 2022, the Parent Company is not included in the pre-approved list of Authorized Government Depository Banks (AGDBs). Accordingly, prior approval of relevant government officials is required prior to maintaining government funds with the Parent Company. On September 8, 2022, the Parent Company was informed by the DOF that an amendment to the above circular will be issued to include the Parent Company in the list of AGDBs for a period of two years after the effectivity of the amendatory circular. The said DOF circular is yet to be published and it will become effective immediately upon publication. This amendment will become effective once the amendatory circular is publicly published.

The Group and the Parent Company have prepared the financial statements on a going concern basis based on management assumptions disclosed in Note 2. However, based on the information available to us, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves whether the use of going concern assumption in preparing these financial statements is appropriate given the uncertainties of the Parent Company being able to raise capital to meet the requirements under the CBUP, the current regulatory action imposing non-monetary restrictions, among others, and the potential impact of future regulatory actions.



The carrying values of the assets as recorded in the statements of financial position of the Group and Parent Company as at December 31, 2021 have been determined based on their continuation as going concern in the normal course of business. If the going concern assumption is not appropriate and the financial statements were presented on a realization basis, the carrying values of assets and liabilities may be materially different from that currently recorded in the statement of financial position. If the Group and Parent Company's financial statements are to be prepared under a realization basis of accounting, adjustments may have to be made by the Group and Parent Company that liabilities may need to be settled and assets may need to be realized other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position.

As discussed in Note 27 to the consolidated and the parent company financial statements, the required allowance for impairment and credit losses on Interbank call loans (IBCL) totaling ₱1.67 billion granted to a thrift bank, and on accounts receivable totaling ₱907.26 million, representing the uninsured deposits of a thrift bank assumed by the Parent Company, were deferred and are being amortized over 20 years as approved by the BSP. The Parent Company recognized provision for impairment and credit losses in profit or loss amounting to ₱167.49 million in 2021, representing the amortization of the required allowance. PFRS requires that the required allowance on the IBCL and Accounts receivable be charged against the respective years when the losses were incurred.

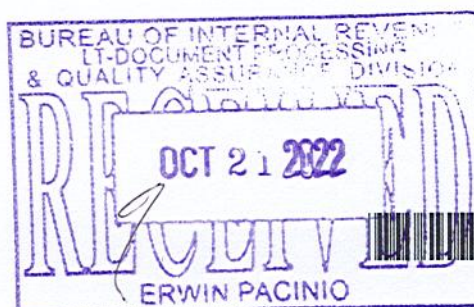
Had such provision for impairment and credit losses been charged to the proper accounting period, the Group's and the Parent Company's net loss would have been decreased by ₱167.49 million in 2021 and the deficit would have been increased and total assets would have been decreased by ₱1.07 billion as at December 31, 2021. Further, certain regulatory matters occurring after the balance sheet date have not been disclosed in the financial statements in order not to prejudice the on-going actions of management.

Responsibilities of Management and Those Charged with Governance for the 2021 Consolidated and Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, as modified by the application of the financial reporting reliefs issued by the BSP and approved by the SEC, as described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of the 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 Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Parent Company or to cease operations, or has no realistic alternative but to do so.

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



Auditor's Responsibilities for the Audit of the 2021 Consolidated and Parent Company Financial Statements

Our responsibility is to conduct an audit of the financial statements of the Group and the Parent Company in accordance with Philippine Standards on Auditing (PSA) and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion on the 2021 Consolidated and Parent Company Financial Statements* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group and the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

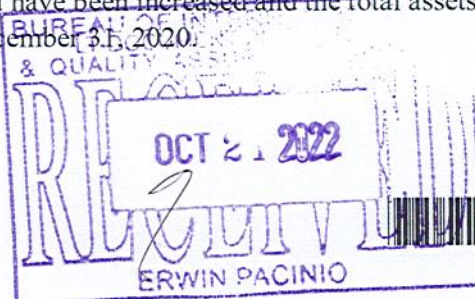
Qualified Opinion on the 2020 Consolidated and Parent Company Financial Statements

We have audited the financial statements of the Group and the Parent Company, which comprise the consolidated and the parent company statements of financial position as at December 31, 2020 and the consolidated and the parent company statements of income, the consolidated and the parent company statements of comprehensive income, the consolidated and the parent company statements of changes in equity and the consolidated and the parent company statements of cash flows for the years ended December 31, 2020 and 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion on the 2020 Consolidated and Parent Company Financial Statements* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2020, and its financial performance and its cash flows for the years ended December 31, 2020 and 2019 in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued by the BSP and approved by the SEC, as described in Note 2 to the financial statements.

Basis for Qualified Opinion on the 2020 Consolidated and Parent Company Financial Statements

As discussed in Note 27 to the consolidated and the parent company financial statements, the required allowance for impairment and credit losses on Interbank call loans (IBCL) totaling ₱1.67 billion granted to a thrift bank, and on Accounts receivable totaling ₱907.26 million, representing the uninsured deposits of a thrift bank assumed by the Parent Company, were deferred and are being amortized over 20 years as approved by the BSP. The Parent Company recognized provision for impairment and credit losses amounting to ₱167.49 million both in 2020 and 2019, representing the amortization of the required allowance. PFRS requires that the required allowance on the IBCL and Accounts receivable be charged against the respective years when the losses were incurred. Had such provision for impairment and credit losses been charged to the proper accounting period, the Group's and the Parent Company's net loss would have been decreased by ₱167.49 million in 2020, net income would have been increased by ₱167.49 million in 2019, and the deficit would have been increased and the total assets and capital would have been decreased by ₱1.24 billion as at December 31, 2020.



We conducted our audits in accordance with PSAs. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 2020 Consolidated and Parent Company Financial Statements* section of our report. We are independent of the Group and the Parent Company in accordance with the 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 qualified opinion.

Emphasis of Matter

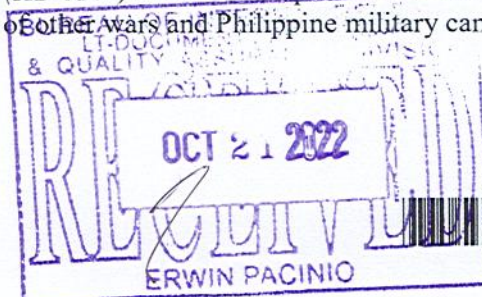
Basis of Preparation

We draw attention to Note 2 to the financial statements, which indicates that the consolidated and parent company financial statements have been prepared in accordance with PFRS, as modified by the application of the financial reporting reliefs issued by the BSP and approved by the SEC in response to the 2019 corona virus (COVID-19) pandemic. The reliefs cover only current year transactions and events and do not impact the comparative periods. The impact of the application of the financial reporting reliefs on the 2020 financial statements are discussed in detail in Note 2.

Compliance with Minimum Capital Requirements of the BSP

As disclosed in Note 4 to the financial statements, the Parent Company is subject to minimum capital requirements of the BSP. In October 2019, the BSP approved the Parent Company's 2019 capital build-up plan (2019 CBUP) to comply with such minimum capital requirements covering the years 2019 to 2023. Based on the 2019 CBUP, as of December 31, 2020, the required minimum qualifying capital is ₱4.88 billion with a minimum capital adequacy ratio (CAR) of 10%. Due to the COVID-19 pandemic, the Group and the Parent Company incurred net loss in 2020 amounting to ₱782.21 million and ₱782.14 million, respectively, which reduced the qualifying capital and CAR as of December 31, 2020. As at December 31, 2020, the qualifying capital of the Group and the Parent Company amounted to ₱1.06 billion and ₱1.08 billion which translated to CAR of 3.61% and 3.70%, respectively. On April 26, 2021, the BSP approved the request of the Parent Company's availment of regulatory relief provided for under BSP Memorandum M-2020-061. The regulatory relief provided pertains to the staggered booking of expected credit losses (ECL) of ₱1.27 billion. Such amount will be reported against the statement of income based on the schedule discussed in Note 2 to the financial statements on a quarterly basis over a period of five (5) years starting in 2020. After considering the staggered booking of such ECL as of December 31, 2020, the qualifying capital of the Group and the Parent Company amounted to ₱2.27 billion and ₱2.29 billion which resulted in a CAR of 7.42% and 7.38%, respectively.

Further, as discussed in Note 4 to the financial statements, to meet the minimum capital requirement of the BSP, the Parent Company plans to raise additional capital. However, under Republic Act (RA) No. 3518, *An Act Creating the Philippine Veterans' Bank, and for Other Purposes*, the ownership of the Parent Company's shares is confined to World War II veterans or their heirs. This condition significantly impacts the Parent Company's ability to successfully raise additional capital. Amendments to RA No. 3518 seek to widen the Parent Company's investor base by expanding the eligible shareholders of the Parent Company. On January 18, 2021, the Philippine House of Representatives approved House Bill 8164, *An Act Providing for the Revised Charter of the Philippine Veterans Bank, Repealing for the Purpose Republic Act No. 3518, as Amended (HB 8164)*. HB 8164 expands the definition of veterans to include post World War II veterans, veterans of other wars and Philippine military campaigns, and



retirees of the Armed Forces of the Philippines. It also allows non-veterans to become shareholders of the Parent Company provided that the veterans shall at all time retain majority of the shares of the Parent Company. HB 8164 was submitted for approval to the Senate on January 19, 2021. As of the date of this report, HB 8164 is pending approval by the Senate.

Our opinion is not qualified in respect of these matters.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report for the year ended December 31, 2020, but does not include the consolidated and parent company financial statements and our auditor's report thereon. The Annual Report for the year ended December 31, 2020 is expected to be made available to us after the date of this auditor's report.

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

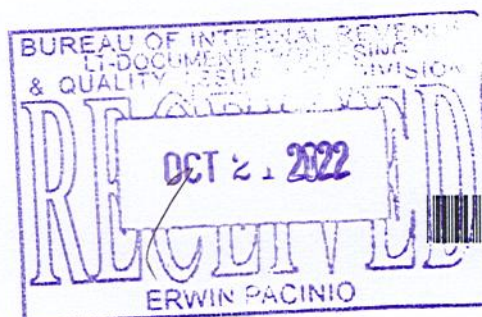
In connection with our audit of the consolidated and parent company financial statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and parent company financial 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 2020 Consolidated and Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued by the BSP and approved by the SEC, as described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of the 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 Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Parent Company or to cease operations, or has no realistic alternative but to do so.

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



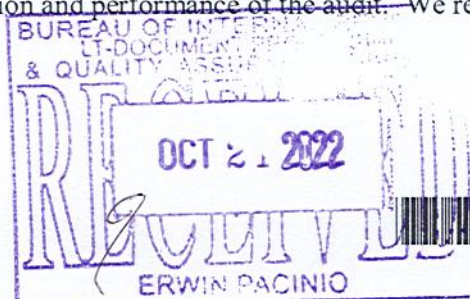
Auditor's Responsibilities for the Audit of the 2020 Consolidated and Parent Company Financial Statements

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 Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.



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

Reports on the 2021 Supplementary Information Required Under BSP Circular No. 1074 and Revenue Regulations 15-2010

We were engaged for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information required under BSP Circular No. 1074 in Note 34 and Revenue Regulations 15-2010 in Note 35 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 Philippine Veterans Bank. Because of the significance of the matter described in the *Basis for Disclaimer of Opinion on the 2021 Consolidated and Parent Company Financial Statements* section of our report, it is inappropriate to and we do not express an opinion on such supplementary information.

Reports on the 2020 Supplementary Information Required Under BSP Circular No. 1074

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1074 in Note 34 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 Philippine Veterans Bank. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Ray Francis C. Balagtas

Partner

CPA Certificate No. 108795

Tax Identification No. [REDACTED]

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

SEC Partner Accreditation No. 108795-SEC (Group A)

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

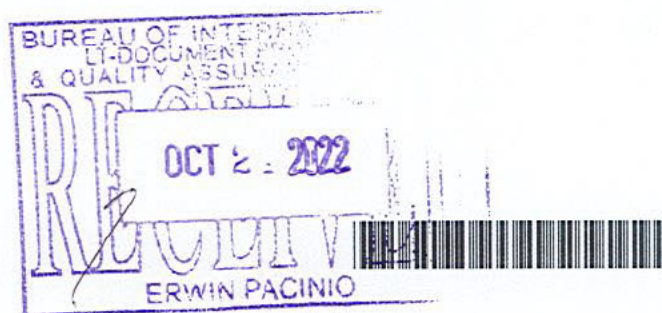
SEC Firm Accreditation No. 0001-SEC (Group A)

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

BIR Accreditation No. 08-001998-107-2020, November 27, 2020, valid until November 26, 2023

PTR No. 8853467, January 3, 2022, Makati City

September 23, 2022

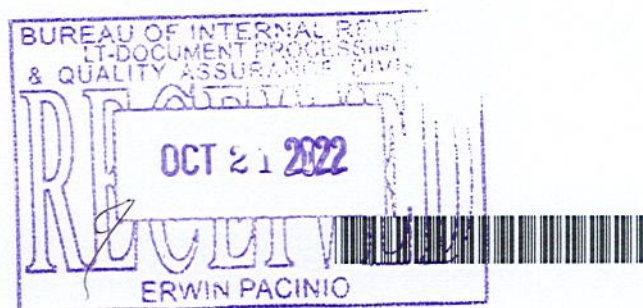


PHILIPPINE VETERANS BANK AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

	Consolidated		Parent Company	
	December 31			
	2021	2020	2021	2020
ASSETS				
Cash and Other Cash Items	P982,683,043	P865,775,594	P981,669,375	P865,757,594
Due from Bangko Sentral ng Pilipinas (Note 14)	17,192,355,261	12,031,791,147	17,190,542,567	12,029,917,822
Due from Other Banks (Note 25)	900,800,210	820,948,178	792,068,538	728,439,743
Interbank Loans Receivable and Securities Purchased Under Resale Agreement (Notes 6, 27 and 30)	2,294,525,611	2,148,227,949	2,294,525,611	2,148,227,949
Financial Assets at Fair Value Through Profit or Loss (Note 7)	142,214,902	1,367,530,962	142,214,902	1,367,530,962
Financial Assets at Fair Value Through Other Comprehensive Income (Note 7)	3,857,486,193	4,830,976,823	3,857,486,193	4,830,976,823
Debt Securities at Amortized Cost (Note 7)	3,674,617,470	5,248,100,092	3,674,617,470	5,248,100,092
Loans and Receivables (Note 8)	19,825,216,818	20,636,927,806	19,741,816,334	20,535,309,158
Investments in Subsidiaries (Note 9)	—	—	146,270,959	136,572,589
Bank Premises, Furniture, Fixtures and Equipment (Notes 10 and 25)	1,085,491,372	961,935,546	1,117,126,858	996,042,823
Investment Properties (Note 11)	2,062,713,825	2,247,624,094	2,073,789,883	2,258,700,152
Deferred Tax Assets (Note 21)	287,451,260	344,941,513	287,451,260	344,941,513
Other Assets (Note 12)	1,386,061,991	1,137,204,563	1,312,229,889	1,048,180,754
	P53,691,617,956	P52,641,984,267	P53,611,809,839	P52,538,697,974
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 14 and 25)				
Demand	P31,598,603,768	P28,268,980,547	P31,673,101,753	P28,330,764,835
Savings	13,875,265,433	15,239,199,119	13,820,720,442	15,194,991,470
Time	3,253,236,125	3,173,718,119	3,251,208,475	3,171,690,519
	48,727,105,326	46,681,897,785	48,745,030,670	46,697,446,824
Loans Payable (Note 14)	10,939,604	32,316,860	—	—
Manager's Checks	48,662,704	36,610,032	48,662,704	36,610,032
Accrued Taxes, Interest and Other Expenses (Note 15)	411,991,963	393,105,095	407,663,800	388,349,061
Lease Liability (Note 20)	269,525,479	227,305,396	269,525,479	227,305,396
Income Tax Payable	162,860	3,437,704	20,302	3,437,704
Other Liabilities (Note 16)	1,470,266,553	1,559,677,611	1,387,674,569	1,477,674,912
	50,938,654,489	48,934,350,483	50,858,577,524	48,830,823,929
EQUITY				
Equity Attributable to Equity Holders of the Parent Company				
Capital stock (Note 18)	2,888,460,412	2,887,405,237	2,888,460,412	2,887,405,237
Treasury stock (Note 18)	(378,584,239)	(378,569,439)	(378,584,239)	(378,569,439)
Additional paid-in capital (Note 18)	8,064,033	8,064,033	8,064,033	8,064,033
Surplus reserves (Notes 22 and 24)	1,280,920,430	1,280,920,430	1,280,920,430	1,280,920,430
Appropriated surplus (Note 18)	361,796,154	362,832,954	361,796,154	362,832,954
Deficit (Notes 18, 22 and 24)	(1,408,992,440)	(353,066,374)	(1,408,992,440)	(353,066,374)
Remeasurement gains (losses) on net retirement plan	1,756,572	(55,731,449)	1,756,572	(55,731,449)
Net accumulated unrealized losses on financial assets at fair value through other comprehensive income (Note 7)	(217,304)	(44,132,832)	(217,304)	(44,132,832)
Cumulative translation adjustment	28,697	151,485	28,697	151,485
	2,753,232,315	3,707,874,045	2,753,232,315	3,707,874,045
Non-Controlling Interest	(268,848)	(240,261)	—	—
	2,752,963,467	3,707,633,784	2,753,232,315	3,707,874,045
	P53,691,617,956	P52,641,984,267	P53,611,809,839	P52,538,697,974

See accompanying Notes to Financial Statements.

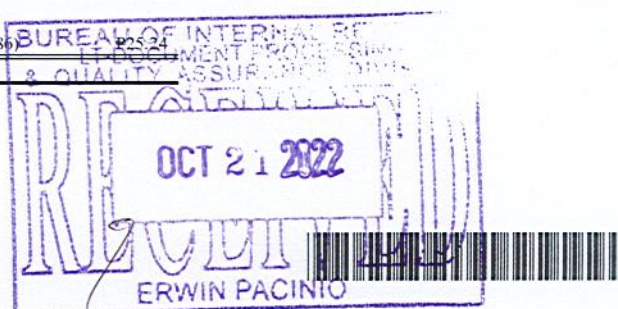


PHILIPPINE VETERANS BANK AND SUBSIDIARIES

STATEMENTS OF INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	2021	2020	2019
INTEREST INCOME ON:						
Loans and receivables (Notes 8 and 25)	₱1,392,216,542	₱1,988,365,744	₱2,260,531,553	₱1,386,927,042	₱1,984,887,938	₱2,254,089,471
Deposits with banks (Note 25)	252,990,187	412,997,830	444,094,660	252,034,378	411,106,054	441,222,821
Investment securities at amortized cost and fair value through other comprehensive income (Note 7)	231,051,715	236,613,515	249,193,333	231,051,715	236,613,515	249,193,333
Interbank loans receivable and securities purchased under resale agreements (Note 6)	20,308,057	67,766,822	155,821,315	20,308,057	67,766,822	155,821,315
Financial assets at fair value through profit or loss (Note 7)	17,126,335	12,234,386	13,808,644	17,126,335	12,234,386	13,808,644
	1,913,692,836	2,717,978,297	3,123,449,505	1,907,447,527	2,712,608,715	3,114,135,584
INTEREST EXPENSE ON:						
Deposit liabilities (Notes 14 and 25)	206,166,555	383,717,423	271,593,187	205,904,071	383,315,312	271,118,175
Bills payable (Note 14)	1,915,084	3,698,421	6,649,953	—	—	—
Lease liability (Note 20)	27,036,536	23,501,435	19,179,560	27,036,536	23,501,435	19,179,560
	235,118,175	410,917,279	297,422,700	232,940,607	406,816,747	290,297,735
NET INTEREST INCOME	1,678,574,661	2,307,061,018	2,826,026,805	1,674,506,920	2,305,791,968	2,823,837,849
Gain on sale of assets (Notes 10 and 11)	213,351,125	198,897,667	356,282,457	200,645,035	177,600,545	338,483,105
Service fees and commissions (Notes 25 and 31)	187,988,297	160,862,688	159,148,768	158,222,232	130,979,834	132,963,135
Gain on asset foreclosures and dacion	52,152,195	27,211,506	376,629,755	52,152,195	27,211,506	376,629,755
Income from trust operations (Notes 24 and 25)	12,644,350	12,876,437	35,013,999	12,644,350	12,876,437	35,013,999
Trading gains – net (Notes 5 and 7)	9,969,840	52,660,478	52,536,608	9,969,840	52,660,478	52,536,608
Foreign exchange gains (losses) – net	415,285	(4,473,872)	(2,197,789)	409,842	(4,468,488)	(2,193,854)
Loss on modification of loans (Note 8)	—	(108,391,645)	—	—	(108,391,645)	—
Equity in net earnings of subsidiaries (Note 9)	—	—	—	9,698,370	5,057,243	9,835,374
Other operating income (Notes 11 and 20)	53,164,952	58,133,063	58,910,561	52,901,570	56,692,010	49,832,212
TOTAL OPERATING INCOME	2,208,260,705	2,704,837,340	3,862,351,164	2,171,150,354	2,656,009,888	3,816,938,183
Provision for impairment, credit and other losses (Note 13)	918,098,729	834,162,480	709,462,313	917,920,502	832,288,874	707,329,174
Compensation and fringe benefits (Notes 19 and 25)	817,438,663	856,837,292	835,331,275	798,680,151	838,015,504	816,872,265
Depreciation and amortization (Notes 10, 11 and 12)	294,847,640	293,677,960	294,463,256	292,750,444	290,674,981	291,090,912
Occupancy (Note 20)	218,735,424	217,684,867	207,354,719	217,808,682	216,741,005	205,879,842
Repairs and maintenance	193,579,573	173,754,100	146,016,933	193,477,018	173,682,131	145,858,699
Taxes and licenses (Note 21)	159,025,764	209,359,336	282,591,037	156,951,059	207,356,101	281,237,795
Insurance	137,665,857	127,938,069	137,916,506	136,399,240	126,701,453	136,519,311
Amortization of software costs (Note 12)	49,313,380	25,692,573	28,555,627	49,313,380	25,692,573	28,555,627
Communications	42,970,729	39,066,794	39,410,376	42,556,071	38,677,076	39,043,565
Transportation and travel	40,489,916	32,427,209	41,698,146	39,581,878	31,756,271	41,031,146
Litigation expenses on acquired assets	32,984,171	33,682,994	57,473,509	32,984,171	33,682,994	57,473,509
Professional fees	32,593,775	47,098,229	34,995,596	29,163,552	44,139,481	32,091,805
Advertising and publicity expenses	29,739,711	26,060,176	44,945,892	29,739,711	26,060,176	44,945,892
Fees and commissions	15,498,864	16,270,126	17,750,413	12,498,502	11,753,087	14,498,354
Bangko Sentral ng Pilipinas supervision fees	14,502,929	14,011,655	14,701,960	14,497,799	14,008,086	14,693,887
Membership fees and dues	12,260,660	9,255,267	9,518,363	11,860,149	8,880,384	9,132,222
Office supplies	11,146,100	19,396,363	11,863,980	11,022,072	19,268,194	11,652,124
Freight expenses	6,461,759	5,167,314	3,265,102	6,461,759	5,167,314	3,265,102
Entertainment, amusement and recreation expenses (Note 21)	4,564,920	4,676,200	8,168,085	4,342,090	4,462,456	7,905,658
Fines and penalties	90,183	1,919,031	6,279,588	32,020	1,818,627	3,741,219
Write-off/reversal of software-in-progress (Note 12)	—	228,870,599	—	—	228,870,599	—
Miscellaneous (Note 11)	60,162,043	58,715,503	57,850,584	60,010,459	57,470,712	56,735,077
TOTAL OPERATING EXPENSES	3,092,170,790	3,275,724,137	2,989,613,260	3,058,050,709	3,237,168,079	2,949,553,185
INCOME (LOSS) BEFORE INCOME TAX	(883,910,085)	(570,886,797)	872,737,904	(886,900,355)	(581,158,191)	867,384,998
PROVISION FOR INCOME TAX (Note 21)	172,044,568	211,321,138	289,619,866	169,025,711	200,978,531	284,238,625
NET INCOME (LOSS) (Note 23)	(₱1,055,954,653)	(₱782,207,935)	₱583,118,038	(₱1,055,926,066)	(₱782,136,722)	₱583,146,373
Attributable to:						
Equity holders of the Parent Company (Note 23)	(₱1,055,926,066)	(₱782,136,722)	₱583,146,373			
Non-controlling interest	(28,587)	(71,213)	(28,335)			
	(₱1,055,954,653)	(₱782,207,935)	₱583,118,038			
Basic/Diluted Gain (Loss) Per Share (Note 23)	(₱45.71)	(₱33.86)	₱1.00			

See accompanying Notes to Financial Statements.

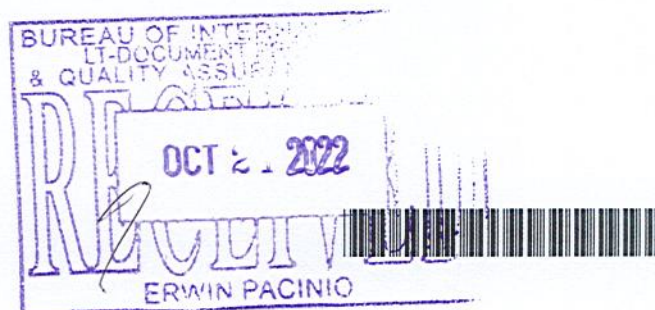


PHILIPPINE VETERANS BANK AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

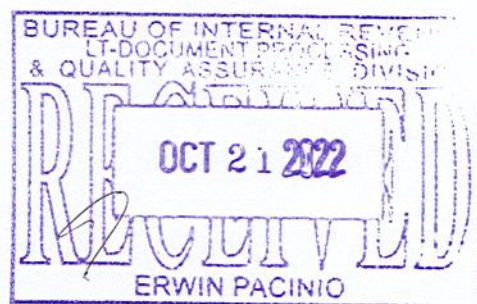
	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	2021	2020	2019
NET INCOME (LOSS) (Note 23)	(P1,055,954,653)	(P782,207,935)	P583,118,038	(P1,055,926,066)	(P782,136,722)	P583,146,373
OTHER COMPREHENSIVE INCOME (LOSSES)						
Items that will not be reclassified to profit or loss in subsequent periods:						
Remeasurement gains (losses) on retirement plan, net of tax (Note 19)	57,488,021	(23,858,166)	(57,317,849)	57,488,021	(23,858,166)	(57,317,849)
Net unrealized gains on equity securities at fair value through other comprehensive income (Note 7)	50,875,567	2,597,564	30,141,606	50,875,567	2,597,564	30,141,606
	108,363,588	(21,260,602)	(27,176,243)	108,363,588	(21,260,602)	(27,176,243)
Items that will be reclassified to profit or loss in subsequent periods:						
Net unrealized gains (losses) on debt securities at fair value through other comprehensive income (Note 7)	(6,960,039)	27,395,458	207,595,254	(6,960,039)	27,395,458	207,595,254
Cumulative translation adjustment	(122,788)	109,861	(14,764)	(122,788)	109,861	(14,764)
	(7,082,827)	27,505,319	207,580,490	(7,082,827)	27,505,319	207,580,490
TOTAL COMPREHENSIVE INCOME (LOSSES)	(P954,673,892)	(P775,963,218)	P763,522,285	(P954,645,305)	(P775,892,005)	P763,550,620
Attributable to:						
Equity holders of the Parent Company	(P954,645,305)	(P775,892,005)	P763,550,620			
Non-controlling interest	(28,587)	(71,213)	(28,335)			
	(P954,673,892)	(P775,963,218)	P763,522,285			

See accompanying Notes to Financial Statements.



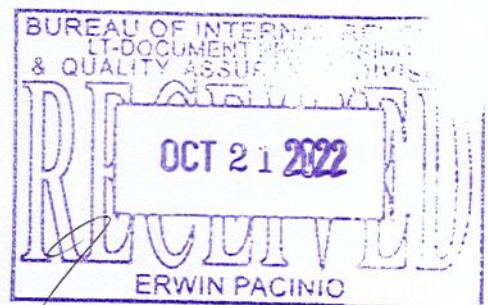
PHILIPPINE VETERANS BANK

Consolidated														
Equity Attributable to Equity Holders of the Parent Company														
	Preferred Stock (Note 18)	Common Stock (Note 18)	Stock Dividends Distributable (Note 18)	Total Capital Stock	Treasury Stock (Note 18)	Paid in Capital (Note 18)	Additional Reserves (Notes 22 and 24)	Surplus on Retilement (Note 18)	Surplus (Deficit) (Notes 15, 22 and 24)	Reassessment Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income (Note 1)	Net Accumulated Unrealized Losses on Financial Assets at Fair Value Through Other Comprehensive Income (Note 1)	Total	Non controlling Interest (Note 18)	Total Equity (Note 18)
Balances at January 1, 2021	P362,152,200	P2,517,422,737	P7,830,300	P2,887,405,237	P1,380,920,430	P8,064,033	-	P362,837,954	(P253,062,374)	(P55,731,449)	(P44,132,832)	P3,307,633,784	(28,557)	P3,307,633,784
Total comprehensive income (losses)	-	-	-	-	-	-	-	-	(P1,055,926,066)	5,748,021	4,515,528	(P54,643,105)	(28,557)	(P95,673,892)
Acquisition of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to capital stock from appropriated surplus	-	-	-	-	-	-	-	-	-	-	-	-	-	-
representing shares of previously unallocated stockholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Collection of subscriptions to common stock and issuance of stock dividends	139,600	907,200	-	1,046,800	-	-	-	(P1,036,800)	-	-	-	-	-	-
Balances at December 31, 2021	P362,291,800	P2,518,255,812	P7,830,300	P2,888,460,412	P1,380,920,430	P8,064,033	-	P362,796,154	(P1,088,992,440)	P1,756,572	(P217,204)	P2,753,232,315	18,375	P2,753,232,315
Balances at January 1, 2020	P362,143,200	P2,517,349,357	P7,833,300	P2,887,325,857	P1,380,920,430	P8,064,033	-	P362,837,954	(P1,088,992,440)	(P55,731,449)	(P44,132,832)	P3,307,633,784	(28,557)	P3,307,633,784
Total comprehensive income (losses)	-	-	-	-	-	-	-	-	(P1,055,926,066)	5,748,021	4,515,528	(P54,643,105)	(28,557)	(P95,673,892)
Acquisition of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to capital stock from appropriated surplus	-	-	-	-	-	-	-	-	-	-	-	-	-	-
representing shares of previously unallocated stockholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Collection of subscriptions to common stock and issuance of stock dividends	9,000	61,000	-	70,000	-	-	-	(P72,000)	-	-	-	7,350	-	7,350
Balances at December 31, 2020	P362,152,200	P2,517,422,737	P7,830,300	P2,887,405,237	P1,380,920,430	P8,064,033	-	P362,837,954	(P1,088,992,440)	(P55,731,449)	(P44,132,832)	P3,307,633,784	(28,557)	P3,307,633,784
Balances at January 1, 2019	P362,128,800	P2,517,222,737	P7,830,300	P2,887,181,837	P1,380,920,430	P8,064,033	-	P362,837,954	(P1,088,992,440)	(P55,731,449)	(P44,132,832)	P3,307,633,784	(28,557)	P3,307,633,784
Total comprehensive income (losses)	-	-	-	-	-	-	-	-	(P1,055,926,066)	5,748,021	4,515,528	(P54,643,105)	(28,557)	(P95,673,892)
Acquisition of Treasury Stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to surplus reserves (Notes 22 and 24)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to capital stock from appropriated surplus	-	-	-	-	-	-	-	-	-	-	-	-	-	-
representing shares of previously unallocated stockholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Collection of subscriptions to common stock and issuance of stock dividends	14,400	106,800	-	121,200	-	-	-	(P115,200)	-	-	-	18,370	-	18,370
Balances at December 31, 2019	P362,143,200	P2,517,349,357	P7,833,300	P2,887,325,857	P1,380,920,430	P8,064,033	-	P362,796,154	(P1,088,992,440)	(P55,731,449)	(P44,132,832)	P3,307,633,784	(28,557)	P3,307,633,784



	Parent Company										Not Accumulated	
											Unrealized	Losses on
	Preferred Stock	Common Stock	Stock Dividends	Total	Treasury Stock	Additional	Surplus	Appropriated	Surplus (Deficit)	Remeasurement	Financial Assets	Cumulative
	(Note 18)	(Note 18)	Distributable	Capital Stock	(Note 18)	Paid-in Capital	(Notes 22 and 24)	Surplus	(Notes 18, 22 and 24)	on Retirement Plan	at Fair Value Through Other Comprehensive Income (Note 7)	Translation Adjustment
Balances at January 1, 2021	P362,152,200	P2,517,422,737	P7,830,300	P2,887,405,237	P378,569,439	P8,064,033	P1,280,920,430	P362,832,954	P353,066,374	P55,731,449	P44,132,832	P151,485
Total comprehensive income (losses)	-	-	-	-	-	-	-	-	(1,055,926,066)	57,488,021	43,915,528	(122,788)
Acquisition of treasury stock	-	-	-	-	(14,800)	-	-	-	-	-	-	-
Transfer to capital stock from appropriated surplus representing shares of previously unlocated stockholders	139,600	907,200	-	1,036,800	-	-	-	(1,036,800)	-	-	-	-
Collections of subscriptions to common stock and issuance of stock dividends	-	25,875	(7,500)	18,375	-	-	-	-	-	-	-	-
Balances at December 31, 2021	P362,281,800	P2,518,355,812	P7,822,800	P2,888,460,412	P378,584,239	P8,064,033	P1,280,920,430	P361,796,154	P1,408,992,440	P1,756,572	P217,304	P28,697
Balances at January 1, 2020	P362,143,200	P2,517,340,387	P7,833,300	P2,887,325,887	P378,510,239	P8,064,033	P1,280,920,430	P362,904,954	P429,070,348	P31,873,283	P74,125,854	P41,624
Total comprehensive income (losses)	-	-	-	-	(59,200)	-	-	-	(782,136,722)	(23,858,166)	29,993,022	109,861
Acquisition of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to capital stock from appropriated surplus representing shares of previously unlocated stockholders	9,000	63,000	-	72,000	-	-	-	(72,000)	-	-	-	-
Collections of subscriptions to common stock and issuance of stock dividends	-	10,350	(3,000)	7,350	-	-	-	-	-	-	-	-
Balances at December 31, 2020	P362,152,200	P2,517,422,737	P7,830,300	P2,887,405,237	P378,569,439	P8,064,033	P1,280,920,430	P362,832,954	P353,066,374	P55,731,449	P44,132,832	P151,485
Balances at December 31, 2019	P362,128,800	P2,517,222,717	P7,840,800	P2,887,192,317	P378,451,039	P8,064,033	P1,279,078,345	P363,020,154	P152,233,940	P25,444,566	P311,862,714	P56,388
Total comprehensive income (losses)	-	-	-	-	-	-	-	-	583,146,373	(57,317,849)	237,736,860	(14,764)
Transfer to surplus reserves (Notes 22 and 24)	-	-	-	-	(59,200)	-	1,842,085	-	(1,842,085)	-	-	-
Acquisition of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to capital stock from appropriated surplus representing shares of previously unlocated stockholders	14,400	100,800	-	115,200	-	-	-	(115,200)	-	-	-	-
Collections of subscriptions to common stock and issuance of stock dividends	-	25,870	(7,500)	18,370	-	-	-	-	-	-	-	-
Balances at December 31, 2019	P362,143,200	P2,517,449,387	P7,833,300	P2,887,325,887	P378,510,239	P8,064,033	P1,280,920,430	P362,904,954	P429,070,348	P31,873,283	P74,125,854	P41,624
												P4,483,817,900

See accompanying Notes to Financial Statements.

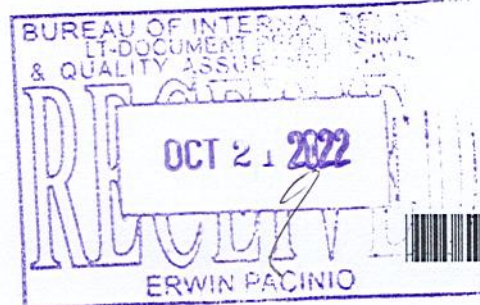


PHILIPPINE VETERANS BANK AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES						
Income (loss) before income tax	(P883,910,085)	(P570,886,797)	P872,737,904	(P886,900,355)	(P581,158,191)	P867,384,998
Adjustments for:						
Provision for impairment, credit and other losses (Note 13)	918,098,729	834,162,480	709,462,313	917,920,502	832,288,874	707,329,174
Depreciation and amortization (Notes 10, 11 and 12)	294,847,640	293,677,960	294,463,256	292,750,444	290,674,981	291,090,912
Write-off of software in progress (Note 12)	—	228,870,599	—	—	228,870,599	—
Gain on sale of assets (Notes 10 and 11)	(213,351,125)	(198,897,667)	(356,282,457)	(200,645,035)	(177,600,545)	(338,483,105)
Loss on contract modification of loans	—	108,391,645	—	—	108,391,645	—
Gains on asset foreclosures and dacion transactions	(52,152,195)	(27,211,506)	(376,629,755)	(52,152,195)	(27,211,506)	(376,629,755)
Amortization of software costs (Note 12)	49,313,380	25,692,573	28,555,627	49,313,380	25,692,573	28,555,627
Interest expense on lease liability (Note 20)	27,036,536	23,501,435	19,179,560	27,036,536	23,501,435	19,179,560
Unrealized loss (gain) on financial assets at fair value through profit or loss (Note 7)	(11,159,504)	22,812,346	(51,204,361)	(11,159,504)	22,812,346	(51,204,361)
Amortization of premium on debt securities at amortized cost	25,114,820	19,153,918	18,568,794	25,114,820	19,153,918	18,568,794
Gain on contract modification of leases	(5,369,233)	(168,493)	(83,518)	(5,369,233)	(168,493)	(83,518)
Equity in net earnings (losses) of subsidiaries (Note 9)	—	—	—	(9,698,370)	(5,057,243)	(9,835,374)
Changes in operating assets and liabilities:						
Decrease (increase) in amounts of:						
Financial assets at fair value through profit or loss	1,241,793,397	(1,183,045,199)	22,253,962	1,241,793,397	(1,183,045,199)	22,253,962
Other assets	120,851,564	(46,194,574)	(342,597,616)	105,659,857	(30,457,522)	(296,785,746)
Loans and receivables	(118,362,510)	132,319,343	(4,161,140,094)	(149,286,764)	159,517,000	(4,187,383,870)
Increase (decrease) in amounts of:						
Deposit liabilities	2,045,207,541	(6,319,041,646)	8,758,975,320	2,047,583,846	(6,289,269,722)	8,764,209,555
Other liabilities	(94,589,401)	129,500,615	516,408,759	(95,178,686)	129,978,790	511,945,219
Accrued taxes, interest and other expenses	18,886,868	(57,502,340)	(14,825,914)	19,314,739	(58,405,431)	(15,015,262)
Manager's checks	12,052,672	(9,736,123)	(1,673,995)	12,052,672	(9,736,123)	(1,673,995)
Net cash provided by (used in) operations	3,374,309,094	(6,594,601,431)	5,936,167,785	3,328,150,051	(6,521,227,814)	5,953,422,815
Income taxes paid	(142,299,876)	(163,050,499)	(179,660,492)	(139,423,577)	(152,707,892)	(174,438,939)
Net cash provided by (used in) operating activities	3,232,009,218	(6,757,651,930)	5,756,507,293	3,188,726,474	(6,673,935,706)	5,778,983,876
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale/maturities of:						
Debt securities at fair value through other comprehensive income (Note 13)	3,731,163,909	2,664,347,665	362,299,188	3,731,342,136	2,664,347,665	362,299,188
Investment properties	515,082,554	300,722,593	460,142,655	515,082,554	279,425,471	355,636,602
Debt securities at amortized cost (Note 13)	2,501,992,140	214,473,493	—	2,501,992,140	214,473,493	—
Bank premises, furniture, fixtures and equipment	27,946,959	2,334,986	207,303,352	30,388,232	681,303	167,018,554
Acquisitions of/additions to:						
Debt securities at fair value through other comprehensive income (Note 13)	(2,713,537,675)	(4,522,644,588)	(60,770,014)	(2,713,537,675)	(4,522,644,588)	(60,770,014)
Debt securities at amortized cost (Note 13)	(952,780,460)	(2,312,765,938)	(214,473,493)	(952,780,460)	(2,312,765,938)	(214,473,493)
Software costs (Note 12)	(302,158,664)	(105,940,885)	(176,854,259)	(302,158,664)	(105,940,885)	(176,854,259)
Bank premises, furniture, fixtures and equipment (Note 10)	(337,079,932)	(87,958,896)	(114,741,390)	(334,952,217)	(86,008,409)	(90,434,120)
Investment in subsidiaries (Note 9)	—	—	—	—	—	(36,257,000)
Net cash provided by (used in) investing activities	2,470,628,831	(3,847,431,570)	462,906,039	2,475,376,046	(3,868,431,888)	306,165,458
CASH FLOWS FROM FINANCING ACTIVITIES						
Payment of principal portion of lease liability (Note 20)	(69,210,656)	(71,086,584)	(64,826,222)	(69,210,656)	(71,086,584)	(64,826,222)
Payments of loans payable (Note 30)	(21,377,256)	(19,098,315)	(43,057,573)	—	—	—
Dividends paid (Note 30)	(139,490)	(189,878)	(311,416)	(139,490)	(189,878)	(311,416)
Acquisitions of treasury stock (Note 18)	(14,800)	(59,200)	(59,200)	(14,800)	(59,200)	(59,200)
Collections on subscriptions of capital stock (Note 18)	18,375	7,350	18,370	18,375	7,350	18,370
Net cash used in financing activities	(90,723,827)	(90,426,627)	(108,236,041)	(69,346,571)	(71,328,312)	(65,178,468)

(Forward)

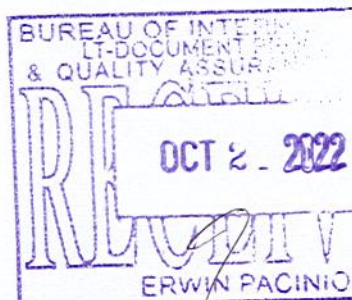


	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	2021	2020	2019
EFFECT OF TRANSLATION ADJUSTMENT	₱11,327	₱109,861	(₱14,764)	₱11,327	₱109,861	(₱14,764)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,611,925,549	(10,695,400,266)	6,111,162,527	5,594,767,275	(10,613,586,045)	6,019,956,102
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	865,775,594	742,626,307	718,185,109	865,757,594	742,146,820	716,320,787
Due from Bangko Sentral ng Pilipinas	12,031,791,147	23,721,321,755	17,330,152,740	12,029,917,822	23,719,346,361	17,328,264,922
Due from other banks (Note 30)	821,570,259	870,252,420	874,378,467	729,061,824	696,493,320	793,123,051
Interbank loans receivable and securities purchased under resale agreement (Note 30)	1,343,341,577	423,678,361	724,000,000	1,343,341,577	423,678,361	724,000,000
	₱15,062,478,577	25,757,878,843	19,646,716,316	₱14,968,078,817	25,581,664,862	19,561,708,760
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	982,683,043	865,775,594	742,626,307	981,669,375	865,757,594	742,146,820
Due from Bangko Sentral ng Pilipinas	17,192,355,261	12,031,791,147	23,721,321,755	17,190,542,567	12,029,917,822	23,719,346,361
Due from other banks (Note 30)	901,202,583	821,570,259	870,252,420	792,470,911	729,061,824	696,493,320
Interbank loans receivable and securities purchased under resale agreement (Note 30)	1,598,163,239	1,343,341,577	423,678,361	1,598,163,239	1,343,341,577	423,678,361
	₱20,674,404,126	₱15,062,478,577	₱25,757,878,843	₱20,562,846,092	₱14,968,078,817	₱25,581,664,862

OPERATIONAL CASH FLOWS FROM INTERESTS

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	2021	2020	2019
Interest received	₱2,166,225,092	₱2,342,335,602	₱3,005,679,748	₱2,157,785,239	₱2,339,639,959	₱2,996,742,113
Interest paid	212,737,390	419,243,376	251,189,646	212,283,563	414,733,098	250,928,851

See accompanying Notes to Financial Statements.



