Security Bank Corporation and Subsidiaries

Financial Statements
December 31, 2021 and 2020
and for the Years Ended December 31, 2021,
2020 and 2019

and

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Security Bank Corporation

Report on the Consolidated and Parent Company Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 for Professional Accountants in the Philippines (the Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated and parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

Applicable to the Audit of the Consolidated and Parent Company Financial Statements

Allowance for Credit Losses on Loans and Receivables

The Group's and the Parent Company's application of the expected credit loss (ECL) model in calculating the allowance for credit losses on loans and receivables is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's and the Parent Company's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality, taking into account extension of payment terms and payment holidays provided as a result of the coronavirus pandemic; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset, expected recoveries from defaulted accounts and incorporating forward-looking information, including the impact of the coronavirus pandemic, in calculating ECL.

Allowance for credit losses on loans and receivables as of December 31, 2021 amounted to ₱18.2 billion for both the Group and the Parent Company. Provision for credit losses on loans and receivables of the Group and the Parent Company in 2020 amounted to ₱5.1 billion.

The disclosures related to the allowance for credit losses on loans and receivables are included in Note 14 of the financial statements.

Audit Response

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

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

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

We recalculated impairment provisions on a sample basis. We reviewed the disclosures made in the financial statements.

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A, and Annual Report for the year ended December 31, 2021, but does not include the consolidated and parent company financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A, and Annual Report for the year ended December 31, 2021 are 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 do not express any form of assurance conclusion thereon.

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

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

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

In preparing the consolidated and parent company 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 Consolidated and Parent Company Financial Statements

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. in Note 43 and Revenue Regulations 15-2010 in Note 42 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 Security Bank Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Juan Carlo Maminta.

SYCIP GORRES VELAYO & CO.

Juan Carlo Maminta

Juan Carlo B. Maminta
Partner
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Tax Identification No. 210-320-399
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 115260-SEC (Group A)
Valid to cover audit of 2020 to 2024 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. 08-001998-132-2020, November 27, 2020, valid until November 26, 2023
PTR No. 8854326, January 3, 2022, Makati City

February 24, 2022

SECURITY BANK CORPORATION AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION

	Consolidated		Parent Company	
	December 31			
	2021	2020	**2021**	2020
	(Amounts in Thousands)			
ASSETS				
Cash and Other Cash Items	**₱11,083,299**	₱13,310,838	**₱11,083,174**	₱13,310,713
Due from Bangko Sentral ng Pilipinas (Note 19)	**67,391,502**	47,391,378	**67,391,502**	47,391,378
Due from Other Banks (Notes 7 and 33)	**13,126,213**	10,034,045	**13,000,265**	9,459,629
Interbank Loans Receivable and Securities Purchased Under Resale Agreements with the Bangko Sentral ng Pilipinas	**29,424,643**	18,640,597	**29,424,643**	18,640,597
Financial Assets at Fair Value through Profit or Loss (Note 10)	**6,922,456**	10,748,188	**6,922,432**	10,710,211
Financial Assets at Fair Value through Other Comprehensive Income (Note 12)	**80,669,221**	68,771,607	**80,623,537**	68,738,267
Investment Securities at Amortized Cost (Note 13)	**21,836,607**	23,392,257	**21,836,607**	23,392,257
Loans and Receivables (Notes 14 and 33)	**448,583,914**	438,851,590	**448,546,342**	439,102,255
Investments in Subsidiaries and Joint Ventures (Note 15)	**1,540,247**	708,901	**3,523,221**	2,650,645
Property, Equipment, and Right-of-use Assets (Note 16)	**5,185,001**	5,517,976	**4,044,676**	4,327,641
Investment Properties (Note 17)	**1,182,810**	1,092,610	**1,181,267**	1,092,610
Deferred Tax Assets (Note 29)	**5,246,255**	7,261,871	**5,213,651**	7,189,300
Goodwill (Note 4)	**841,602**	841,602	**841,602**	841,602
Intangible Assets (Note 18)	**3,221,078**	2,721,749	**3,210,387**	2,697,250
Other Assets (Note 18)	**3,362,118**	3,565,462	**3,135,524**	3,364,380
TOTAL ASSETS	**₱699,616,966**	₱652,850,671	**₱699,978,830**	₱652,908,735
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 19 and 33)				
Demand	**₱216,470,901**	₱177,326,780	**₱216,760,077**	₱177,686,726
Savings	**110,567,289**	98,705,363	**110,921,669**	98,882,403
Time	**171,822,528**	139,688,272	**173,062,577**	140,699,614
Long-term Negotiable Certificates of Deposit	**24,728,573**	24,690,165	**24,728,573**	24,690,165
	523,589,291	440,410,580	**525,472,896**	441,958,908
Financial Liabilities at Fair Value through Profit or Loss (Note 20)	**1,285,386**	1,098,381	**1,285,386**	1,098,381
Bills Payable and Securities Sold Under Repurchase Agreements (Note 21)	**3,464,424**	21,084,361	**3,367,757**	20,834,361
Acceptances Payable	**1,001,505**	437,948	**1,001,505**	437,948
Margin Deposits and Cash Letters of Credit	**40,182**	61,770	**40,182**	61,770
Manager's and Certified Checks Outstanding	**4,221,372**	3,862,905	**4,221,372**	3,862,905
Income Tax Payable (Note 29)	**85,797**	61,495	**65,804**	47,838
Notes and Bonds Payable (Note 22)	**28,721,313**	45,710,678	**28,721,313**	45,710,678
Accrued Interest, Taxes and Other Expenses (Note 24)	**2,896,511**	3,745,825	**2,831,925**	3,712,556
Other Liabilities (Note 25)	**9,241,665**	13,070,694	**7,904,462**	11,900,276
TOTAL LIABILITIES	**574,547,446**	529,544,637	**574,912,602**	529,625,621
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Capital stock (Note 27)	**7,635,389**	7,635,389	**7,635,389**	7,635,389
Additional paid-in capital (Note 27)	**38,524,323**	38,524,323	**38,551,028**	38,551,028
Surplus (Note 27)	**80,852,471**	75,787,131	**80,830,627**	75,743,754
Net unrealized gain (loss) on financial assets at fair value through other comprehensive income (Note 12)	**(2,043,212)**	2,022,546	**(2,051,365)**	2,016,298
Net unrealized gain on subsidiaries' financial assets at fair value through other comprehensive income (Notes 12 and 15)	**8,153**	6,074	**8,153**	6,074
Cumulative foreign currency translation	**92,396**	(669,429)	**92,396**	(669,429)
TOTAL EQUITY	**125,069,520**	123,306,034	**125,066,228**	123,283,114
TOTAL LIABILITIES AND EQUITY	**₱699,616,966**	₱652,850,671	**₱699,978,830**	₱652,908,735

See accompanying Notes to Financial Statements.