PHILIPPINE VETERANS BANK AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Philippine Veterans Bank (the Parent Company) operates as a domestic commercial bank and provides services such as deposit-taking, loans and trade finance, domestic and foreign fund transfers, treasury, foreign exchange and trust services. The principal place of business of the Parent Company is at 101 V.A. Rufino corner Dela Rosa Streets, Legaspi Village, Makati City.

On June 18, 1963, the Philippine Veterans Bank was created with the enactment of Philippine Republic Act (RA) No. 3518, *An Act Creating the Philippine Veterans' Bank, and for Other Purposes*, which became its Charter.

On December 10, 2021, President Rodrigo R. Duterte signed the "Philippine Veterans Bank Act" or R.A. No. 11597 which took effect on January 21, 2022 and repealed the Parent Company's old Charter (R.A. 3518) and R.A. 7169, *An Act to Rehabilitate Philippine Veterans Bank*. This new Charter now allows the Parent Company to increase its capitalization from ₱100.0 million to ₱10.0 billion and align itself with banking industry standards and norms.

Another significant amendment in the new Charter is how the Parent Company defines "veterans" which is closely tied to stock ownership. The old Charter defined "veterans" as only those Filipinos who fought during World War II and thereafter recognized as "World War II Veterans." As such ownership of the Parent Company was limited to said Filipino veterans and their designated heirs. Under the new Charter, "veterans" will now also allow post-World War II veterans including Armed Forces of the Philippines (AFP) retirees to be shareholders as well. Further, shares may be opened for investment to non-veterans, provided that at all times the majority of the common shares shall be held by the veterans as defined under the new Charter.

The Parent Company has three subsidiaries, namely Intervest Projects, Inc. (IPI), New Rural Bank of Agoncillo, Inc. (NAGON), and Veterans Venture Capital Corp. (VVCC) (see Note 9). IPI has a wholly owned subsidiary, Intervest Insurance Agency, Inc. (IIAI). The Parent Company and its subsidiaries are collectively referred hereinto as "the Group".

Covid-19 Pandemic

While the world grappled with the Covid-19 surges in 2021 stemming from new variants, the Parent Company implemented programs and continued to observe health protocols to protect its clients and personnel. This included the guidelines from both the Department of Health and the Inter-Agency Task Force.

The Parent Company's branches and offices continued to implement mandated covid protocols such as temperature checks, wearing of face mask and physical distancing, among others. Both employees and clients are reminded of these protocols via regular advisories at branch entrances, social media and email.



With its Head Office expansion project, the Parent Company now has a North Hub in Quezon City and a South Hub in Alabang, Muntinlupa, with the existing head office building in Makati as the Central Hub. Among the many benefits of this expansion is that allows employee workstations across all Hubs to be compliant with physical distancing requirements.

The Parent Company also rolled out its Employee Vaccination Program with the aim of providing additional protection for all its personnel and their families. It is also offered for free for all employees, including outsourced personnel, and their household members. To date, 99% of all the Parent Company's personnel have been fully vaccinated (up to second dose).

To ensure continued operations in the new normal, the Parent Company has adapted several measures. This include the issuance of laptops to all personnel including those that can do remote work, using online meetings and webinars in lieu of face to face gatherings, and RT-PCR testing of personnel who displayed symptoms or have been exposed.

With the post pandemic environment unfolding, the Parent Company will continue to implement health measures and protocols bearing in mind the safety and protection of its employees and clients. At the same time, the Parent Company has laid the groundwork with its new core banking system that will pave the way for the expansion of its service delivery channels via online and mobile banking.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the following financial reporting reliefs issued by the Bangko Sentral ng Pilipinas (BSP) and approved by the Securities and Exchange Commission (SEC) in response to the COVID-19 pandemic:

- Staggered booking of allowance for credit losses over a maximum period of five years calculated using the lower of allowance for credit losses as approved by BSP and the allowance for credit losses under PFRS; and
- Exclusion of eligible loans from past due and non-performing classification for regulatory reporting purposes until December 31, 2021.

On April 26, 2021, the BSP approved the Parent Company's request for the staggered booking of the allowance for credit losses on certain loans and receivable amounting to ₱1.44 billion as of September 30, 2020 over a maximum period of five (5) years as follows (amounts in millions):

Year	Percentage of provisioning	Provision	Accumulated amount of Allowance for credit losses
2020	5%	₱71.8	₱71.8
2021	10%	143.7	215.5
2022	20%	286.5	502.0
2023	30%	432.0	934.0
2024	35%	503.0	1,437.0



However, there were developments in the status of the subject loans and receivables as of December 31, 2020 which resulted in a different allowance for credit losses under PFRS. The Parent Company, as approved by the BOD, used the lower of the allowance for credit losses as approved by the BSP and the allowance for credit losses determined under PFRS as of December 31, 2020 for purposes of the staggered booking which totaled to ₱1.27 billion. Using the same percentage of provisioning approved by the BSP, the revised amortization follows (amounts in millions):

Year	Percentage of provisioning	Provision	Accumulated amount of Allowance for credit losses
2020	5%	₱63.6	₱63.6
2021	10%	127.3	190.9
2022	20%	254.4	445.3
2023	30%	381.8	827.1
2024	35%	445.3	1,272.4

The balance of the staggered booking of allowance as of December 31, 2021 and 2020 follows (amounts in millions):

	2021	2020
Beginning balance	₱1,209	₱—
Allowance for credit losses for staggered booking	—	1,272
Staggered provisioning*	(193)	(63)
Ending balance	₱1,016	₱1,209

*Included ₱66 million of accelerated recording of ECL which were reallocated to other credit exposure as related loan balances were already paid off.

The impact of the above staggered booking of the allowance for credit losses on loans and receivables to the consolidated and parent company financial statements as of and for the years ended December 31, 2021 and 2020 had it been accounted for in accordance with PFRS follows (amount in millions, except loss per share):

	Consolidated			Parent Company		
	December 31, 2021			December 31, 2021		
	Balances before the staggered booking of allowance	Effect of staggered booking of allowance	Balances as presented in the financial statements	Balances before the staggered booking of allowance	Effect of staggered booking of allowance	Balances as presented in the financial statements
Loans and receivables	₱18,809	₱1,016	₱19,825	₱18,726	₱1,016	₱19,742
Allowance for credit losses						
– Loans and receivables	4,710	(1,016)	3,694	4,698	(1,016)	3,682
Deferred tax assets	287	—	287	287	—	287
Deficit	2,425	(1,016)	1,409	2,425	(1,016)	1,409
Provision for credit and impairment losses	725	193	918	725	193	918
Provision for deferred tax	33	—	33	33	—	33
Net loss	863	193	1,056	863	193	1,056
Loss per share	37.39	8.31	45.71			



	Consolidated			Parent Company		
	December 31, 2020					
	Balances before the staggered booking of allowance	Effect of staggered booking of allowance	Balances as presented in the financial statements	Balances before the staggered booking of allowance	Effect of staggered booking of allowance	Balances as presented in the financial statements
Loans and receivables	₱19,428	₱1,209	₱20,637	₱19,326	₱1,209	₱20,535
Allowance for credit losses						
– Loans and receivables	4,169	(1,209)	2,960	4,157	(1,209)	2,948
Deferred tax asset	345	–	345	345	–	345
Deficit	1,562	(1,209)	353	1,562	(1,209)	353
Provision for credit and impairment losses	2,043	(1,209)	834	2,041	(1,209)	832
Provision for deferred tax	17	–	17	17	–	17
Net loss	1,991	(1,209)	782	1,991	(1,209)	782
Loss per share	86.20	52.34	33.86			

The accompanying financial statements are prepared on a historical cost basis except for financial assets at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI) that are measured at fair value.

The financial statements of the Parent Company include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU).

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

Each entity in the Group determines its own functional currency and the items included in the financial statements of each entity are measured using that functional currency. The functional currency of the subsidiaries is the Philippine peso.

Statement of Compliance

The accompanying financial statements have been prepared in accordance with PFRS, except for the deferral and staggered recognition of the required allowance for credit losses on specific loans and receivables accounts over five years, as approved by the BSP in response to COVID-19 pandemic as discussed above, and the deferral and staggered recognition of the required allowance for credit losses on interbank call loans (IBCL) and accounts receivable from a thrift bank over 20 years as approved by the BSP, as discussed in Note 27.

Presentation of Financial Statements

The Group and the Parent Company present their statement of financial position broadly in order of liquidity. An analysis regarding expected recovery or settlement of assets and liabilities within 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 an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is



not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

New Standards, Interpretations and Amendments

The accounting policies adopted are consistent with those of the previous financial year, except for the application of the financial reporting reliefs issued by BSP and approved by the SEC, as discussed above, and the adoption of new standards effective as at January 1, 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, the adoption of these new standards did not have an impact on the financial statements of the Group and the Parent Company.

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

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

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component
- The Group shall also disclose information about:
 - The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
 - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

The Group adopted the amendments beginning January 1, 2021.

▪ *Amendments to PFRS 16 - Covid-19-Related Rent Concessions beyond June 30, 2021*

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

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

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

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

The Group has not received COVID-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within the allowed period of application.



Standards and Interpretations Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.



- *Annual Improvements to PFRS 2018-2020 Cycle*

- *Amendments to PFRS 1, First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

- *Amendments to PFRS 9, Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- *Amendments to PAS 41, Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

Effective beginning on or after January 1, 2023

- *Amendments to PAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.



- **Amendments to PAS 8, *Definition of Accounting Estimates***
The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

- **Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies***
The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:
 - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
 - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

Effective beginning on or after January 1, 2024

- **Amendments to PAS 1, *Classification of Liabilities as Current or Non-current***
The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
 - What is meant by a right to defer settlement
 - That a right to defer must exist at the end of the reporting period
 - That classification is unaffected by the likelihood that an entity will exercise its deferral right
 - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

Effective beginning on or after January 1, 2025

- **PFRS 17, *Insurance Contracts***
PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.



The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

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*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries as discussed in Note 1. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company using consistent accounting policies.

All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Parent Company. Consolidation of subsidiaries ceases when control is transferred out of the Parent Company. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

Non-controlling Interest

Non-controlling interest represents the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Parent Company. Non-controlling interest is presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from the Parent Company's equity. Any losses applicable to the non-



controlling interest are allocated against the interest of the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Acquisitions of non-controlling interests that do not result in a loss of control are accounted for as equity transaction, whereby the difference between the consideration and the fair value of the share of net assets acquired is recognized as an equity transaction and attributed to the owners of the Parent Company.

Significant Accounting Policies

Foreign Currency Transactions and Translation

Transactions and balances

The books of accounts of the RBU are maintained in Philippine peso, while those of the FCDU are maintained in USD.

RBU

For financial reporting purposes, foreign currency-denominated monetary assets and liabilities of the RBU are translated into Philippine peso based on the Bankers Association of the Philippines (BAP) closing rate prevailing at the reporting date in 2021 and 2020. Transactions denominated in foreign currencies are recorded using the exchange rates prevailing at the transaction dates. Foreign exchange differences are recognized in the statement of income.

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 FCDU are translated into Philippine peso at the prevailing BAP closing rate, and its income and expenses are translated at the BAP weighted average rates for the year. Exchange differences arising on translation are taken to OCI, and presented as 'Cumulative translation adjustment' in the statement of financial position.

Fair Value Measurement

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 (i.e., an exit price). The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability; or in the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

If an asset or a liability measured at fair value has a bid price and an ask price, the price within the 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 Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

The Group determines the policies and procedures for both recurring fair value measurement, such as financial assets at FVTPL and financial assets at FVOCI, and for non-recurring measurement, such as financial assets at amortized cost and investment properties.

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above (see Note 5).

Financial Instruments – Initial Recognition

Date of recognition

The Group initially recognizes loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognized on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

Initial recognition of financial instruments

All financial instruments are initially recognized at fair value. Except for financial instruments at FVTPL, the initial measurement of financial instruments includes transaction costs.

'Day 1' difference

Where transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognizes the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognized. For each transaction, the Group determines the appropriate method in recognizing the 'Day 1' difference amount.



Classification and Subsequent Measurement of Financial Assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them, measured at either: amortized cost, FVOCI, or FVTPL.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. The three main classifications of business models are: (1) HTC; (2) held-to-collect-and-sell (HTCS); and (3) others.

Under the HTC business model, financial assets are held to collect contractual cash flows over the life of the instrument. Common key performance indicators (KPI) under the HTC business model are interest income generated, percentage of collection, and quality of assets. The Group also manages the credit risk associated with holding the instruments. Sales activities are allowed under the HTC business model, provided that these are only incidental in achieving the objectives of the business model. The following are allowed sale activities under the HTC business model:

- sales are due to an increase in the credit risk of a financial asset
- sales are infrequent (even if significant), or are insignificant individually and in aggregate (even if frequent)
- sales take place close to the maturity of the financial asset and the proceeds from the sales approximate the collection of the remaining contractual cash flows.

Under the HTCS business model, the objectives are to collect the contractual cash flows and to sell the financial assets. The Group monitors the interest income, fair value changes, and gains or losses from disposal activities, with more focus directed to managing both credit and liquidity risks.

Other business models are those that do not fall under HTC and HTCS business models. These include financial assets managed with the objective of realizing cash flows through sale, held-for-trading portfolio, and portfolio whose performance is evaluated on a fair value basis. KPIs revolve around fair value changes, and gains or losses from sales activities.

Contractual cash flow characteristics assessment

As a second step of the classification process, the Group assesses the contractual terms of financial assets to identify whether they represent SPPI. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g., non-recourse asset arrangements); and
- features that modify consideration of the time value of money (e.g., periodical reset of interest rates).



The Group holds a portfolio of long-term fixed rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, and other basic lending risks and costs associated with the principal amount outstanding.

Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within the HTC business model; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

These are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Interest income is calculated by applying the effective interest rate (EIR) to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets, the EIR is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the statement of income as part of 'Interest income'.

This measurement category includes the statement of financial position captions: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable (IBLR) and securities purchased under resale agreement (SPURA)', 'Debt securities at amortized cost', and 'Loans and receivables'.

Financial assets at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within the HTCS business model; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

On initial recognition of an equity security that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets at FVOCI are subsequently measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in OCI, net of any effects arising from income taxes, and are reported as part of 'Net accumulated unrealized losses on financial assets at FVOCI' account in equity. Except for those equity securities at FVOCI, the expected credit loss (ECL) arising from impairment of financial assets at FVOCI are recognized in OCI with a corresponding charge to 'Provision for impairment, credit and other losses' in the statement of income. Dividends earned on holding equity securities at FVOCI are recognized in the statement of income under 'Other operating income' when the right of the payment has been established. When the asset is disposed of, the cumulative gain or loss previously recognized in OCI is not reclassified to profit or loss but is reclassified directly to 'Surplus (deficit)' account, except for those disposed debt securities at FVOCI wherein cumulative gains or losses are recycled back to profit or loss.



The Group's financial assets at FVOCI include government and private debt securities and quoted and unquoted equity securities.

Financial assets at FVTPL

All other financial assets are classified and measured at FVTPL. Financial assets that are held within a different business model other than HTC or HTCS are categorized as FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVTPL. Also, equity securities are classified as financial assets at FVTPL, unless the Group designates an equity security that is not held for trading at FVOCI at initial recognition.

Financial assets at FVTPL are measured at fair value with gains or losses recognized in profit or loss as part of 'Trading gains – net' in the statement of income.

The Group's financial assets at FVTPL include debt securities which are held for trading purposes and other financial assets that did not meet the SPPI criterion.

Reclassification of financial assets

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Financial assets at amortized cost reclassified to the FVTPL or FVOCI category are measured at their fair value at reclassification date with the difference in measurement recognized in profit or loss or OCI, respectively.

When financial assets at FVTPL or FVOCI are reclassified to the amortized cost category, their fair value at reclassification date becomes their new gross carrying amount. However, for those reclassified out of FVOCI, the cumulative gain or loss previously recognized in OCI is removed from equity and adjusted against the fair value of the financial assets at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortized cost.

Financial assets reclassified out of the FVTPL category and into the FVOCI category and vice versa continue to be measured at their fair value. However, for those reclassified from FVOCI to FVTPL, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Financial Liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments at amortized cost or at FVTPL.

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



After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously. The Parent Company 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 a default, and event of insolvency or bankruptcy of the Parent Company and all the counterparties.

Income and expenses are presented on a net basis only when permitted under PFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

Impairment of Financial Assets

Overview of the ECL principles

The Group recognizes allowance for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments [except for the interbank call loans (IBCL) and accounts receivable from a thrift bank (Note 27)];
- financial guarantee contracts issued; and
- loan commitments issued.

The Group measures the allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Based on the above process, the Group groups its financial assets into Stage 1, Stage 2, Stage 3, as described below:

Stage of credit impairment	Characteristics	Time horizon in measuring ECL
Stage 1	Credit exposures that are considered "performing" and with no significant increase in credit risk since initial recognition or with low credit risk	12-month
Stage 2	Credit exposure that are considered "underperforming" or not non-performing but with significant increase in credit risk since initial recognition	Lifetime
Stage 3	Credit exposures with objective evidence of impairment (i.e., credit-impaired), thus considered "non-performing"	Lifetime

Measurement of ECL

ECL is a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);



- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- Probability of default (PD) is the measure for the likelihood of a default event occurring over a specific time period. In the ECL calculation process, the PD is measured over either 12-month or the lifetime of a financial instrument. 12-month PD measures the probability of default in the coming 12 months and is used to calculate 12-month ECL. Lifetime PD measures the probability of default over the effective remaining term of a financial instrument, which is used to measure lifetime ECL for Stage 2 and 3 credit exposures. Both 12-month and lifetime PDs are adjusted for point-in-time (PiT) and forward-looking information.
- Loss-given default (LGD) is the share of an asset that is lost when a borrower defaults. It is facility-specific because such losses are generally understood to be influenced by key transaction characteristics such as the presence of collateral and the degree of subordination. The Group considers any collateral or credit enhancements associated with the financial assets when estimating the LGD, (i.e., the recovery of cash flows the Group can expect to receive in the event of a default).
- Exposure at default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The exposures will cover both on-balance sheet and off-balance sheet items. For revolving type of financial assets, the Group estimates the expected future drawdowns to calculate the EAD.

The Group applies a simplified ECL approach for its accounts receivables wherein the Group uses a provisioning matrix that considers historical changes in the behavior of the portfolio to predict conditions over the span of a given observation period.

Significant increase in credit risk

At each reporting date, the Group assesses whether there has been significant increase in credit risk since initial recognition of the financial asset, which is fundamental to stage allocation and determining the ECL calculation methodology (i.e., lifetime ECL is used if there has been significant increase in credit risk). In making the assessment, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment, including forward-looking information.

Below are the criteria and indicators on what constitutes significant increase in credit risk for corporate, mortgage and salary, and pension portfolios:

- credit exposures with missed payment for more than 30 days
- rated credit exposures with risk ratings downgraded by at least two grades
- loans that are classified as 'Especially mentioned' and 'Substandard – unimpaired' under BSP regulations



For treasury exposures, the Group uses the low credit risk operational simplification as allowed under PFRS 9, which assumes that there is no significant increase in credit risk if a financial asset is determined to have low credit risk at the reporting date. An example of low credit risk is that the financial instrument has an investment grade rating based on external rating agencies.

In subsequent reporting periods, if the credit risk of the financial asset improves such that there is no longer a significant increase in credit risk, the Group reverts to recognizing a 12-month ECL.

Definition of default or credit-impaired

A financial asset is in default or credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is in default or credit-impaired may include, among others, significant financial difficulty of the borrower or issuer, a breach of contract such as a default or past due event, the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise, it is becoming probable that the borrower will enter bankruptcy or other financial reorganization, or the disappearance of an active market for a security because of financial difficulties.

A financial asset that has been renegotiated due to the deterioration in the borrower's condition is usually considered to be in default or credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers certain factors, such as the market's assessment of creditworthiness as reflected in the bond yields, the rating agencies' assessments of creditworthiness, the country's ability to access the capital markets for new debt issuance, or the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

Inputs into the assessment of whether a financial instrument is in default as well as their significance may vary over time to reflect changes in circumstances.

The Group transfers credit-impaired financial assets from Stage 3 to Stage 1 when there is sufficient evidence to support that full collection of principal and interest is probable. This is particularly evident when payments of interest and/or principal are received for at least one year.

Forward-looking information

The Group uses its internal credit ratings and through-the-cycle (TtC) PD following the internal rating scale. The Group through an overlay converts its TtC PDs into PiT PDs through an overlay using macroeconomic variables determined to affect each homogenous lending products. These macroeconomic variables include gross domestic product, unemployment rate, change in S&P 500, energy and non-energy indices.

Presentation of allowance for ECL

Allowances for ECL on financial assets measured at amortized cost are presented in the statement of financial position as a deduction from the gross carrying amount of the assets.

For loan commitments and financial guarantee contracts, the ECL is generally presented in 'Provision for probable losses' under 'Other liabilities'. However, where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component, the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross



carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as 'Provision for impairment, credit and other losses'.

For debt securities at FVOCI, no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to the statement of income. The accumulated loss recognized in OCI is recycled to the statement of income upon derecognition of the assets.

IBCL and Accounts Receivable from a Thrift Bank

The required allowance for impairment and credit losses on IBCL and accounts receivable, representing assumed uninsured deposits from a thrift bank, are deferred and amortized over 20 years as approved by the BSP.

Collateral Valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties, or based on housing price indices.

Restructured Loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subjected to an individual or collective impairment assessment, calculated using the loan's original EIR. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original EIR, is recognized in 'Provision for impairment, credit and other losses' in the statement of income.

Write-offs

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the 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 credit loss expense.

Repurchase and Reverse Repurchase Agreements

Securities sold under agreements to repurchase at a specified future date are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized in the statement of financial position as securities sold under repurchase agreement in 'Other liabilities', reflecting the economic substance of such transaction.

Conversely, securities purchased under agreements to resell at a specified future date are not recognized in the statement of financial position. The corresponding cash paid, including accrued interest, is recognized in the statement of financial position in 'IBLR and SPURA'. The difference



between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest method.

Derecognition of Financial Assets and Liabilities

Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. On derecognition of a financial asset, the difference between the carrying amounts of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of: (1) the consideration received (including any new asset obtained less any new liability assumed) and (2) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognized as a separate asset or liability.

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

Financial liabilities

The Group derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

Modification of financial assets

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

The Group 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 Group considers the following factors, among others:

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

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



When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows

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 IBLR and SPURA with original maturities of three months or less from dates of placements and that are subject to insignificant risk of changes in value.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

Investments in Subsidiaries

Subsidiaries pertain to all entities over which the Parent Company has control. Control is achieved when the Parent Company 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. The Parent Company has power over the investee when it has existing rights that give it the current ability to direct relevant activities (i.e., activities that significantly affect the entity's returns).

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Parent Company's voting rights.

In the separate financial statements of the Parent Company, the investments in subsidiaries are accounted for under the equity method. Investments in subsidiaries are carried in the separate statement of financial position at cost plus post-acquisition changes in the Parent Company's share of the net assets of the subsidiary less any impairment in value.

Post-acquisition changes in the share of net assets of the subsidiary include the share in the income or losses of the subsidiaries. Dividends received are treated as a reduction in the carrying values of the investments. When the Parent Company increases its ownership interest in a subsidiary 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 subsidiary and the existing interest in the subsidiary is not remeasured. The share in the subsidiaries' post-acquisition profits or losses is recognized in the separate statement of income as 'Equity in net losses of subsidiaries'. When the share of losses in a subsidiary equals or exceeds its interest in the subsidiary, including any other unsecured receivables, the Parent Company does not recognize further losses, unless it incurred obligations or made payments on behalf of the subsidiary.

Bank Premises, Furniture, Fixtures and Equipment

The Group's bank premises, furniture, fixtures and equipment consist of land, building, equipment and right-of-use assets that do not qualify as investment properties.

Land is stated at cost less any impairment in value and depreciable properties, including buildings, leasehold improvements and furniture, fixtures and equipment, are stated at cost less accumulated depreciation and amortization, and any impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met, but excludes repairs and maintenance costs.



Depreciation and amortization is calculated using straight-line method over the estimated useful lives (EUL) of the depreciable assets.

The EUL of the property and equipment follow:

Buildings	25 – 40 years
Furniture, fixtures and equipment	5 – 10 years
Leasehold improvements	25 years or lease term, whichever is shorter

The depreciation and amortization methods and EUL are reviewed at least at each reporting date 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 and Other Foreclosed Assets

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of asset given up. Foreclosed properties are classified under 'Investment properties' in the statement of financial position upon: (a) entry of judgment in case of juridical foreclosure; (b) execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or (c) notarization of the Deed of Dacion in case of dacion in payment (dacion en pago).

The difference between the fair value of the foreclosed properties and the carrying value of the related receivables given up is recognized in 'Gain on asset foreclosures and dacion transactions' account in the statement of income.

Subsequent to initial recognition, land is carried at cost less any impairment in value while depreciable investment properties are carried at cost less accumulated depreciation and any impairment in value.

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

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

Depreciation is calculated for buildings and improvements on a straight-line basis over the EUL of ten years from the time of acquisition.

Foreclosed properties of land or building are classified under investment properties from foreclosure date. 'Other foreclosed assets' are repossessed assets which do not qualify as land or building and are included in 'Other assets' in the statement of financial position. These are carried at cost less accumulated depreciation and any impairment in value.



Depreciation of other foreclosed assets is calculated on a straight-line basis over the EUL of three years from the time of acquisition.

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

Software Costs

Software costs are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. The Group classifies software costs as follows:

- Major system – the software is acquired or internally developed, which is customized to suit the Group's operations. Generally, these systems have development stages to test their system design including software configuration and software interfaces, coding, installation of computer hardware and testing.
- Common system – the software is acquired but only minimal or no customization is needed.

Software costs are included in 'Other assets' in the statement of financial position. All software costs, except major systems are amortized on a straight-line basis over EUL of five years. Software costs classified as 'Major system' are amortized on a straight-line basis over EUL of 10 years.

Software costs under development and are not yet available for use are intangible assets with indefinite useful life. These are subject to annual impairment testing (see accounting policy on "Impairment of Nonfinancial Assets").

Costs associated with maintaining the computer software programs are recognized as expense when incurred.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Goodwill is an intangible asset with indefinite useful life and is subject to annual impairment testing. Following initial recognition, goodwill is measured at cost net of impairment losses (see accounting policy on "Impairment of Nonfinancial Assets").

Impairment of Nonfinancial Assets

Bank premises, furniture, fixtures and equipment, investment properties, other foreclosed assets, and software costs

At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit (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 charged against operations in the year in which it arises.



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

Investments in subsidiaries

The Parent Company determines at each reporting date whether there is any objective evidence that the investments in subsidiaries are impaired. If that is the case, the Parent Company calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognizes the amount in the parent company statement of income. Recoverable amount is the higher of the assets or CGU's fair value less costs to sell and its value in use.

Goodwill and software under development

Goodwill and software that are not yet available for use are reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill and software under development relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill and software under development has been allocated, an impairment loss is recognized immediately in the statement of income.

Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its impairment test of goodwill and software under development annually.

Equity

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

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

Issuance, underwriting and other related costs incurred in connection with the issuance of the capital securities are treated as a reduction of equity against 'Additional paid-in capital'.

Surplus represents accumulated earnings less dividends declared. The Parent Company's surplus available for dividend declaration includes accumulated earnings subject to certain adjustments per SEC Memorandum Circular 11, Series of 2008. The Parent Company's surplus reserves include (1) portion of net income transferred from surplus as required by the Parent Company's by-laws; and (2) portion of the Parent Company's income from its trust operations transferred from surplus as



required by BSP. The accumulated equity earnings from subsidiaries included in surplus are available for dividend declaration when declared as dividends by the subsidiaries.

Revenue Recognition

Revenue is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Group concluded that it is acting as a principal in all of its revenue arrangements, except for certain trading and insurance brokerage transactions. The following specific recognition criteria must also be met before revenue is recognized within the scope of PFRS 15:

Service fees and commissions

Fees and commissions charged for the provision of services are recognized as revenue as the services are provided. These fees include custodian fees and trust fees. Loan syndication fees are recognized upon completion of all syndication activities and where the Group does not have further obligations to perform under the syndication agreement. Service charges and penalties are recognized only upon collection or accrued where there is a reasonable degree of certainty as to their collectability.

Other income

Other income is recognized when earned and the collectability is reasonably assured. The following revenues outside the scope of PFRS 15 are recognized as follows:

Gains on sale of assets

Gain from sale of assets such as investment properties and bank premises, furniture, fixtures and equipment is recognized when the control over the properties has been transferred to the buyer.

Rental income

Rental income arising on investment properties is accounted for on a straight-line basis over the lease terms on ongoing operating leases.

Dividend income

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

Trading gains – net

Results arising from trading activities include all gains and losses from changes in fair value of financial assets at FVTPL, and gains and losses from disposal of debt securities at FVOCI. Cost of securities sold is determined using specific identification method.

Interest

Interest income and expense are recognized in profit or loss using the effective interest method. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset; or the amortized cost of the financial liability. The calculation of EIR includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability. Loan commitment fees are earned over the terms of the credit lines granted to each borrower and recognized as an adjustment to the EIR of the loan.

When calculating the EIR for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECLs. For credit-impaired financial assets, a credit-adjusted EIR is calculated using estimated future



cash flows including ECLs. The calculation of interest income reverts back to gross basis if the credit risk of the asset improves.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented separately from interest income on financial assets at amortized cost and debt securities at FVOCI, and from interest expense on other financial liabilities at amortized cost, respectively.

Expense Recognition

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

Expenses are recognized in the statement of income:

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

Retirement Cost

The Parent Company is covered by a funded noncontributory defined benefit retirement plan (the Plan). A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation. The Parent Company's retirement cost is determined using the projected unit credit method. The retirement cost is generally funded through payments to a trustee-administered fund, determined by periodic actuarial calculations.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- service cost
- net interest on the net defined benefit liability or asset
- remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in the statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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



on the net defined benefit liability or asset is recognized as expense or income in the statement of income.

Retirement expense is presented under 'Compensation and fringe benefits' in the statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets (excluding net interest on defined benefit asset) and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in 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 Parent Company, nor can they be paid directly to the Parent Company. 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 Parent Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit

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

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

Employee leave entitlement

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

Leases

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

Group as a lessee

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



- **Right-of-use assets**

The Group recognizes Right-of-use assets (included in 'Bank Premises, Furniture, Fixtures and Equipment') 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, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets is subject to impairment in line with the Group's policy on impairment of financial assets. 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 assets (i.e., 1 to 50 years for office spaces).

- **Lease liabilities**

Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. 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 in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (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 leases of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Group as lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in the statement of income on a straight-line basis over the lease term.

Group as lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased assets and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Provisions

Provisions are recognized when the Group 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 Group 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 incomes, 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 in 'Interest expense' in the statement of income.



Contingencies

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.

In certain cases, disclosure of some or all of the information required by PAS 37, *Provisions, Commitments and Contingent Liabilities and Contingent Assets*, can be expected to prejudice seriously the position of the Group in a dispute with other parties on the subject matter of the provision, contingent liability or contingent asset. In such cases, the Group will not disclose the information, but will disclose the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed.

Income Taxes

Current taxes

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

Deferred taxes

Deferred tax is provided using the 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, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carry forward 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 carry forward of unused MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income or loss nor taxable income or NOLCO.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries and associates.

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

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

Current tax and deferred tax relating to items recognized in OCI are also recognized in OCI, 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.

Earnings (Losses) Per Share

Basic earnings (losses) per share is computed by dividing net income (loss) for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Group does not have any dilutive potential common shares.

Dividends on Common and Preferred Shares

Cash dividends on common and preferred shares are recognized as a liability and deducted from equity when approved by the Board of Directors (BOD) of the Parent Company. Stock dividends declared by the BOD are recorded under 'Stock dividends distributable' and reclassified to common and preferred stock when the corresponding certificates of shares of stock have been issued already. Dividends declared after the reporting date are dealt with as an event after the reporting period. Dividends previously declared but remained unclaimed for more than five years by shareholders whose existence and whereabouts could not be ascertained are transferred to 'Appropriated Surplus'.

Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

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

For management purposes, the Group is organized into two main operating segments, which are the banking business and the real estate business. Each segment engages in separate business activities and the operating results are regularly reviewed by management (see Note 28).

Events After the Reporting Period

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

Fiduciary Activities

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

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with PFRS requires the Group 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 judgments and 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

a) Going concern

As discussed in Note 4, as of December 31, 2021 and 2020, the CAR of the Parent Company is 5.30% and 7.42%, respectively, (after taking into the effect of the regulatory relief provided under BSP Memorandum M-2020-061 which allowed the staggered booking of ECL) compared to the minimum CAR of 10.00% as required by the BSP. Also, the Parent Company's leverage ratio of 2.46% and 4.14% as of December 31, 2021 and 2020, is below BSP's required leverage ratio of 5.00%. Due to the COVID-19 pandemic that started in 2020, the business environment has changed and made the operation extremely difficult in 2021 and 2020. As a result, the Parent Company booked a significant level of provision for credit and impairment losses for the years 2021 and 2020 (after effect of staggered booking of ECL in 2020 as approved by BSP) resulting in net loss and the decline in the capital level of the Parent Company.

However, the Parent Company's management has made an assessment of its ability to continue as a going concern and is satisfied that the Parent Company will continue to exist since it remains to be highly liquid, will continue to address its liquidity needs and gradually grow its lending business given its high LCR of 254% and 225% and NSFR of 151% and 137% as of December 31, 2021 and 2020, respectively. Further, as mentioned in Note 1, the amendment to the Bank's charter was approved by President Rodrigo Duterte on December 10, 2021 and took effect on January 21, 2022. The amendment expanded the shareholder base allowed to put in additional capital to the Bank for it to meet regulatory capital requirements. With the expansion of qualified investor base, the Parent Company has initiated discussions with potential new investors and processing of application for increase in authorized capital stock with the SEC to raise capital until it meets the BSP's minimum capital requirement.

In March 2022, the Parent Company immediately began its capital raising activities by inviting its current shareholders to a stocks rights offering. In September 2022, the Parent Company also launched a stock subscription offering to post-World War II veterans and AFP Retirees which will also be launched later on to other private investors. The Bank likewise appointed a Financial Advisor for this effort. To date, several private entities have submitted letters of intent to invest in PVB.

Despite the Parent Company's charter (R.A. 3518, Sec. 28, R.A. 7169, Sec. 6 and R.A. No. 11597, Sec. 28) where it was declared as an Authorized Government Depository Bank (AGDB), the Department of Finance (DOF) issued Circular 002-2022, *Revised Guidelines on Authorized Government Depository Banks* which excludes the Parent Company from the list of AGDBs. On September 8, 2022, the DOF informed the Parent Company of the amendment to DOF Circular 002-2022 that will include the Parent Company as an AGDB for a period of two years from effectivity of the circular, in view of its charter. The amendment will become effective once it is publicly published.

Other than those mentioned, management is not aware of any events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

b) Classification of financial assets

The Group classifies its financial assets at initial recognition depending on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.



In performing the SPPI test, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, the period for which the interest rate is set, contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms and other features that may modify the consideration for the time value of money.

The Group also applies judgment in assessing the objective of a business model in which an asset is held at a portfolio level in a way that best reflects the way the business is managed and information is provided to management. The information considered includes:

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

c) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position or disclosed in the notes to financial statements cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values (see Note 5).

d) Determination of lease term of contracts with renewal and termination options

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



Estimates

a) Credit losses on loans and receivables

The Group reviews its loan portfolios and receivables (except for certain loans receivables as discussed in Note 2 and IBCL and accounts receivable from a thrift bank as discussed in Note 27) to assess credit losses at each reporting date with updating provisions made during the intervals as necessary based on the continuing analysis and monitoring of individual accounts by credit officers.

The measurement of credit losses requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining credit losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

- the Group's internal credit grading model, which assigns PDs to the individual grades
- the Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for loans and receivables should be measured on a lifetime ECL basis and the qualitative assessment
- the segmentation of loans and receivables when their ECL is assessed on a collective basis
- development of ECL models, including the various formulas and the choice of inputs
- determination of forward-looking macroeconomic inputs and probability-weights.

The carrying values of the Group and the Parent Company's loans and receivables are disclosed in Note 8 and the movements of the related allowance for credit losses are disclosed in Note 13.

b) Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available.

The Group and the Parent Company's lease liabilities amounted to ₱269.53 million and ₱227.31 million as of December 31, 2021 and 2020, respectively (see Note 20).

c) Present value of retirement liability

The present value of the pension obligation is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual experience in the future. These include the determination of the discount rate, future salary increases, and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.



The mortality rate is based on publicly available mortality tables for the Philippines and is modified accordingly with estimates of mortality improvements. Future salary increases are based on expected future inflation rates, seniority, promotion and other market factors.

The present value of the Group and the Parent Company's net retirement liability are disclosed in Note 19.

d) Recognition of deferred tax assets

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 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 the future taxable profits indicate that certain temporary differences will be realized in the future.

The recognized and unrecognized deferred tax assets of the Group and the Parent Company are disclosed in Note 21.

e) Impairment of non-financial assets

The Group assesses impairment on non-financial assets (bank premises, furniture, fixtures and equipment, investment properties, software costs, and investments in subsidiaries) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group 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 Parent Company also assesses impairment on its investments in subsidiaries considering the same factors above.

The Group and the Parent Company recognize an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The Group and the Parent Company use the higher of value in use and fair value less costs to sell in determining the recoverable amount.

The carrying amounts of the Group and the Parent Company's bank premises, furniture, fixtures and equipment, investment properties and software costs and the Parent Company's investment in subsidiaries and the related allowance for impairment losses are disclosed in Notes 10, 11 and 12, respectively.

f) Contingencies

The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims have been developed in consultation with outside legal counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 26).



4. Financial Risk and Capital Management

Introduction

The Group has exposure to the following risks from its use of financial instruments: (a) credit; (b) liquidity; (c) market; and (d) operational risks.

Risk management framework

Risk is an inherent part of the Parent Company's business activities. The Parent Company's risk management framework and governance structure are intended to provide comprehensive controls and ongoing management of these risks. The risk management process is an ongoing identification, measurement, monitoring or control and reporting. It is critical to the Parent Company's soundness and profitability as it is continually exposed to credit risk, liquidity risk, market risk and operational risk.

Risk identification: The Parent Company's exposure to risk through its daily business dealings, including lending, trading and capital market activities, is identified and aggregated through the Parent Company's risk management infrastructure.

Risk measurement: The Parent Company measures risk using a variety of methodologies, including calculating potential liquidity outflows and by performing sensitivity and scenario analyses ("stress testing") on strategic portfolios in the Parent Company's statements of financial position.

Risk mitigation and control: The Parent Company's risk management policies and procedures incorporate risk mitigation strategies and include approval and tolerance limits by customer, product and industry.

Risk monitoring and reporting: Risks are monitored against approval and tolerance limits on a regular basis. Compliance with set limits is reported to Senior Management, Risk Management Oversight Committee (RMOC) and BOD on a regular basis.

Risk governance

The BOD has the ultimate responsibility for understanding the nature and the level of risks taken by the Parent Company. The BOD has created various committees such as the Corporate Governance and Compliance Oversight Committee (CGCOC), Risk Management Oversight Committee RMOC, Audit Committee (AC), and Credit Committee (CreCom) to assist in the performance of its responsibilities for the management of risk. These committees are composed of members of the BOD supported by the Compliance Division, Risk Management Division (RMD), and Internal Audit Division.

The CGCOC is responsible for ensuring the BOD's effectiveness and due observance of the corporate governance principles and guidelines. It oversees the periodic performance evaluation of the BOD and its committees and executive management. The CGCOC also safeguards that transactions involving the Parent Company and the related parties are conducted at arm's-length basis.

The RMOC sets risk limits, policies and standards for risk identification, analysis and control especially credit, market, liquidity and operational risks. The RMOC monitors the sensitivity of the Parent Company's portfolios to changes in the market, such as price, banking regulations and the effects on the profitability of the Parent Company. It also approves and endorses to the BOD policies and procedures, loan products and lending program manuals.

The AC reviews and recommends approval to the BOD for the internal audit programs, policies and procedures and oversees proper implementation and adherence to such. The risk management system



of the Parent Company is annually reviewed by the internal auditors to ensure its effectiveness and adequacy relative to the Parent Company's risk-taking activities.

The CreCom of the BOD reviews approves or endorses to the Executive Committee (ExCom) and/or to the BOD credit and credit-related proposals for approval. Guidance of the CreCom is also being sought in the formulation of policies and procedures, loan products and lending program manuals.

At the transactional level, Senior Management has created various management committees to supervise the management of the various risks of the business. The Asset and Liability Committee (ALCO) is responsible for ensuring market and liquidity risks are adequately managed both on long term and day-to-day bases. The Management Committee (ManCom) oversees and reviews management strategies and plans, products and services, operational policies and procedures. All other aspects of the business are managed as well by the ManCom to ensure that all activities are in line with the risk appetite and tolerance of the Parent Company.

Credit Risk

Credit risk is the risk of financial loss due to default of a counterparty to perform its financial obligation to the Parent Company. The Parent Company's credit risk management involves delegation of approving authorities to the various Credit Committees

The Parent Company has developed policies and practices that are designed to preserve the independence and integrity of decision-making and ensure credit risks are assessed accurately, approved properly, monitored regularly and managed actively at both the transaction and portfolio levels. The policy framework establishes credit approval authorities, concentration limits, risk-rating methodologies, portfolio-review parameters and guidelines for management of distressed exposure. Credit risk is managed by the Parent Company by setting and monitoring limits for individual borrowers or counterparties, and groups of counterparties as well as periodically assessing the creditworthiness of its counterparties. In addition, the Parent Company obtains collateral where appropriate and collateral agreements with counterparties, and limits the duration of exposure.

The BOD sets credit policies and delegates credit authority limits to Management to facilitate the approval of credit transactions. The BOD likewise delegates approval limits to the CreCom and the ExCom. Board oversight function is performed by the CGCOC, the AC and the RMOC. All credit proposals prior to BOD approval or confirmation go through the scrutiny of the Credit Group, CreCom and ExCom.

In 2020, the Parent Company purchased a new scoring system and proxy data from S&P, which covers all corporate borrowers, small and medium enterprises regardless of asset size, local government borrowers, and treasury exposures.

The Parent Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. The credit grades are defined and calibrated such that the risk of default increases exponentially at each higher risk grade so, for example, the difference of PD between an AAA and AA rating grade is lower than the difference in the PD between a B and B- rating grade.

The Parent Company sets in place a large exposure monitoring tool to identify credit concentration risk per type of borrower, industry and product. Moreover, a periodic review is conducted on credit concentration on large exposures. Per BSP definition, large exposures are those credit exposures with an outstanding balance of 5.00% or more of the total qualifying capital. A limit is also applied on the



maximum aggregate loan the Parent Company can expose itself vis-à-vis its total assets. It further sets a limit on the maximum capital it can utilize to cover loan exposures.

The following table shows the Parent Company's credit risk rating and credit quality, which are mapped to the S&P scale with equivalent 20 grades:

Credit Risk Rating	S&P Scale	Loan Class	Credit Quality
0	AAA	Unclassified	Excellent
1+	AA+	Unclassified	Excellent
1	AA	Unclassified	Excellent
1-	AA-	Unclassified	Strong
2+	A+	Unclassified	Strong
2	A	Unclassified	Strong
2-	A-	Unclassified	Strong
3+	BBB+	Unclassified	Satisfactory
3	BBB	Unclassified	Satisfactory
4	BBB-	Unclassified	Satisfactory
5+	BB+	Unclassified	Fair
5	BB	Unclassified	Fair
5-	BB-	Unclassified	Weak
6+	B+	Unclassified	Weak
6	B	Unclassified	Vulnerable
6-	B-	Unclassified	Vulnerable
7	CCC+	Watchlist	Vulnerable
8	CCC	Classified	Vulnerable
9	CCC- & Below	Classified	Vulnerable
10	D	Classified	Impaired

As such, the following are the definitions of each rating grade based on S&P:

S&P Rating	Description
AAA	Borrowers with extremely strong capacity to meet financial commitments
AA	Borrowers with very strong capacity to meet financial commitments
A	Borrowers with strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances
BBB	Borrowers with adequate capacity to meet financial commitments, but more subject to adverse economic conditions
BB	Borrowers who are less vulnerable in the near-year term but face major ongoing uncertainties to adverse business, economic and financial conditions
B	Borrowers who are more vulnerable to adverse business, economic and financial conditions but currently have the capacity to meet financial commitments
CCC	Borrowers who are currently vulnerable and dependent on favorable business, financial and economic conditions to meet financial commitments
D	Borrowers who have payment default on a financial commitment or breach of an imputed promise; also used when a bankruptcy petition has been filed or similar action is taken

The Parent Company's rating grade of "7" will be considered as "Watchlist", while the last 3 grades "8" to "10", represent classified accounts and will be governed by the policies on Classified accounts.

Watchlist

This represents borrowers for which unfavorable industry or company-specific risk factors represent a concern. Operating performance and financial strength may be marginal and it is uncertain whether the borrower can attract alternative sources of financing. The borrower will find it very hard to cope with any significant economic downturn and a default in such a case is more than a possibility. For this matter, borrowers under this rating grade shall require close monitoring.



Especially Mentioned

The borrower in this rating shows evidence of weakness in its financial condition or creditworthiness. There is a real risk that the borrower's ability to pay the interest and principal on time could be jeopardized. The borrower's ability or willingness to service debt is in doubt, likely causing a need to reschedule payments.

Substandard

For a 'substandard' borrower, the debt burden has become too heavy, only to be made worse by weak or negative cash flows and interest coverage. This makes the collection of principal or interest payments questionable, causing an assessment of default of up to 50.00%. Unless given closer supervision, the Parent Company will likely suffer a future loss. External factors may be causing an adverse trend, or there may be a significant weakness in the borrower's collateral. Management has an unfavorable record and lacks managerial capability.

Doubtful

The extent of probable loss cannot be exactly quantified at this time. Although the possibility of loss is significant, there may be certain important and reasonably specific pending factors that can work to the advantage and strengthening of assets. Pending factors include merger, acquisition, capital injection, and additional collateral.

Loss

This rating is given to a borrower when debt service or the prospect for re-establishment of credit worthiness and debt service is remote. This category also applies where the lender will take or has taken title to the assets of the borrower and is preparing a foreclosure and/or liquidation of the company. A full provision is made on that part of the principal which is not fully and adequately covered. While the loan covers basically worthless assets, writing off these loans is neither practical nor desirable for the Parent Company.

Maximum exposure to credit risk after collateral held or other credit enhancements

An analysis of the maximum exposure to credit risk after taking into account any collateral held or other credit enhancements for those financial assets whose carrying amounts do not reflect the said maximum exposure, is shown below (amounts in thousands):

	Consolidated			Parent Company		
	December 31, 2021					
	Maximum exposure to credit risk before collateral and credit enhancements	Financial effect of collateral or credit enhancements	Net exposure to credit risk	Maximum exposure to credit risk before collateral and credit enhancements	Financial effect of collateral or credit enhancements	Net exposure to credit risk
SPURA	₱1,598,164	₱1,598,164	₱-	₱1,598,164	₱1,598,164	₱-
Loans and receivables						
Loans and discounts						
Corporate	12,343,679	1,487,499	10,856,180	12,343,679	1,487,499	10,856,180
Pension	2,324,089	-	2,324,089	2,324,089	-	2,324,089
Purchased receivable	411,645	-	411,645	411,645	-	411,645
Mortgage and salary	3,332,833	1,015,759	2,317,074	3,308,559	1,010,951	2,297,608
	18,412,246	2,503,258	15,908,988	18,387,972	2,498,450	15,889,522
Sales contract receivable	313,647	313,647	-	253,613	253,613	-
	18,725,893	2,816,905	15,908,988	18,641,585	2,752,063	15,889,522
	₱20,324,057	₱4,415,069	₱15,908,988	₱20,239,749	₱4,350,227	₱15,889,522



	Consolidated			Parent Company		
	December 31, 2020					
	Maximum exposure to credit risk before collateral and credit enhancements	Financial effect of collateral or credit enhancements	Net exposure to credit risk	Maximum exposure to credit risk before collateral and credit enhancements	Financial effect of collateral or credit enhancements	Net exposure to credit risk
SPURA	₱1,343,342	₱1,343,342	₱-	₱1,343,342	₱1,343,342	₱-
Loans and receivables						
Loans and discounts						
Corporate	11,306,084	5,656,560	5,649,524	11,306,084	5,656,560	5,649,524
Pension	2,865,549	-	2,865,549	2,865,549	-	2,865,549
Purchased receivable	1,303,192	-	1,303,192	1,303,192	-	1,303,192
Mortgage and salary	3,168,576	1,680,821	1,487,755	3,144,503	1,668,821	1,475,682
	18,643,401	7,337,381	11,306,020	18,619,328	7,325,381	11,293,947
Sales contract receivable	345,872	76,464	269,408	271,374	1,966	269,408
	18,989,273	7,413,845	11,575,428	18,890,702	7,327,347	11,563,355
	₱20,332,615	₱8,757,187	₱11,575,428	₱20,234,044	₱8,670,689	₱11,563,355

The Group and the Parent Company do not hold collateral for cash and other cash items (excluding cash on hand), due from other banks, due from BSP, IBLR, investment securities, unquoted debt securities, accounts receivables, its related accrued interest receivables and other assets; thus carrying values represent maximum exposure to credit risk at reporting dates.

The Group and the Parent Company hold collateral against loans and receivables in the form of real estate and chattel mortgages, guarantees and other registered securities over assets. Estimates of fair value are based on the value of collateral assessed. Generally, collateral is not held over loans and advances to banks except for reverse repurchase agreements.

It is the Group's and the Parent Company's policy to dispose foreclosed properties acquired in an orderly fashion. The amount proceeds on the sale of foreclosed assets classified as 'Investment properties' or 'Other foreclosed assets' under Other Assets are used to pay or reduce the outstanding claim.

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. The Group and the Parent Company's credit and other product portfolios may also cause concentrations. Concentrations indicate the relative sensitivity of the Group and the Parent Company's performance to developments affecting a particular industry or geographical location. In order to avoid excessive concentrations of risk, the Group and the Parent Company's policies and procedures include specific guidelines focusing on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.



Concentration of risks of financial assets with credit risk exposure

An analysis of concentrations of credit risk at the reporting date is shown below (amounts in thousands):

Consolidated				
December 31, 2021				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Total
Philippine government	₱28,237	₱18,790,518	₱5,723,359	₱24,542,114
Community, social and personal services	8,316,354	-	-	8,316,354
Wholesale and retail trade	3,944,051	-	489,388	4,433,439
Financial intermediaries	1,761,980	901,203	-	2,663,183
Manufacturing (various industries)	3,923,813	-	-	3,923,813
Public administration and local government	2,561,941	-	-	2,561,941
Real estate, renting and business activities	1,913,954	-	661,253	2,575,207
Electricity, gas and water	41,810	-	499,927	541,737
Education	213,177	-	-	213,177
Agricultural, hunting and forestry	246,798	-	-	246,798
Transportation, storage and communication	26	-	-	26
Hotel and restaurants	186,574	-	-	186,574
Construction	184,884	-	-	184,884
Others	195,707	-	-	195,707
	23,519,306	19,691,721	7,373,927	50,584,954
Allowance for credit losses	(3,694,089)	(402)	-	(3,694,491)
	19,825,217	19,691,319	7,373,927	46,890,463
Contingent assets***	543,039	-	-	543,039
	₱20,368,256	₱19,691,319	₱7,373,927	47,433,502

* Comprised of due from BSP, due from other banks, and SPURA

** Comprised of debt securities at FVOCI and at amortized cost

*** Comprised of undrawn commitments, unused commercial letters of credit, open account arrangements and outstanding guarantees issued

Consolidated				
December 31, 2020				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Total
Philippine government	₱30,300	₱13,375,133	₱8,203,315	₱21,608,748
Community, social and personal services	8,789,263	-	-	8,789,263
Wholesale and retail trade	4,665,549	-	357,468	5,023,017
Financial intermediaries	1,361,267	821,570	50,029	2,232,866
Manufacturing (various industries)	3,321,743	-	-	3,321,743
Public administration and local government	2,420,473	-	-	2,420,473
Real estate, renting and business activities	1,412,476	-	806,064	2,218,540
Electricity, gas and water	52,642	-	552,687	605,329
Education	424,185	-	-	424,185
Agricultural, hunting and forestry	309,725	-	-	309,725
Transportation, storage and communication	187,729	-	-	187,729
Hotel and restaurants	125,639	-	-	125,639
Construction	1,513	-	-	1,513
Others	494,240	-	-	494,240
	23,596,744	14,196,703	9,969,563	47,763,010
Allowance for credit losses	(2,959,816)	(622)	(624)	(2,961,062)
	20,636,928	14,196,081	9,968,939	44,801,948
Contingent assets***	355,702	-	-	355,702
	₱20,992,630	₱14,196,081	₱9,968,939	₱45,157,650

* Comprised of due from BSP, due from other banks, and SPURA

** Comprised of debt securities at FVOCI and at amortized cost

*** Comprised of undrawn commitments, unused commercial letters of credit, open account arrangements and outstanding guarantees issued



Parent Company				
December 31, 2021				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Total
Philippine government	₱28,237	₱18,788,705	₱5,723,359	₱24,540,301
Community, social and personal services	8,269,445	—	—	8,269,445
Wholesale and retail trade	3,944,051	—	489,388	4,433,439
Financial intermediaries	1,760,787	792,471	—	2,553,258
Manufacturing (various industries)	3,923,437	—	—	3,923,437
Public administration and local government	2,561,941	—	—	2,561,941
Real estate, renting and business activities	1,913,954	—	661,253	2,575,207
Electricity, gas and water	41,810	—	499,927	541,737
Agricultural, hunting and forestry	246,007	—	—	246,007
Education	213,177	—	—	213,177
Transportation, storage and communication	26	—	—	26
Hotel and restaurants	144,547	—	—	144,547
Construction	184,822	—	—	184,822
Others	191,369	—	—	191,369
	23,423,610	19,581,176	7,373,927	50,378,713
Allowance for credit losses	(3,681,794)	(402)	—	(3,682,196)
	19,741,816	19,580,774	7,373,927	46,696,517
Contingent assets***	543,039	—	—	543,039
	₱20,284,855	₱19,580,774	₱7,373,927	₱47,239,556

* Comprised of due from BSP, due from other banks, and SPURA

** Comprised of debt securities at FVOCI and at amortized cost

*** Comprised of undrawn commitments, unused commercial letters of credit, open account arrangements and outstanding guarantees issued

Parent Company				
December 31, 2020				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Total
Philippine government	₱30,300	₱13,373,259	₱8,203,315	₱21,606,874
Community, social and personal services	8,764,710	—	—	8,764,710
Wholesale and retail trade	4,664,596	—	357,468	5,022,064
Financial intermediaries	1,361,267	729,062	50,029	2,140,358
Manufacturing (various industries)	3,321,743	—	—	3,321,743
Public administration and local government	2,420,473	—	—	2,420,473
Real estate, renting and business activities	1,412,476	—	806,064	2,218,540
Electricity, gas and water	52,642	—	552,687	605,329
Agricultural, hunting and forestry	309,458	—	—	309,458
Education	424,185	—	—	424,185
Transportation, storage and communication	187,729	—	—	187,729
Hotel and restaurants	125,639	—	—	125,639
Construction	1,063	—	—	1,063
Others	406,719	—	—	406,719
	23,483,000	14,102,321	9,969,563	47,554,884
Allowance for credit losses	(2,947,691)	(622)	(624)	(2,948,937)
	20,535,309	14,101,699	9,968,939	44,605,947
Contingent assets***	355,702	—	—	355,702
	₱20,891,011	₱14,101,699	₱9,968,939	₱44,961,649

* Comprised of due from BSP, due from other banks, and SPURA

** Comprised of debt securities at FVOCI and at amortized cost

*** Comprised of undrawn commitments, unused commercial letters of credit, open account arrangements and outstanding guarantees issued



Credit quality of financial assets

The following tables set out information about the credit quality of loans and receivables and other financial assets as of December 31, 2021 and 2020 (amounts in thousands):

Treasury financial assets

	December 31, 2021							
	Consolidated				Parent Company			
	Satisfactory	Fair	Unrated	Total	Satisfactory	Fair	Unrated	Total
Due from BSP	₱17,192,355	₱-	₱-	₱17,192,355	₱17,190,543	₱-	₱-	₱17,190,543
Due from other banks	-	-	901,203	901,203	-	-	792,471	792,471
SPURA	1,598,164	-	-	1,598,163	1,598,164	-	-	1,598,164
Debt securities at FVOCI	3,699,310	-	-	3,699,310	3,699,310	-	-	3,699,310
Debt securities at amortized cost	3,674,617	-	-	3,674,617	3,674,617	-	-	3,674,617
	₱26,164,446	₱-	₱901,203	₱27,065,649	₱26,162,634	₱-	₱792,471	₱26,955,105

	December 31, 2020							
	Consolidated				Parent Company			
	Satisfactory	Fair	Unrated	Total	Satisfactory	Fair	Unrated	Total
Due from BSP	₱12,031,791	₱-	₱-	₱12,031,791	₱12,029,918	₱-	₱-	₱12,029,918
Due from other banks	-	-	821,570	821,570	-	-	729,062	729,062
SPURA	1,343,342	-	-	1,343,342	1,343,342	-	-	1,343,342
Debt securities at FVOCI	4,720,839	-	-	4,720,839	4,720,839	-	-	4,720,839
Debt securities at amortized cost	5,248,724	-	-	5,248,724	5,248,724	-	-	5,248,724
	₱23,344,696	₱-	₱821,570	₱24,166,266	₱23,342,823	₱-	₱729,062	₱24,071,885

All treasury financial assets are classified under Stage 1. There were no transfers between stages during the year.

Loans and discounts

	December 31, 2021							
	Consolidated				Parent Company			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate								
Satisfactory	₱1,723,101	₱-	₱-	₱1,723,101	₱1,723,101	₱-	₱-	₱1,723,101
Fair	1,371,120	-	-	1,371,120	1,371,120	-	-	1,371,120
Weak	3,990,365	-	308,158	4,298,523	3,990,365	-	308,158	4,298,523
Vulnerable	1,499,879	526,504	3,834,315	5,860,698	1,499,879	526,504	3,834,315	5,860,698
Impaired	-	-	1,150,315	1,150,315	-	-	1,150,315	1,150,315
Unrated	24,593	-	-	24,593	24,593	-	-	24,593
	8,609,058	526,504	5,292,788	14,428,350	8,609,058	526,504	5,292,788	14,428,350
Pension								
Unrated	2,071,964	19,444	488,452	2,579,860	2,071,964	19,444	488,452	2,579,860
Purchased receivables								
Unrated	144,682	111,798	669,653	926,133	144,682	111,798	669,653	926,133
Mortgage and salary								
Impaired	-	-	19,960	19,960	-	-	16,316	16,316
Unrated	3,119,366	145,500	148,771	3,413,637	3,096,263	145,500	148,756	3,390,519
	3,119,366	145,500	168,731	3,433,597	3,096,263	145,500	165,072	3,406,835
Total loans and discounts								
Satisfactory	1,746,219	-	-	1,746,219	1,723,101	-	-	1,723,101
Fair	1,371,120	-	-	1,371,120	1,371,120	-	-	1,371,120
Weak	3,990,365	-	308,158	4,298,523	3,990,365	-	308,158	4,298,523
Vulnerable	1,499,879	526,504	3,834,315	5,860,698	1,499,879	526,504	3,834,315	5,860,698
Impaired	-	-	1,170,275	1,170,275	-	-	1,166,631	1,166,631
Unrated	5,337,487	276,742	1,306,876	6,921,105	5,337,503	276,742	1,306,860	6,921,105
	₱13,945,070	₱803,246	₱6,619,624	₱21,367,940	₱13,921,968	₱803,246	₱6,615,964	₱21,341,178



December 31, 2020								
	Consolidated				Parent Company			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate								
Satisfactory	P1,713,022	P-	P-	P1,713,022	P1,713,022	P-	P-	P1,713,022
Fair	459,459	-	-	459,459	459,459	-	-	459,459
Weak	2,947,996	-	409,434	3,357,430	2,947,996	-	409,434	3,357,430
Vulnerable	1,724,501	655,062	3,830,543	6,210,106	1,724,501	655,062	3,830,543	6,210,106
Impaired	-	-	1,118,179	1,118,179	-	-	1,118,179	1,118,179
Unrated	17,812	-	1,843	19,655	17,812	-	1,843	19,655
	6,862,790	655,062	5,359,999	12,877,851	6,862,790	655,062	5,359,999	12,877,851
Pension								
Unrated	2,573,716	4,540	401,164	2,979,420	2,573,716	4,540	401,164	2,979,420
Purchased receivables								
Unrated	811,382	353,154	616,468	1,781,004	811,382	353,154	616,468	1,781,004
Mortgage and salary								
Satisfactory	-	-	-	-	-	-	-	-
Fair	24,016	-	-	24,016	-	-	-	-
Weak	-	-	-	-	-	-	-	-
Vulnerable	-	-	1,955	1,955	-	-	-	-
Impaired	-	-	604	604	-	-	-	-
Unrated	3,032,696	61,858	164,561	3,259,115	3,032,696	61,858	164,561	3,259,115
	3,056,712	61,858	167,120	3,285,690	3,032,696	61,858	164,561	3,259,115
Total loans and discounts								
Satisfactory	1,713,022	-	-	1,713,022	1,713,022	-	-	1,713,022
Fair	483,475	-	-	483,475	459,459	-	-	459,459
Weak	2,947,996	-	409,434	3,357,430	2,947,996	-	409,434	3,357,430
Vulnerable	1,724,501	655,062	3,832,498	6,212,061	1,724,501	655,062	3,830,543	6,210,106
Impaired	-	-	1,118,783	1,118,783	-	-	1,118,179	1,118,179
Unrated	6,435,606	419,552	1,184,036	8,039,194	6,435,606	419,552	1,184,036	8,039,194
	P13,304,600	P1,074,614	P6,544,751	P20,923,965	P13,280,584	P1,074,614	P6,542,192	P20,897,390

Other risk assets

December 31, 2021								
	Consolidated				Parent Company			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Unquoted debt securities								
Satisfactory	P154,872	P-	P-	P154,872	P154,872	P-	P-	P154,872
Sales contract receivable								
Unrated	300,656	13,412	1,525	315,593	240,621	13,412	1,525	255,558
Accrued interest receivable								
Satisfactory	42,453	-	-	42,453	42,415	-	-	42,415
Fair	3,784	-	-	3,784	3,784	-	-	3,784
Weak	21,193	-	10,157	31,350	21,193	-	10,157	31,350
Vulnerable	4,397	2,200	37,226	43,823	4,397	2,200	37,226	43,823
Impaired	-	-	550	550	-	-	550	550
Unrated	239,107	39,830	10,046	288,983	235,150	39,830	7,393	282,373
	310,934	42,030	57,979	410,943	306,939	42,030	55,326	404,295
	P766,462	P55,442	P59,504	P881,408	P702,432	P55,442	P56,851	P814,725
Contingent assets*								
Unrated	P543,039	P-	P-	P543,039	P543,039	P-	P-	P543,039

* Comprised of undrawn commitments, unused commercial letters of credit, open account arrangements and outstanding guarantees issued

December 31, 2020								
	Consolidated				Parent Company			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Unquoted debt securities								
Satisfactory	P441,861	P-	P-	P441,861	P441,861	P-	P-	P441,861
Sales contract receivable								
Unrated	336,070	-	11,747	347,817	261,572	-	11,747	273,319
Accrued interest receivable								
Satisfactory	4,250	-	-	4,250	4,250	-	-	4,250
Fair	1,262	-	-	1,262	1,262	-	-	1,262
Weak	31,932	-	26,467	58,399	31,932	-	26,467	58,399
Vulnerable	19,079	4,086	57,948	81,113	19,079	4,086	57,948	81,113
Impaired	-	-	2,135	2,135	-	-	2,135	2,135
Unrated	416,236	40,273	59,808	516,316	410,948	40,272	56,254	507,474
	472,759	44,359	146,358	633,475	467,471	44,358	142,804	654,633
	P1,250,690	P44,359	P158,105	P1,453,154	P1,170,904	P44,358	P154,551	P1,369,813
Contingent assets*								
Unrated	P355,702	P-	P-	P355,702	P355,702	P-	P-	P355,702

* Comprised of undrawn commitments, unused commercial letters of credit, open account arrangements and outstanding guarantees issued



The Group's and the Parent Company's accounts receivable and other receivables are unrated. The related ECLs are determined using a provisioning matrix (see Note 13).

Restructured loans

As of December 31, 2021 and 2020, breakdown of restructured loans for the Group and the Parent Company is as follows (amounts in thousands):

	2021	2020
Corporate	₱4,047,114	₱3,603,059
Individual	44,523	38,406
	4,091,637	3,641,465
Allowance for credit losses	(663,081)	(561,245)
	₱3,428,556	₱3,080,220

NAGON has no restructured loans as of December 31, 2021 and 2020.

Liquidity Risk

The objective of liquidity risk management is to ensure that all maturing obligations and commitments of the Group inclusive of all off-balance sheet deliverables will be paid fully and promptly. Liquidity risk is therefore the risk that the Group will be unable to meet financial commitment to a customer and/or counterparties in any location, in any currency, at any time. Remaining liquid then is a precondition for achieving all the Group's business objectives.

The ALCO oversees the liquidity risk management of the Parent Company but business units are expected to manage their respective books. It ensures that the Group maintains sufficient and adequate liquidity at all times. In the Parent Company, the Treasury Group estimates its liquidity needs/requirements based on the Group's actual contractual obligations including projected cash flows for a certain period. Likewise, it executes the funding and liquidity plan after the business strategies of each business unit are approved and consolidated.

The Parent Company manages liquidity risk through the funding and liquidity planning, diversification of funding sources and contingency plans. The RMD prepares the Maximum Cumulative Outflow (MCO) report on a regular basis under normal business conditions and performs sensitivity analysis using stress parameters. The liquidity gap report or MCO report shows the mismatch in maturities of sources and uses in the financial position. Assets and liabilities are plotted based on maturity and/or behavioral profile in different tenor buckets. Cumulative gaps are computed through the different tenor buckets. An MCO limit is placed based on the projected statements of financial position growth and the Parent Company's funding capacity. On the other hand, the Treasury Group ensures that sufficient and adequate liquid assets are available. The Group likewise prepares Liquidity Contingency Plan on a regular basis.

Financial assets

Analysis of equity and debt securities at fair value into maturity groupings is based on the expected date on which these assets will be realized. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier the expected date the assets will be realized.



Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay.

The table below summarizes the maturity profile of financial instruments based on contractual undiscounted cash flows (amounts in thousands):

	2021					
	Consolidated					Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Beyond 5 Years	
Financial assets						
Cash and other cash items	₱982,683	₱-	₱-	₱-	₱-	₱982,683
Financial assets at FVTPL	-	3,373	18,806	54,752	275,332	352,263
Financial assets at FVOCI						
Debt securities						
Government	-	46,513	368,594	1,681,200	-	2,096,307
Private	-	13,734	399,414	1,247,488	82,652	1,743,288
Equity securities						
Quoted	-	-	-	-	68,618	68,618
Unquoted	-	-	-	-	89,558	89,558
Financial assets at amortized cost						
Due from BSP	5,935,930	11,259,951	-	-	-	17,195,881
Due from other banks	974,704	-	-	-	-	974,704
SPURA	-	1,598,521	-	-	-	1,598,521
Debt securities measured at amortized cost						
Government	-	-	1,164,738	686,696	2,931,371	4,782,805
Loans and discounts						
Corporate	1,233,971	2,967,303	1,238,274	1,752,673	7,328,401	14,520,622
Pension	8,102	25,134	310,950	3,213,272	308,714	3,866,172
Purchased receivable	22,558	77,149	330,308	20	580,798	1,010,833
Mortgage and salary	2,944	31,287	414,439	1,784,753	3,414,052	5,647,475
Unquoted debt securities	-	83	261	154,528	-	154,872
Accounts receivable	169,296	4,742	3,230	4,156	180,628	362,052
Accrued interest receivable	26,374	384,569	-	-	-	410,943
Sales contract receivable	76,725	1,343	26	177,501	59,998	315,593
Other receivables	-	-	-	-	5,498	5,498
	₱9,433,287	₱16,413,702	₱4,249,040	₱10,757,039	₱15,325,620	₱56,178,688
Financial liabilities						
Deposit liabilities						
Demand	₱31,598,604	₱-	₱-	₱-	₱-	₱31,598,604
Savings	9,031,746	4,807,324	39,880	-	-	13,878,950
Time	112,959	594,359	245,765	2,618,306	6,946	3,578,335
	40,743,309	5,401,683	285,645	2,618,306	6,946	49,055,889
Loans Payable	-	-	10,940	-	-	10,940
Manager's checks	48,663	-	-	-	-	48,663
Accrued interest	55,471	-	-	-	-	55,471
Accrued other expenses*	-	272,556	-	-	-	272,556
Other liabilities*	62,532	81,962	20,107	27,539	423,858	615,998
	₱40,909,975	₱5,756,201	₱316,692	₱2,645,845	₱430,804	₱50,059,517

*Excludes statutory liabilities



	2020					Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Beyond 5 Years	
Financial assets						
Cash and other cash items	P865,776	P-	P-	P-	P-	P865,776
Financial assets at FVTPL	-	56,852	1,163,119	69,696	367,789	1,657,456
Financial assets at FVOCI						
Debt securities						
Government	-	49,225	1,640,628	1,947,612	60,964	3,698,429
Private	-	7,207	22,021	1,153,893	-	1,183,121
Equity securities						
Quoted	-	-	-	-	57,966	57,966
Unquoted	-	-	-	-	52,172	52,172
Financial assets at amortized cost						
Due from BSP	P5,691,755	P6,341,712	P-	P-	P-	P12,033,467
Due from other banks	758,416	62,926	-	-	-	821,342
SPURA	-	1,343,700	-	-	-	1,343,700
Debt securities measured at amortized cost						
Government	-	-	2,016,025	742,014	3,026,091	5,784,130
Private	-	50,354	25,211	633,299	-	708,864
Loans and discounts						
Corporate	4,463,859	2,821,631	2,021,756	2,338,974	2,643,862	14,290,082
Pension	156,968	178,033	589,922	3,538,700	21,292	4,484,915
Purchased receivable	92,660	347,673	1,453,038	739,925	-	2,633,296
Mortgage and salary	20,983	95,001	355,298	2,441,480	2,294,319	5,207,081
Unquoted debt securities	-	2,412	54,657	452,072	-	509,141
Accounts receivable	102,614	3,915	1,675	3,106	181,566	292,876
Accrued interest receivable	617,309	46,707	-	-	-	664,016
Sales contract receivable	6,889	11,856	29,335	165,399	158,293	371,772
Other receivables	3,002	882	1,977	5,778	-	11,639
	P12,780,231	P11,420,086	P9,374,662	P14,231,948	P8,864,314	P56,671,241
Financial liabilities						
Deposit liabilities						
Demand	P28,268,981	P-	P-	P-	P-	P28,268,981
Savings	9,620,565	5,175,355	448,395	-	-	15,244,315
Time	113,772	368,833	198,035	2,512,353	-	3,192,993
	38,003,318	5,544,188	646,430	2,512,353	-	46,706,289
Loans Payable	1,612	5,708	16,324	11,301	-	34,945
Manager's checks	36,610	-	-	-	-	36,610
Accrued interest	62,042	-	-	-	-	62,042
Accrued other expenses*	-	256,577	-	-	-	256,577
Other liabilities*	276,486	309,082	99,431	378,950	386,907	1,450,856
	P38,380,068	P6,115,555	P762,185	P2,902,604	P386,907	P48,547,319

*Excludes statutory liabilities

	2021					Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Beyond 5 Years	
Financial assets						
Cash and other cash items	P981,669	P-	P-	P-	P-	P981,669
Financial assets at FVTPL	-	3,373	18,806	54,752	275,332	352,263
Financial assets at FVOCI						
Debt securities						
Government	-	46,513	368,594	1,681,200	-	2,096,307
Private	-	13,734	399,414	1,247,488	82,652	1,743,288
Equity securities						
Quoted	-	-	-	-	68,618	68,618
Unquoted	-	-	-	-	89,558	89,558
Financial assets at amortized cost						
Due from BSP	5,934,117	11,259,951	-	-	-	17,194,068
Due from other banks	792,072	-	-	-	-	792,072
SPURA	-	1,598,521	-	-	-	1,598,521
Debt securities measured at amortized cost						
Government	-	-	1,164,738	686,696	2,931,371	4,782,805
Private	-	-	-	-	-	-

(Forward)



2021						
	Parent Company					Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Beyond 5 Years	
Loans and discounts						
Corporate	₱1,233,971	₱2,967,303	₱1,238,274	₱1,752,673	₱7,328,401	₱14,520,622
Pension	8,102	25,134	310,950	3,213,272	308,714	3,866,172
Purchased receivable	22,558	77,149	330,308	20	580,798	1,010,833
Mortgage and salary	2,944	31,287	414,439	1,784,753	3,410,385	5,643,808
Unquoted debt securities	-	83	261	154,528	-	154,872
Accounts receivable	152,552	4,296	2,529	3,944	180,280	343,601
Accrued interest receivable	26,542	377,753	-	-	-	404,295
Sales contract receivable	76,724	1,308	26	177,501	-	255,559
Other receivables	-	-	-	-	5,498	5,498
	9,231,251	16,406,405	4,248,339	10,756,827	15,261,607	55,904,429
Financial liabilities						
Deposit liabilities						
Demand	31,673,102	-	-	-	-	31,673,102
Savings	8,973,516	4,807,324	39,880	-	-	13,820,720
Time	112,945	594,343	245,765	2,587,186	6,946	3,547,185
	40,759,563	5,401,667	285,645	2,587,186	6,946	49,041,007
Manager's checks	48,663	-	-	-	-	48,663
Accrued interest	55,394	-	-	-	-	55,394
Accrued other expenses*	-	268,685	-	-	-	268,685
Other liabilities*	62,391	81,962	20,107	26,895	420,702	612,057
	₱40,926,011	₱5,752,314	₱305,752	₱2,614,081	₱427,648	₱50,025,806

*Excludes statutory liabilities

2020						
	Parent Company					Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Beyond 5 Years	
Financial assets						
Cash and other cash items	₱865,758	₱-	₱-	₱-	₱-	₱865,758
Financial assets at FVTPL	-	56,852	1,163,119	69,696	367,789	1,657,456
Financial assets at FVOCI						
Debt securities						
Government	-	49,225	1,640,628	1,947,612	60,964	3,698,429
Private	-	7,207	22,021	1,153,893	-	1,183,121
Equity securities						
Quoted	-	-	-	-	57,966	57,966
Unquoted	-	-	-	-	52,172	52,172
Financial assets at amortized cost						
Due from BSP	5,689,918	6,341,712	-	-	-	12,031,630
Due from other banks	729,171	-	-	-	-	729,171
SPURA	-	1,343,700	-	-	-	1,343,700
Debt securities measured at amortized cost						
Government	-	-	2,016,025	742,014	3,026,091	5,784,130
Private	-	50,354	25,211	633,299	-	708,864
Loans and discounts						
Corporate	4,463,859	2,821,631	2,021,756	2,338,974	2,643,862	14,290,082
Mortgage and salary	20,674	95,001	355,159	2,417,603	2,294,319	5,182,756
Purchased receivable	92,660	347,673	1,453,038	739,925	-	2,633,296
Pension	156,968	178,033	589,922	3,538,700	21,292	4,484,915
Unquoted debt securities	-	2,412	54,657	452,072	-	509,141
Accounts receivable	102,296	1,189	1,512	3,105	181,566	289,668
Accrued interest receivable	607,926	46,707	-	-	-	654,633
Sales contract receivable	6,876	2,200	11,668	113,190	158,293	292,227
Other receivables	2,380	882	1,977	5,778	-	11,017
	₱12,738,486	₱11,344,778	₱9,356,693	₱14,155,861	₱8,864,314	₱56,460,132
Financial liabilities						
Deposit liabilities						
Demand	₱28,330,765	₱-	₱-	₱-	₱-	28,330,765
Savings	9,576,358	5,175,355	448,395	-	-	15,200,108
Time	113,744	368,833	198,035	2,510,353	-	3,190,965
	38,020,867	5,544,188	646,430	2,510,353	-	46,721,838
Manager's checks	36,610	-	-	-	-	36,610
Accrued interest	61,773	-	-	-	-	61,773
Accrued other expenses*	-	252,607	-	-	-	252,607
Other liabilities*	269,998	309,082	99,431	378,951	386,907	1,444,369
	₱38,389,248	₱6,105,877	₱745,861	₱2,889,304	₱386,907	₱48,517,197

*Excludes statutory liabilities



Historically, not all deposit liabilities are withdrawn on their contractual maturities. Based on the historically observed behavior of the Parent Company's deposit liabilities, a significant amount of deposits is retained longer than its contractual maturity. This therefore allows the Parent Company to go into long-term investment and lending activities which streams of cash flows are sufficient enough to cover cash outflow requirements.

Under normal conditions, the Parent Company periodically tests its ability to draw on the identified sources to backup liquidity requirement. In addition, stress tests are conducted on a periodic basis in order to assess the Parent Company's ability to meet its liquidity obligations during a liquidity crisis. Stress testing may be in the form of simple sensitivity or scenario analysis. It is an important tool used to measure the outcome of certain extreme events to the Parent Company's liquidity position. More importantly, stress testing results help plan for a liquidity crisis. To counter a severe liquidity problem, the Parent Company puts in place a liquidity contingency plan. Depending on the severity of the liquidity problem, the Parent Company may choose or use one or more of liquidity funding sources.

Diversification of funding sources is important in managing liquidity risk, specifically funding liquidity needs. Diversification of funds sources means that the Parent Company takes liquidity from as many different types of customers in as many different sources as possible. It also means having many types of instruments from which funds can be drawn. By offering different instruments, there is a better chance of getting more funds from the same customer. Even though achieving liquidity through instrument diversification has a cost, the Parent Company nevertheless avoids the danger of using only one type of instrument to draw money from the same source.

Any sudden swing in interest rates may entice customers/investors to shift funds to higher yielding instruments. For this reason, the Parent Company offers several deposit instruments whose yields are market competitive. However, in order that there is no over dependence on high yielding deposit funds, tolerance limits are set for interbank borrowings and large fund provider accounts. These limits are reviewed annually.

BSP reporting for liquidity positions

Liquidity Coverage Ratio (LCR)

The purpose of this ratio is to promote short-term resiliency for the bank's liquidity risk profile. An adequate unencumbered high-quality liquid assets (HQLAs) shall be maintained over a 30-calendar day horizon. The value of this ratio should be no lower than 100% on a daily basis. LCR as of December 31, 2021 and 2020 for the Group and Parent are as follows (amounts, except ratios, are expressed in millions):

	Consolidated		Parent Company	
	2021	2020	2021	2020
Total Stock of High-Quality Liquid Assets	₱26,234	₱19,824	₱26,231	₱19,814
Total Net Cash Outflows	10,164	8,735	10,333	8,800
Liquidity Coverage Ratio	258.10%	226.99%	253.86%	225.16%



Net Stable Funding Ratio (NSFR)

As compared to LCR which promotes short-term resiliency for Bank's liquidity profile, NSFR promotes resiliency for long-term resilience. The minimum requirement for this ratio is at least 100% at all times. NSFR as of December 31, 2021 and 2020 for the Group and Parent are as follows (amounts, except ratios, are expressed in millions):

	Consolidated		Parent Company	
	2021	2020	2021	2020
Available Stable Funding	₱30,717	₱30,632	₱30,696	₱30,618
Required Stable Funding	20,374	22,249	20,377	22,408
Net Stable Funding Ratio	1.51	1.38	1.51	1.37

Market Risk

Market risk is the potential decline in earnings, either immediately or over time, as a result of changes in the level or volatility of interest rates, foreign exchange rates or commodities or equity prices. The Parent Company's market risk emanates from various financial instruments traded and or held by its business units. The ALCO is the decision-making body to manage market risk related matters. It is supported by the RMD through its systematic process of identifying, measuring, reporting and monitoring of market risk. The RMD is an oversight unit of the Parent Company that measures market risks and reports results directly to the RMOC. Measurement of market risk is done using the Earnings-at-Risk (EaR) methodologies.

The Parent Company adopted the Standardized Approach set by the BSP in calculating capital adequacy covering market risk. The standardized approach employs standard risk weights for both the general and specific market risks. The general market risk classifies market risk according to coupon rate and the tenor of instruments while specific market risk classifies market risk based on the nature or type of security/instrument.

Moreover, as a control measure for losses in the trading activities that may arise, market risk limits are put in place such as volume or position limits and stop loss limits. Nominal Position Limit is the maximum amount of open positions that can be held within a set time period for each exposure of the Parent Company. It is a pre-determined position level set by the Management and approved by the BOD for a specific instrument. Position limits are set for fixed income instruments and for foreign exchange positions of the Parent Company.

The method by which the Parent Company measures the potential effect of interest rate fluctuation to its assets and liabilities or net interest earnings is by way of EaR measurement. EaR measures the Parent Company's susceptibility to changes in interest rates. It calculates the change in income over the next 12 months, given current exposures that will result from a management-selected and approved change in interest rate. The Parent Company computes for the EaR for Peso and FCUD books separately.

To compute for the EaR, a repricing gap must first be created. Rate sensitive assets and liabilities are distributed into predetermined time bands or according to their repricing dates or maturity dates or assumed behavior of payouts or liquidation. A gap is considered positive when the amount of interest rate-sensitive assets exceeds the amount of interest rate-sensitive liabilities. On the other hand, a gap is considered negative when the amount of interest rate-sensitive liabilities exceeds the amount of interest rate-sensitive assets.



The EaR is computed based on the resultant gaps in each tenor bucket and the gap is multiplied by the year-on-year change in interest rate.

Below is the repricing gap of interest sensitive assets and liabilities as of December 31, 2021 and 2020 (amounts in thousands):

PESO BOOKS	December 31, 2021					Total
	1 Month	2 to 3 Months	4 to 6 Months	7 to 12 Months	> 1 Year	
Assets						
Cash in vault	P-	P-	P-	P-	P-	P-
Loans and receivables	2,508,677	2,197,657	1,697,249	1,236,308	8,905,902	16,545,793
Due from BSP	-	-	-	-	-	-
Due from other banks	279,396	-	-	-	5	279,401
Investment securities*	161	33,044	1,339,145	426,989	5,735,040	7,534,379
	2,788,234	2,230,701	3,036,394	1,663,297	14,640,947	24,359,573
Liabilities						
Deposit liabilities	42,600,322	3,065,289	49,839	206,081	2,302,643	48,224,175
Repricing gap	(P39,812,088)	(P834,588)	P2,986,555	P1,457,216	P12,338,304	(P23,864,601)
EaR (2.326SD)	(P774,626)	(P132,757)	P63,407	(P15,829)		
EaR Cumulative	(774,626)	(907,384)	(843,977)	(859,805)		

* Consisting of financial assets at FVTPL, financial assets at FVOCI, debt securities at amortized cost and unquoted debt securities classified as loans

PESO BOOKS	December 31, 2020					Total
	1 Month	2 to 3 Months	4 to 6 Months	7 to 12 Months	> 1 Year	
Assets						
Cash in vault	P-	P-	P-	P-	P-	P-
Loans and receivables	3,052,040	1,474,543	1,896,664	2,396,187	12,368,188	21,187,622
Due from BSP	-	-	-	-	-	-
Due from other banks	300,373	-	-	-	5	300,378
Investment securities*	999,811	32,764	896,794	2,805,662	6,811,250	11,546,281
	4,352,224	1,507,307	2,793,458	5,201,849	19,179,443	33,034,281
Liabilities						
Deposit liabilities	40,443,293	2,793,974	462,143	118,796	2,496,066	46,314,272
Repricing gap	(P36,091,069)	(P1,286,667)	P2,331,315	P5,083,053	P16,683,377	(P13,279,991)
EaR (2.326SD)	(P958,114)	(P98,954)	P49,016	(P12,839)		
EaR Cumulative	(958,114)	(1,057,068)	(1,008,052)	(1,020,891)		

* Consisting of financial assets at FVTPL, financial assets at FVOCI, debt securities at amortized cost and unquoted debt securities classified as loans

In a declining interest rate scenario, a positive repricing gap position would normally yield to a decrease in earnings due to lower interest income. The first month in 2021 is projected to be in a substantial negative repricing gap, similar with the previous year. Hence, a decline in interest rates may result in a projected EaR of ₱0.775 billion. This is because bulk of the deposit liabilities, specifically non-core demand and savings deposits, were lodged in the first bucket as Basel prescribed. Thus, when subjected to a sustained decreasing rate, the potential EaR may yet reduce to ₱0.860 billion at the end of the first year in 2021. On the other hand, if interest rates will increase at the same confidence interval, the Parent Company may gain interest income by as much as ₱0.860 billion within the same period in 2021.

FCDU BOOKS	December 31, 2021					Total
	1 Month	2 to 3 Months	4 to 6 Months	7 to 12 Months	> 1 Year	
Assets						
Placement with other banks	\$8,394	\$-	\$-	\$-	\$-	\$8,394
Liabilities						
Deposit liabilities	7,058	2,668	337	150	-	10,213
Repricing gap	\$1,336	(\$2,668)	(\$337)	(\$150)	\$-	(\$1,819)
EaR (2.326SD)	\$46	(\$78)	(\$7)	(\$1)		
EaR Cumulative	46	(32)	(39)	(40)		

* Consisting of financial assets at FVTPL, financial assets at FVOCI, debt securities at amortized cost and unquoted debt securities classified as loans



FCDU BOOKS	December 31, 2020					Total
	1 Month	2 to 3 Months	4 to 6 Months	7 to 12 Months	> 1 Year	
Assets						
Placement with other banks	\$8,914	\$-	\$1,042	\$-	\$-	\$9,956
Liabilities						
Deposit liabilities	6,990	2,746	390	194	-	10,320
Repricing gap	\$1,924	(\$2,746)	\$652	(\$194)	\$-	(\$364)
EaR (2.326SD)	\$51	(\$60)	\$10	(\$1)		
EaR Cumulative	51	(9)	2	1		

* Consisting of financial assets at FVTPL, financial assets at FVOCI, debt securities at amortized cost and unquoted debt securities classified as loans

For the year 2021, positive repricing gap is noted on the first month bucket with an EAR of \$46 thousand. Negative repricing gap is noted in the succeeding buckets with total EAR of \$86 thousand.

The FCDU Books in 2020, positive repricing gap is noted on the first month and 4 to 6 month buckets with an EAR of \$51 and \$10 thousand. Negative repricing gap is noted in the 2 to 3 month buckets and 7 to 12 month buckets with an EAR of \$60 and \$1 thousand, respectively.

Sensitivity analysis on unrealized gains (losses)

The following table sets forth the sensitivity of the Parent Company's profit or loss and other comprehensive income to reasonably possible changes in interest rates with all other variables held constant (amount in thousands):

	2021		2020	
Changes in interest rates (in basis points)	+100	-100	+100	-100
Net unrealized gains (losses) on investment securities				
Financial assets at FVTPL	₱89	₱149	(₱7,006)	₱12,394
Total impact on profit or loss	₱89	₱149	(₱7,006)	₱12,394
Financial assets at FVOCI	(₱36,198)	₱57,547	(₱81,834)	₱61,305
Total impact on other comprehensive income	(₱36,198)	₱57,547	(₱81,834)	₱61,305

The sensitivity is calculated by revaluing financial assets at FVPL and at FVOCI at the reporting date for the effects of the assumed changes in interest rates.

Capital Management

The objective of the Parent Company's capital management framework is to ensure that there is sufficient capital to support the underlying risks of its business activities and to maintain an adequately capitalized status under regulatory requirements. The sufficiency of capital is measured using the rules and ratios established by the BSP.

The determination of the Parent Company's compliance with regulatory requirements and ratios is based on the amount of the Parent Company's 'unimpaired capital' (regulatory net worth) as reported to the BSP, determined on the basis of regulatory accounting policies which differ from PFRS in some respects. In addition, the risk-based Capital Adequacy Ratio (CAR) of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00%. Qualifying capital and risk-weighted assets are computed based on BSP regulations, which differ from PFRS in some respects.

Under existing BSP regulations, in accordance with the Basel III standards, a minimum Common Equity Tier 1 (CET1) ratio of 6.00%, Tier 1 capital ratio of 7.50%, and a capital conservation buffer of 2.50% comprised of CET1 capital shall be maintained at all times. Also, the combined capital accounts of the Parent Company should not be less than an amount equal to 10.00% of its risk assets.



Risk assets consist of total assets less cash on hand, due from BSP, loans covered by 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 as determined by the MB of the BSP.

On April 10, 2013, the BOD approved the exclusion of Appropriated surplus in the calculation of the Parent Company's 'unimpaired capital' for the Parent Company's subsequent reporting to the BSP, as also discussed in Note 18.

BSP also requires banks to implement an Internal Capital Adequacy Assessment Process (ICAAP) which supplements the BSP's risk-based capital adequacy framework. Accordingly, the policies and processes guiding the determination of the sufficiency of capital of the Parent Company have been incorporated to the Parent Company's ICAAP to comply with the requirements of the BSP. In June 2021, the Parent Company submitted its most recent ICAAP for the five-year period 2021 to 2025. The plan was based on both the BOD-approved strategic plan as well as capital build-up plan (CBUP). The Parent Company is presently performing its ICAAP exercise for the five-year period, 2022 to 2026 for which report shall be submitted to the BSP in June 2022.

BSP regulations also set out the minimum capital required for licensed commercial banks with 11 to 100 branches which is ₱10.00 billion, subject to a transitory provision allowing existing banks a period of five years from November 19, 2014 within which to meet the required minimum capitalization. Banks not meeting the required minimum capital shall develop a capital build-up program for submission to the BSP. Pursuant to this BSP regulation, the Parent Company developed its CBUP in 2016 covering years 2016 to 2020 (the 2016 CBUP), which was approved by the Monetary Board (MB) of the BSP in June 2016. The MB also approved the grant of regulatory relief to the Parent Company in the form of exemption from compliance from the minimum capital requirements under the MORB, subject to compliance with the minimum CAR of 10% and approved capital levels under the 2016 CBUP.

The 2016 CBUP is based solely on internal sources or earnings as the source of capital growth. However, recognizing the delay in attaining the required capital through earnings, in April 2017, the Parent Company began to develop a capital raising program intended to accelerate capital build-up towards the capital commitments under the 2016 CBUP. In January 2018, the Parent Company completed and submitted to the BSP a revised capital build-up plan (2018 CBUP) that incorporated its capital raising program, particularly two tranches of capital raising activities, as a new source of equity. In October 2018, the Parent Company commenced a series of capital raising initiatives with the tranche of stock rights offering to existing stockholders of the Parent Company involving 21,800,000 common shares from the unissued portion of the Parent Company's authorized capital and treasury shares (see Note 18).

In December 2018, the Parent Company submitted to BSP its updated capital build-up plan (the 2019 CBUP) in order to incorporate developments in the capital raising program, as well as to consider the impact of the Parent Company's strategic plan for years 2019 to 2023. In line with the comments received from the BSP, a revised CBUP was submitted in July 2019 which was approved by the BSP under MB resolution dated October 3, 2019 and provides the following minimum capital:

	2019	2020	2021	2022	2023
Adjusted capital (in ₱ million)	₱3,172	₱4,883	₱7,740	₱10,424	₱11,459



In 2019, the Parent Company was able to post the highest net income of ₱583.15 million in its history after reporting net losses for four (4) straight years. Further, the approved commitments under the CBUP covering the year 2019 on CAR and adjusted capital were also achieved. The subsequent years however saw the tremendous challenges brought about by the global Covid-19 pandemic, including the inability to deploy its liquid assets to higher yielding loans coupled with the difficult business environment adversely affecting many of its clients. These led to net losses amounting to ₱1.06 billion and ₱782 million in 2021 and 2020, respectively.

The CAR as of December 31, 2021 and 2020 presented below excludes the Appropriated surplus i.e., deducted from regulatory capital, as discussed in Note 18 (amounts, except ratios, are expressed in millions) :

	Consolidated		Parent Company	
	2021	2020	2021	2020
Tier 1 Capital (a)	₱451	₱952	₱478	₱976
Common Equity Tier 1 (CET1) Capital (b)	90	591	117	615
Additional Tier 1 Capital	361	361	361	361
Tier 2 Capital	134	105	134	105
Total Qualifying Capital (c)	₱585	₱1,057	₱612	₱1,081
Total Credit Risk-Weighted Assets	₱24,321	₱24,724	₱24,120	₱24,612
Total Market Risk-Weighted Assets	49	127	49	127
Total Operational Risk-Weighted Assets	4,879	4,461	4,875	4,452
Total Risk-Weighted Assets (d)	₱29,249	₱29,312	₱29,044	₱29,191
Common Equity Tier 1 Ratio (b)/(d)	0.31%	2.02%	0.40%	2.11%
Tier 1 Capital Ratio (a/d)	1.54%	3.25%	1.65%	3.34%
Capital Adequacy Ratio (c)/(d)	2.00%	3.61%	2.11%	3.70%

The unamortized portion of the allowance on the IBCL and accounts receivable from a thrift bank amounting to ₱1.07 billion and ₱1.24 billion as of December 31, 2021 and 2020, respectively, is not deducted from the qualifying capital in computing for the Parent Company's CAR, since the BSP granted regulatory relief to the Parent Company to defer the recognition of the allowance for impairment and credit losses over 20 years (see Note 27).

BSP also requires the Basel III Leverage Ratio (BLR) which is a supplementary measure to risk-based capital requirement where the numerator is the tier 1 Capital and the denominator is the exposure measure. The ratio requirement for BLR is 5%. BLR as reported to the BSP as of December 31, 2021 and 2020 for the Group and Parent are as follows (amounts, except ratios, are expressed in millions):

	Consolidated		Parent Company	
	2021	2020	2021	2020
Total Capital Measure	₱452	₱976	₱478	₱976
Total Exposure Measure	51,599	50,210	51,558	51,538
Basel Leverage Ratio	0.88%	1.94%	0.93%	1.89%

As disclosed in Note 2, on April 26, 2021, the BSP approved the request of the Parent Company's availment of regulatory relief provided for under BSP Memorandum M-2020-061. The regulatory relief provided pertains to the staggered booking of (ECL) of ₱1.27 billion to be booked on a quarterly basis over a period of five (5) years starting in 2020. Under the approval, the staggered booking of the 2020 ECL shall be considered by the BSP for purposes of determining compliance with the minimum CAR, liquidity coverage ratio, net stable funding ratio, reserve requirement and other prudential requirements. The adjusted funding and capital ratios as of December 31, 2021 and



2020, considering the relief provided by BSP for the impact of staggered booking of 2020 ECL, are as follows (amounts, except ratios, are expressed in millions):

Net Stable Funding Ratio (NSFR)

	Consolidated		Parent Company	
	2021	2020	2021	2020
Available Stable Funding	₱30,698	₱30,633	₱30,677	₱30,655
Required Stable Funding	20,599	22,249	20,524	22,408
Net Stable Funding Ratio	1.49	1.39	1.49	1.37

Capital adequacy ratio

	2021	2020	2021	2020
Tier 1 Capital (a)	₱1,468	₱2,161	₱ 1,465	₱2,185
Common Equity Tier 1 (CET1) Capital (b)	1,107	1,800	1,104	1,824
Additional Tier 1 Capital	361	361	361	361
Tier 2 Capital	134	105	134	105
Total Qualifying Capital (c)	₱1,602	₱2,266	₱1,599	₱2,290
Total Credit Risk-Weighted Assets	₱24,998	₱25,933	₱25,249	₱26,456
Total Market Risk-Weighted Assets	49	127	49	127
Total Operational Risk-Weighted Assets	4,879	4,461	4,875	4,452
Total Risk-Weighted Assets (d)	₱29,926	₱30,521	₱30,173	₱31,035
Common Equity Tier 1 Ratio (b)/(d)	3.70%	5.90%	3.66%	5.88%
Tier 1 Capital Ratio (a/d)	4.91%	7.08%	4.86%	7.04%
Capital Adequacy Ratio (c)/(d)	5.35%	7.42%	5.30%	7.38%

Basel III Leverage Ratio

	Consolidated		Parent Company	
	2021	2020	2021	2020
Total Capital Measure	₱1,240	₱2,185	₱1,240	₱2,185
Total Exposure Measure	50,386	49,915	50,345	51,244
Basel Leverage Ratio	2.46%	4.25%	2.46%	4.14%

To meet the minimum capital requirement of the BSP, the Parent Company plans to raise additional capital. However, under Republic Act No. 3518, the ownership of the Parent Company's shares is confined to World War II veterans or their heirs. This condition significantly impacts the Parent Company's ability to successfully raise additional capital. Republic Act No. 11597 ("Philippine Veterans Bank Act"), which was signed into law on December 10, 2021, widened the Parent Company's investor base by expanding the definition of "veterans" to include post-World War II veterans and retirees of the AFP. It also allows non-veterans to become shareholders of the Parent Company provided that the veterans shall at all time retain majority of the common shares of the Bank. With the expansion of qualified investor base, the Parent Company began its capital raising activities (see Note 3).



5. Fair Value Measurement

The following table provides the fair value hierarchy of the Group's and of the Parent Company's assets and liabilities measured at fair value and those for which fair values are required to be disclosed. Financial instruments which fair values are required to be disclosed, but the carrying values equal their fair values are not shown (amounts in thousands).

Consolidated					
December 31, 2021					
Fair Value					
	Carrying Value	Total	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Measured at fair value:					
Financial assets					
Financial assets at FVTPL					
Financial assets not meeting the SPPI criterion	₱133,749	₱133,749	₱-	₱-	₱133,749
Government debt securities	8,466	8,466	8,466	-	-
Financial assets at FVOCI					
Government debt securities	2,048,741	2,048,741	199,641	1,849,100	-
Private debt securities	1,650,569	1,650,569	1,650,569	-	-
Quoted equity securities	68,618	68,618	68,618	-	-
Unquoted equity securities	89,558	89,558	-	89,558	-
	₱3,999,701	₱3,999,701	₱1,927,294	₱1,938,658	₱133,749
Fair values are disclosed:					
Financial assets					
Debt securities at amortized cost					
Government debt securities	₱3,674,617	₱2,568,287	₱2,568,287	₱-	₱-
Loans and receivables – net					
Loans and discounts					
Corporate	12,343,679	10,657,050	-	-	10,657,050
Pension	2,324,089	1,492,474	-	-	1,492,474
Purchased receivable	411,645	338,700	-	-	338,700
Mortgage and salary	3,332,833	1,857,748	-	-	1,857,748
Unquoted debt securities	154,872	147,297	-	-	147,297
Sales contract receivable	313,647	270,130	-	-	270,130
Other receivables	5,498	5,310	-	-	5,310
	22,560,880	17,336,996	2,568,287	-	14,768,709
Nonfinancial assets					
Investment properties	2,062,714	6,208,667	-	-	6,208,667
	₱24,623,594	₱23,545,663	₱2,568,287	₱-	₱20,977,376
Financial liabilities					
Deposit liabilities					
Time deposits	₱3,253,236	₱2,871,129	₱-	₱-	₱2,871,129
Loans payable	10,940	10,866	-	-	10,866
	₱3,264,176	₱2,881,995	₱-	₱-	₱2,881,995

Consolidated					
December 31, 2020					
Fair Value					
	Carrying Value	Total	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Measured at fair value:					
Financial assets					
Financial assets at FVTPL					
Financial assets not meeting the SPPI criterion	₱182,126	₱182,126	₱-	₱-	₱182,126
Government debt securities	1,185,405	1,185,405	1,185,405	-	-

(Forward)



Consolidated					
December 31, 2020					
	Carrying Value	Total	Fair Value		
			Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets at FVOCI					
Government debt securities	P3,604,608	P3,604,608	P1,236,245	P2,368,363	P-
Private debt securities	1,116,231	1,116,231	1,116,231	-	-
Quoted equity securities	57,966	57,966	57,966	-	-
Unquoted equity securities	52,172	52,172	-	52,172	-
	P6,198,508	P6,198,508	P3,595,847	P2,420,535	P182,126
Fair values are disclosed:					
Financial assets					
Debt securities at amortized cost					
Government debt securities	P4,598,708	P4,608,360	P1,002,344	P3,606,016	P-
Private debt securities	649,392	658,881	-	608,724	50,157
Loans and receivables - net					
Loans and discounts					
Corporate	11,306,084	11,047,696	-	-	11,047,696
Pension	2,865,549	2,660,762	-	-	2,660,762
Purchased receivable	1,303,192	1,450,292	-	-	1,450,292
Mortgage and salary	3,168,590	2,821,502	-	-	2,821,502
Unquoted debt securities	441,463	351,548	-	-	P351,548
Sales contract receivable	345,872	318,152	-	-	318,152
Other receivables	8,002	6,191	-	-	6,191
	24,686,852	23,923,384	1,002,344	4,214,740	18,706,300
Nonfinancial assets					
Investment properties	2,247,624	7,056,759	-	-	7,056,759
	P26,934,476	P30,980,143	P1,002,344	P4,214,740	P25,763,059
Financial liabilities					
Deposit liabilities					
Time deposits	P3,173,718	P2,808,543	P-	P-	P2,808,543
Loans payable	32,317	29,433	-	-	29,433
	P3,206,035	P2,837,976	P-	P-	P2,837,976

Parent Company					
December 31, 2021					
Fair Value					
	Carrying Value	Total	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Measured at fair value:					
Financial assets					
Financial assets at FVTPL					
Financial assets not meeting the SPPI criterion	₱133,749	₱133,749	₱—	₱—	₱133,749
Government debt securities	8,466	8,466	8,466	—	—
Financial assets at FVOCI					
Government debt securities	2,048,741	2,048,741	199,641	1,849,100	—
Private debt securities	1,650,569	1,650,569	1,650,569	—	—
Quoted equity securities	68,618	68,618	68,618	—	—
Unquoted equity securities	89,558	89,558	—	89,558	—
	₱3,999,701	₱3,999,701	₱1,927,294	₱1,938,658	₱133,749
Fair values are disclosed					
Financial assets					
Debt securities at amortized cost					
Government debt securities	₱3,674,617	₱2,568,287	₱2,568,287	₱—	₱—
Loans and receivables - net					
Loans and discounts					
Corporate	12,343,679	10,657,050	—	—	10,657,050
Pension	2,324,089	1,492,474	—	—	1,492,474
Purchased receivable	411,645	338,700	—	—	338,700
Mortgage and salary	3,308,559	1,838,046	—	—	1,838,046

(Forward)



Parent Company					
December 31, 2021					
	Fair Value				
	Carrying Value	Total	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Unquoted debt securities	P154,872	P147,297	P-	P-	P147,297
Sales contract receivable	253,613	202,188	-	-	202,188
Other receivables	5,498	5,310	-	-	5,310
	22,476,572	17,249,352	2,568,287	-	14,681,065
Nonfinancial assets					
Investment properties	2,073,790	6,201,768	-	-	6,201,768
	P24,550,362	P23,451,120	P2,568,287	P-	P20,882,833
Financial liabilities					
Deposit liabilities					
Time deposits	P3,251,208	P2,869,373	P-	P-	P2,869,373

Parent Company					
December 31, 2020					
	Fair Value				
	Carrying Value	Total	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Measured at fair value:					
Financial assets					
Financial assets at FVTPL					
Financial assets not meeting the SPPI criterion	P182,126	P182,126	P-	P-	P182,126
Government debt securities	1,185,405	1,185,405	1,185,405	-	-
Financial assets at FVOCI					
Government debt securities	3,604,608	3,604,608	1,236,245	2,368,363	-
Private debt securities	1,116,231	1,116,231	1,116,231	-	-
Quoted equity securities	57,966	57,966	57,966	-	-
Unquoted equity securities	52,172	52,172	-	52,172	-
	P6,198,508	P6,198,508	P3,595,847	P2,420,535	P182,126
Fair values are disclosed					
Financial assets					
Debt securities at amortized cost					
Government debt securities	P4,598,708	P4,608,360	P1,002,344	P3,606,016	P-
Private debt securities	649,392	658,881	-	608,724	50,157
Loans and receivables - net					
Loans and discounts					
Corporate	11,306,084	11,047,696	-	-	11,047,696
Pension	2,865,548	2,660,762	-	-	2,660,762
Purchased receivable	1,303,192	1,450,292	-	-	1,450,292
Mortgage and salary	3,144,503	2,801,855	-	-	2,801,855
Unquoted debt securities	441,463	351,548	-	-	351,548
Sales contract receivable	271,374	217,707	-	-	217,707
Other receivables	7,379	5,568	-	-	5,568
	24,587,643	23,802,669	1,002,344	4,214,740	18,585,585
Nonfinancial assets					
Investment properties	2,258,700	7,052,447	-	-	7,052,447
	P26,846,343	P30,855,116	P1,002,344	P4,214,740	P25,638,032
Financial liabilities					
Deposit liabilities					
Time deposits	P3,171,691	P2,808,543	P-	P-	P2,808,543



Fair value of financial assets not meeting the SPPI criterion is determined through discounted cash flow methods using discount rates which represent the Parent Company's incremental lending rates, together with a credit risk premium, for the underlying assets. The table below shows the sensitivity analysis on the fair values of such financial assets based on reasonably possible changes in discount rates as of December 31, 2021 and 2020, with all other assumptions held constant (amounts in thousands):

	2021		2020	
Changes in interest rates (in basis points)	+100	-100	+100	-100
Increase (decrease) in fair value	(P10,211)	P11,416	(P13,760)	P15,230

The movements in financial assets at FVTPL under Level 3 fair value hierarchy is as follows:

	2021	2020
Balance at beginning of the year	P182,126	P202,060
Assets derecognized during the year	(33,742)	(22,651)
Fair value change	(14,635)	2,717
Balance at end of the year	P133,749	P182,126

Fair value change is included under 'Trading gains - net' in the statements of income.

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

Cash and other cash items, due from BSP, due from other banks, SPURA, accounts receivable and accrued interest receivable - Carrying amounts approximate fair values given the short-term nature of the instruments.

Debt securities - Fair values are generally based on quoted market prices. When the market prices are not readily available, the Group uses adjusted quoted market prices of comparable investments or applied discounted cash flow methodologies. The prevailing interest rates used for peso-denominated securities range from 0.94% to 6.13% and from 0.82% to 3.15% in 2021 and 2020, respectively.

Equity securities - The Group's investments in equity securities include quoted and unquoted shares of stocks. Fair values of quoted equity securities are based on quoted market prices. Unquoted equity securities held by the Group for operational purposes have been designated at FVOCI under PFRS 9 and their fair values were determined by reference to either bid quotes for recent transactions or average available prices of comparable quoted companies prevailing at the reporting date.

Loans and discounts - Fair values of loans and discounts, including unquoted debt securities classified as loans and other receivables, are estimated using the discounted cash flow methodology, using the Parent Company's current incremental lending rates for similar types of loans and receivables. For loans with floating interest rates, with repricing frequencies on a quarterly basis, the Group assumes that the carrying amount approximates fair value. The discount rates used in estimating the fair value of loans and receivables range from 1.00% to 59.94% and 1.54% to 59.94% in 2021 and 2020, respectively.



Investment properties - Fair value of the investment properties measured at Level 3 has been determined based on valuations made by external and/or in-house appraisers on the basis of recent sales transactions of similar properties in the same areas as the properties and taking into account the economic conditions prevailing at the time the valuations were made. Market data approach is used. It involves correlation and analysis of comparable lots, either recently sold or offered for sale in the market, upon which the market value of subject property is estimated. The inputs considered by the appraisers in the valuation include price per square meter, size and shape of property, location and time element of the appraisal.

Deposit liabilities - Fair values of demand deposit liabilities and savings deposit liabilities approximate their carrying amounts due to the demand nature. The fair values of time deposit liabilities are estimated using the discounted cash flow methodology, using the Parent Company's current incremental borrowing rates for similar types of deposits. The discount rates used in estimating the fair value of time deposits range from 0.10% to 5.50% in 2021 and 2020.

Loans payable - Fair value of loans payable are estimated using the discounted cash flow methodology, using the Subsidiary's current incremental borrowing rates for similar types of borrowings. The discount rates used in estimating the fair value of loans payable in 2021 is 6.50% and from 6.58% to 6.75% in 2020.

Manager's check, accrued interest payable and other liabilities - Carrying amounts approximate fair values given the short-term nature of the instruments.

6. Interbank Loans Receivable and Securities Purchased Under Resale Agreement

This account consists of (amounts in thousands):

	2021	2020
IBCL (Note 27)	₱1,669,600	₱1,669,600
SPURA (Note 29)	1,598,164	1,343,342
	3,267,764	3,012,942
Allowance for impairment and credit losses (Notes 13 and 27)	(973,238)	(864,714)
	₱2,294,526	₱2,148,228

The outstanding balance of SPURA as of December 31, 2021 and 2020 pertains to overnight placements with the BSP where the underlying securities cannot be sold or repledged to parties other than the BSP, with interest rate of 2.00% in 2021 and 2020.

7. Trading and Investment Securities

Financial Assets at FVTPL

As of December 31, 2021 and 2020, this account consists of (amounts in thousands):

	2021	2020
Financial assets not meeting the SPPI criterion	₱133,749	₱182,126
Government debt securities	8,466	1,185,405
	₱142,215	₱1,367,531



The peso-denominated government debt securities at FVTPL bear nominal annual interest rates of 1.15% in 2021 and 1.74% to 2.20% in 2020.

The net unrealized gain (loss) on financial assets at FVTPL amounted to (P11.16) million in 2021 and P22.81 million in 2020.

Investment Securities at FVOCI

As of December 31, 2021 and 2020, this account consists of (amounts in thousands):

	2021	2020
Debt securities		
Government (Note 24)	P2,048,741	P3,604,608
Private	1,650,569	1,116,231
	3,699,310	4,720,839
Equity securities		
Quoted	68,618	57,966
Unquoted	89,558	52,172
	158,176	110,138
	P3,857,486	P4,830,977

The peso-denominated government debt securities at FVOCI bear nominal annual interest rates ranging from 0.00% to 6.25% and 0.00% to 8.00% in 2021 and 2020, respectively. while the peso-denominated private debt securities at FVOCI bear nominal annual interest rates ranging from 2.84% to 6.84% and 3.68% to 6.84% in 2021 and 2020, respectively.

As of December 31, 2021 and 2020, the ECL on debt securities at FVOCI amounted to P1.12 million and P1.81 million, respectively, which is included under 'Net accumulated unrealized loss on financial assets at FVOCI' (see Note 13).

Unquoted equity securities are composed mostly of various bank association membership shares that are not actively traded in the market. The Group does not intend to sell these securities in the near future.

Net Accumulated Unrealized Losses on Financial Assets at FVOCI

Movements in net unrealized losses, presented under 'Equity' in the statements of financial position are as follows (amounts in thousands):

	2021	2020
Balance at beginning of year	(P44,133)	(P74,126)
Mark-to-market gain for the year	62,154	58,901
Provision for (reversal of) credit losses on debt securities at FVOCI (Note 13)	(685)	1,034
Realized gain for the year	(17,553)	(29,942)
Net change during the year	43,916	29,993
Balance at end of year	(P217)	(P44,133)



Debt Securities at Amortized Cost

As of December 31, 2021 and 2020 this account consists of (amounts in thousands):

	2021	2020
Government debt securities (Note 14)	₱3,674,617	₱4,598,708
Private debt securities	—	650,016
	3,674,617	5,248,724
Allowance for credit losses (Note 13)	—	(624)
	₱3,674,617	₱5,248,100

The peso-denominated government debt securities at amortized cost bear nominal annual interest rates ranging from 0.00% to 6.13% in 2021 and 0.00% to 8.00% in 2020, while the peso-denominated private debt securities at amortized cost bear nominal annual interest rate ranging from 5.17% to 5.19% in 2020. Private debt securities amounting to ₱599.99 million were reclassified to FVOCI in 2021 (see Note 3).

As of December 31, 2021 and 2020, investment securities at amortized cost are pledged by the Parent Company for an overdraft line of credit with BSP with total carrying value of ₱3.49 billion and ₱3.51 billion, respectively.

Interest income on investment securities at amortized cost and at FVOCI financial assets consists of (amounts in thousands):

	2021	2020	2019
Debt securities at amortized cost	₱163,129	₱146,226	₱129,658
Financial assets at FVOCI	67,923	90,388	119,535
	₱231,052	₱236,614	₱249,193

Trading gains on trading and investment securities consist of (amounts in thousands):

	2021	2020	2019
Financial assets at FVTPL	₱9,970	₱52,660	₱52,537

8. Loans and Receivables

This account consists of (amounts in thousands):

	Consolidated		Parent Company	
	2021	2020	2021	2020
Loans and discounts				
Corporate	₱14,428,350	₱12,877,851	₱14,428,350	₱12,877,851
Mortgage and salary (Note 25)	3,433,597	3,285,690	3,406,835	3,259,115
Pension	2,579,860	2,979,420	2,579,860	2,979,420
Purchased receivables	926,133	1,781,004	926,133	1,781,004
	21,367,940	20,923,965	21,341,178	20,897,390
Accounts receivable (Notes 25 and 27)	1,264,460	1,211,483	1,262,209	1,208,277
Unquoted debt securities	154,872	441,861	154,872	441,861
Sales contract receivable	315,593	347,817	255,558	273,319
Accrued interest receivable	410,943	663,475	404,295	654,633
Other receivables	5,498	8,143	5,498	7,520
	23,519,306	23,596,744	23,423,610	23,483,000
Allowance for credit losses (Notes 13 and 27)	(3,694,089)	(2,959,816)	(3,681,794)	(2,947,691)
	₱19,825,217	₱20,636,928	₱19,741,816	₱20,535,309



On March 25, 2020, Republic Act 11469 - Bayanihan to Heal as One Act was enacted. In compliance thereof, the Parent Company implemented a minimum thirty (30)-day grace period for payment of all loans falling due within the period of the enhanced community quarantine without incurring interests, penalties, fees or other charges.

On September 11, 2020, Republic Act No. 11494 - Bayanihan to Recover as One Act was enacted. In compliance thereof, the Parent Company granted one-time sixty (60)-day grace period 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.

The financial reliefs mandated by the aforementioned Bayanihan Acts resulted in a modification loss of ₱108.39 million in 2020. As of December 31, 2021 and 2020, the balance of modification loss amounted to ₱65.28 million and ₱99.07 million, respectively. The outstanding balance of modified loans from the financial relief is ₱4.35 billion and ₱7.47 billion as of December 31, 2021 and 2020, respectively.

Purchased receivables as of December 31, 2021 and 2020, represents consumer loans acquired from a financing company on a without recourse basis.

Accounts receivable as of December 31, 2021 and 2020 includes receivable amounting to ₱918.61 million, representing the uninsured deposits of a thrift bank assumed by the Parent Company (see Note 27).

Unquoted debt securities issued or guaranteed by the Philippine government amounted to ₱110.49 million and ₱170.07 million as of December 31, 2021 and 2020, respectively. These also include agrarian reform bonds, corporate note facilities, and bonds issued by various local government units. Interest rates earned from unquoted debt securities ranges from 0.88% to 6.77% in 2021 and 2.56% to 6.77% in 2020.

Interest income on loans and receivables consists of (amounts in thousands):

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Loans and discounts	₱1,355,479	₱1,948,536	₱2,196,811	₱1,353,110	₱1,948,033	₱2,194,639
Unquoted debt securities	18,055	26,901	39,607	18,055	26,901	39,607
Sales contract receivables and other receivables	18,683	12,929	24,114	15,762	9,954	19,843
	₱1,392,217	₱1,988,366	₱2,260,532	₱1,386,927	₱1,984,888	₱2,254,089

Interest rates on loans and discounts ranges from 1.00% to 59.94% as of December 31, 2021 and 1.70% to 59.94% as of December 31, 2020.



9. Investments in Subsidiaries

This account consists of investments in (amounts in thousands):

	Percentage of Ownership	2021	2020
Acquisition cost			
IPI	100.00%	₱200,000	₱200,000
NAGON	97.77%	31,395	31,395
VVCC	60.00%	3,000	3,000
		234,395	234,395
Accumulated equity in net losses of subsidiaries			
Balance at beginning of year		(94,822)	(99,880)
Equity in net income for the year		9,698	5,058
Balance at end of year		(85,124)	(94,822)
Allowance for impairment losses (Note 13)		(3,000)	(3,000)
		₱146,271	₱136,573

The breakdown of the Parent Company's investments in subsidiaries is as follows (amounts in thousands):

	2021	2020
IPI	₱124,073	₱113,121
NAGON	22,198	23,452
VVCC	3,000	3,000
	149,271	139,573
Allowance for impairment losses (Note 13)	(3,000)	(3,000)
	₱146,271	₱136,573

All subsidiaries of the Parent Company are incorporated and have principal place of business in the Philippines.

IPI

IPI is engaged in the administration and management of the Parent Company's assets, constructing and developing houses and other real estate properties, and buying and selling of foreign currencies.

NAGON

NAGON is licensed to operate as a rural bank based in Batangas, and is engaged in deposit-taking and granting of loan. The Parent Company envisions that, through the acquisition of NAGON, the Group will be active in agri-agra financing through the network of rural banks, and will participate in establishing structured agri-agra programs that will help channel funds to the agri-agra sector.



10. Bank Premises, Furniture, Fixtures and Equipment

The composition of and movements in this account are as follows (amounts in thousands):

	Consolidated					
	2021					
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right of Use Asset – Branch Premise	Total
Cost						
Balances at beginning of year	₹205,566	₹531,392	₹913,405	₹439,046	₹291,237	₹2,380,646
Additions	—	47,174	128,030	69,409	94,677	339,290
Disposals/reclassifications/write-offs	—	(15,551)	(66,872)	(861)	(54,221)	(137,505)
Translation adjustments	—	—	—	—	231	231
Balances at end of year	205,566	563,015	974,563	507,594	331,924	2,582,662
Accumulated Depreciation and Amortization						
Balances at beginning of year	—	252,332	741,845	333,119	91,414	1,418,710
Depreciation and amortization	—	26,700	67,752	37,459	54,316	186,227
Disposals/reclassifications/write-offs/adjustments	—	2,441	(62,108)	—	(48,099)	(107,766)
Balances at end of year	—	281,473	747,489	370,578	97,631	1,497,171
Net Book Values	₹205,566	₹281,542	₹227,074	₹137,016	₹234,293	₹1,085,491

	Consolidated					
	2020					
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right of Use Asset – Branch Premise	Total
Cost						
Balances at beginning of year	P205,566	P502,380	P881,419	P434,951	P275,845	P2,300,161
Additions	–	32,993	50,871	4,095	33,015	120,974
Disposals/reclassifications/write-offs	–	(3,981)	(18,885)	–	(17,420)	(40,286)
Translation adjustments	–	–	–	–	(203)	(203)
Balances at end of year	205,566	531,392	913,405	439,046	291,237	2,380,646
Accumulated Depreciation and Amortization						
Balances at beginning of year	–	229,377	704,530	292,926	53,852	1,280,685
Depreciation and amortization	–	25,282	55,593	40,193	53,686	174,754
Disposals/reclassifications/write-offs	–	(2,327)	(18,278)	–	(16,111)	(36,716)
Translation adjustments	–	–	–	–	(13)	(13)
Balances at end of year	–	252,332	741,845	333,119	91,414	1,418,710
Net Book Values	P205,566	P279,060	P171,560	P105,927	P199,823	P961,936

	Parent Company					
	2021					
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right of Use Asset – Branch Premise	Total
Cost						
Balances at beginning of year	₱202,573	₱567,536	₱901,057	₱439,046	₱291,237	₱2,401,449
Additions	–	46,130	124,506	69,410	94,677	334,723
Disposals/reclassifications/write-offs	–	(17,992)	(64,689)	(861)	(54,221)	(137,763)
Translation adjustment	–	–	–	–	231	231
Balances at end of year	202,573	595,674	960,874	507,595	331,924	2,598,640
Accumulated Depreciation and Amortization						
Balances at beginning of year	–	249,535	731,338	333,119	91,414	1,405,406
Depreciation and amortization	–	25,866	66,488	37,459	54,316	184,129
Disposals/reclassifications/write-offs	–	–	(59,924)	–	(48,099)	(108,023)
Balances at end of year	–	275,401	737,902	370,579	97,631	1,481,513
Net Book Values	₱202,573	₱320,273	₱222,972	₱137,016	₱234,293	₱1,117,127



	Parent Company					Total
	2020					
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right of Use Asset – Branch Premise	
Cost						
Balances at beginning of year	P202,573	P536,329	P869,241	P434,951	P275,845	P2,318,939
Additions	–	32,270	50,705	4,095	33,015	120,085
Disposals/reclassifications/write-offs	–	(1,063)	(18,889)	–	(17,420)	(37,372)
Translation adjustment	–	–	–	–	(203)	(203)
Balances at end of year	202,573	567,536	901,057	439,046	291,237	2,401,449
Accumulated Depreciation and Amortization						
Balances at beginning of year	–	225,054	696,230	292,926	53,852	1,268,062
Depreciation and amortization	–	24,481	53,391	40,193	53,686	171,751
Disposals/reclassifications/write-offs	–	–	(18,283)	–	(16,111)	(34,394)
Translation adjustment	–	–	–	–	(13)	(13)
Balances at end of year	–	249,535	731,338	333,119	91,414	1,405,406
Net Book Values	P202,573	P318,001	P169,719	P105,927	P199,823	P996,043

There are no property and equipment pledged as security for the Group's liabilities. The Group and the Parent Company have fully depreciated property and equipment that are still in use with cost amounting to P900.98 million and P846.08 million as of December 31, 2021 and 2020, respectively.

The Group's and Parent's Company's gain on disposal of property and equipment included under 'Gain on sale of assets' amounted to P0.65 million, P0.07 million, and P144.71 million in 2021, 2020 and 2019, respectively.

The breakdown of depreciation and amortization by asset class follow (amounts in thousands):

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Bank premises, furniture, fixtures and equipment	P186,227	P174,754	P181,548	P184,129	P171,751	P178,951
Investment properties (Note 11)	54,117	60,295	60,905	54,117	60,295	60,130
Other foreclosed assets (Note 12)	54,504	58,629	52,010	54,504	58,629	52,010
	P294,848	P293,678	P294,463	P292,750	P290,675	P291,091

11. Investment Properties

The composition of and movements in this account are as follows (amounts in thousands):

	Consolidated	
	2021	
	Land	Buildings and Improvements
Cost		
Balances at beginning of year	P2,216,733	P668,022
Additions	49,848	70,365
Disposals/reclassifications/write-offs	(215,626)	(206,753)
Balances at end of year	2,050,955	531,634
Accumulated Depreciation and Amortization		
Balances at beginning of year	–	356,146
Depreciation and amortization (Note 10)	–	54,117
Disposals/reclassifications/write-offs	–	(108,812)
Balances at end of year	–	301,451

(Forward)



	Consolidated		
	2021		
	Land	Buildings and Improvements	Total
Allowance for Impairment Losses (Note 13)			
Balances at beginning of year	₱251,491	₱29,494	₱280,985
Provisions	(64)	(279)	(343)
Disposals/reclassifications/write-offs	(50,252)	(11,966)	(62,218)
Balances at end of year	201,175	17,249	218,424
Net Book Values	₱1,849,780	₱212,934	₱2,062,714

	Consolidated		
	2020		
	Land	Buildings and Improvements	Total
Cost			
Balances at beginning of year	₱2,284,985	₱635,821	₱2,920,806
Additions	25,026	48,866	73,892
Disposals/reclassifications/write-offs	(93,278)	(16,665)	(109,943)
Balances at end of year	2,216,733	668,022	2,884,755
Accumulated Depreciation and Amortization			
Balances at beginning of year	—	303,896	303,896
Depreciation and amortization (Note 10)	—	60,295	60,295
Disposals/reclassifications/write-offs	—	(8,045)	(8,045)
Balances at end of year	—	356,146	356,146
Allowance for Impairment Losses (Note 13)			
Balances at beginning of year	217,293	29,782	247,075
Provisions	38,160	—	38,160
Disposals/reclassifications/write-offs	(3,962)	(288)	(4,250)
Balances at end of year	251,491	29,494	280,985
Net Book Values	₱1,965,242	₱282,382	₱2,247,624

	Parent Company		
	2021		
	Land	Buildings and Improvements	Total
Cost			
Balances at beginning of year	₱2,231,288	₱664,543	₱2,895,831
Additions	49,848	70,365	120,213
Disposals/reclassifications/write-offs	(215,626)	(206,753)	(422,379)
Balances at end of year	2,065,510	528,155	2,593,665
Accumulated Depreciation and Amortization			
Balances at beginning of year	—	356,146	356,146
Depreciation and amortization (Note 10)	—	54,117	54,117
Disposals/reclassifications/write-offs	—	(108,812)	(108,812)
Balances at end of year	—	301,451	301,451
Allowance for Impairment Losses (Note 13)			
Balances at beginning of year	251,491	29,494	280,985
Provisions	(64)	(279)	(343)
Disposals/reclassifications/write-offs	(50,252)	(11,966)	(62,218)
Balances at end of year	201,175	17,249	218,424
Net Book Values	₱1,864,335	₱209,455	₱2,073,790



	Parent Company		
	2020		
	Land	Buildings and Improvements	Total
Cost			
Balances at beginning of year	₱2,299,540	₱632,342	₱2,931,882
Additions	25,026	48,866	73,892
Disposals/reclassifications/write-offs	(93,278)	(16,665)	(109,943)
Balances at end of year	2,231,288	664,543	2,895,831
Accumulated Depreciation and Amortization			
Balances at beginning of year	—	303,896	303,896
Depreciation and amortization (Note 10)	—	60,295	60,295
Disposals/reclassifications/write-offs	—	(8,045)	(8,045)
Balances at end of year	—	356,146	356,146
Allowance for Impairment Losses (Note 13)			
Balances at beginning of year	217,293	29,782	247,075
Provisions	38,160	—	38,160
Disposals/reclassifications/write-offs	(3,962)	(288)	(4,250)
Balances at end of year	251,491	29,494	280,985
Net Book Values	₱1,979,797	₱278,903	₱2,258,700

The Group's investment properties mainly consist of real estate properties acquired in settlement of loans and receivables.

As of December 31, 2021 and 2020, the aggregate fair value of the Group's investment properties amounted to ₱6.21 billion and ₱7.06 billion, respectively. As of December 31, 2021 and 2020, the aggregate fair value of the Parent Company's investment properties amounted to ₱6.20 billion and ₱7.05 billion, respectively.

Gain on disposal of investment properties included under 'Gain on sale of assets' amounted to ₱201.52 million, ₱198.82 million, and ₱211.57 million in 2021, 2020 and 2019, respectively, for the Group, and ₱201.52 million, ₱177.53 million, and ₱193.77 million in 2021, 2020 and 2019, respectively, for the Parent Company.

Details of rental income and direct operating expenses (excluding depreciation) on investment properties, included in 'Other operating income' and 'Miscellaneous expenses', respectively, in the statements of income on the investment properties follow (amounts in thousands):

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Rental income on investment properties	₱1,185	₱1,350	₱5,571	₱1,185	₱1,350	₱1,455
Direct operating expenses:						
Generating rent income	—	—	4,047	—	—	—
Not generating rent income	496	454	330	496	454	300



12. Other Assets

This account consists of (amounts in thousands):

	Consolidated		Parent Company	
	2021	2020	2021	2020
Software costs - net	₱777,270	₱525,656	₱777,270	₱525,656
Creditable withholding tax	286,769	265,998	271,296	256,670
Other foreclosed assets - net of depreciation	147,465	201,971	147,465	201,971
Prepaid expenses	57,722	110,202	56,663	107,411
Net retirement asset (Note 19)	73,877	3,541	73,877	3,541
Stationery and other supplies	17,833	14,376	17,753	14,340
Goodwill	16,140	16,140	-	-
Miscellaneous	190,352	193,923	142,235	114,153
	1,567,428	1,331,807	1,486,559	1,223,742
Allowance for impairment losses (Note 13)	(181,366)	(194,602)	(174,329)	(175,561)
	₱1,386,062	₱1,137,205	₱1,312,230	₱1,048,181

The composition of and changes in 'Software costs' of the Group and the Parent Company are as follows (amounts in thousands):

	Consolidated and Parent Company					
	2021			2020		
	Capitalized Software Costs	Software Costs Under Development	Total	Capitalized Software Costs	Software Costs Under Development	Total
Balance at beginning of year	₱140,176	₱385,480	₱525,656	₱147,584	₱526,695	₱674,279
Additions	166,903	135,256	302,159	13,290	92,651	105,941
Amortization/Adjustment	(49,313)	-	(49,313)	(25,693)	-	(25,693)
Transfers	359,648	(359,648)	-	4,995	(4,995)	-
Write-off	-	(1,232)	(1,232)	-	(228,871)	(228,871)
Balance at end of year	₱617,414	₱159,856	₱777,270	₱140,176	₱385,480	₱525,656

In 2020, the Parent Company has reversed to profit or loss the system software amounting to ₱228.60 million related to Bank Fusion Project. The system did not form part of the Digital Transformation Project of the Parent Company which was implemented on August 02, 2021.

The movements in 'Other foreclosed assets' of the Group and of the Parent Company follow (amounts in thousands):

	2021	2020
Cost		
Balances at beginning of year	₱357,672	₱356,148
Additions	-	1,524
Disposals	(44)	-
Balances at end of year	357,628	357,672
Accumulated Depreciation and Amortization		
Balances at beginning of year	155,701	97,072
Depreciation and amortization (Note 10)	54,505	58,629
Disposals	(43)	-
Balances at end of year	210,163	155,701
Net Book Values	₱147,465	₱201,971



13. Allowance for Impairment and Credit Losses

Changes in the allowance for impairment and credit losses are summarized as follows (amounts in thousands):

	Consolidated		Parent Company	
	2021	2020	2021	2020
Balances at beginning of year				
Loans and receivables (Note 8)	₱2,959,816	₱2,305,442	₱2,947,691	₱2,295,009
IBLR and SPURA (Note 6)	864,714	756,189	864,714	756,189
Investment properties (Note 11)	280,985	247,075	280,985	247,075
Debt securities at FVOCI (Note 7)	1,809	776	1,809	776
Debt securities at amortized cost (Note 7)	624	565	624	565
Due from other banks	622	290	622	290
Investment in subsidiaries (Note 9)	-	-	3,000	3,000
Other assets (Note 12)	194,602	194,602	175,561	175,561
	4,303,172	3,504,939	4,275,006	3,478,465
Provisions	918,099	834,162	917,921	832,289
Accounts written off	(518)	(6,765)	(518)	(4,764)
Disposals	(152,110)	(29,164)	(140,098)	(30,984)
Balances at end of year				
Loans and receivables (Note 8)	3,694,089	2,959,816	3,681,794	2,947,691
IBLR and SPURA (Note 6)	973,238	864,714	973,238	864,714
Investment properties (Note 11)	218,424	280,985	218,424	280,985
Debt securities at FVOCI (Note 7)	1,124	1,809	1,124	1,809
Debt securities at amortized cost (Note 7)	-	624	-	624
Due from other banks	402	622	402	622
Investments in subsidiaries (Note 9)	-	-	3,000	3,000
Other assets (Note 12)	181,366	194,602	174,329	175,561
	₱5,068,643	₱4,303,172	₱5,052,311	₱4,275,006

The allowance as of December 31, 2021 and 2020 and the provision for impairment, credit and other losses for 2021 and 2020 include the amounts related to receivables from a thrift bank. The amortization of the required allowance on IBCL and accounts receivable from the thrift bank amounted to ₱167.49 million for the years 2021, 2020 and 2019 (see Note 27).

As disclosed in Note 2, the BSP approved the request of the Parent Company to amortize the 2020 provision for credit losses on certain loans and discounts amounting to ₱1,272.4 million over five (5) years. Provision for credit losses charged to profit and loss amounted to ₱193 million and ₱63 million in 2021 and 2020, respectively.

ECL on debt securities at FVOCI is reported as part of 'Net accumulated unrealized losses on financial assets at FVOCI' account in equity (see Note 7).

With the foregoing level of allowance for impairment and credit losses, management believes that the Group has sufficient allowance to cover for significant losses that may be incurred from the non-collection or nonrealization of its loans and receivables and other risk assets, except for the IBCL and accounts receivable from a thrift bank and certain loans and discounts on which the required allowance for impairment and credit losses was deferred and is being amortized as approved by the BSP as discussed in Notes 2 and 27.



Changes in ECL Allowances

The reconciliation of allowance for loans and other credit risk assets as of December 31, 2021 and 2020 is shown below (amounts in thousand).

Loans and discounts

	Consolidated			
	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Corporate				
Balance at December 31, 2020	₱20,728	₱8,520	₱1,542,519	₱1,571,767
Newly originated assets that remained in Stage 1 as at yearend	89,995	—	—	89,995
Newly originated assets that moved to Stage 2 and Stage 3 at yearend	—	7,861	759,756	767,617
Effect of collections and other movements in receivable balance	(17,155)	(5,701)	(665,882)	(688,738)
Other Movements	—	—	—	—
Accounts written off	—	—	—	—
Transfers to Stage 1	3,693	(2,624)	(1,069)	—
Transfers to Stage 2	—	10,194	(10,194)	—
Transfers to Stage 3	(915)	(195)	1,110	—
Impact on ECL of exposures transferred between stages	484	75,241	268,305	344,030
Balance at December 31, 2021	96,830	93,296	1,894,545	2,084,671
Pension				
Balance at December 31, 2020	22	—	113,849	113,871
Newly originated assets that remained in Stage 1 as at yearend	10	—	—	10
Newly originated assets that moved to Stage 2 and Stage 3 at yearend	—	1	3,612	3,613
Effect of collections and other movements in receivable balance	35	—	82,086	82,121
Accounts written off	—	—	(518)	(518)
Transfers to Stage 1	453	—	(453)	—
Transfers to Stage 2	—	403	(403)	—
Transfers to Stage 3	(3)	—	3	—
Impact on ECL of exposures transferred between stages	(452)	(402)	57,528	56,674
Balance at December 31, 2021	65	2	255,704	255,771
Mortgage and Salary				
Balance at December 31, 2020	60,276	4,281	52,557	117,114
Newly originated assets that remained in Stage 1 as at yearend	10,399	—	—	10,399
Newly originated assets that moved to Stage 2 and Stage 3 as at yearend	—	13,093	28,770	41,863
Effect of collections and other movements in receivable balance	(44,593)	(2,013)	(30,778)	(77,384)
Accounts written-off	—	—	—	—
Transfers to Stage 1	7,210	(1,171)	(6,039)	—
Transfers to Stage 2	(1,993)	1,993	—	—
Transfers to Stage 3	(1,177)	(985)	2,162	—
Impact on ECL of exposures transferred between stages	(7,194)	1,460	14,506	8,772
Balance at December 31, 2021	22,928	16,658	61,178	100,764
Purchased receivable				
Balance at December 31, 2020	1,075	105,581	371,156	477,812
Newly originated assets that remained in Stage 1 as at yearend	—	—	—	—
Newly originated assets that moved to Stage 2 and Stage 3 at yearend	—	—	—	—

(Forward)



	Consolidated			
	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Effect of collections and other movements	(P472)	(P16,925)	P79,662	P62,265
Transfers to Stage 1	18,653	(10,912)	(7,741)	-
Transfers to Stage 2	(150)	46,514	(46,364)	-
Transfers to Stage 3	(140)	(68,110)	68,250	-
Impact of ECL of exposures transferred between stages	(18,529)	(31,948)	24,888	(25,589)
Balance at December 31, 2021	437	24,200	489,851	514,488
Total Loans and Discounts				
Balance at December 31, 2020	82,101	118,382	2,080,081	2,280,564
Newly originated assets that remained in Stage 1 as at yearend	100,404	-	-	100,404
Newly originated assets that moved to Stage 2 and Stage 3 at yearend	-	20,955	792,138	813,093
Effect of collections and other movements in receivable balance	(62,185)	(24,639)	(534,912)	(621,736)
Accounts written off	-	-	(518)	(518)
Transfers to Stage 1	30,009	(14,707)	(15,302)	-
Transfers to Stage 2	(2,143)	59,104	(56,961)	-
Transfers to Stage 3	(2,235)	(69,290)	71,525	-
Impact on ECL of exposures transferred between stages	(25,691)	44,351	365,227	383,887
Balance at December 31, 2021	P120,260	P134,156	P2,701,278	P2,955,694

	Consolidated			
	December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Corporate				
Balance at December 31, 2019	P62,084	P100,655	P1,148,987	P1,311,726
Newly originated assets that remained in Stage 1 as at yearend	18,570	-	-	18,570
Newly originated assets that moved to Stage 2 and Stage 3 at yearend	-	7,526	353,867	361,393
Effect of collections and other movements in receivable balance	(43,802)	(34,586)	37,152	(41,236)
Other Movements	-	-	-	-
Accounts written off	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(73)	73	-	-
Transfers to Stage 3	(16,051)	(66,070)	82,121	-
Impact on ECL of exposures transferred between stages	-	922	(79,608)	(78,686)
Balance at December 31, 2020	20,728	8,520	1,542,519	1,571,767
Pension				
Balance at December 31, 2019	21	23	39,872	39,916
Newly originated assets that remained in Stage 1 as at yearend	2	-	-	2
Newly originated assets that moved to Stage 2 and Stage 3 at yearend	-	-	1,000	1,000
Effect of collections and other movements in receivable balance	-	(6)	52,498	52,492
Accounts written off	-	-	(725)	(725)
Transfers to Stage 1	2,593	(3)	(2,590)	-
Transfers to Stage 2	-	145	(145)	-
Transfers to Stage 3	(2)	(14)	16	-
Impact on ECL of exposures transferred between stages	(2,592)	(145)	23,923	21,186
Balance at December 31, 2020	22	-	113,849	113,871
Mortgage and Salary				
Balance at December 31, 2019	9,885	7,246	44,017	61,148
Newly originated assets that remained in Stage 1 as at yearend	47,386	-	-	47,386
Newly originated assets that moved to Stage 2 and Stage 3 as at yearend	-	2,036	1,757	3,793

(Forward)



	Consolidated			
	December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Effect of collections and other movements in receivable balance	P3,016	(P2,589)	(P9,478)	(P9,051)
Accounts written-off	—	—	(6,040)	(6,040)
Transfers to Stage 1	9,829	(2,450)	(7,379)	—
Transfers to Stage 2	(42)	443	(401)	—
Transfers to Stage 3	(83)	(1,947)	2,030	—
Impact on ECL of exposures transferred between stages	(9,715)	1,542	28,051	19,878
Balance at December 31, 2020	60,276	4,281	52,557	117,114
Purchased receivable				
Balance at December 31, 2019	39,265	152,768	87,296	279,329
Newly originated assets that remained in Stage 1 as at yearend	—	—	—	—
Newly originated assets that moved to Stage 2 and Stage 3 at yearend	—	—	—	—
Effect of collections and other movements	(22,014)	(14,381)	(14,730)	(51,125)
Transfers to Stage 1	18,722	(18,722)	—	—
Transfers to Stage 2	(8,370)	8,370	—	—
Transfers to Stage 3	(7,842)	(110,845)	118,687	—
Impact on ECL of exposures transferred between stages	(18,686)	88,391	179,903	249,608
Balance at December 31, 2020	1,075	105,581	371,156	477,812
Total Loans and Discounts				
Balance at December 31, 2019	111,255	260,692	1,320,172	1,692,119
Newly originated assets that remained in Stage 1 as at yearend	65,958	—	—	65,958
Newly originated assets that moved to Stage 2 and Stage 3 at yearend	—	9,562	356,624	366,186
Effect of collections and other movements in receivable balance	(62,800)	(51,562)	65,442	(48,920)
Accounts written off	—	—	(6,765)	(6,765)
Transfers to Stage 1	31,144	(21,175)	(9,969)	—
Transfers to Stage 2	(8,485)	9,031	(546)	—
Transfers to Stage 3	(23,978)	(178,876)	202,854	—
Impact on ECL of exposures transferred between stages	(30,993)	90,710	152,269	211,986
Balance at December 31, 2020	P82,101	P118,382	P2,080,081	P2,280,564

	Parent Company			
	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Corporate				
Balance at December 31, 2020	P20,728	P8,520	P1,542,519	P1,571,767
Newly originated assets that remained in Stage 1 as at yearend	89,995	—	—	89,995
Newly originated assets that moved to Stage 2 and Stage 3 at yearend	—	7,861	759,756	767,617
Effect of collections and other movements in receivable balance	(17,155)	(5,701)	(665,882)	(688,738)
Other Movements	—	—	—	—
Accounts written off	—	—	—	—
Transfers to Stage 1	3,693	(2,624)	(1,069)	—
Transfers to Stage 2	—	10,194	(10,194)	—
Transfers to Stage 3	(915)	(195)	1,110	—
Impact on ECL of exposures transferred between stages	484	75,241	268,305	344,030
Balance at December 31, 2021	96,830	93,296	1,894,545	2,084,671
Pension				
Balance at December 31, 2020	22	—	113,849	113,871
Newly originated assets that remained in Stage 1 as at yearend	10	—	—	10
Newly originated assets that moved to Stage 2 and Stage 3 at yearend	—	1	3,612	3,613

(Forward)



	Parent Company			
	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Effect of collections and other movements in receivable balance	₱35	₱-	₱82,086	₱82,121
Accounts written off	-	-	(518)	(518)
Transfers to Stage 1	453	-	(453)	-
Transfers to Stage 2	-	403	(403)	-
Transfers to Stage 3	(3)	-	3	-
Impact on ECL of exposures transferred between stages	(452)	(402)	57,528	56,674
Balance at December 31, 2021	65	2	255,704	255,771
Mortgage and Salary				
Balance at December 31, 2020	60,085	4,281	50,246	114,612
Newly originated assets that remained in Stage 1 as at yearend	10,399	-	-	10,399
Newly originated assets that moved to Stage 2 and Stage 3 as at yearend	-	13,093	28,770	41,863
Effect of collections and other movements in receivable balance	(44,592)	(2,013)	(30,777)	(77,382)
Accounts written-off	-	-	-	-
Transfers to Stage 1	7,210	(1,171)	(6,039)	-
Transfers to Stage 2	(1,992)	1,992	-	-
Transfers to Stage 3	(1,177)	(984)	2,161	-
Impact on ECL of exposures transferred between stages	(7,196)	1,460	14,520	8,784
Balance at December 31, 2021	22,737	16,658	58,881	98,276
Purchased receivable				
Balance at December 31, 2020	1,075	105,581	371,156	477,812
Newly originated assets that remained in Stage 1 as at yearend	-	-	-	-
Newly originated assets that moved to Stage 2 and Stage 3 at yearend	-	-	-	-
Effect of collections and other movements	(472)	(16,925)	79,662	62,265
Accounts written-off	-	-	-	-
Transfers to Stage 1	18,653	(10,912)	(7,741)	-
Transfers to Stage 2	(150)	46,514	(46,364)	-
Transfers to Stage 3	(140)	(68,110)	68,250	-
Impact of ECL of exposures transferred between stages	18,529	(31,948)	24,888	(25,589)
Balance at December 31, 2021	37,495	24,200	489,851	514,488
Total Loans and Discounts				
Balance at December 31, 2020	81,910	118,382	2,077,770	2,278,062
Newly originated assets that remained in Stage 1 as at yearend	100,404	-	-	100,404
Newly originated assets that moved to Stage 2 and Stage 3 at yearend	-	20,955	792,138	813,093
Effect of collections and other movements in receivable balance	(62,186)	(24,639)	(534,911)	(621,736)
Accounts written off	-	-	(518)	(518)
Transfers to Stage 1	30,010	(14,707)	(15,303)	-
Transfers to Stage 2	(2,142)	59,103	(56,961)	-
Transfers to Stage 3	(2,234)	(69,289)	71,523	-
Impact on ECL of exposures transferred between stages	(25,693)	44,351	365,241	383,899
Balance at December 31, 2021	₱120,069	₱134,156	₱2,698,981	₱2,953,206



	Parent Company			
	December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Corporate				
Balance at December 31, 2019	P62,084	P100,655	P1,148,987	P1,311,726
Newly originated assets that remained in Stage 1 as at yearend	18,570	-	-	18,570
Newly originated assets that moved to Stage 2 and Stage 3 at yearend	-	7,526	353,867	361,393
Effect of collections and other movements in receivable balance	(43,802)	(34,586)	37,152	(41,236)
Other Movements	-	-	-	-
Accounts written off	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(73)	73	-	-
Transfers to Stage 3	(16,051)	(66,070)	82,121	-
Impact on ECL of exposures transferred between stages	-	922	(79,608)	(78,686)
Balance at December 31, 2020	20,728	8,520	1,542,519	1,571,767
Pension				
Balance at December 31, 2019	21	23	39,872	39,916
Newly originated assets that remained in Stage 1 as at yearend	2	-	-	2
Newly originated assets that moved to Stage 2 and Stage 3 at yearend	-	-	1,000	1,000
Effect of collections and other movements in receivable balance	-	(6)	52,498	52,492
Accounts written off	-	-	(725)	(725)
Transfers to Stage 1	2,593	(3)	(2,590)	-
Transfers to Stage 2	-	145	(145)	-
Transfers to Stage 3	(2)	(14)	16	-
Impact on ECL of exposures transferred between stages	(2,592)	(145)	23,923	21,186
Balance at December 31, 2020	22	-	113,849	113,871
Mortgage and Salary				
Balance at December 31, 2019	9,884	7,246	39,342	56,472
Newly originated assets that remained in Stage 1 as at yearend	47,386	-	-	47,386
Newly originated assets that moved to Stage 2 and Stage 3 as at yearend	-	2,036	1,757	3,793
Effect of collections and other movements in receivable balance	2,826	(2,589)	(9,115)	(8,878)
Accounts written-off	P-	P-	(P4,039)	(P4,039)
Transfers to Stage 1	9,829	(2,450)	(7,379)	-
Transfers to Stage 2	(42)	443	(401)	-
Transfers to Stage 3	(83)	(1,947)	2,030	-
Impact on ECL of exposures transferred between stages	(9,715)	1,542	28,051	19,878
Balance at December 31, 2020	60,085	4,281	50,246	114,612
Purchased receivable				
Balance at December 31, 2019	39,265	152,768	87,296	P279,329
Newly originated assets that remained in Stage 1 as at yearend	-	-	-	-
Newly originated assets that moved to Stage 2 and Stage 3 at yearend	-	-	-	-
Effect of collections and other movements	(22,014)	(14,381)	(14,730)	(51,125)
Transfers to Stage 1	18,722	(18,722)	-	-
Transfers to Stage 2	(8,370)	8,370	-	-
Transfers to Stage 3	(7,842)	(110,845)	118,687	-
Impact of ECL of exposures transferred between stages	(18,686)	88,391	179,903	249,608
Balance at December 31, 2020	1,075	105,581	371,156	477,812
Total Loans and Discounts				
Balance at December 31, 2019	111,254	260,692	1,315,497	1,687,443
Newly originated assets that remained in Stage 1 as at yearend	65,958	-	-	65,958

(Forward)



	Parent Company			
	December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Newly originated assets that moved to Stage 2 and Stage 3 at yearend	P-	P9,562	P356,624	P366,186
Effect of collections and other movements in receivable balance	(62,990)	(51,562)	65,805	(48,747)
Accounts written off	-	-	(4,764)	(4,764)
Transfers to Stage 1	31,144	(21,175)	(9,969)	-
Transfers to Stage 2	(8,485)	9,031	(546)	-
Transfers to Stage 3	(23,978)	(178,876)	202,854	-
Impact on ECL of exposures transferred between stages	(30,993)	90,710	152,269	211,986
Balance at December 31, 2020	P81,910	P118,382	P2,077,770	P2,278,062

As discussed in Note 2, the Parent Company applied staggered booking of 2020 allowance for credit losses amounting to P1.27 billion, as approved by the BSP. Had it been recognized in accordance with PFRS, the allowance for credit losses on loans and receivables as of December 31, 2021 and 2020 of the Group and the Parent Company follows:

	Consolidated			
	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Corporate	P96,830	P266,594	P2,656,679	P3,020,103
Pension	65	2	255,704	255,771
Mortgage and Salary	22,928	16,658	61,178	100,764
Purchased receivable	437	24,200	570,780	595,417
	P120,260	P307,454	P3,544,341	P3,972,055

	Parent Company			
	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Corporate	P96,830	P266,594	P2,656,679	P3,020,103
Pension	65	2	255,704	255,771
Mortgage and Salary	22,737	16,658	58,881	98,276
Purchased receivable	437	24,200	570,780	595,417
	P120,069	P307,454	P3,542,044	P3,969,567

	Consolidated			
	December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Corporate	P20,726	P8,522	P2,657,502	P2,686,750
Pension	22	-	113,849	113,871
Mortgage and Salary	60,276	4,281	52,557	117,114
Purchased receivable	1,075	105,581	464,963	571,619
	P82,099	P118,384	P3,288,871	P3,489,354

	Parent Company			
	December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Corporate	P20,726	P8,522	P2,657,502	P2,686,750
Pension	22	-	113,849	113,871
Mortgage and Salary	60,085	4,281	50,246	114,612
Purchased receivable	1,075	105,581	464,963	571,619
	P81,908	P118,384	P3,286,560	P3,486,852



Unquoted debt securities and sales contract receivables

Consolidated and Parent Company				
December 31, 2021				
	Stage 1	Stage 2	Stage 3	Total
Balance at December 31, 2020	P404	P-	P1,940	P2,344
Newly originated assets that remained in Stage 1 as at yearend	2	-	-	2
Newly originated assets that moved out of Stage 1 as at yearend	-	408	196	605
Effect of collections and other movements in receivable balance	882	-	(1,797)	(915)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	1	-	-
Transfers to Stage 3	(5)	-	5	-
Impact on ECL of exposures transferred between stages	-	-	-	-
Balance at December 31, 2021	P1,283	P409	P344	P2,036

Consolidated and Parent Company				
December 31, 2020				
	Stage 1	Stage 2	Stage 3	Total
Balance at December 31, 2019	P538	P-	P207	P745
Newly originated assets that remained in Stage 1 as at yearend	4	-	-	4
Effect of collections and other movements in receivable balance	(136)	-	(5)	(141)
Transfers to Stage 1	95	-	(95)	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(3)	-	3	-
Impact on ECL of exposures transferred between stages	(94)	-	1,830	1,736
Balance at December 31, 2020	P404	P-	P1,940	P2,344

Accounts receivables

The ECL on the accounts receivables of the Group and the Parent Company is based on their aging as of December 31, 2021 and 2020 are as follows:

December 31, 2021						
Age of Accounts Receivables						
	Within 30 days	31 to 90 days	91 to 120 days	121 to 180 days	Over 180 days	Total
Consolidated	P-	P295	P112	P759	P735,192	P736,358
Parent Company	P-	P295	P112	P759	P725,386	P726,552

December 31, 2020						
Age of Accounts Receivables						
	Within 30 days	31 to 90 days	91 to 120 days	121 to 180 days	Over 180 days	Total
Consolidated	P-	P95	P50	P517	P676,246	P676,908
Parent Company	P-	P95	P50	P517	P666,623	P667,285

Rollforward analysis of ECL on the accounts receivable as of December 31, 2021 and 2020 are as follows:

	Consolidated		Parent Company	
	2021	2020	2021	2020
Balance at January 1, 2021	P676,908	P612,578	P667,285	P606,821
Provisions	59,450	64,330	59,267	60,464
Balance at December 31, 2021	P736,358	P676,908	P726,552	P667,285



Treasury financial assets

Changes in ECL allowances of treasury financial assets as of December 31, 2021 and 2020 are as follows:

	December 31, 2021			
	Due from other banks	Debt securities at FVOCI	Debt securities at amortized cost	Total
Balance at January 1, 2021	P622	P1,809	P624	P3,055
Provisions (reversals)	(220)	(685)	(624)	(1,529)
Balance at December 31, 2021	P402	P1,124	P-	P1,526

	December 31, 2020			
	Due from other banks	Debt securities at FVOCI	Debt securities at amortized cost	Total
Balance at January 1, 2020	P290	P776	P565	P1,631
Provisions (reversals)	332	1,033	59	1,424
Balance at December 31, 2020	P622	P1,809	P624	P3,055

Changes in Gross Carrying Amounts of Credit Risk Assets

The following tables show the movements in the gross carrying amounts of loans and other credit risk assets as of December 31, 2021 and 2020 (amounts in thousand):

Loans and discounts

	Consolidated			
	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Corporate				
Balance at December 31, 2020	6,862,790	655,062	5,359,999	12,877,851
Newly originated assets that remained in Stage 1 as at yearend	6,850,997	-	-	6,850,997
Newly originated assets that moved to Stage 2 and Stage 3 as at yearend	-	129,865	1,752,035	1,881,900
Effect of collections and other movements in receivable balance	(5,083,502)	(378,846)	(1,720,050)	(7,182,398)
Accounts written off	-	-	-	-
Transfers to Stage 1	475,384	(200,000)	(275,384)	-
Transfers to Stage 2	-	396,639	(396,639)	-
Transfers to Stage 3	(496,611)	(76,216)	572,827	-
Balance at December 31, 2021	8,609,058	526,504	5,292,788	14,428,350
Pension				
Balance at December 31, 2020	2,573,716	4,540	401,164	2,979,420
Newly originated assets that remained in Stage 1 as at yearend	551,126	-	-	551,126
Newly originated assets that moved to Stage 2 and Stage 3 as at yearend	-	10,916	9,044	19,960
Effect of collections and other movements in receivable balance	(894,038)	(4,441)	(71,649)	(970,128)
Accounts written off	-	-	(518)	(518)
Transfers to Stage 1	2,093	(139)	(1,954)	-
Transfers to Stage 2	(8,959)	10,983	(2,024)	-
Transfers to Stage 3	(151,974)	(2,415)	154,389	-
Balance at December 31, 2021	2,071,964	19,444	488,452	2,579,860
Mortgage and Salary				
Balance at December 31, 2020	3,056,712	61,858	167,120	3,285,690
Newly originated assets that remained in Stage 1 as at yearend	1,207,330	-	-	1,207,330
Newly originated assets that moved to Stage 2 and Stage 3 as at yearend	-	114,766	120,478	235,244
Effect of collections and other movements in receivable balance	(1,113,818)	(58,621)	(122,228)	(1,294,667)

(Forward)



	Consolidated			
	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
	₱-	₱-	₱-	₱-
Accounts written-off				
Transfers to Stage 1	45,930	(18,506)	(27,424)	-
Transfers to Stage 2	(47,599)	47,599	-	-
Transfers to Stage 3	(29,189)	(1,596)	30,785	-
Balance at December 31, 2021	3,119,366	145,500	168,731	3,433,597
Purchased Receivable				
Balance at December 31, 2020	811,382	353,154	616,468	1,781,004
Newly originated assets that remained in Stage 1 as at yearend	-	-	-	-
Newly originated assets that moved to Stage 2 and Stage 3 as at yearend	-	-	-	-
Effect of collections and other movements in receivable balance	(549,579)	(172,845)	(132,447)	(854,871)
Accounts written-off	-	-	-	-
Transfers to Stage 1	71,816	(58,420)	(13,396)	-
Transfers to Stage 2	(94,456)	174,857	(80,401)	-
Transfers to Stage 3	(94,481)	(184,948)	279,429	-
Balance at December 31, 2021	144,682	111,798	669,653	926,133
Total Loans and Discounts				
Balance at December 31, 2020	₱13,304,600	₱1,074,614	₱6,544,751	₱20,923,965
Newly originated assets that remained in Stage 1 as at yearend	8,609,453	-	-	8,609,453
Newly originated assets that moved to Stage 2 and Stage 3 as at yearend	-	255,547	1,881,557	2,137,104
Effect of collections and other movements in receivable balance	(7,640,937)	(614,753)	(2,046,374)	(10,302,064)
Accounts written off	-	-	(518)	(518)
Transfers to Stage 1	595,223	(277,065)	(318,158)	-
Transfers to Stage 2	(151,014)	630,078	(479,064)	-
Transfers to Stage 3	(772,255)	(265,175)	1,037,430	-
Balance at December 31, 2021	₱13,945,070	₱803,246	₱6,619,624	₱21,367,940

	Consolidated			
	December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Corporate				
Balance at December 31, 2019	₱10,366,729	₱424,112	₱2,079,454	₱12,870,295
Newly originated assets that remained in Stage 1 as at yearend	4,854,590	-	-	4,854,590
Newly originated assets that moved to Stage 2 and Stage 3 as at yearend	-	648,080	2,005,047	2,653,127
Effect of collections and other movements in receivable balance	(7,141,482)	(200,018)	(158,661)	(7,500,161)
Accounts Written Off	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(7,000)	7,000	-	-
Transfers to Stage 3	(1,210,047)	(224,112)	1,434,159	-
Balance at December 31, 2020	6,862,790	655,062	5,359,999	12,877,851
Pension				
Balance at December 31, 2019	2,716,262	215,020	318,859	3,250,141
Newly originated assets that remained in Stage 1 as at yearend	473,910	-	-	473,910
Newly originated assets that moved to Stage 2 and Stage 3 as at yearend	-	732	4,305	5,037
Effect of collections and other movements in receivable balance	(669,231)	(20,596)	(59,116)	(748,943)
Accounts Written Off	-	-	(725)	(725)
Transfers to Stage 1	177,528	(165,459)	(12,069)	-
Transfers to Stage 2	(5,455)	6,213	(758)	-
Transfers to Stage 3	(119,298)	(31,370)	150,668	-
Balance at December 31, 2020	2,573,716	4,540	401,164	2,979,420
Mortgage and Salary				
Balance at December 31, 2019	2,379,578	31,491	84,670	2,495,739
Newly originated assets that remained in Stage 1 as at yearend	1,442,968	-	-	1,442,968

(Forward)



	Consolidated			
	December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Newly originated assets that moved to Stage 2 and Stage 3 as at yearend	P-	P8,898	P5,348	P14,246
Effect of collections and other movements in receivable balance	(621,556)	(11,406)	(30,262)	(663,224)
Accounts written-off	-	-	(4,039)	(4,039)
Transfers to Stage 1	25,955	(11,477)	(14,478)	-
Transfers to Stage 2	(52,938)	53,540	(602)	-
Transfers to Stage 3	(117,295)	(9,188)	126,483	-
Balance at December 31, 2020	3,056,712	61,858	167,120	3,285,690
Purchased Receivable				
Balance at December 31, 2019	2,547,583	278,939	113,448	2,939,970
Newly originated assets that remained in Stage 1 as at yearend	-	-	-	-
Newly originated assets that moved to Stage 2 and Stage 3 as at yearend	-	-	-	-
Effect of collections and other movements	(790,580)	(200,333)	(168,053)	(1,158,966)
Transfers to Stage 1	42,046	(42,046)	-	-
Transfers to Stage 2	(504,162)	504,162	-	-
Transfers to Stage 3	(483,505)	(187,568)	671,073	-
Balance at December 31, 2020	811,382	353,154	616,468	1,781,004
Total Loans and Discounts				
Balance at December 31, 2019	18,010,152	949,562	2,596,431	21,556,145
Newly originated assets that remained in Stage 1 as at yearend	6,771,468	-	-	6,771,468
Newly originated assets that moved to Stage 2 and Stage 3 as at yearend	-	657,710	2,014,700	2,672,410
Effect of collections and other movements in receivable balance	(9,222,849)	(432,353)	(416,092)	(10,071,294)
Accounts Written Off	-	-	(4,764)	(4,764)
Transfers to Stage 1	245,529	(218,982)	(26,547)	-
Transfers to Stage 2	(569,555)	570,915	(1,360)	-
Transfers to Stage 3	(1,930,145)	(452,238)	2,382,383	-
Balance at December 31, 2020	P13,304,600	P1,074,614	P6,544,751	P20,923,965

	Parent			
	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Corporate				
Balance at December 31, 2020	P6,862,790	P655,062	P5,359,999	P12,877,851
Newly originated assets that remained in Stage 1 as at yearend	6,850,997	-	-	6,850,997
Newly originated assets that moved to Stage 2 and Stage 3 as at yearend	-	129,865	1,752,035	1,881,900
Effect of collections and other movements in receivable balance	(5,083,502)	(378,846)	(1,720,050)	(7,182,398)
Accounts written off	-	-	-	-
Transfers to Stage 1	475,384	(200,000)	(275,384)	-
Transfers to Stage 2	-	396,639	(396,639)	-
Transfers to Stage 3	(496,611)	(76,216)	572,827	-
Balance at December 31, 2021	8,609,058	526,504	5,292,788	14,428,350
Pension				
Balance at December 31, 2020	2,573,716	4,540	401,164	2,979,420
Newly originated assets that remained in Stage 1 as at yearend	551,126	-	-	551,126
Newly originated assets that moved to Stage 2 and Stage 3 as at yearend	-	10,916	9,044	19,960
Effect of collections and other movements in receivable balance	(894,038)	(4,441)	(71,649)	(970,128)

(Forward)



	Parent			
	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Accounts written off	P-	P-	(P518)	(P518)
Transfers to Stage 1	2,093	(139)	(1,954)	-
Transfers to Stage 2	(8,959)	10,983	(2,024)	-
Transfers to Stage 3	(151,974)	(2,415)	154,389	-
Balance at December 31, 2021	2,071,964	19,444	488,452	2,579,860
Mortgage and Salary				
Balance at December 31, 2020	3,032,696	61,858	164,561	3,259,115
Newly originated assets that remained in Stage 1 as at yearend	1,207,330	-	-	1,207,330
Newly originated assets that moved to Stage 2 and Stage 3 as at yearend	-	114,766	120,478	235,244
Effect of collections and other movements in receivable balance	(1,112,905)	(58,621)	(123,328)	(1,294,854)
Accounts written-off	-	-	-	-
Transfers to Stage 1	45,930	(18,506)	(27,424)	-
Transfers to Stage 2	(47,599)	47,599	-	-
Transfers to Stage 3	(29,189)	(1,596)	30,785	-
Balance at December 31, 2021	3,096,263	145,500	165,072	3,406,835
Purchased Receivable				
Balance at December 31, 2020	811,382	353,154	616,468	1,781,004
Newly originated assets that remained in Stage 1 as at yearend	-	-	-	-
Newly originated assets that moved to Stage 2 and Stage 3 as at yearend	-	-	-	-
Effect of collections and other movements in receivable balance	(549,579)	(172,845)	(132,447)	(854,871)
Accounts written-off	-	-	-	-
Transfers to Stage 1	71,816	(58,420)	(13,396)	-
Transfers to Stage 2	(94,456)	174,857	(80,401)	-
Transfers to Stage 3	(94,481)	(184,948)	279,429	-
Balance at December 31, 2021	144,682	111,798	669,653	926,133
Total Loans and Discounts				
Balance at December 31, 2020	P13,280,584	P1,074,614	P6,542,192	P20,897,390
Newly originated assets that remained in Stage 1 as at yearend	8,609,453	-	-	8,609,453
Newly originated assets that moved to Stage 2 and Stage 3 as at yearend	-	255,547	1,881,557	2,137,104
Effect of collections and other movements in receivable balance	(7,640,023)	(614,753)	(2,047,475)	(10,302,251)
Accounts written off	-	-	(518)	(518)
Transfers to Stage 1	595,223	(277,065)	(318,158)	-
Transfers to Stage 2	(151,014)	630,078	(479,064)	-
Transfers to Stage 3	(772,255)	(265,175)	1,037,430	-
Balance at December 31, 2021	P13,921,968	P803,246	P6,615,964	P21,341,178
	December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Corporate				
Balance at December 31, 2019	P10,366,729	P424,112	P2,079,454	P12,870,295
Newly originated assets that remained in Stage 1 as at yearend	4,854,590	-	-	4,854,590
Newly originated assets that moved to Stage 2 and Stage 3 as at yearend	-	648,080	2,005,047	2,653,127
Effect of collections and other movements in receivable balance	(7,141,482)	(200,018)	(158,661)	(7,500,161)
Accounts Written Off	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(7,000)	7,000	-	-
Transfers to Stage 3	(1,210,047)	(224,112)	1,434,159	-
Balance at December 31, 2020	6,862,790	655,062	5,359,999	12,877,851
Pension				
Balance at December 31, 2019	2,716,262	215,020	318,859	3,250,141
Newly originated assets that remained in Stage 1 as at yearend	473,910	-	-	473,910

(Forward)



	December 31, 2020			Total
	Stage 1	Stage 2	Stage 3	
Newly originated assets that moved to Stage 2 and Stage 3 as at yearend	₱-	₱732	₱4,305	₱5,037
Effect of collections and other movements in receivable balance	(669,231)	(20,596)	(59,116)	(748,943)
Accounts Written Off	-	-	(725)	(725)
Transfers to Stage 1	177,528	(165,459)	(12,069)	-
Transfers to Stage 2	(5,455)	6,213	(758)	-
Transfers to Stage 3	(119,298)	(31,370)	150,668	-
Balance at December 31, 2020	2,573,716	4,540	401,164	2,979,420
Mortgage and Salary				
Balance at December 31, 2019	2,376,662	31,491	80,041	2,488,194
Newly originated assets that remained in Stage 1 as at yearend	1,442,968	-	-	1,442,968
Newly originated assets that moved to Stage 2 and Stage 3 as at yearend	-	8,898	5,348	14,246
Effect of collections and other movements in receivable balance	(642,656)	(11,406)	(28,192)	(682,254)
Accounts written-off	-	-	(4,039)	(4,039)
Transfers to Stage 1	25,955	(11,477)	(14,478)	-
(Forward)				
Transfers to Stage 2	(52,938)	53,540	(602)	-
Transfers to Stage 3	(117,295)	(9,188)	126,483	-
Balance at December 31, 2020	3,032,696	61,858	164,561	3,259,115
Purchased Receivable				
Balance at December 31, 2019	2,547,583	278,939	113,448	2,939,970
Newly originated assets that remained in Stage 1 as at yearend	-	-	-	-
Newly originated assets that moved to Stage 2 and Stage 3 as at yearend	-	-	-	-
Effect of collections and other movements in receivable balance	(790,580)	(200,333)	(168,053)	(1,158,966)
Accounts written-off	-	-	-	-
Transfers to Stage 1	42,046	(42,046)	-	-
Transfers to Stage 2	(504,162)	504,162	-	-
Transfers to Stage 3	(483,505)	(187,568)	671,073	-
Balance at December 31, 2020	811,382	353,154	616,468	1,781,004
Total Loans and Discounts				
Balance at December 31, 2019	18,007,236	949,562	2,591,802	21,548,600
Newly originated assets that remained in Stage 1 as at yearend	6,771,468	-	-	6,771,468
Newly originated assets that moved to Stage 2 and Stage 3 as at yearend	-	657,710	2,014,700	2,672,410
Effect of collections and other movements in receivable balance	(9,243,949)	(432,353)	(414,022)	(10,090,324)
Accounts Written Off	-	-	(4,764)	(4,764)
Transfers to Stage 1	245,529	(218,982)	(26,547)	-
Transfers to Stage 2	(569,555)	570,915	(1,360)	-
Transfers to Stage 3	(1,930,145)	(452,238)	2,382,383	-
Balance at December 31, 2020	₱13,280,584	₱1,074,614	₱6,542,192	₱20,897,390

Unquoted debt securities, sales contract receivable, and accrued interest receivable

	Consolidated			
	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2021	₱1,250,690	₱44,359	₱158,105	₱1,453,154
Newly originated assets that remained in Stage 1 as at yearend	39,008	—	—	39,008
Newly originated assets that moved to Stage 2 and Stage 3 as at yearend	—	12,996	969	13,965
Effect of collections and other movements in receivable balance	(616,812)	—	(7,908)	(624,720)
Transfers to Stage 1	—	—	—	—
Transfers to Stage 2	—	416	(416)	—
Transfers to Stage 3	(26)	—	26	—
Balance at December 31, 2021	₱672,860	₱57,771	₱150,776	₱881,407



Consolidated				
December 31, 2020				
	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2020	P1,034,483	P25,223	P5,971	P1,065,677
Newly originated assets that remained in Stage 1 as at yearend	249,431	-	-	249,431
Newly originated assets that moved to Stage 2 and Stage 3 as at yearend	-	3,580	36,317	39,897
Effect of collections and other movements in receivable balance	22,411	17,968	57,770	98,149
Transfers to Stage 1	9,237	(8,644)	(593)	-
Transfers to Stage 2	(18,654)	18,658	(4)	-
Transfers to Stage 3	(46,218)	(12,426)	58,644	-
Balance at December 31, 2020	P1,250,690	P44,359	P158,105	P1,453,154

Parent				
December 31, 2021				
	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2021	P1,170,904	P44,358	P154,551	P1,369,813
Newly originated assets that remained in Stage 1 as at yearend	39,008	-	-	39,008
Newly originated assets that moved to Stage 2 and Stage 3 as at yearend	-	12,996	969	13,965
Effect of collections and other movements in receivable balance	(600,152)	-	(7,908)	(608,060)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	416	(416)	-
Transfers to Stage 3	(26)	-	26	-
Balance at December 31, 2021	P609,735	P57,770	P147,221	P814,726

Parent Company				
December 31, 2020				
	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2020	P960,651	P25,223	P3,165	P989,039
Newly originated assets that remained in Stage 1 as at yearend	249,431	-	-	249,431
Newly originated assets that moved to Stage 2 and Stage 3 as at yearend	-	3,580	36,317	39,897
Effect of collections and other movements in receivable balance	16,456	17,967	57,023	91,446
Transfers to Stage 1	9,238	(8,644)	(594)	-
Transfers to Stage 2	(18,654)	18,658	(4)	-
Transfers to Stage 3	(46,218)	(12,426)	58,644	-
Balance at December 31, 2020	P1,170,904	P44,358	P154,551	P1,369,813

Accounts receivable and other receivables

As of December 31, 2021 and 2020, an analysis by past due status of accounts receivable and other receivables wherein the significant increase in credit risk is based only on the past due information is as follows:

Consolidated					
December 31, 2021					
Number of days past due					
	Within 30 days	31 to 90 days	91 to 120 days	121 to 180 days	Over 180 days
					Total
Accounts receivable	P153,098	P4,742	P628	P1,186	P1,104,806
Other receivables	5,498	-	-	-	-
	P158,596	P4,742	P628	P1,186	P1,104,806
					P1,269,958



Consolidated						
December 31, 2020						
Number of days past due						
	Within 30 days	31 to 90 days	91 to 120 days	121 to 180 days	Over 180 days	Total
Accounts receivable	P102,614	P3,694	P221	P1,044	P1,103,910	P1,211,483
Other receivables	8,143	-	-	-	-	8,143
	P110,757	P3,694	P221	P1,044	P1,103,910	P1,219,626

Parent Company						
December 31, 2021						
Number of days past due						
	Within 30 days	31 to 90 days	91 to 120 days	121 to 180 days	Over 180 days	Total
Accounts receivable	P152,552	P4,296	P490	P1,139	P1,103,731	P1,262,208
Other receivables	5,498	-	-	-	-	5,498
	P158,050	P4,296	P490	P1,139	P1,103,731	P1,267,706

Parent Company						
December 31, 2020						
Number of days past due						
	Within 30 days	31 to 90 days	91 to 120 days	121 to 180 days	Over 180 days	Total
Accounts receivable	P102,296	P968	P221	P1,044	P1,103,747	P1,208,276
Other receivables	7,521	-	-	-	-	7,521
	P109,817	P968	P221	P1,044	P1,103,747	P1,215,797

Treasury financial assets

Movements in carrying amount of treasury financial assets, gross of ECL allowance, as of December 31, 2021 and 2020 are as follows:

December 31, 2021			
	Debt securities at FVOCI	Debt securities at amortized cost	Total
Balance at January 1, 2021	P4,720,839	P5,248,724	P9,969,563
New assets originated or purchased	2,713,538	1,002,739	3,716,277
Assets derecognized or repaid	(3,678,599)	(2,501,922)	(6,180,521)
Other movements	(56,468)	(74,924)	(131,392)
Balance at December 31, 2021	P3,699,310	P3,674,617	P7,373,927

December 31, 2020			
	Debt securities at FVOCI	Debt securities at amortized cost	Total
Balance at January 1, 2020	P2,836,180	P3,169,585	P6,005,765
New assets originated or purchased	4,522,645	2,312,766	6,835,411
Assets derecognized or repaid	(2,664,348)	(214,473)	(2,878,821)
Other movements	26,362	(19,154)	7,208
Balance at December 31, 2020	P4,720,839	P5,248,724	P9,969,563

In 2021, net increase in amounts on due from BSP amounted to P5.16 billion for the Group and Parent Company, while net increase in amounts on due from other banks amounted to P79.85 million and P63.63 million for the Group and Parent Company, respectively. The SPURA has a net increase of P254.82 million and P919.66 million for the Group and Parent Company in 2021 and 2020, respectively.



14. Deposit Liabilities and Loans Payable

Deposit Liabilities

Out of the total deposit liabilities as of December 31, 2021 and 2020, 16.76% and 18.81% (for the Group) and 16.74% and 18.79% (for the Parent Company), respectively, is subject to periodic interest repricing. The remaining peso deposit liabilities earn annual fixed interest rates of 0.10% to 1.5% for the Group and the Parent Company in 2021 and 0.13% to 3.00% in 2020, while foreign currency-denominated deposit liabilities earn annual interest rates of 0.05% to 1.25% for the Group and the Parent Company in 2021 and 0.08% to 1.25% in 2020.

The following shows the breakdown of interest expense on deposit liabilities (amounts in thousands):

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Savings	₱52,700	₱215,896	₱161,024	₱52,547	₱215,604	₱160,592
Time	123,338	135,158	80,466	123,228	135,048	80,423
Demand	30,129	32,663	30,103	30,129	32,663	30,103
	₱206,167	₱383,717	₱271,593	₱205,904	₱383,315	₱271,118

As of December 31, 2021, and 2020, non-FCDU deposit liabilities of the Parent Company are subject to required reserves equivalent to 12.00%. The required reserves shall be kept in the form of deposits maintained in the demand deposit accounts with the BSP and any government securities which are previously used as compliance until they mature. As of December 31, 2021 and 2020, required liquidity floor (additional for government deposits only) is 0.00%.

Non-FCDU deposit liabilities of NAGON are subject to required reserve equivalent to 3% and 2% in 2021 and 2020, respectively.

The total liquidity and statutory reserves of the Group and the Parent Company based on the submitted report to the BSP as of December 31, 2021 and 2020 are as follows (amounts in thousands):

	Consolidated		Parent Company	
	2021	2020	2021	2020
Due from BSP	₱5,921,752	₱5,691,664	₱5,739,229	₱5,689,791
Government securities*	3,490,161	4,513,726	3,490,161	4,513,726
	₱9,411,913	₱10,205,390	₱9,229,390	₱10,203,517

* Government securities eligible as reserve requirement are classified as debt securities at amortized cost.

Loans Payable

IPI availed loans to finance its working capital and operations. The loans bear interest rate of 6.5% and 6.5% to 15% in 2021 and 2020, respectively. Interest rates are fixed for the loan term. Loans payable have various maturity dates ranging from 59 months to 65 months.

Interest expense on loans payable amounted to ₱1.92 million, ₱3.70 million and ₱6.65 million for the Group in 2021, 2020 and 2019, respectively.



15. Accrued Taxes, Interest and Other Expenses

This account consists of (amounts in thousands):

	Consolidated		Parent Company	
	2021	2020	2021	2020
Accrued operating expenses	₱322,865	₱306,702	₱318,614	₱302,215
Accrued interest	55,471	62,042	55,394	61,773
Accrued taxes	33,656	24,361	33,656	24,361
	₱411,992	₱393,105	₱407,664	₱388,349

Accrued operating expenses include accrual for various operating expenses such as payroll, repairs and maintenance, utilities, rental, insurance and contractual services.

16. Other Liabilities

This account consists of (amounts in thousands):

	Consolidated		Parent Company	
	2021	2020	2021	2020
Accounts payable (Note 25)	₱348,930	₱487,376	₱272,755	₱409,040
Other dormant credits (Note 26)	238,289	401,086	238,288	401,086
Due to Treasurer of the Philippines	513,213	296,943	513,213	296,943
Dividends payable (Note 30)	257,796	257,936	257,796	257,936
Withholding tax payable	22,366	18,197	21,649	17,301
Provision for probable losses (Note 26)	15,640	15,640	15,640	15,640
Payment order payable	3,376	15,369	3,376	15,369
Deferred tax liabilities (Note 21)	1,168	1,168	—	—
Others	69,489	65,963	64,958	64,360
	₱1,470,267	₱1,559,678	₱1,387,675	₱1,477,675

17. Maturity Analysis of Assets and Liabilities

The following tables show an analysis of assets and liabilities as to whether they are expected to be recovered or settled in less than 12 months or over 12 months from reporting date (amounts in thousands):

	December 31, 2021					
	Consolidated			Parent Company		
	Less than 12 months	Over 12 months	Total	Less than 12 months	Over 12 months	Total
Financial Assets						
Cash and other cash items	₱982,683	₱—	₱982,683	₱981,669	₱—	₱981,669
Due from BSP	17,192,355	—	17,192,355	17,190,543	—	17,190,543
Due from other banks	901,203	—	901,203	792,471	—	792,471
IBLR and SPURA	3,267,763	—	3,267,763	3,267,763	—	3,267,763
Financial assets at FVTPL	8,466	133,749	142,215	8,466	133,749	142,215
Financial assets at FVOCI	734,506	3,122,980	3,857,486	734,506	3,122,980	3,857,486
Debt securities at amortized cost	1,055,283	2,619,334	3,674,617	1,055,283	2,619,334	3,674,617
Loans and receivables	7,068,482	16,450,824	23,519,306	7,062,161	16,361,449	23,423,610
	31,210,741	22,326,887	53,537,628	31,092,862	22,237,512	53,330,374

(Forward)



December 31, 2021						
	Consolidated			Parent Company		
	Less than 12 months	Over 12 months	Total	Less than 12 months	Over 12 months	Total
Nonfinancial Assets						
Investments in subsidiaries	₱-	₱-	₱-	₱-	₱149,271	₱149,271
Bank premises, furniture, fixtures and equipment	-	1,085,492	1,085,492	-	1,117,127	1,117,127
Investment properties	-	2,281,138	2,281,138	-	2,292,213	2,292,213
Deferred tax assets	-	287,451	287,451	-	287,451	287,451
Other assets	441,523	1,125,905	1,567,428	435,380	1,051,179	1,486,559
	441,523	4,779,986	5,221,509	435,380	4,897,241	5,332,621
	31,652,264	27,106,873	58,759,137	31,528,242	27,134,753	58,662,995
Less: Allowance for impairment and credit losses	-	-	(5,067,519)	-	-	(5,051,186)
Total Assets	₱31,652,264	₱27,106,873	₱53,691,618	₱31,528,242	₱27,134,753	₱53,611,809
Financial Liabilities						
Deposit liabilities	₱46,088,779	₱2,638,326	₱48,727,105	₱46,108,732	₱2,636,299	₱48,745,031
Loans payable	10,940	-	10,940	-	-	-
Lease liability	2,771	266,754	269,525	2,771	266,754	269,525
Manager's checks	48,663	-	48,663	48,663	-	48,663
Accrued interest and other expenses	327,901	-	327,901	324,078	-	324,078
Other liabilities	648,105	792,525	1,440,630	571,212	792,525	1,363,737
	47,127,159	3,697,605	50,824,764	47,055,456	3,695,578	50,751,034
Nonfinancial Liabilities						
Accrued taxes and other expenses	84,091	-	84,091	83,586	-	83,586
Income tax payable	162	-	162	20	-	20
Other liabilities	28,469	1,168	29,637	23,937	-	23,937
	112,722	1,168	113,890	107,543	-	107,543
	₱47,239,881	₱3,698,773	₱50,938,654	₱47,162,999	₱3,695,578	₱50,858,577

December 31, 2020						
	Consolidated			Parent Company		
	Less than 12 months	Over 12 months	Total	Less than 12 months	Over 12 months	Total
Financial Assets						
Cash and other cash items	₱865,776	₱-	₱865,776	₱865,758	₱-	₱865,758
Due from BSP	12,031,791	-	12,031,791	12,029,918	-	12,029,918
Due from other banks	821,570	-	821,570	729,062	-	729,062
IBLR and SPURA	3,012,942	-	3,012,942	3,012,942	-	3,012,942
Financial assets at FVTPL	1,185,405	182,126	1,367,531	1,185,405	182,126	1,367,531
Financial assets at FVOCI	1,602,224	3,228,753	4,830,977	1,602,224	3,228,753	4,830,977
Debt securities at amortized cost	1,951,964	3,296,760	5,248,724	1,951,964	3,296,761	5,248,725
Loans and receivables	11,532,992	12,063,753	23,596,745	11,493,202	11,989,798	23,483,000
	33,004,664	18,771,392	51,776,056	32,870,475	18,697,438	51,567,913
Nonfinancial Assets						
Investments in subsidiaries	-	-	-	-	139,573	139,573
Bank premises, furniture, fixtures and equipment	-	961,936	961,936	-	996,043	996,043
Investment properties	-	2,528,609	2,528,609	-	2,539,685	2,539,685
Deferred tax assets	-	344,942	344,942	-	344,942	344,942
Other assets	402,714	929,093	1,331,807	384,262	839,480	1,223,742
	402,714	4,764,580	5,167,294	384,262	4,859,723	5,243,985
	33,407,378	23,535,972	56,943,350	33,254,737	23,557,161	56,811,898
Less: Allowance for impairment and credit losses	-	-	(4,301,366)	-	-	(4,273,200)
Total Assets	₱33,407,378	₱23,535,972	₱52,641,984	₱33,254,737	₱23,557,161	₱52,538,698
Financial Liabilities						
Deposit liabilities	₱44,181,830	₱2,500,068	₱46,681,898	₱44,199,379	₱2,498,068	₱46,697,447
Loans payable	21,361	10,955	32,316	-	-	-
Lease liability	40,133	187,172	227,305	40,133	187,172	227,305
Manager's checks	36,610	-	36,610	36,610	-	36,610
Accrued interest and other expenses	318,619	-	318,619	314,381	-	314,381
Other liabilities	767,641	766,334	1,533,975	689,552	766,334	1,455,886
	45,366,194	3,464,529	48,830,723	45,280,055	3,451,574	48,731,629
Nonfinancial Liabilities						
Accrued taxes and other expenses	74,486	-	74,486	73,969	-	73,969
Income tax payable	3,438	-	3,438	3,438	-	3,438
Other liabilities	24,534	1,169	25,703	21,788	-	21,788
	102,458	1,169	103,627	99,195	-	99,195
	₱45,468,652	₱3,465,698	₱48,934,350	₱45,379,250	₱3,451,574	₱48,830,824



18. Equity

Capital stock consists of (amounts in thousands except number of shares):

	2021		2020		2019	
	Shares	Amount	Shares	Amount	Shares	Amount
Preferred Stock - 100.00 par value						
Authorized	4,900,000	P490,000	4,900,000	P490,000	4,900,000	P490,000
Issued	3,622,818	362,282	3,621,522	362,152	3,621,432	362,143
Treasury Stock	(10,220)	(1,022)	(10,200)	(1,020)	(10,120)	(1,012)
Common Stock - 100.00 par value						
Authorized	45,100,000	4,510,000	45,100,000	4,510,000	45,100,000	4,510,000
Issued, including stock dividend distributable	23,542,658	2,354,266	23,533,586	2,353,359	23,532,956	2,353,296
Paid portion of subscribed stock	1,719,128	171,913	1,718,944	171,894	1,718,871	171,887
Treasury Stock	(2,155,480)	(377,562)	(2,155,352)	(377,549)	(2,154,840)	(377,498)

The movements in the Parent Company's number of issued and outstanding shares follow (amounts in thousands except number of shares):

	2021		2020		2019	
	Shares	Amount	Shares	Amount	Shares	Amount
Preferred Stock - 100.00 par value						
Authorized	4,900,000	P490,000	4,900,000	P490,000	4,900,000	P490,000
Issued at the beginning of the year	3,621,522	362,152	3,621,432	362,143	3,621,288	362,129
Reinstatement of Capital stock	1,296	130	90	9	144	14
	3,622,818	362,282	3,621,522	362,152	3,621,432	362,143
Treasury Stock						
Balance at the beginning of the year	(10,200)	(1,020)	(10,120)	(1,012)	(10,040)	(1,004)
Acquisitions	(20)	(2)	(80)	(8)	(80)	(8)
	(10,220)	(1,022)	(10,200)	(1,020)	(10,120)	(1,012)
Issued and outstanding at end of year	3,612,598	P 361,260	3,611,322	P361,132	3,611,312	P361,131
Common Stock - 100.00 par value						
Authorized	45,100,000	P4,510,000	45,100,000	P4,510,000	45,100,000	P4,510,000
Paid-in common stock at beginning of year	23,455,283	2,345,528	23,454,623	2,345,463	23,453,540	2,345,354
Transfer to capital stock from appropriated surplus	9,072	907	630	63	1,008	101
Distribution of stock dividends	75	8	30	3	75	8
	23,464,430	2,346,443	23,455,283	2,345,529	23,454,623	2,345,463
Subscribed Capital Stock						
Balance at the beginning of the year	1,718,944	171,894	1,718,871	171,887	1,718,688	171,869
Collections	184	19	73	7	183	18
	1,719,128	171,913	1,718,944	171,894	1,718,871	171,887
Treasury Stock						
Balance at the beginning of the year	(2,155,352)	(377,549)	(2,154,840)	(377,498)	(2,154,328)	(377,447)
Acquisitions	(128)	(13)	(512)	(51)	(512)	(51)
	(2,155,480)	(377,562)	(2,155,352)	(377,549)	(2,154,840)	(377,498)
Issued and outstanding at end of year	23,028,078	P2,140,793	23,018,875	P2,139,874	23,018,654	P2,139,852

(Forward)



	2021		2020		2019	
	Shares	Amount	Shares	Amount	Shares	Amount
Stock dividend distributable						
Balance at the beginning of the year	78,303	P7,830	78,333	P7,833	78,408	P7,841
Distribution of stock dividends	(75)	(8)	(30)	(3)	(75)	(8)
	78,228	P7,822	78,303	P7,830	78,333	P7,833

Preferred shares of stock which are non-voting shall be subscribed as provided for in the Parent Company's Charter (RA 3518). Holders of preferred shares are guaranteed a dividend of eight (8%) annually from the net profits and shall have priority in case of liquidation or insolvency.

Per the Amended Charter under R.A. No. 11597, the Parent Company's authorized capital stock shall be P10.00 billion divided into 75.00 million common shares and 25.00 million preferred shares with P100.00 par value per share. The 75.00 million common shares include (1) the original 510,000 common shares subscribed and fully paid by the government for and on behalf of WWII veterans, (2) the stock dividends on common shares issued to the stockholders, and (3) the common shares issued to the stockholders representing subscription on increases in the authorized capital stock, common, approved by the SEC as of the date of the effectivity of R.A. No. 11597. The unsubscribed balance shall be opened for subscription by the existing stockholders and the other veterans entitled to benefits from the Amended Charter. The 25.00 million preferred shares shall include the original 490,000 preferred shares subscribed and fully paid by the veterans and the stock dividends on preferred shares issued to the stockholders. The unsubscribed shares on increases in the authorized preferred capital stock approved by the SEC as of the date of the effectivity of R.A. No. 11597, shall be opened for subscription by the existing stockholders and the other veterans entitled to benefit from the Amended Charter.

As of December 31, 2021 and 2020, 'Capital stock' is net of 'Subscriptions receivable' amounting to P18.74 million and P18.76 million, respectively. As of December 31, 2021 and 2020, total subscribed common shares (pre-emptive rights) are 1,906,543 shares. Stock dividend distributable represents stock dividends distributable to unpaid subscribed shares. Stock dividends will be issued upon full payment of subscriptions receivables.

In 2012, the BOD approved the transfer of dividends payable amounting to P369.44 million, which remained unclaimed for more than five years by shareholders whose existence and whereabouts could not be ascertained, to 'Appropriated surplus'. In the event that any of the unlocated shareholders or their compulsory heirs should appear, the Office of the Board Secretary, subject to approval by the BOD, shall issue in their favor the accumulated cash dividends. In 2021, 2020 and 2019, the Parent Company paid P1.04 million, P0.07 million, and P0.12 million, respectively, of dividends taken out from appropriated surplus. The amount of P361.80 million and P362.83 million recorded as appropriated surplus, an equity account, is excluded in the Parent Company's calculation of 'unimpaired capital' (regulatory net worth) as of December 31, 2021 and 2020, respectively as reflected in Note 4. The amount is also excluded in the determination of surplus available for dividend declaration as of December 31, 2021 and 2020.

The Parent Company is continuously searching for the whereabouts of the veteran-shareholders whose existence and whereabouts cannot be ascertained and/or their families through various World War II veteran associations and other organizations and channels that are and will be approved by the BOD.

In 2021, 2020 and 2019, there are no declared cash dividends out of its retained earnings for distribution to existing stockholders.



Under the General Banking Law of 2000, treasury shares such as the reacquired shares by the Parent Company must be sold or disposed at a public or private sale within six months from the date of acquisition. As disclosed in Note 4, under RA 3518, however, the ownership of the Parent Company's shares is confined to World War II veterans or their heirs. It is thus very challenging to find a qualified buyer of the treasury shares, especially given the vast number of shares involved.

As of December 31, 2021 and 2020, surplus is restricted for the payment of dividends to the extent of the cost of shares held in treasury amounting to 378.58 million and 378.57 million, respectively. On November 22, 2017, the Parent Company obtained approval from its stockholders to increase its authorized capital stock (ACS) to 7.00 billion. However, the Parent Company did not push through with the filing of the application for approval of the amended Articles of Incorporation with SEC and BSP as the Parent Company was not able to generate enough subscriptions in the stock rights offering in 2019 to comply with the required 25% subscribed and 25% paid-up capital to cover the proposed increase in the ACS. Instead, the subscriptions in 2019, which were booked as deposit on subscriptions, will be considered as subscriptions in the increase in the ACS from 5 billion to 10 billion as provided for in the Amended PVB Charter (R.A. 11597). This was approved by the Board of Directors of the Parent Company in its regular meeting on March 16, 2022.

On October 23, 2020, the BOD approved the amendments to the Amended Articles of Incorporation and By-Laws in relation to the Parent Company's preferred shares which was also ratified by the stockholders on November 20, 2020. The amendments to the Amended Articles of Incorporation include the following: Article V, Sections 1, 2 & 3: "The preferred shares shall be non-voting and shall have the priority in case of liquidation or insolvency. The preferred shares shall be classified as "Series A Preferred Shares" and "Series B Preferred Shares". The Series A preferred shares of stock which are non-voting shall be guaranteed a dividend of eight percent (8%) annually from the net profits and shall have the priority in case of liquidation or insolvency. The Series B preferred shares of stock which shall be non-voting shall have the priority in case of liquidation or insolvency. The Series B preferred shares of stock may or may not be cumulative, may or may not be participating or may or may not be redeemable, in each case as may be determined by the BOD.

The Series B preferred shares of stock may be issued from time to time in one or more issuances as may be determined by the BOD. The BOD shall have the authority to establish and designate each particular issuance or subseries of Series B preferred shares, to fix the number of shares to be included in each of such issuance or subseries, and to determine the dividend rate, issue price and other features as well as other terms and conditions for each issuance or subseries of shares.

19. Retirement Plan

The Parent Company has a funded noncontributory defined benefit retirement plan (the Plan) covering substantially all its officers and regular employees. Under the Plan, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. The Plan also covers pre-retirement death benefit, disability benefit and voluntary and involuntary separation after satisfying certain conditions. The retirement plans of the subsidiaries are not material to the consolidated financial statements taken as a whole.

Under the existing regulatory framework, RA 7641 requires companies with at least ten (10) employees to pay retirement benefits to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.



The amount of net retirement asset recognized under 'Other assets' in the statement of financial position is as follows (amounts in thousands):

	2021	2020
Present value of retirement obligation	₱393,644	₱453,626
Fair value of plan assets	467,521	457,167
	₱73,877	₱3,541

Changes in the present value of the defined benefit obligation as of December 31, 2021 and 2020 follow (amounts in thousands):

	2021	2020
Balance at beginning of year	₱453,626	₱375,672
Current service cost	47,378	36,297
Interest cost	17,272	17,975
Remeasurement losses (gains) arising from:		
Changes in financial assumptions	(58,277)	(29,629)
Experience adjustments	(41,367)	49,861
Changes in demographic assumptions	—	28,788
Benefits paid	(24,988)	(25,338)
Balance at end of year	₱393,644	₱453,626

Changes in fair value of plan assets are as follows (amounts in thousands):

	2021	2020
Balance at beginning of year	₱457,166	₱407,853
Contributions	34,938	39,202
Interest income	18,089	20,513
Remeasurement gains (losses)	(17,684)	14,937
Benefits paid	(24,988)	(25,338)
Balance at end of year	₱467,521	₱457,167

The fair value of plan assets by each class are as follows (amounts in thousands):

	2021	2020
Investment in government securities	₱342,530	₱298,906
Investment in private securities	63,883	101,915
Deposits in bank (Note 25)	59,355	54,391
Others	1,753	1,955
	₱467,521	₱457,167

The Parent Company's plan assets are carried at fair value. Investments in government and private securities and shares of stocks have quoted prices in active market. The fair value of other assets, which include accrued interest and other receivables, approximate carrying amount due to the short-term nature of these accounts. The plan assets are managed by the Parent Company's Trust Department.



The costs of defined benefit retirement plans as well as the present value of the benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used are shown below:

	2021	2020
Discount rate		
At January 1	3.89%	4.90%
At December 31	5.10%	3.89%
Future salary increases	8.00%	8.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2021 and 2020, assuming all other assumptions were held constant (amounts in thousands):

		Increase (decrease) in defined benefit obligation	
Assumption		2021	2020
Discount rate	+100 bps	(P40,098)	(P49,580)
	-100 bps	47,246	58,962
Salary rate	+100 bps	47,304	58,170
	-100 bps	(40,975)	(50,027)

The amounts included in 'Compensation and fringe benefits' expense in the statements of income of the Parent Company follow (amounts in thousands):

	2021	2020	2019
Current service cost	P 47,378	P36,297	P31,443
Net interest income	(817)	(2,538)	(9,786)
Expense recognized during the year	P46,561	P33,759	P21,657

The average duration of the retirement liability is 18.90 years and 19.46 years in 2021 and 2020, respectively. Maturity analysis of the undiscounted benefit payments follows (amounts in thousands):

	2021			2020		
	Normal Retirement	Other than Normal Retirement	Total	Normal Retirement	Other than Normal Retirement	Total
Less than one year	P3,009	P11,482	P14,491	P6,505	P11,374	P17,879
More than one to five years	53,004	55,082	108,086	51,127	54,257	105,384
More than five to 10 years	107,269	100,984	208,253	109,138	100,211	209,349
More than 10 to 15 years	297,971	110,641	408,612	276,311	119,550	395,861
More than 15 to 20 years	229,999	106,349	336,348	253,306	112,831	366,137
More than 20 years	839,064	174,209	1,013,273	940,767	199,272	1,140,039
	P1,530,316	P558,747	P2,089,063	P1,637,154	P597,495	P2,234,649

The Parent Company expects to contribute to its plan assets P66.34 million in 2022.



20. Leases

Company as a lessee

The Parent Company's branches and some head office units have lease contracts for their office premises used in their operations. Leases of office premises generally have lease terms between 5 and 50 years. The lease contracts include escalation clauses ranging from 5.00% to 10.00% in 2021 and 2020. There are several lease contracts that include renewal and termination options.

The Parent Company also has certain leases of equipment with low value. The Parent Company applies the 'lease of low-value assets' recognition exemptions for these leases.

The following are the amounts recognized in the statement of income (amounts in thousands):

	2021	2020
Depreciation expense of right-of-use assets included in property and equipment (Note 10)	₱54,316	₱53,686
Interest expense on lease liabilities	27,036	23,501
Expenses relating to leases of low-value assets (included in occupancy expenses)	30,483	17,602
Total amount recognized in statement of income	₱111,835	₱94,789

The rollforward analysis of lease liabilities follows:

	2021	2020
Balance at beginning of year	227,305	245,154
Additions	89,410	31,522
Payments	(69,211)	(71,087)
Interest expense	27,036	23,501
Modification	(5,369)	(1,477)
Cumulative translation adjustment	354	(308)
Balance at end of year	₱269,525	₱227,305

Shown below is the maturity analysis of the undiscounted lease payments:

	2021	2020
1 year	₱64,791	₱59,832
more than 1 years to 2 years	63,521	49,775
more than 2 years to 3 years	52,173	49,032
more than 3 years to 4 years	43,428	37,481
more than 4 years to 5 years	32,712	26,273
More than 5 years	867,409	854,166
Total undiscounted lease payments	₱1,124,034	₱1,076,559

Total rent income earned by the Group amounted to ₱5.03 million, ₱4.51 million and ₱13.58 million in 2021, 2020 and 2019, respectively. Total rent income earned by the Parent Company amounted to ₱4.97 million, ₱4.51 million and ₱11.31 million in 2021, 2020 and 2019, respectively. Rent income is included under 'Other operating income' in the statements of income.



Future minimum rental receivables under operating leases for the Group and the Parent Company are as follow (amounts in thousands):

	Consolidated		Parent Company	
	2021	2020	2021	2020
Within one year	₱3,026	₱2,522	₱3,026	₱2,459
After one year but not more than five years	5,455	3,678	5,455	3,678
More than five years	20	81	20	81
	₱8,501	₱6,281	₱8,501	₱6,218

21. Income and Other Taxes

Under Philippine tax laws, the RBU of the Parent Company and its domestic subsidiaries are subject to percentage and other taxes (presented as ‘Taxes and licenses’ in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp taxes. Income taxes include corporate income tax, as discussed below, and final taxes paid which represent final withholding tax on gross interest income from government securities and other deposit substitutes and income from FCDU transactions. These income taxes, as well as the deferred tax benefits and provisions, are presented as ‘Provision for income tax’ in the statements of income.

On March 26, 2021, Republic Act (RA) No. 11534, otherwise known as Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law. CREATE reduced the RCIT rate from 30.00% to 25.00% depending on the criteria set by the law effective July 1, 2020. With the implementation of this Act, interest expense allowed as a deductible expense shall be reduced by 20.00% of the interest income subjected to final tax, compared to the 33.00% reduction prior to the Act.

The regulations also provide for MCIT of 2.00% (prior to CREATE) and 1.00% from (July 1, 2020 to June 30, 2023 before reverting to 2.00%) on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against the Group’s and the Parent Company’s income tax liability and taxable income, respectively, over a three-year period from the year of inception. For the taxable years 2020 and 2021, the NOLCO incurred can be carried over as a deduction for the next five (5) consecutive taxable years, pursuant to Revenue Regulation (RR) No. 25-2020.

Applying the provisions of the CREATE Act, the Parent Company is subjected to lower regular corporate income tax rate effective July 1, 2020.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee (PIC) Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event for the 2020 financial statements. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 were computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30.00% RCIT / 2.00% MCIT) for financial reporting purposes.

Applying the provision of CREATE Act, the Group would have been subjected to lower RCIT rate of 25% and MCIT rate of 1 % effective July 1, 2020. The reduction to current income tax for the year ended December 31, 2020 of ₱8.85 million was reflected in the Group’s 2020 annual income tax return, but will only be reported in the 2021 financial statements pursuant to PIC Q&A No. 2020-07.



Further, CREATE resulted in lower deferred tax assets as of December 31, 2020 and provision for deferred tax for the year then ended by ₱57.49 million. These reductions are recognized in the 2021 financial statements.

Current tax regulations also provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulations, EAR expense allowed as a deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of the Parent Company's net revenue.

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is subject to 10.00% income tax. In addition, interest income on deposit placements with other FCDUs and offshore banking units (OBUs) is taxed at 15.00%. Income derived by the FCDU from foreign currency transactions with non-residents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

Provision for income tax consists of (amounts in thousands):

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Current:						
Final taxes	₱127,817	₱152,965	₱174,866	₱127,623	₱152,591	₱174,304
MCIT	8,383	31,957	46,441	8,297	31,391	45,759
RCIT	2,825	4,333	4,110	86	71	133
	139,025	189,255	225,417	136,006	184,053	220,196
Deferred	33,020	22,066	64,203	33,020	16,925	64,043
	₱172,045	₱211,321	₱289,620	₱169,026	₱200,978	₱284,239

The components of net deferred tax assets follow (amounts in thousands):

	Consolidated		Parent Company	
	2021	2020	2021	2020
Deferred tax assets on:				
Allowance for impairment and credit losses	₱317,001	₱397,147	₱316,467	₱395,862
NOLCO	—	697	—	—
Unrealized foreign exchange loss	—	2	—	—
	317,001	397,846	316,467	395,862
Deferred tax liabilities on:				
Net retirement asset	(18,469)	(1,063)	(18,469)	(1,063)
Gains on asset foreclosures and dacion transactions, net of accumulated depreciation	(10,546)	(49,858)	(10,546)	(49,858)
Unamortized origination cost	(4)	(40)	—	—
Unamortized real estate sales	—	(1,310)	—	—
Rent receivable and others	(529)	(634)	—	—
Unrealized foreign exchange (gain)	(2)	—	—	—
Fair value adjustments on net liabilities of NAGON	(1,168)	(1,168)	—	—
	(30,718)	(54,073)	(29,015)	(50,921)
	₱286,283	₱343,773	₱287,452	₱344,941



The net deferred tax assets are presented in the following accounts (amounts in thousands):

	Consolidated		Parent Company	
	2021	2020	2021	2020
Deferred tax assets	₱287,451	₱344,941	₱287,451	₱344,941
Deferred tax liabilities (included under 'Other liabilities' - Note 16)	(1,168)	(1,168)	-	-
	₱286,283	₱343,773	₱287,451	₱344,941

As of December 31, 2021 and 2020, the Group and the Parent Company did not recognize deferred tax assets on the following temporary differences (amounts in thousands):

	Consolidated		Parent Company	
	2021	2020	2021	2020
Allowance for impairment and credit losses	₱3,789,403	₱3,035,059	₱3,783,443	₱3,011,433
NOLCO	171,546	92,915	166,552	76,913
Provision for expenses	195,028	195,028	195,028	195,028
MCTT	86,722	107,963	85,447	106,472
Unamortized past service cost	16,322	20,082	16,322	20,082
Leases	25,588	13,403	25,588	13,403
Unrealized forex loss	8,370	6,975	8,370	6,975
Net retirement asset	505	518	-	-
Collection fee	501	501	-	-
Trading loss on financial assets at FVTPL	144	120	144	120
	₱4,294,129	₱3,472,564	₱4,280,894	₱3,430,426

Provision for (benefit from) deferred tax on remeasurements of retirement plan of the Group and the Parent Company amounting to (₱24.47) million, ₱10.22 million, and ₱24.56 million in 2021, 2020, and 2019, respectively, is charged (credited) directly to OCI.

Details of the Group's NOLCO follow (amounts in thousands):

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2021	₱128,516	₱-	₱128,516	2026
2020	41,940	-	41,940	2025
2019	1,090	-	1,090	2022
2018	51,045	(51,045)	-	2021
	₱222,591	(₱51,045)	₱171,546	

Details of the Parent Company's NOLCO follow (amounts in thousands):

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2021	₱127,508	₱-	₱127,508	2026
2020	39,044	-	39,044	2025
2018	37,869	(37,869)	-	2021
	₱204,421	(₱37,869)	₱166,552	



Details of the Group's MCIT follow (amounts in thousands):

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2021	₱16,372	₱—	₱16,372	2024
2020*	23,968	—	23,968	2023
2019	46,382	—	46,382	2022
2018	29,624	(29,624)	—	2021
	₱116,346	(₱29,624)	₱86,722	

* After impact of CREATE

Details of the Parent Company's MCIT follow (amounts in thousands):

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2021	₱16,145	₱—	₱16,145	2023
2020*	23,543	—	23,543	2022
2019	45,759	—	45,759	2021
2018	29,322	(29,322)	—	2020
	₱114,769	(₱29,322)	₱85,447	

* After impact of CREATE

The reconciliation of the provision for income tax computed at statutory tax rate to the provision for income tax presented in the statement of income follows (amounts in thousands):

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Statutory income tax	(₱216,058)	(₱171,266)	₱261,821	(₱221,725)	(₱174,347)	₱260,215
Tax effects of:						
Nondeductible expenses	49,472	41,933	59,287	49,328	41,667	47,899
Change in unrecognized deferred tax assets	252,609	250,362	(31,615)	255,890	243,269	(24,998)
Expired NOLCO and MCIT	42,327	139,595	12,700	38,789	136,116	12,022
Interest income subjected to final tax (net of nondeductible interest expense), net of tax paid	6,381	(15,134)	(8,647)	6,433	(14,934)	(7,106)
Nontaxable income	(5,165)	(34,316)	(3,757)	(5,165)	(30,940)	(3,624)
Interest income on tax-exempt investments	(2,656)	(160)	(277)	(156)	(160)	(277)
FCDU loss (income)	(24)	307	108	(24)	307	108
Impact of CREATE Law	45,159	—	—	45,656	—	—
Effective income tax	₱172,045	₱211,321	₱289,620	₱169,026	₱200,978	₱284,239

22. Disposition of Net Income

As provided for in the Parent Company's by-laws, the profit distributable to common shares shall be the Parent Company's net income reduced by the following:

- Transfer to the surplus reserves account (20% of net income) until the surplus reserves is equal to the Parent Company's authorized capital stock;
- Guaranteed earnings of the preferred shares (see Note 18) and the 10% dividends on common shares; and
- Appropriation of 20% of net income, or 30 million, whichever is lower after deducting (a) and (b) above, to the veteran shareholders through the Board of Trustees of the Veterans of World War II, as provided in Section 23 of RA 11597. No distributions were made to the Board of Trustees of Veterans of World War II for the years 2021 and 2020.



Also, as required by the BSP, the Parent Company transfers 10% of its income from trust operations to surplus reserves (see Note 24).

23. Financial Performance

The basic earnings (loss) per share of the Group is computed as follows (amounts in thousands except earnings (loss) per share):

	2021	2020	2019
a. Net income (loss) attributable to equity holders of the Parent Company	(P1,055,926)	(P782,137)	P583,146
b. Weighted average number of outstanding common shares	23,103	23,097	23,102
c. Basic earnings (losses) per common share [a/b]	(P45.71)	(P33.86)	P25.24

There were no dilutive potential common shares in 2021, 2020 and 2019.

24. Trust Operations

Securities and other properties held by the Parent Company in fiduciary or agency capacities for clients and beneficiaries amounting to P4.73 billion and P4.77 billion as of December 31, 2021 and 2020, respectively, are not included in the accompanying statements of financial position since these are not assets of the Parent Company.

Government securities with total face value of P63.00 million and P62.00 million as of December 31, 2021 and 2020, and with total carrying value of P62.71 million and P61.48 million (included in financial assets at FVOCI) as of December 31, 2021 and 2020, respectively, are deposited with the BSP in compliance with existing banking regulations relative to the Parent Company's trust functions. Also, as required by the BSP, the Parent Company transfers 10% of income from trust operations to surplus reserves until it amounts to 20% of the Parent Company's authorized capital stock and no part of such surplus reserves shall at any time be paid out in dividends, but losses in the course of its business may be charged against such surplus.

Income from trust operations amounted to P12.64 million, P12.88 million and P35.01 million in 2021, 2020 and 2019, respectively.

25. Related Party Transactions

The transactions of the Parent Company with its subsidiaries consist mainly of regular banking transactions, project management and property development, advances for payment of various operating expenses, assignment of loans, and transfer of assets in exchange of the subsidiaries' shares of stocks.

The intercompany transactions and outstanding balances below of the Parent Company with the subsidiaries are reflected in the parent company financial statements. The transactions and balances with the subsidiaries are eliminated in the consolidated financial statements.



Related party transactions of the Parent Company by category of related party are presented below (amounts in thousands).

December 31, 2021			
Category	Amount/ Volume	Outstanding Balance/ Amount	Nature, Terms and Conditions
IPI			
Deposit liabilities		₱38,666	Savings and demand deposit accounts earning interest of 0.10% annually
Deposits	₱73,020		
Withdrawals	68,328		
Accounts payable	(420)	123	Retention fee/progress billing/site inspection in connection with the construction/renovation projects
Interest expense	28		Interest on deposit liabilities
IIAI			
Deposit liabilities		30,276	Savings and demand deposit account earning interest of 0.10% annually
Deposits	183,826		
Withdrawals	173,578		
Accounts payable		80	Insurance premium due from the Parent Company for the insurance requirements
Interest expense	26		Interest expense on deposit liabilities
NAGON			
Deposit liabilities		2,522	Savings and demand deposit account earning interest of 0.10% annually
Deposits	35,216		
Withdrawals	37,497		
Due from other banks		3,034	Savings account
Service fees			Service fees for managing the loans receivable sold to NAGON
Accounts Receivable		5	
Interest expense	6		Interest expense on deposit liabilities
Interest income			Interest income on due from other banks
Directors and Officers			
Loans and receivables		32,813	Loans to officers of the Parent Company
Interest income	3,091		Interest income on loans to officers of the Parent Company
Director fees	21,493		Fees to the Parent Company's directors
December 31, 2020			
Category	Amount/ Volume	Outstanding Balance/ Amount	Nature, Terms and Conditions
IPI			
Deposit liabilities		₱33,945	Savings and demand deposit accounts earning interest of 0.13% annually
Deposits	₱128,126		
Withdrawals	113,789		
Accounts payable	(383)	267	Retention fee in connection with the construction/renovation projects
Interest expense	30		Interest on deposit liabilities
IIAI			
Deposit liabilities		20,007	Savings and demand deposit account earning interest of 0.13% annually
Deposits	180,653		
Withdrawals	187,308		
Accounts payable		785	Insurance premium due from the Parent Company for the insurance requirements
Interest expense	28		Interest expense on deposit liabilities

(Forward)



December 31, 2020			
Category	Amount/ Volume	Outstanding Balance/ Amount	Nature, Terms and Conditions
GON			
Deposit liabilities		₱4,798	Savings and demand deposit account earning interest of 0.13% annually
Deposits	₱77,278		
Withdrawals	73,074		
Due from other banks		3,034	Savings account earning interest of 0.13%
Service fees		24	Service fees for managing the loans receivable sold to NAGON
Accounts receivable	24		
Interest expense	5		Interest expense on deposit liabilities
Interest income	2		Interest income on due from other banks
Directors and Officers			
Loans and receivables		32,741	Secured long-term employee loans with interest rates ranging from 6% to 7%
Interest income	1,178		Interest income on loans to officers of the Parent Company
Director fees	21,823		Fees to the Parent Company's directors
December 31, 2019			
Category	Amount/ Volume	Outstanding Balance/ Amount	Nature, Terms and Conditions
IPI			
Deposit liabilities		₱19,589	Savings and demand deposit accounts earning interest of 0.13% annually
Deposits	₱205,523		
Withdrawals	196,777		
Accounts payable	(1,385)	65	Retention fee in connection with the construction/renovation projects
Interest expense	27		Interest on deposit liabilities
IIAI			
Deposit liabilities		26,639	Savings and demand deposit account earning interest of 0.13% annually
Deposits	222,209		
Withdrawals	217,697		
Accounts payable		554	Insurance premium due from the Parent Company for the insurance requirements
Interest expense	33		Interest expense on deposit liabilities
NAGON			
Deposit liabilities		590	Savings and demand deposit account earning interest of 0.13% annually
Deposits	16,476		
Withdrawals	23,496		
Due from other banks		3,032	Savings account earning interest of 0.13%
Service fees	105		Service fees for managing the loans receivable sold to NAGON
Accounts Receivable		105	
Interest expense	1		Interest expense on deposit liabilities
Interest income	5		Interest income on due from other banks
Directors and Officers			
Loans and receivables		24,278	Secured long-term employee loans with interest rates ranging from 6% to 8%
Interest income	1,305		Interest income on loans to officers of the Parent Company

Service Contract with IPI

IPI provides services to the Parent Company which consists principally of agreement for providing architectural and engineering design services, project management and property development studies relative to the Parent Company's branch construction and renovation projects. In 2021, 2020 and 2019, IPI earned ₱6.18 million, ₱4.55 million, and ₱2.12 million, respectively, from the Service Contract with the Parent Company.



Service Level Agreement with IIAI

In November 2019, the Parent Company entered into a Service Level Agreement with IIAI, wherein the latter shall act as the authorized insurance agent for the insurance requirements of the former whether life or non-life. IIAI shall also serve as the primary procurement channel for the Parent Company's insurance requirements.

Agreement with Insurance Company with a Common Director

In 2016, the Parent Company entered into an agreement with a company with a common director (the Insurance Company) covering the credit redemption insurance of the Parent Company's pension and salary loan borrowers. Under the agreement, the Parent Company shall facilitate the collection and remittance of the insurance payments of the pension and salary loan borrowers to the Insurance Company, and in return, the Insurance Company shall pay a service fee.

Sale of Loans to NAGON and Management Agreement with NAGON

In 2017, the Parent Company and NAGON entered into a Deed of Assignment wherein the Parent Company sold 1,402 individual loan accounts for total consideration equivalent to the outstanding principal value of the receivables amounting to ₱70.45 million. As of December 31, 2021 and 2020 the outstanding principal value of the receivable from the deed of assignment amounted to ₱0.56 million and ₱0.58 million, respectively.

In September 2020, the Parent Company and NAGON entered again into a Deed of Assignment wherein the Parent Company sold 182 individual loan accounts for total consideration equivalent to the outstanding principal value of the receivables amounting to ₱26.00 million. As of December 31, 2021 and 2020, the outstanding principal value of the receivable from the deed of assignment amounted to ₱11.28 million and ₱23.88 million, respectively.

Further, in March 2021, the Parent Company and NAGON entered into a Deed of Assignment wherein the Parent Company sold 94 individual loan accounts for total consideration equivalent to the outstanding principal value of the receivables amounting to ₱15.00 million. As of December 31, 2021, the outstanding principal value of the receivable from the deed of assignment amounted to ₱10.52 million.

The assignment includes all rights, title, and interest in and to the principal, interests, penalties, and charges thereon, as well as rights, claims, powers and privileges arising or related thereto for a total consideration equivalent to the outstanding principal value of the receivables.

Transactions with Retirement Plan

The Parent Company considers its post-employment benefit plan as a related party. The retirement plan is administered by the Parent Company's Trust and Asset Management Division. As of December 31, 2021 and 2020, the carrying value of the fund assets of the plan amounted to ₱467.52 million and ₱457.17 million, respectively (see Note 19).

The following are the amounts recognized by the Parent Company from transactions with its retirement plan (amounts in thousands):

	2021	2020	2019
Trust fees	₱1,732	₱1,677	₱1,545
Interest expense	14,399	17,516	20,069
Contributions paid	34,938	39,202	3,712



Compensation of Key Management Personnel

The remuneration of directors and other members of key management of the Group and the Parent Company are as follows (amounts in thousands):

	2021	2020	2019
Short-term benefits	₱72,273	₱72,099	₱79,592
Post-employment benefits	5,816	6,009	6,664
	₱78,089	₱78,108	₱86,256

The Parent Company provides financial assistance to the Board of Trustees of the Veterans of World War II to cover its basic operational expenses and utilities. For the year 2021 and 2020, total donations amounted to ₱24.50 million and ₱23.78 million, respectively.

26. Provisions, Commitments and Contingent Liabilities

In the normal course of business, the Group enters into various commitments and incurs certain contingent liabilities that are not presented in the accompanying financial statements. The Group does not anticipate material unreserved losses as a result of these transactions.

The Group is a defendant in legal actions arising from normal business activities. Further, several suits, assessments or notices, and claims relating to the Group's operations and labor-related cases remain unsettled. Management believes that these actions are without merit or that the ultimate liability, if decided adversely, resulting from these will not materially affect the Group's financial position and operating results.

The Parent Company has outstanding provisions with respect to certain cases where the Supreme Court (SC) issued separate adverse rulings. As of December 31, 2021 and 2020, total provisions recognized relating to these cases amounted to ₱160.35 million, of which ₱15.64 million was recognized as 'Provision for probable losses' under 'Other liabilities and the remainder was recognized as 'Other Credits Dormant' under 'Other liabilities' (see Note 16). No specific disclosures on the above provisions are made because any such specific disclosures would prejudice the Parent Company's position with the other parties with whom it is in dispute. Such exemption from disclosures is allowed under PAS 37.

On March 15, 2011, the BIR issued Revenue Regulations (RR) 4-2011 which requires banks to allocate its costs and expenses among their RBU and FCDU operations and among their different revenue streams. In 2015, the Parent Company received a Letter of Notice from the BIR which challenged the allocation method used by the Parent Company in its income tax computation. Accordingly, a consortium of 18 banks including the Parent Company applied for an issuance of a Writ of Preliminary Injunction against the enforcement, carrying out, or implementation of RR 4-2011. On April 8, 2015, the Makati Regional Trial Court (RTC) issued a TRO to enjoin BIR from enforcing, carrying out and implementing RR 4-2011 against the petitioners, including the issuance of any Preliminary Assessment Notice or Final Assessment Notice. On May 25, 2018, the Makati RTC promulgated its Decision, which renders RR 4-2011 null and void for being issued beyond the authority of the Secretary of Finance and Commissioner of Internal Revenue. On July 10, 2018, the DoF and BIR filed to the SC a Motion for Extension for Review on Certiorari, which the SC granted. As of the reporting date, the case is still pending before the SC.



The following is a summary of commitments of the Group and the Parent Company at their equivalent peso contractual amounts as of December 31, 2021 and 2020 (amounts in thousands):

	2021	2020
Undrawn commitments	512,952	277,647
Open account arrangements	–	47,353
Unused commercial letters of credit	30,087	30,702

27. Bankwise, Inc. (A Thrift Bank)

On January 15, 2005, the Parent Company temporarily assumed management of Bankwise, Inc. (BWI). In February 2008, the MB approved the closure of BWI. As of closure date, the Parent Company had IBCL to BWI totaling ₱1.67 billion granted from 2004 to 2007. The Parent Company also assumed the uninsured deposits of BWI amounting to ₱918.61 million as of December 31, 2012. These were recorded as accounts receivable.

In 2008, the Parent Company recognized allowance for credit losses on certain accounts receivable from BWI amounting to ₱11.35 million. In addition, in the same year, the BSP approved that the required allowance for impairment and credit losses on IBCL amounting to ₱1.67 billion and the remaining amount of accounts receivable amounting to ₱907.26 million be deferred and amortized over 20 years as follows:

- 1.50% annual amortization for first two (2) years;
- 4.00% annual amortization for the next eight (8) years; and
- 6.50% annual amortization for the last ten (10) years

The amortization of required allowance amounted to ₱167.49 million for the years 2021, 2020 and 2019, which was charged to the statements of income. The unamortized required allowance amounted to ₱1.07 billion and ₱1.24 billion as of December 31, 2021 and 2020, respectively.

28. Operating Segments

The Group has two reportable operating segments, which are the banking business and the real estate business of IPI. This is consistent with how the Group's management internally monitors and analyzes the financial information for reporting to the chief operating decision-maker, who is responsible for allocating resources, assessing performance and making operating decisions.

Segment information of the Group as at and for the years ended December 31, 2021, 2020 and 2019 follow (amounts in thousands):

	2021			
	Banking	Real Estate	Elimination*	Total
Statement of Income				
Interest income	₱1,909,834	₱3,920	(₱61)	₱1,913,693
Interest expense	233,264	1,915	(61)	235,118
Net interest income	1,676,570	2,005	–	1,678,575
Gain on sale of assets	200,645	12,706	–	213,351
Other operating income	296,082	29,951	(9,698)	316,335
Total operating income	2,173,297	44,662	(9,698)	2,208,261
Total operating expenses	3,061,474	30,697	–	3,092,171
Income (loss) before income tax	(888,177)	13,965	(9,698)	(883,910)
Provision for income tax	169,032	3,013	–	172,045
Net income (loss)	(₱1,057,209)	₱10,952	(₱9,698)	(₱1,055,955)

(Forward)



	2021			
	Banking	Real Estate	Elimination*	Total
Statement of Financial Position				
Total assets	₱53,682,185	₱290,071	(₱280,638)	₱53,691,618
Total liabilities	50,926,079	92,561	(79,986)	50,938,654
Other Segment Information				
Equity in net earnings of subsidiaries	9,698	—	(9,698)	—
Depreciation and amortization	342,334	1,827	—	344,161
Provision for impairment, credit and other losses	917,921	178	—	918,099
Capital expenditures	542,998	3,776	—	546,774

* The elimination column mainly represent intra-group balances and intersegment revenues from services rendered by the entities within the Group.

	2020			
	Banking	Real Estate	Elimination*	Total
Statement of Income				
Interest income	₱2,713,162	₱4,879	(₱63)	₱2,717,978
Interest expense	407,282	3,698	(63)	410,917
Net interest income	2,305,880	1,181	—	2,307,061
Gain on sale of assets	177,601	21,297	—	198,898
Other operating income	172,664	31,272	(5,057)	198,879
Total operating income	2,656,145	53,750	(5,057)	2,704,838
Total operating expenses	3,240,497	35,228	—	3,275,725
Income (loss) before income tax	(584,352)	18,522	(5,057)	(570,887)
Provision for income tax	200,978	10,343	—	211,321
Net income (loss)	(₱785,330)	₱8,179	(₱5,057)	(₱782,208)
Statement of Financial Position				
Total assets	₱52,595,898	₱304,311	(₱258,225)	₱52,641,984
Total liabilities	48,883,870	117,753	(67,272)	48,934,351
Other Segment Information				
Equity in net losses of subsidiaries	(3,122)	8,179	(5,057)	—
Depreciation and amortization	316,605	2,766	—	319,371
Provision for impairment, credit and other losses	832,432	1,730	—	834,162
Capital expenditures	192,675	166	—	192,841

* The elimination column mainly represent intra-group balances and intersegment revenues from services rendered by the entities within the Group.

	2019			
	Banking	Real Estate	Elimination*	Total
Statement of Income				
Interest income	₱3,116,348	₱7,167	(₱65)	₱3,123,450
Interest expense	290,838	6,650	(65)	297,423
Net interest income	2,825,510	517	—	2,826,027
Gain on sale of assets	338,483	17,799	—	356,282
Other operating income	654,615	35,262	(9,835)	680,042
Total operating income	3,818,608	53,578	(9,835)	3,862,351
Total operating expenses	2,952,491	37,123	—	2,989,614
Income before income tax	866,117	16,455	(9,835)	872,737
Provision for income tax	284,241	5,378	—	289,619
Net income	₱581,876	₱11,077	(₱9,835)	₱583,118
Statement of Financial Position				
Total assets	₱59,629,813	₱314,898	(₱241,234)	₱59,703,477
Total liabilities	55,138,647	136,519	(55,338)	55,219,828
Other Segment Information				
Equity in net losses of subsidiaries	(1,242)	11,077	(9,835)	—
Depreciation and amortization	319,898	3,121	—	323,019
Provision for impairment, credit and other losses	707,329	2,133	—	709,462
Capital expenditures	290,462	1,134	—	291,596

* The elimination column mainly represent intra-group balances and intersegment revenues from services rendered by the entities within the Group.



The Group's revenue-producing assets are located in the Philippines (i.e., one geographical location);

Therefore, geographical segment information is no longer presented. The Group has no significant customers which contribute 10.00% or more of the consolidated operating income.

29. Offsetting of Financial Assets and Liabilities

The following table shows the effect of right of set-off associated with the SPURA of the Group and the Parent Company as of December 31, 2021 and 2020 (amounts in thousands):

	2021	2020
Gross carrying amount (before offsetting)	₱1,598,164	₱1,343,342
Gross amounts offset in accordance with the offsetting criteria	—	—
Net amount presented in the statement of financial position	1,598,164	1,343,342
Fair value of financial collateral	1,598,164	1,343,342
Net exposure	₱—	₱—

30. Notes to Statements of Cash Flows

The amounts of due from other banks, gross of allowance for credit losses, considered as cash and cash equivalents of the Group and Parent Company follow (amounts in thousands):

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Total due from other banks	₱901,203	₱821,570	₱870,252	₱792,471	₱729,062	₱696,493

The amounts of IBLR and SPURA considered as cash and cash equivalents of the Group and Parent Company follow (amounts in thousands):

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Total IBLR and SPURA	₱2,294,526	₱2,148,228	₱1,337,089	₱2,294,526	₱2,148,228	₱1,337,089
IBLR and SPURA not considered as cash and cash equivalents	(696,363)	(804,886)	(913,411)	(696,363)	(804,886)	(913,411)
	₱1,598,163	₱1,343,342	₱423,678	₱1,598,163	₱1,343,342	₱423,678

Non-cash investing activities of the Group and Parent Company consist of acquisition of certain investment and chattel properties through foreclosure and dacion transactions amounting to ₱120.21 million in 2021; ₱73.89 million in 2020; and ₱745.93 million in 2019 (see Note 11).



Below tables show the changes in liabilities arising from financing activities (amounts in thousands):

	Consolidated			Parent Company		
	January 1, 2021	Net cash flows	December 31, 2021	January 1, 2021	Net cash flows	December 31, 2021
Loans payable (Note 14)	₱32,317	(₱21,377)	₱10,940	₱-	₱-	₱-
Dividends payable (Note 16)	257,936	(140)	257,796	257,936	(140)	257,796
	₱290,253	(₱21,517)	₱268,736	₱257,936	(₱140)	₱257,796

	Consolidated			Parent Company		
	January 1, 2020	Net cash flows	December 31, 2020	January 1, 2020	Net cash flows	December 31, 2020
Loans payable (Note 14)	₱51,415	(₱19,098)	₱32,317	₱-	₱-	₱-
Dividends payable (Note 16)	258,126	(190)	257,936	258,126	(190)	257,936
	₱309,541	(₱19,288)	₱290,253	₱258,126	(₱190)	₱257,936

31. Disaggregation of Service Fees and Commission

Service fees and commissions which are covered under PFRS 15 are further disaggregated by source as follows:

	Consolidated			Parent Company		
	2021	2020	2019	2021	2020	2019
Lending	₱137,901	₱105,305	₱102,346	₱137,851	₱105,295	₱102,346
Deposits	6,403	7,459	8,589	6,401	7,424	8,589
Others	43,684	48,099	48,214	13,970	18,261	22,028
	₱187,988	₱160,863	₱159,149	₱158,222	₱130,980	₱132,963

32. Events After the Reporting Period

A. Effectivity of the Philippine Veterans Bank Act

The “Philippine Veterans Bank Act” or R.A. No. 11597 took effect on January 21, 2022 allowing the Parent Company to increase its capitalization from ₱100.0 million to ₱10.0 billion and to expand the Parent Company’s definition of “veterans” which is closely tied to stock ownership.

A letter dated January 11, 2022 was sent by the Chairman and CEO to the Securities and Exchange Commission (SEC) informing the latter about the approval of RA 11597. A letter dated May 16, 2022 was received from the SEC confirming that the Parent Company can already accept subscriptions from its existing stockholders and others entitled to benefit under RA 11597 prior to the amendment of its current amended Articles of Incorporation, “*provided that the same shall comply with the existing accounting and disclosure standards in addition to the requirements under the Revised Corporation Code (“RCC”) and other existing laws, rules and regulations implemented by the Commission*”

The Parent Company commenced its capital-raising efforts with the stock rights offer of additional common shares to eligible shareholders as of January 31, 2022. Starting March 07, 2022, stockholders of record were able to exercise their pre-emptive rights and subscribe to additional shares at par value of ₱100.0 per share. The Parent Company’s original stockholders are the recognized Filipino World War II veterans; since a majority of the original shareholders are already deceased, their shares in the Parent Company have been transferred, or are in the process of being transferred, to one of their descendants or heirs.

The subscription period for eligible stockholders ended on April 18, 2022, but the same was extended by the Board up to June 30, 2022 during its regular meeting on May 25, 2022. The Parent Company has engaged the services of a financial advisor, Unicapital, Inc., in preparation for its plan to offer the



remaining unsubscribed common shares to post-World War II veterans, AFP retirees, and other investors.

During its May 25, 2022 regular meeting, the BOD approved the: (a) increase in the Parent Company's authorized capital stock from ₱10.0 billion to ₱15.0 billion; (b) creation of Series A and Series B preferred shares, including the features of such preferred shares; and (c) amendment of the Parent Company's Articles of Incorporation and of the By-Laws in order to conform to the provisions of R.A. No. 11597 (the Amended Charter) to reflect the increase in authorized capital stock and to include the features of the Series A and B preferred shares. The proposed amendments were presented for approval during the Parent Company's annual stockholders' meeting on June 17, 2022. The amended Articles and By-Laws will be submitted to the BSP and then to the SEC for review and approval.

On August 31, 2022, an SSO was likewise approved by the BOD. The SSO is meant to entice post-World War II veterans and AFP retirees who were included in the expanded definition of "veterans" under Section 6 of R.A. No. 11597 to invest in the Bank. The SSO offer period will run from September 5 until November 29, 2022.

The Parent Company had identified twelve (12) World-War II family groups, with access to capital and initiated one-on-one discussions with them. These meeting have resulted in positive developments:

- a. a letter of intent was submitted by one group for an investment of up to ₱400.0 million in common shares;
- b. strong interest has been indicated by another group for a still undisclosed specific amount; and
- c. discussions with other groups continue to be on-going.

Further to the foregoing, the Parent Company has been working with a potential investor group for a substantive equity contribution. This group, which envisions entry partly as a private, non-veteran sector has submitted a letter of intent to invest capital in the Parent Company up to ₱1.5 billion.

B. Philippine Veterans Bank as Government Depository Bank

Under the original charter or R.A. 3518 (Sec. 28) and R.A. 7169 (Sec. 6), the Parent Company was declared as a Government Depository Bank. However, last May 2022, the Department of Finance (DOF) issued Circular 002-2022 entitled the Revised Guidelines on Authorized Government Depository Banks which did not include PVB, despite the Bank's Charter under the law. Its Authorized Government Depository Bank (AGDB) was reaffirmed under its new Charter namely R.A. 11597 (Sec. 28). On September 8, 2022, the DOF informed the Parent Company of the amendment to DOF Circular 002-2022 that will include the Parent Company as an AGDB for a period of two years from effectivity of the circular, in view of its charter. The amendment will become effective once it is publicly published.

C. Updates to Revenue Regulation No. 4-2011

The Parent Company, together with 18 banks, was successful in petitioning the Makati RTC to issue temporary restraining order (TRO) to the BIR with regard to the implementation of RR No. 4-2011. On May 10, 2022, the Supreme Court Third Division (G.R. Nos. 240163 & 240168-169) decided that the provisions of RR No. 4-2011 on the proper allocations of common costs amongst income earnings of banks and other financial institutions for income tax reporting is invalid and declared void for having been issued ultra vires. The Decision of the Supreme Court is still subject to a motion for reconsideration that may be filed by the BIR which should be filed within fifteen (15) days from its receipt of the said Decision.



33. Approval of the Release of the Financial Statements

The accompanying financial statements of the Group and of the Parent Company were authorized for issue by the BOD on September 23, 2022.

34. Report on the Supplementary Information Required Under BSP Circular No. 1074

The BSP issued Circular No. 1074 on February 7, 2020 to amend certain provisions of the Manual of Regulations for Banks which provides for new and amended disclosure requirements to the audited financial statements, which are to be presented either (i) on specific notes to the financial statements, or (ii) in a separate note containing supplementary information as required by the BSP. In compliance with the requirements set forth by the circular, hereunder are the information:

Basic Quantitative Indicators of Financial Performance

The following basic ratios measure the financial performance of the Group and Parent Company:

	Consolidated			Parent		
	2021	2020	2019	2021	2020	2019
a. Return on Average Equity	(32.69%)	(19.10%)	14.33%	(32.69%)	(19.10%)	14.33%
Net income (loss)	(P1,055,955)	(P782,208)	P583,118	(P1,055,926)	(P782,137)	P583,146
Average total equity	3,230,299	4,095,641	4,068,336	3,230,553	4,095,846	4,068,491
b. Return on Average Assets	(1.99%)	(1.39%)	1.07%	(1.99%)	(1.40%)	1.07%
Net income (loss)	(P1,055,955)	(P782,208)	P583,118	(P1,055,926)	(P782,137)	P583,146
Average total assets	53,166,801	56,172,731	54,605,812	53,075,254	56,045,186	54,432,175
c. Net Interest Margin	3.52%	4.58%	5.76%	3.53%	4.59%	5.78%
Net interest income	P1,678,575	P2,307,061	P2,826,027	P1,674,507	P2,305,792	P2,823,838
Average interest earning assets	47,659,465	50,416,330	49,043,140	47,463,976	50,192,039	48,821,888

Description of Capital Instruments Issued

As of December 31, 2021 and 2020, the Parent Company has issued common and preferred shares.

Preferred shares of stock which are non-voting shall be subscribed as provided for in the Parent Company's Charter (RA 3518). Holders of preferred shares are guaranteed a dividend of eight (8%) annually from the net profits and shall have priority in case of liquidation or insolvency.

Significant Credit Exposures as to Industry Sector

Information on the concentration of loans and discounts as to industry of the Group and Parent Company follows (amounts in thousands):

	Consolidated			
	2021		2020	
	Amount	%	Amount	%
Salary-based and general purpose consumption	P5,023,621	23.51	P6,270,175	29.97
Wholesale and retail trade	3,927,243	18.38	4,431,675	21.18
Manufacturing (various industries)	3,885,534	18.18	3,294,891	15.75
Community, social and personal services	2,548,205	11.93	2,052,853	9.81
Public administration and local government	2,445,600	11.45	2,163,827	10.34
Real estate, renting and business activities	1,881,681	8.81	1,278,448	6.11
Financial intermediaries	728,438	3.41	436,739	2.09
Agricultural, hunting and forestry	245,566	1.15	208,393	1.00
Education	205,350	0.96	398,504	1.90
Construction	180,976	0.84	1,514	0.00
Hotel and restaurants	100,000	0.47	125,000	0.60



Consolidated				
	2021		2020	
	Amount	%	Amount	%
Electricity, gas and water	40,000	0.19	50,000	0.24
Transportation, storage and communication	25	0.00	3,452	0.02
Others	155,701	0.72	208,494	0.99
	P21,367,940	100.00	P20,923,965	100.00

Parent Company				
	2021		2020	
	Amount	%	Amount	%
Salary-based and general purpose consumption	P5,000,692	23.43	P6,270,175	30.00
Wholesale and retail trade	3,925,003	18.39	4,430,722	21.20
Manufacturing (various industries)	3,885,534	18.21	3,294,891	15.77
Community, social and personal services	2,547,964	11.94	2,028,300	9.71
Public administration and local government	2,445,600	11.46	2,163,827	10.35
Real estate, renting and business activities	1,881,680	8.82	1,278,448	6.12
Financial intermediaries	728,438	3.41	436,739	2.09
Agricultural, hunting and forestry	244,776	1.15	208,127	1.00
Education	205,350	0.96	398,504	1.91
Construction	180,526	0.85	1,063	0.00
Hotel and restaurants	100,000	0.47	125,000	0.60
Electricity, gas and water	40,000	0.19	50,000	0.24
Transportation, storage and communication	25	0.00	3,452	0.02
Others	155,590	0.72	208,142	0.99
	P21,341,178	100.00	P20,897,390	100.00

The BSP considers that concentration of credit exists when the total loan exposure to a particular industry or economic sector exceeds 30% of total loan portfolio.

Breakdown of Total Loans as to Security

The following tables show information relating to loans and discounts by security of the Group and Parent Company (amounts in thousands):

Consolidated				
	2021		2020	
	Amount	%	Amount	%
Secured by:				
Corporate surety/ guarantee	P2,754,275	12.89	P3,231,034	15.44
Deed of assignment	2,912,795	13.63	2,615,654	12.50
Real estate	1,324,177	6.20	1,214,240	5.80
Republic of the Philippines guarantee	900,000	4.21	900,000	4.30
Mortgage of trust indenture	100,000	0.47	100,000	0.48
Deposits hold-out	22,395	0.10	17,818	0.09
Chattel	1,407	0.01	2,885	0.01
Various collaterals	5,260,042	24.62	4,943,478	23.63
	13,275,091	62.13	13,025,109	62.25
Unsecured loans	8,092,849	37.87	7,898,857	37.75
	P21,367,940	100.00	P20,923,966	100.00

Parent Company				
	2021		2020	
	Amount	%	Amount	%
Secured by:				
Corporate surety/ guarantee	P2,754,275	12.91	P3,231,034	15.46
Deed of assignment	2,890,430	13.54	2,615,654	12.52
Real estate	1,322,217	6.20	1,212,790	5.80
Republic of the Philippines guarantee	900,000	4.22	900,000	4.31
Mortgage of trust indenture	100,000	0.47	100,000	0.48
Deposit hold out	22,395	0.10	17,818	0.09
Chattel	1,408	0.01	2,885	0.01
Various collaterals	5,260,042	24.64	4,943,478	23.65



	13,250,767	62.09	13,023,659	62.32
Unsecured loans	8,090,411	37.91	7,873,731	37.68
	₱21,341,178	100.00	₱20,897,390	100.00

Unsecured loans and receivables pertain mostly to salary loans granted to teachers and non-teaching employees of the Department of Education and employees of local government units and pension loans to veterans of World War II and retirees of the Armed Forces of the Philippines. These loans are covered by agreements, which allow collection of monthly amortizations through salary or pension deductions.

Breakdown of Total Loans as to Status

BSP issued BSP Circular No. 772 which requires banks to compute their net nonperforming loans (NPLs) by deducting the specific allowance for credit losses on the total loan portfolio from the gross NPLs. The specific allowance for credit losses shall not be deducted from the total loan portfolio in computing the NPL ratio.

NPLs of the Group and the Parent Company follow (amounts in thousands):

	Consolidated		Parent Company	
	2021	2020	2021	2020
Corporate	₱3,954,745	₱3,443,241	₱3,954,745	₱3,443,241
Pension	662,105	427,642	662,105	427,642
Mortgage	126,435	147,245	126,435	147,245
Salary	114,809	34,395	114,809	34,395
Others	683,032	637,597	679,584	635,038
Total NPLs	₱5,541,126	₱4,690,120	₱5,537,678	₱4,687,561

Secured and unsecured NPLs follow (amounts in thousands):

	Consolidated		Parent Company	
	2021	2020	2021	2020
Secured	₱1,779,357	₱1,792,196	₱1,779,357	₱1,792,196
Unsecured	3,761,769	2,897,924	3,758,321	2,895,365
	₱5,541,126	₱4,690,120	₱5,537,678	₱4,687,561

In 2020, the Parent Company availed of the relief on classification to NPL, wherein eligible loans were excluded from past due and non-performing classification for regulatory reporting purposes until December 31, 2021. Had the exclusion of eligible loans from past due and non-performing classification been considered, the adjusted NPLs as of December 31, 2021 and 2020 are as follows (amounts in thousands):

	Consolidated		Parent Company	
	2021	2020	2021	2020
Corporate	₱3,376,924	₱1,594,158	₱3,376,924	₱1,594,158
Pension	662,105	427,642	662,105	427,642
Mortgage	126,436	147,245	126,436	147,245
Salary	114,809	34,395	114,809	34,395
Others	581,761	440,985	578,313	438,426
Total NPLs	₱4,862,035	₱2,644,425	₱4,858,587	₱2,641,866

Secured and unsecured NPLs follow (amounts in thousands):

	Consolidated		Parent Company	
	2021	2020	2021	2020



Secured	₱1,201,537	₱1,091,738	₱1,201,537	₱1,091,738
Unsecured	3,660,498	1,552,687	3,657,050	1,550,128
	₱4,862,035	₱2,644,425	₱4,858,587	₱2,641,866

Loans are considered NPLs, even without any missed contractual payments, when they are deemed impaired under PFRS, classified as doubtful or loss under BSP regulations, 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, are considered NPLs if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement. Microfinance and other small loans with similar credit characteristics shall be considered NPLs after contractual due date or after they have become past due. Restructured loans or those loans whose terms and conditions have been modified in accordance with a formal restructuring agreement that sets forth a revised schedule of payments are also considered NPLs. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained. NPLs remain classified as such until there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least one year, or they are written off.

Information on Related Party Loans

In the ordinary course of business, the Group has loan transactions with certain directors, officers, stockholders and related interests (DOSRI) within limits prescribed by the BSP. These loans are made substantially on the same terms as with other individuals and businesses of comparable risks.

In the ordinary course of business, the Group has loan transactions with certain directors, officers, stockholders and related interests (DOSRI) within limits prescribed by the BSP. These loans are made substantially on the same terms as with other individuals and businesses of comparable risks.

Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book values of their respective investments in the Group. In the aggregate, loans to DOSRI generally should not exceed the lower of the total capital funds or 15.00% of the total loan portfolio. These limits do not apply to loans secured by assets considered as non-risk as defined in the regulations. As of December 31, 2021 and 2020, the Group is in compliance with these regulatory requirements.

The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts as reported to the BSP (amounts in thousands):

	2021	2020
Total outstanding DOSRI accounts	₱32,813	₱32,741
Percent of DOSRI accounts to total loans	0.15%	0.16%
Percent of unsecured DOSRI accounts to total DOSRI accounts	—	—
Percent of past due DOSRI accounts to total DOSRI accounts	—	—
Percent of nonperforming DOSRI accounts to total accounts	—	—

On January 31, 2007, BSP Circular No. 560 was issued providing the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said circular, the total outstanding exposures to each of the bank's subsidiaries and affiliates shall not exceed 10.00% of bank's net worth, the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank.



Aggregate Amount of Secured Liabilities and Assets Pledged as Security

Assets pledged as security as of December 31, 2021 and 2020 is as follows (amounts in thousands):

	2021	2020
Debt securities at amortized cost	₱3,489,365	₱3,510,151

Contingencies and Commitments Arising from Off-Balance Sheet Items

The following is a summary of commitments and contingent liabilities of the Group and the Parent Company at their equivalent peso contractual amounts (amounts in thousands) as reported to the BSP:

	2021	2020
Trust department accounts	₱4,727,729	₱4,773,065
Undrawn commitments	512,952	277,647
Unused commercial letters of credit	30,087	30,702
Others	26,581	910
Deficiency claims receivable	15,555	15,555
Inward bills for collection	13,486	6,750
Spot foreign exchange contracts bought	503	503
Late deposits/payments received	(366)	108,238
Open account arrangements	—	47,353
Spot foreign exchange contracts sold	—	—
Outstanding guarantees issued	—	—

35. Information Required Under Revenue Regulations No. 15-2010

In compliance with the requirements set forth by Revenue Regulations No. 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during 2021:

a. Gross Receipts Tax (GRT)

The Parent Company is subjected to GRT on its gross income from Philippine sources. GRT is imposed on interest, fees and commissions from lending activities at 5% or 1%, depending on the loan term, and at 7% on non-lending fees and commissions, trading and foreign exchange gains and other items constituting gross income.

Details of the Parent Company's income and GRT related to the income for the year ended December 31, 2021 under 'Taxes and licenses' in the statement of income are as follows (amounts in thousands):

	Gross Receipts	GRT
Income derived from lending activities	₱2,024,594	₱82,350
Other income	326,825	22,878
	₱2,351,419	₱105,228



b. Other taxes and licenses

Other taxes and licenses, local and national, including real estate taxes, license and permit fees for 2021 under 'Taxes and licenses' in the statement of income follow (amounts in thousands):

National	
Documentary stamp taxes	₱28,671
Fringe benefit taxes	3,613
Donor's tax	1,424
Local	
License, registration and permit fees	9,160
Real property taxes	8,845
Other taxes and licenses	10
	<u>₱51,723</u>

c. Withholding taxes

Withholding taxes for 2021 are as follows (amounts in thousands):

	Paid	Accrued
Withholding taxes on compensation and benefits	₱88,938	₱11,734
Expanded withholding taxes	25,735	4,650
Final withholding taxes	26,101	5,265
	<u>₱140,774</u>	<u>₱21,649</u>

d. Tax assessments and cases

The Parent Company, together with 18 banks, was successful in petitioning the Makati RTC to issue temporary restraining order (TRO) to the BIR with regard to the implementation of RR No. 4-2011. On May 10, 2022, the Supreme Court Third Division (G.R. Nos. 240163 & 240168-169) decided that the provisions of RR No. 4-2011 on the proper allocations of common costs amongst income earnings of banks and other financial institutions for income tax reporting is invalid and declared void for having been issued ultra vires. The Decision of the Supreme Court is still subject to a motion for reconsideration that may be filed by the BIR which should be filed within fifteen (15) days from its receipt of the said Decision.

In the opinion of management and legal counsel, the eventual liability under these claims, if any, will not have a material or adverse effect on the Parent Company's financial position and results of operations.



SEC Number 24681

FILE Number

PHILIPPINE VETERANS BANK

Philippine Veterans Bank Building, 101 V.A.
Rufino corner Dela Rosa Sts., Legaspi Village, Makati City

(Company's Full Name)

7902-1600

(Telephone Number)

2022 December 31

(Fiscal Year Ending)
(Month & Day)

**SEC FORM 17-Q
Quarterly Report**

(Form Type)

Amendment Designation
(If Applicable)

September 30, 2022

Period Ended Date

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended September 30, 2022
2. Commission identification number 24681
3. BIR Tax Identification No. 000-836-616-000
4. Exact name of issuer as specified in its charter PHILIPPINE VETERANS BANK
5. Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office Postal Code
Philippine Veterans Bank Building, 101 V.A. 1229
Rufino corner Dela Rosa Sts., Legaspi Village, Makati City
8. Issuer's telephone number, including area code (02) 7902-1600
9. Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding	
	<i>Shares</i>	<i>Amount</i>
Preferred Stock - P100 par value		
Authorized	4,900,000	490,000,000.00
Issued	3,623,025	362,302,500.00
Treasury Stock	(10,230)	(1,023,000.00)
Common Stock - P100 par value		
Authorized	45,100,000	4,510,000,000.00
Issued	23,544,107	2,354,410,700.00
Subscribed, net of Subscription Receivable	1,719,203	171,920,300.00
Treasury Stock	(2,155,544)	(377,568,639.00)

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

Yes ☐ No ☐

12. Indicate by check mark whether the registrant:

(a) Has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 the registrant was required to file such reports)

Yes ☐ No ☐

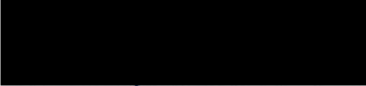
(b) has been subject to such filing requirements for the past ninety (90) days.

Yes ☐ No ☐

SEC FORM 17-Q

We, hereby certify that all information set forth in the above report are true and correct to the best of my/our knowledge.

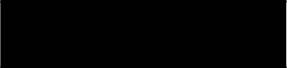

RENATO A. CLARAVALL
President and Chief
Operating Officer


VP FLORENCE T. PALACIO
Controller

REPUBLIC OF THE PHILIPPINES }
CITY OF MAKATI } S.S.

11 NOV 2022

SUBSCRIBED AND SWORN to before me this _____, affiants
exhibiting to me their described Competent Evidence of Identity ("CEI") as follows:

NAMES	ID NO.	DATE OF ISSUE	PLACE OF ISSUE
Florence T. Palacio			
Renato A. Claravall			

Doc. No. 376 ;
Page No. 76 ;
Book No. XIII ;
Series of 2022.


ATTY. CATHERINE B. VILLA-SACRO
Notary Public for and in Makati City until December 31, 2021
Extended until December 31, 2022 Pursuant to Bar Matter No. 3795
Appointment No. M-438
PVB Building, No. 101 V.A. Rufino cor Dela Rosa Sts., Legaspi Village, Makati City
P.T.R. No. 8852754 / 01-04-2022 / Makati City
IBP Life Member No. 04361 Cavite Chapter / Roll of Attorneys No. 42440
M.C.L.E. Compliance No. VI-0019656 / March 28, 2019
M.C.L.E. Extended until April 14, 2023 / Per Bar Matter No. 850

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

(Refer to Attached Financial Statements)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Philippine Veterans Bank and Subsidiaries' posted total resources of ₱62.038 Billion as at September 30, 2022, 15.55% higher than the ₱53.692 Billion as at December 31, 2021 while total deposit liabilities increased by 17.424% to ₱57.128 Billion as at September 30, 2022 from ₱48.727 Billion as at December 31, 2021.

Net non-performing loans (NPL) ratio of the Bank (Parent Company) in September 30, 2022 is at 11.46% while in December 31, 2021 is at 8.32%. The Bank's capital adequacy ratio (CAR) of 3.61% for Basel III as at September 30, 2022 lower than the 2021 year-end CAR of 4.85%. This is after considering the staggered booking of allowance for credit losses for five (5) years starting 2020 as part of financial reliefs issued by the Bangko Sentral ng Pilipinas (BSP) and approved by the Securities and Exchange Commission (SEC) in response to COVID-19 pandemic.

Key Financial Indicators

The following comparative ratios reflect the performance of the **Group**:

	September 30, 2022	December 31, 2021
Current Ratio	63.03%	67.31%
Debt-to-Equity Ratio	22.50	18.50
Asset-to-Equity Ratio	23.50	19.50
Capital Adequacy Ratio	3.61%	4.85%

	September 30, 2022	December 31, 2021
Interest Rate Coverage Ratio	1.88	-2.76
<i>Profitability Ratios:</i>		
a. Return on Average Equity (ROE)	1.21%	-32.69%
b. Return on Average Assets (ROA)	-0.06%	-1.99%

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

- Current Ratio: Current assets divided by current liabilities
- Debt-to-Equity Ratio: Total Liabilities divided by total equity
- Asset-to-Equity Ratio: Total Assets divided by total equity
- Capital Adequacy Ratio: Total capital divided by risk-weighted assets
- Interest Rate Coverage Ratio: Earnings before interest and taxes divided by interest expense

- Return on Average Equity: Net Income divided by average total capital funds for the period indicated
- Return on Average Assets: Net Income divided by the average total resources for the period indicated
- Additional Management Discussion and Analysis

Balance Sheet (for those with variances of more than 5% – September 30, 2022 vs. December 31, 2021)

Cash and Other Cash Items decreased by 14.81% from ₱982.683 Million as at December 2021 to ₱837.193 Million as at September 2022.

Due from Other Banks increased by ₱206.032 Million to ₱1.107 Billion as at September 2022 from ₱900.800 Million as at December 2021.

Interbank Loans Receivable and Securities Purchased Under Resale Agreement decreased by ₱801.557 Million to ₱1.493 Billion as at September 2022 from ₱2.295 Billion as at December 2021.

Financial Assets at Fair Value Through Profit or Loss decreased by 5.95% from ₱142.215 Million as at December 31, 2021 to ₱133.749 Million as at September 30, 2022.

Debt securities at amortized cost increased by ₱6.320 Billion to 9.994 Billion as at September 30, 2022 from ₱3.675 as at December 2021.

Loans and Receivables increased by ₱2.481 Billion to 22.306 Billion as at September 30, 2022 from ₱19.825 Billion as at December 2021.

Right of Use Asset decreased by 12.47% from ₱234.293 Million as at December 31, 2021 to ₱205.066 Million as at September 2022.

Investment Properties increased by ₱417.515 Million to ₱2.480 Billion as at September 2022 from ₱2.062 Billion as at December 2021.

Other Assets increased by ₱226.463 Million to 1.613 Billion as at September 30, 2022 from ₱1.386 Billion as at December 31, 2021.

Deposit Liabilities as at September 30, 2022 net increased by 17.24% to ₱57.128 Billion from ₱48.727 Billion as at December 31, 2021 mainly from Demand Deposit Liabilities which increased by 24.97% or ₱7.892 Billion and increase of 18.13% or ₱589.655 Million in Time Deposit Liabilities.

Bills Payable as at September 30, 2022 decreased by 100.05% or ₱10.940 Million. This pertains to the settlement of borrowings of the Subsidiary with other financial institutions.

Manager's Checks as at September 30, 2022 decreased by 34.74% to ₱31.759 Million as at September 2022 from ₱48.662 Million as at December 2021.

Accrued Taxes, Interest and Other Expenses as at September 30, 2022 increased by 6.49% to ₱438.735 Million from ₱411.992 Million in December 2021.

Lease liability of ₱247.906 Million as at September 30, 2022 is a decreased amount by ₱21.619 Million from ₱269.525 Million as at December 2021.

Income Tax Payable of ₱10.768 Million as at September 30, 2022 is an increased amount by ₱10.601 Million from ₱0.163 Million as at December 2021.

Net Accumulated Unrealized Loss on Financial Assets at Fair Value Through Other Comprehensive Income of ₱146.099 Million as at September 30, 2022, is an increased amount of loss by ₱145.881 Million from the ₱0.217 Million loss on December 31, 2021.

Cumulative Translation Adjustment of ₱85.966 Thousand as at September 2022 increased by 199.56% from the December 2021 balance of ₱28.697 Thousand.

Income Statement (for those variances of more than 5% – For the period ended September 30, 2022 vs. period ended September 30, 2021)

Total Interest Income for the 3rd quarter of 2022 increased by 13.34% from ₱1.403 Billion reported on the same period of prior year to ₱1.590 Billion. This is attributed to interest income on:

1. Trading and Investment Securities ended September 2022 increased by 70.18% to ₱294.788 Million from ₱173.217 Million for the same period in 2021.
2. Deposits with Bank ended September 2022 increased by 32.13% to ₱255.138 Million from ₱193.099 Million for the same period in 2021.
3. Interbank Loans Receivable and Securities Purchased Under Resale Agreements period for the period ended September 2022 increased by 103.26% to ₱30.59 Million from ₱15.05 Million for the same period in 2021.

Interest Expense on Bills Payable and Other Borrowings of ₱0.331 Million for the 3rd quarter of 2022 decreased by 79.35% from the ₱1.603 Million for the 3rd quarter of 2021. This represents the borrowings of the subsidiary.

Interest Expense on Lease Liability for the period ended September 2022 increased by 17.39% to ₱19.584 Million from ₱16.683 Million for the same period of 2021.

Gains on Sale of Assets increased by 213.58% to ₱267.215 Million for the period ended September 2022 compared to the ₱85.213 Million for YTD September 2021.

Service Fees and Commissions decreased by 21.35% to ₱108.108 Million as at September 2022 compared to the ₱137.449 Million at September 2021.

Gains on Asset Foreclosures and Dacion Transactions increased by ₱135.065 Million to ₱182.078 Million as at September 2022 compared to the ₱47.013 Million at September 2021.

September 2022 showed a Trading gain of ₱11.798 Million, which is lower than reported gain on September 2021 of ₱13.339 Million or a decreased of ₱1.541 Million.

Foreign Exchange gain of ₱720.00 as at September 2022 is a 100.01% improvement from reported loss on September 2021 of ₱11.269 Million.

Other Operating Income increased by ₱3.307 Million to ₱39.876 Million as at September 2022 compared to the ₱36.569 at September 2021.

Provision for Impairment and Credit Losses of ₱128.429 Million for the period ended September 2022 decreased by 60.60% against ₱325.971 Million in 2021.

Depreciation and Amortization increased by 31.00% from ₱211.986 Million as at September 2021 to ₱277.704 Million as at September 2022.

Occupancy increased by 5.48% from ₱163.239 Million as at September 2021 to ₱172.191 Million as at September 2022.

Repairs and Maintenance of ₱242.267 Million in September 2022 increased from ₱171.730 Million of the same periods of 2021 or by ₱70.538 Million.

Taxes and Licenses increased by 27.33% from ₱117.548 Million as at September 2021 to ₱149.669 Million as at September 2022.

Insurance Expense as at September 2022 of ₱107.321 Million has increased by 13.01% from ₱94.968 Million as at September 2021.

Transportation and Travel as at September 2022 of ₱37.436 Million has increased by 34.00% from ₱27.936 Million as at September 2021.

Litigation and Expenses on Acquired Assets in the amount of ₱38.993 Million as at September 2022 is an increased amount by ₱14.170 Million from ₱24.823 Million of the same periods in 2021.

Advertising and publicity expense in the amount of ₱0.464 Million as at September 2022 is a decreased amount by ₱22.062 Million from ₱22.526 Million of the same periods in 2021.

Fees and Commission in the amount of ₱8.314 Million as at September 2022 is a decreased amount by ₱3.104 Million from ₱11.418 Million of the same periods in 2021.

Membership Fees and Dues increased by 13.09% from ₱8.108 Million as at September 2021 to ₱9.169 Million as at September 2022.

Office Supplies increased by 5.44% from ₱9.050 Million as at September 2021 to ₱9.543 Million as at September 2022.

Freight Expenses as at September 2022 amounting to ₱3.158 Million decreased by 47.34% compared to the ₱5.996 Million in September 2021.

Entertainment, Amusement and Representation Expense as at September 2022 amounting to ₱2.762 Million increased by 16.43% compared to the ₱2.372 Million in September 2021.

Fines and Penalties as at September 2022 amounting to ₱1.738 Million has increased by ₱1.679 Million compared to ₱59.277 Thousand in September 2021.

Miscellaneous Expense as at September 2022 amounting to ₱40.171 Million decreased by 10.64% compared to ₱44.952 Million in September 2021.

Loss before Income Tax in the amount of ₱379.937 Million as at September 2021 recovered to an income of ₱148.767 Million as at September 2022 or 139.16% improvement.

Provision for Income Tax as at September 2022 amounting to ₱116.092 Million increased by 9.28% compared to ₱106.232 Million in September 2021.

On the overall, Net Loss from ₱486.169 Million in September 2021 improved to an income of ₱32.676 Million or 106.72%. as at September 2022.

EQUITY

Philippine Veterans Bank's capital stock consists of:

	September 30, 2022		December 31, 2021	
	Shares	Amount	Shares	Amount
Preferred Stock - P100 par value				
Authorized	4,900,000	490,000,000.00	4,900,000	490,000,000.00
Issued	3,623,025	362,302,500.00	3,622,818	362,281,800.00
Treasury Stock	(10,230)	(1,023,000.00)	(10,220)	(1,022,000.00)
Common Stock - P100 par value				
Authorized	45,100,000	4,510,000,000.00	45,100,000	4,510,000,000.00
Issued	25,544,107	2,354,410,700.00	23,542,658	2,354,265,800.00
Subscribed, net of subscription receivable	1,719,203	171,920,300.00	1,719,128	171,912,800.00
Treasury Stock	(2,155,544)	(377,568,639.00)	(2,155,480)	(377,562,000.00)

Preferred shares are cumulative, non-redeemable, non-voting shares entitled to dividends of 8% annually from net income, subject to the declaration of the BOD and have priority in case of liquidation or insolvency.

Disposition of the Bank's Net Income

As provided for in the Parent Company's by-laws, the profit distributable to common shares shall be the Parent Company's net income reduced by the following:

- (a) Transfer to the surplus reserves account (20% of net income) until the surplus reserves is equal to the Parent company's authorized capital stock;
- (b) Guaranteed earnings of the preferred shares; and

(c) Appropriation of 20% of net income, after deducting (a) and (b) above, to the veteran shareholders through the Board of Trustees of the Veterans of World War II, as provided in Section 23 of RA No. 3518.

(d) Also, as required by the BSP, the Parent Company transfers 10% of its net income from trust operations to surplus reserves.

There was no dividend distribution for the last three years.

Materials Events and Uncertainties

- Due to the COVID-19 pandemic that has started in 2020, the operations of the Bank has been affected adversely resulting in huge provision on credit losses that has to be recognized on a staggered manner as approved by the BSP starting 2020 until 2024. This is one of the major factors that caused the capitalization to be lower than the minimum requirement of the BSP. Despite of this material impact, the Bank remains liquid with a high Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) which is above the regulatory requirement.

The amended charter of the Bank was signed into law under Republic Act 11597 or the "The Philippine Veterans Bank Act" which became effective on January 21, 2022. The new charter effectively a) raised the Bank's authorized capital from P100 million to P10 billion, b) expanded the definition of veterans to include post World War II veterans, veterans of other wars and Philippine military campaigns, and retirees of the Armed Forces of the Philippines, and c) allowed non-veterans to become shareholders of the Parent Company provided that the veterans shall at all times retain majority of the shares of the Parent Company. The Bank immediately began its capital raising activities starting March 2022.

On September 8, 2022, DOF Circular No. 003-2022 "Inclusion of the Philippine Veterans Bank as an Authorized Government Depository Bank Amending Section 5.2 of Department Circular 002-2022" was signed and published on October 14, 2022 which now include the Parent Company in the list of authorized government depository bank (AGDBs) for a period of two years.

Aside from those mentioned above, there are no known events that will trigger direct or contingent financial obligation that is material to the Bank, including any default or acceleration of an obligation. Also, there are no material off-balance sheet transactions, agreements, obligations (including contingent obligations), and other relationship of the Bank with unconsolidated entities or other persons created as of the reporting date.

PART II – OTHER INFORMATION

(none)

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer

Philippine Veterans Bank

Signature


RENATO A. CLARAVALL

Title

President and Chief Operating Officer

Date

Signature


VP FLORENCE T. PALACIO

Title

Controller

Date

PHILIPPINE VETERANS BANK AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in Philippine Peso)

	Consolidated	
	Unaudited September 30, 2022	Audited December 31, 2021
ASSETS		
Cash and Other Cash Items	837,193,499	982,683,043
Due from Bangko Sentral ng Pilipinas	17,031,959,314	17,192,355,261
Due from Other Banks	1,106,832,915	900,800,210
Interbank Loans Receivable and Securities Purchased Under Resale Agreement	1,492,969,055	2,294,525,611
Financial Assets at Fair Value Through Profit or Loss	133,749,470	142,214,902
Financial Assets at Fair Value Through Other Comprehensive Income	3,696,926,247	3,857,486,193
Debt securities at amortized cost	9,994,174,013	3,674,617,470
Loans and Receivables	22,306,092,944	19,825,216,818
Investment in Subsidiaries	(102,798)	-
Bank Premises, Furniture, Fixtures and Equipment	852,564,729	851,198,217
Right of Use Asset	205,065,918	234,293,155
Investment Properties	2,480,228,928	2,062,713,825
Deferred Tax Assets	288,020,336	287,451,260
Other Assets	1,612,525,673	1,386,061,992
	62,038,200,243	53,691,617,957
LIABILITIES AND EQUITY		
Liabilities		
Deposit Liabilities		
Demand	39,490,241,717	31,598,603,768
Savings	13,795,101,370	13,875,265,433
Time	3,842,891,458	3,253,236,125
	57,128,234,545	48,727,105,326
Bills Payable	(5,884)	10,939,603
Manager's Checks	31,759,375	48,662,704
Accrued Taxes, Interest and Other Expenses	438,734,536	411,991,964
Lease Liabilities	247,906,044	269,525,479
Income Tax Payable	10,768,414	162,860
Other Liabilities	1,541,046,755	1,470,266,554
	59,398,443,785	50,938,654,490
Equity		
Capital stock	2,889,325,862	2,888,460,412
Treasury Stock	(378,591,639)	(378,584,239)
Additional paid-in capital	8,064,033	8,064,033
Surplus Reserve	1,280,920,430	1,280,920,430
Appropriated Retained Earnings	361,796,154	361,796,154
Surplus	(1,377,164,539)	(1,408,992,440)
Remeasurement gain (loss) on net retirement plan	1,696,602	1,756,572
Net accumulated unrealized gains (loss) on available-for-sale financial assets	(146,098,545)	(217,304)
Cumulative translation adjustment	85,966	28,697
	2,640,034,324	2,753,232,315
Non-Controlling Interest	(277,866)	(268,848)
	2,639,756,458	2,752,963,467
	62,038,200,243	53,691,617,957

PHILIPPINE VETERANS BANK AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in Philippine Peso)

	Unaudited	
	For the Nine-months ended	
	September	
	2022	2021
INTEREST INCOME		
Loans and receivables	1,009,832,627	1,021,842,464
Trading and Investment Securities	294,787,831	173,216,713
Deposits with banks	255,137,997	193,098,860
Interbank loans receivable and securities purchased under resale agreements	30,587,235	15,047,966
	1,590,345,490	1,403,206,003
INTEREST EXPENSE		
Deposit liabilities	148,272,093	155,357,988
Bills payable	331,081	1,603,487
Lease Liability	19,583,581	16,683,198
	168,186,755	173,644,673
NET INTEREST INCOME	1,422,158,735	1,229,561,330
Gain on sale of assets	267,215,065	85,213,388
Service fees and commissions	108,107,924	137,448,699
Gains on asset foreclosures and dacion transactions	182,078,349	47,012,611
Income from trust operations	9,349,910	9,590,091
Trading gains (losses) - net	11,797,760	13,338,954
Foreign exchange gain (losses) - net	720	(11,268,841)
Loss on loan modification		
Equity in net loss of an associate	(102,798)	
Other operating income	39,875,894	36,569,257
TOTAL OPERATING INCOME	2,040,481,559	1,547,465,489
Provision for impairment and credit losses	128,429,023	325,970,565
Compensation and fringe benefits	599,159,295	620,379,880
Depreciation and amortization	277,704,188	211,986,241
Write-off of software in progress		-
Occupancy	172,191,125	163,239,008
Repairs and Maintenance	242,267,254	171,729,640
Taxes and licenses	149,669,314	117,548,393
Insurance	107,321,096	94,967,890
Amortization of software costs	-	-
Communications	32,246,280	32,120,695
Transportation and travel	37,435,838	27,936,407
Litigation and expenses on acquired assets	38,993,209	24,823,237
Professional fees	20,703,029	21,427,471
Advertising and publicity expense	463,982	22,525,740
Fees and Commission	8,314,165	11,418,476
Bangko Sentral ng Pilipinas supervision fees	10,276,405	10,791,030
Membership fees and dues	9,168,597	8,107,688
Office supplies	9,543,041	9,050,417
Freight expenses	3,157,893	5,996,470
Entertainment, amusement and representation expense	2,761,656	2,371,850
Fines and penalties	1,737,917	59,277
Miscellaneous	40,170,999	44,951,771
TOTAL OPERATING EXPENSES	1,891,714,306	1,927,402,146
INCOME BEFORE INCOME TAX	148,767,253	(379,936,657)
PROVISION FOR INCOME TAX	116,091,705	106,232,242
NET INCOME	32,675,548	(486,168,899)
Attributable to:		
Equity holders of the Parent Company	32,684,564	(486,168,899)
Non-controlling interest	(9,016)	-
	32,675,548	(486,168,899)

PHILIPPINE VETERANS BANK AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited	
	For the nine-months ended	
	September	
	2022	2021
Net Income/ (Loss)	32,675,548	(486,168,899)
Other Comprehensive Income (Losses):		
Remeasurement gains (losses) of retirement plan, net of tax	(59,970)	(1,055)
Net unrealized gains (losses) on available-for-sale financial assets sale financial assets	(145,881,241)	18,523,947
Cumulative translation adjustment	57,269	
TOTAL COMPREHENSIVE INCOME (LOSSES)	(113,208,394)	(467,646,007)
Attributable to:		
Equity holders of the Parent Company	(113,199,378)	(467,646,007)
Non-Controlling Interest	(9,016)	-
	(113,208,394)	(467,646,007)

PHILIPPINE VETERANS BANK AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the 3rd quarter ended September 30, 2022 (Continued)

	Preferred Stock	Common Stock	Stock Dividends Distributable	Total Capital Stock	Treasury Stock	Additional Paid-in Capital	Surplus Reserves	Accumulated Surplus	Surplus (Deficit)	Retainment of Gain (Loss) on Retirement Plan	Net Accumulated Unrealized Gain (Loss)	Cumulative Translation Adjustment	Total	Non-controlling Interest	Total Equity
Balance at January 01, 2022	362,281,860	2,518,355,812	7,822,800	2,888,460,472	(218,584,235)	8,064,003	1,280,020,430	361,796,154	(1,408,892,447)	1,756,572	(212,394)	28,687	2,753,232,315	(268,648)	2,752,963,667
Adjustment on bookkeeping balance															
Balance at January 01, 2022, as revised	362,281,860	2,518,355,812	7,822,800	2,888,460,472	(218,584,235)	8,064,003	1,280,020,430	361,796,154	(1,408,892,447)	1,756,572	(212,394)	28,687	2,753,232,315	(268,648)	2,752,963,667
Net income															
Other comprehensive income															
Other comprehensive income from appropriated surplus representing shares of previously unallocated stockholders															
Transfer to surplus reserve															
Reimbursement of stock dividends															
Distribution to the stockholders through the Board of Directors	13,880	64,800		98,680											
Dividends declared															
Reversal of locked dividends payable															
Acquisition of treasury stock															
Cancellation of subscriptions to common															
Issuance of stock dividends															
Payment of the accumulated cash dividends															
Adjustment	(180)	750,000		749,820											
Balance at September 30, 2022	362,281,860	2,519,207,742	7,822,800	2,889,312,402	(218,691,630)	8,064,003	1,280,020,430	361,796,154	(1,378,614,538)	1,760,602	(146,098,545)	85,895	2,640,034,324	(277,855)	2,592,756,469

PHILIPPINE VETERANS BANK AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Unaudited	
	For the three-month period ended	
	September 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	148,758,235	(191,899,853)
Adjustments for:		
Provision for impairment and credit losses	102,936,411	59,124,680
Reallocations	26,329,897	20,356,965
Depreciation and amortization	277,704,188	-
Amortization of premium	(6,319,556,543)	1,050,533,012
Gain on sale of acquired assets	(270,253,009)	-
Gains (losses) on asset foreclosures and dacion transactions	(182,078,349)	(4,952,461)
Loss on sale of NPL to an SPV	3,037,944	-
of financial assets at fair value through profit or loss	(34,566)	-
Loans and receivables	(2,512,776,251)	822,028,402
Financial assets at fair value through profit or loss	8,499,998	1,079,432,502
Right of use of asset	-	(185,571,878)
Other assets	(460,071,263)	(37,341,330)
Accrued taxes, interest and other expenses	37,348,126	(4,469,328)
Manager's checks	(16,903,329)	64,591,846
Lease Liability	-	(11,564,392)
Deposit liabilities	8,401,129,219	3,332,321,875
Other liabilities	70,780,201	(190,849,040)
Net cash generated from (used in) operations	(685,149,091)	5,801,741,000
Income taxes paid	(116,660,781)	(46,755,109)
Net cash provided by operating activities	(801,809,872)	5,754,985,891
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available-for-sale financial assets	(3,436,754,765)	-
Proceeds from sale/maturities of available-for-sale financial assets	3,451,433,470	2,355,407,993
Proceeds from disposal of investment properties	119,612,041	3,464,894
Additions to bank premises, furniture, fixtures and equipment	(120,102,764)	176,055,785
Investment in Subsidiaries	968,248	(7,304,186)
Net cash provided by (used in) investing activities	15,156,230	2,527,624,486
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments to the Board of Trustees of Veterans of World War II	-	-
Payments of bills payable	(32,564,922)	(10,049,125)
Acquisitions of treasury shares	(7,400)	-
Adjustment to Surplus	(847,647)	(915,924,984)
Net cash flows provided by (used in) financing activities	(33,419,969)	(925,974,109)
EFFECT OF TRANSLATION ADJUSTMENT	57,269	(107,386)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(820,016,342)	7,356,528,882
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and other cash items	982,683,043	865,775,594
Due from Bangko Sentral ng Pilipinas	17,192,355,261	12,031,791,147
Due from other banks	900,800,210	820,948,178
Interbank loans receivable	1,598,163,239	-
	20,674,001,753	13,718,514,919
CASH AND CASH EQUIVALENTS AT JUNE 30		
Cash and other cash items	837,193,499	816,271,389
Due from Bangko Sentral ng Pilipinas	17,031,959,314	20,081,831,088
Due from other banks	1,106,832,915	916,996,287
Interbank loans receivable	877,999,683	(740,054,962)
	19,853,985,411	21,075,043,802

INTERIM NOTES TO FINANCIAL STATEMENTS

September 30, 2022

1. Cash and Cash Equivalents

	Unaudited	Audited	Unaudited
	September	December 31	September
	2022	2021	2021
Cash and Other Cash Items	863,512,591	982,683,043	865,122,226
Due from BSP	19,333,949,599	17,192,355,261	19,335,789,293
Due from Other Banks	773,983,689	900,800,210	872,949,043
Interbank Loans Receivable	1,517,288,080	2,294,525,611	1,517,288,080
	22,488,733,959	21,370,364,125	22,591,148,642

2. FVTPL and Available-for-Sale Investments

The following table shows financial instruments recognized at fair value for the Group, analyzed between those whose fair value is based on:

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

As of September 30, 2022 and December 31, 2021, the Group held the following financial instruments measured at fair value (in thousands):

	September 30, 2022 (Unaudited)			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial assets at FVPL				
Designated at FVTPL	-	-	133,749	133,749
Government securities			-	-
AFS investments				
Government securities	2,880,090	29,246	-	2,909,337
Private debt securities	615,420		-	615,420
Quoted equity securities	82,611	-		82,611
Unquoted equity securities		89,558		89,558
	3,578,122	118,804	133,749	3,830,675

	December 31, 2021 (Audited)			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial assets at FVPL				
Designated at FVTPL	-		133,749	133,749
Government debt securities	8,466			8,466
Financial assets at FVOCI				
Government securities	199,641	1,849,100		2,048,741
Private securities	1,650,569	-		1,650,569
Quoted equity securities	68,618	-	-	68,618
Unquoted equity securities	-	89,558		89,558
	1,927,294	1,938,658	133,749	3,999,701

3. Bank Premises, Furniture, Fixtures and Equipment

The composition and movements of this account for the Group for the periods ended September 30, 2022 and December 31, 2021 and are as follows (amounts in thousands):

Consolidated (September 30, 2022)						
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right of Use	Total
Cost						
Balances at December 31, 2021 (Audited)	205,566	563,015	974,563	507,594	331,924	2,582,663
Additions/ reclassifications	-	68,806	52,646	32,130	9,120	162,702
Disposals/ reclassifications	-	(40,504)	(14,616)	-	-	(55,120)
Balances at September 30, 2022 (Unaudited)	205,566	591,317	1,012,593	539,724	341,044	2,690,245
Accumulated Depreciation and Amortization						
Balances at December 31, 2021 (Audited)	-	281,473	747,488	370,578	97,631	1,497,170
Addition / reclassifications	-	22,653	60,360	27,755	38,347	149,115
Disposal	-	(27)	(13,643)	-	-	(13,670)
Reclassifications	-	-	-	-	-	-
Balances at September 30, 2022 (Unaudited)	-	304,099	794,205	398,333	135,978	1,632,614
Net book values (Unaudited)	205,566	287,219	218,388	141,392	205,066	1,057,631

Consolidated (December 31, 2021)						
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	Right of Use	Total
Cost						
Balances at December 31, 2020 (Audited)	205,566	531,392	913,405	439,046	291,237	2,380,646
Additions/ reclassifications	-	47,174	128,030	69,409	94,677	339,290
Disposals/ reclassifications/adjustments	-	(15,551)	(66,872)	(861)	(54,221)	(137,505)
Translation adjustment	-	-	-	-	231	231
Balances at December 31, 2021 (Audited)	205,566	563,015	974,563	507,594	331,924	2,582,662
Accumulated Depreciation and Amortization						
Balances at December 31, 2020 (Audited)	-	252,332	741,845	333,119	91,414	1,418,710
Addition / reclassifications	-	26,700	67,752	37,459	54,316	186,228
Disposal/reclassifications/adjustments	-	2,441	(62,108)	-	(48,099)	(107,766)
Balances at December 31, 2021 (Audited)	-	281,473	747,489	370,578	97,631	1,497,172
Net book values (Audited)	205,566	281,542	227,074	137,016	234,293	1,085,490

4. Allowance for Impairment and Credit Losses

Changes in the allowance for impairment and credit losses of the Group for the nine months ended September 30, 2022 are summarized as follows (amounts in thousands):

Balances at beginning of the year (Audited):	
Loans and receivables	3,694,089
Interbank loans receivable and SPURA	973,238
AFS financial assets	
Debt securities at FVOCI	1,124
Investment properties	218,424
Investment in subsidiaries and associate	
Debt securities at amortized cost	
Due from other banks	402
Other assets	181,366
	5,068,642
Provision for impairment and credit losses during the period	115,287
Accounts written off and reversals	(43,662)
Reallocation/ Adjustment	-
	71,625
Balances at the end of the period (Unaudited):	
Loans and receivables	3,700,477
Interbank loans receivable and SPURA	1,054,631
AFS financial assets	
Debt securities at FVOCI	1,124
Investment properties	335,137
Debt securities at amortized cost	
Due from other banks	402
Investment in subsidiaries and associate	
Other assets	48,497
	5,140,269

5. Investment Properties

The composition and movements of this account for the periods ended September 30, 2022 and December 31, 2021 are as follows (amounts in thousands):

	Consolidated (September 30, 2022)		
	Land	Buildings and Others	Total
Cost			
Balances at December 31, 2021 (Audited)	2,050,955	531,634	2,582,589
Additions/Reclassifications	344,120	661,960	1,006,080
Disposals/Reclassifications	(110,952)	(187,195)	(298,147)
Balances at September 30, 2022 (Unaudited)	2,284,123	1,006,399	3,290,522
Accumulated Depreciation			
Balances at December 31, 2021 (Audited)	-	301,452	301,452
Depreciation and amortization	-	339,904	339,904
Disposals/Reclassifications	-	(166,199)	(166,199)
Balances at September 30, 2022 (Unaudited)	-	475,157	475,157
Allowance for Impairment Losses			
Balances at December 31, 2021 (Audited)	201,175	17,249	218,424
Provisions/Reclassifications	-	124,945	124,945
Disposal/Reclassifications/Write-offs	(8,232.00)	-	(8,232)
Balances at September 30, 2022 (Unaudited)	192,943	142,194	335,137
Net Book Values	2,091,180	389,048	2,480,229

	Consolidated (December 31, 2021)		
	Land	Buildings and Others	Total
Cost			
Balances at December 31, 2020 (Audited)	2,216,733	668,022	2,884,755
Additions/Reclassifications	48,354	66,446	114,800
Disposals/Reclassifications	(214,132)	(202,834)	(416,966)
Balances at December 31, 2021 (Audited)	2,050,955	531,634	2,582,589
Accumulated Depreciation			
Balances at December 31, 2020 (Audited)	-	356,146	356,146
Depreciation and amortization	-	54,117	54,117
Disposals/Reclassifications	-	(108,812)	(108,812)
Balances at December 31, 2021 (Audited)	-	301,451	301,451
Allowance for Impairment Losses			
Balances at December 31, 2020 (Audited)	251,306	29,679	280,985
Provisions/Reclassifications	(64)	(279)	(343)
Disposal/Reclassifications/Write-offs	(50,252)	(11,966)	(62,218)
Balances at December 31, 2021 (Audited)	200,990	17,434	218,424
Net Book Values	1,849,965	212,749	2,062,713

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JOSE A. NUÑEZ, JR.**, Filipino, of legal age and a resident of 8117 Santol Street, Marcelo Green Village, Parañaque City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **PHILIPPINE VETERANS BANK** and have been its independent director since **2018**.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY / ORGANIZATION	PERIOD OF SERVICE	POSITION RELATIONSHIP
Tranzen Group, Inc.	2008 - present	Director & Treasurer
La Costa Development Corporation, Inc.	2008 - present	Director & Treasurer
Agus 3 Hydro Corp.	2008 - present	Director and Treasurer
Lear Aero Ltd., Inc.	2012- present	Director and Treasurer
Intervest Project Inc.	2019 - present	Director
Intervest Insurance Assurance Inc.	2019 - present	Director
Unicapital Securities, Inc.	2017 - present	Vice-Chairman
Unicapital, Inc.	2017 - present	Director
Unicapital Finance, Inc.	2017 - present	Director

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **PHILIPPINE VETERANS BANK**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
NOT APPLICABLE		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED /INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
Jose Nuñez, Jr. et al. vs. Enforcement and Investor Protection Department	Docketed as SEC En Banc Case No. 09-16-415	pending before the Securities and Exchange Commission En Banc

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in **PHILIPPINE VETERANS BANK**, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVH of the Revised CMI Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances,
8. I shall inform the Corporate Secretary of **PHILIPPINE VETERANS BANK** of any changes in the abovementioned information within five days from its occurrence.

Done, this day of _____ day of _____, at **PASIG CITY**

JOSE A. NUÑEZ, JR.
Independent Director

SUBSCRIBED AND SWORN to before me this _____ day of _____, **PASIG CITY** affiant personally appeared before me and exhibited to me his Passport ID No. _____

Doc. No. 60;
Page No. 13;
Book No. 8;
Series of 2023

GAUDENCIO A. BARBOZA JR.
NOTARY PUBLIC
UNTIL DEC. 31, 2024
PTR # A-5725281 JAN. 03, 2023 Taguig City.
IBP NO. 248418/10/06/2022 RSM (FOR YR. 2023)
ROLL NO. 41969
MCLE COMP. VI NO. 0021812
MARCH 29, 2019
APP No. 61 (2023-2024)

CERTIFICATION OF INDEPENDENT DIRECTOR

I. **CESAR A. RUBIO**, Filipino, of legal age and a resident of 29 Cauliflower, Valle Verde 5, Pasig City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **PHILIPPINE VETERANS BANK** and have been its independent director since **2018**.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY / ORGANIZATION	PERIOD OF SERVICE	POSITION RELATIONSHIP
Intervest Projects, Inc.	2018 – present	Director
Intervest Insurance Agency, Inc.	2018 – present	Director

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **PHILIPPINE VETERANS BANK**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
NOT APPLICABLE		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED /INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
NOT APPLICABLE		

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in **PHILIPPINE VETERANS BANK**, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised CMI Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances,
8. I shall inform the Corporate Secretary of **PHILIPPINE VETERANS BANK** of any changes in the abovementioned information within five days from its occurrence.

Done, this day of _____ day of _____, at **PASIG CITY**.

CESAR A. RUBIO
Independent Director

SUBSCRIBED AND SWORN to before me this _____ day of _____ at **PASIG CITY**, affiant personally appeared before me and exhibited to me her Senior Citizen ID No. _____

Doc. No. 58;
Page No. 13;
Book No. 8;
Series of 2023

GAUDENCIO A. BARBOZA JR.
NOTARY PUBLIC
UNTIL DEC. 31, 2024
PTR # A-5725281/JAN. 03, 2023 Taguig City.
IBP NO. 248416/10/06/2022 RSM(FOR YR. 2023)
ROLL NO. 41989
MCLE COMP. VI NO. 0021812
MARCH 29, 2019
APP No. 61 (2023-2024)

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MA. CECILIA G. SORIANO**, Filipino, of legal age and a resident of 5 Dagohoy Street, Ayala Heights Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **PHILIPPINE VETERANS BANK**.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY / ORGANIZATION	PERIOD OF SERVICE	POSITION RELATIONSHIP
Foundation for Economic Freedom (FEF)	March 2017 - Present	Member, Board of Trustee
Foundation for Economic Freedom (FEF)	July 2012 - Present	Member
AguaJaring (Sea Capacity Building Network for Integrated Water Resources Management (IWRM))	January 2007 – Present	Founding Member
Philippine Capacity Building Network for IWRM	May 2006 - Present	Co-Founder and President
Capacity Building Network for IWRM funded by UNDP	January 2018 - Present	Network Manager
World Bank (WB)	January 2021 - Present	Consultancy
Asian Development Bank (ADB)	April 26, 2021 – Present	Consultancy
Japan International Cooperation Agency (JICA)	April 26, 2021 – Present	Consultancy

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **PHILIPPINE VETERANS BANK**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
NOT APPLICABLE		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED / INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
NOT APPLICABLE		

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in **PHILIPPINE VETERANS BANK**, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised CMI Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances,
8. I shall inform the Corporate Secretary of **PHILIPPINE VETERANS BANK** of any changes in the abovementioned information within five days from its occurrence.

Done, this day of day of , at **PASIG CITY**.

MA. CECILIA G. SORIANO
Independent Director

SUBSCRIBED AND SWORN to before me this day of at **PASIG CITY**, affiant personally appeared before me and exhibited to me her Driving License Number

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Page No. 13 ;
Book No. 8 ;
Series of 2023

GAUDENCIO A. BARBOZA JR.
NOTARY PUBLIC
UNTIL DEC. 31, 2024
PTR # A-5725261 JAN. 03, 2023 Taguig City.
IBP NO. 248418/10/06/2022 RSM(FOR YR. 2023)
ROLL NO. 41969
MCLE COMP. VI NO. 0021812
MARCH 29, 2019
APP No. 61 (2023-2024)

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **REYNALDO V. VELASCO**, Filipino, of legal age and a resident of 17 Watson Street Ayala Hillside Estates, Old Balara, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **PHILIPPINE VETERANS**.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY / ORGANIZATION	PERIOD OF SERVICE	POSITION RELATIONSHIP
PMA Alumni Association, Inc.	1971-present	Member
Filipino Veterans, Inc.	2020-present	Trustee
Filipino Veterans, Inc.	2020-2023	Chairman
The Metropolitan Waterworks and Sewerage System	2019-present	Chairman, Board of Trustee
The Metropolitan Waterworks and Sewerage System	2021-present	Concurrent, OIC Administration

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **PHILIPPINE VETERANS BANK**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
NOT APPLICABLE		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED / INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
NOT APPLICABLE		

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in **PHILIPPINE VETERANS BANK**, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVHI of the Revised CMI Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances,
8. I shall inform the Corporate Secretary of **PHILIPPINE VETERANS BANK** of any changes in the abovementioned information within five days from its occurrence.

Done, this day of day of , at **PASIG CITY**

REYNALDO V. VELASCO
Independent Director

SUBSCRIBED AND SWORN to before me this day of , at **PASIG CITY**, affiant personally appeared before me and exhibited to me his Senior Citizen ID

Doc. No. 59;
Page No. 13;
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Series of 2023

GAUDENCIO A. BARBOZA JR.
NOTARY PUBLIC
UNTIL DEC. 31, 2024
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ROLL NO. 41969
MCLE COMP. VI NO. 0021812
MARCH 29, 2019
APP No. 61 (2023-2024)

veteransbank

September 12, 2022

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

Attention: Mr. Ray Francis C. Balagtas
Partner

Gentlemen:

We wish to formally inform you that we have engaged the services of Punongbayan & Araullo (P&A) to perform the audit of the financial statements of Philippine Veterans Bank and Subsidiaries (the Group) as of and for the year ending December 31, 2022. The appointment was approved by the Board of Directors and Stockholders in its meeting held on May 25, 2022 and June 17, 2022, respectively, as endorsed by the Audit Committee.

Thank you for your professional and quality service. We appreciate the assistance you provided to carry out the 2021 audit efficiently.

To facilitate the audit of P&A and in accordance with the prevailing practice in this regard, please allow Mr. Jerald M. Sanchez, Partner, Mr. Anthony B. Waje, Senior Manager, their staff, and all representatives of P&A, to review the audit workpapers of your previous examinations of our financial statements. As you know, the review of the said workpapers is part of their procedures to obtain sufficient competent evidential matter relating to transactions in previous years. The foregoing procedure will provide a reasonable basis for expressing their opinion on the Group's financial statements. They will be communicating with you directly to schedule the review. Please forward to P&A any access letter that you may wish us and P&A to sign.

We will highly appreciate your cooperation on this request.

Very truly yours,



Florence T. Palacio
Vice President, FAG Head



Renato A. Claravall
President and COO

cc: **Jerald M. Sanchez**
Partner, Punongbayan & Araullo



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

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

26 October 2022

Bangko Sentral ng Pilipinas

*Corner Vito Cruz and Mabini Streets
Malate, Metro Manila 1004*

Attention: **Atty. Rosilio O. Prado**

Director, Financial Supervision Department VIII

Ladies and Gentlemen:

We are notifying you that we were informed by Philippine Veterans Bank (the "Bank") in writing last 12 September 2022 of the appointment of Punongbayan & Araullo (P&A) to perform the external audit of the financial statements of the Bank and Subsidiaries (collectively the "Group") as of and for the year ending 31 December 2022.

This letter is intended solely for submission to the Bangko Sentral ng Pilipinas in compliance with the reportorial requirements regarding termination of external auditor as stated under Appendix 39 of the Manual of Regulations.

Very truly yours,

SyCip Gorres Velayo & Co.

By:

Ray Francis C. Balagtas
Partner