SECURITY BANK CORPORATION AND SUBSIDIARIES
STATEMENTS OF INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	**2021**	2020	2019
	(Amounts in Thousands, Except Earnings per Share)					
INTEREST INCOME ON						
Loans and receivables (Notes 14 and 33)	**₱28,061,190**	₱34,030,875	₱33,633,356	**₱28,102,761**	₱32,737,112	₱32,439,281
Financial assets at fair value through other comprehensive income and investment securities at amortized cost (Note 8)	**3,246,691**	3,558,691	9,243,972	**3,246,691**	3,558,691	9,243,972
Financial assets at fair value through profit or loss (Note 8)	**662,867**	2,303,291	978,101	**662,802**	2,303,291	978,101
Deposits with banks and others (Note 7)	**612,274**	54,267	67,824	**609,957**	50,647	60,790
Interbank loans receivable and securities purchased under resale agreements with the Bangko Sentral ng Pilipinas	**320,457**	405,828	280,295	**320,457**	354,641	280,295
	32,903,479	40,352,952	44,203,548	**32,942,668**	39,004,382	43,002,439
INTEREST EXPENSE ON						
Deposit liabilities (Notes 19 and 33)	**2,940,798**	5,185,516	10,528,259	**2,947,809**	5,197,391	10,570,376
Subordinated note, bills payable, securities sold under repurchase agreements, notes payable, and other borrowings (Note 21)	**2,073,650**	3,360,800	5,881,455	**2,066,825**	3,126,401	5,719,585
Derivative instruments (Note 20)	**348,849**	466,680	799,447	**348,849**	466,680	799,447
Lease liabilities (Note 16)	**83,974**	139,778	128,899	**83,974**	139,452	128,362
Derivatives designated as hedges (Note 11)	**–**	550,276	21,837	**–**	550,276	21,837
	5,447,271	9,703,050	17,359,897	**5,447,457**	9,480,200	17,239,607
NET INTEREST INCOME	**27,456,208**	30,649,902	26,843,651	**27,495,211**	29,524,182	25,762,832
Service charges, fees and commissions (Note 31)	**4,530,855**	3,632,251	4,084,055	**4,028,404**	3,274,594	3,577,871
Profit from assets sold/exchanged (Notes 17 and 18)	**1,390,922**	281,636	20,822	**1,390,922**	281,636	21,644
Trading and securities gain - net (Note 9)	**1,091,728**	11,104,578	1,538,150	**1,090,082**	11,097,745	1,536,955
Rent (Notes 17, 33 and 34)	**570,156**	516,104	529,292	**42,743**	30,407	34,223
Foreign exchange gain - net (Note 6)	**170,261**	437,241	423,912	**169,521**	437,478	424,110
Share in net income (loss) of subsidiaries and joint ventures (Note 15)	**81,346**	(194,980)	23,799	**177,963**	(786,992)	174,946
Gain on disposal/redemption of investment securities at amortized cost (Note 13)	**66,028**	2,252,662	–	**66,028**	2,252,662	–
Miscellaneous (Note 32)	**1,453,069**	1,693,200	485,009	**1,402,718**	1,466,715	416,040
TOTAL OPERATING INCOME	**36,810,573**	50,372,594	33,948,690	**35,863,592**	47,578,427	31,948,621
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 30 and 33)	**6,922,432**	6,404,272	5,581,128	**6,826,843**	6,293,496	5,455,817
Provision for credit losses (Note 14)	**5,280,537**	26,383,042	4,174,274	**5,285,966**	24,574,507	3,368,528
Taxes and licenses	**3,301,844**	3,341,112	3,183,996	**3,278,277**	3,199,099	3,042,567
Depreciation and amortization (Note 16)	**2,173,089**	2,009,962	1,867,239	**1,665,270**	1,519,157	1,425,232
Occupancy costs (Notes 17, 33 and 34)	**375,433**	352,836	364,578	**373,842**	341,501	349,469
Amortization of software costs (Note 18)	**362,322**	309,430	259,974	**361,734**	308,746	258,891
Provision for (recovery of) impairment losses (Note 17)	**(15,153)**	35,150	8,813	**(14,653)**	35,150	8,813
Miscellaneous (Notes 29 and 32)	**8,148,489**	7,283,465	6,093,197	**7,861,672**	6,987,220	5,582,780
TOTAL OPERATING EXPENSES	**26,548,993**	46,119,269	21,533,199	**25,638,951**	43,258,876	19,492,097
INCOME BEFORE INCOME TAX	**10,261,580**	4,253,325	12,415,491	**10,224,641**	4,319,551	12,456,524
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 29)	**3,344,610**	(3,178,931)	2,313,384	**3,286,138**	(2,927,877)	2,310,578
NET INCOME	**₱6,916,970**	₱7,432,256	₱10,102,107	**₱6,938,503**	₱7,247,428	₱10,145,946

ATTRIBUTABLE TO:			
Equity holders of the Parent Company (Notes 27 and 37)	**₱6,916,970**	₱7,432,256	₱10,101,732
Non-controlling interest	**–**	–	375
NET INCOME	**₱6,916,970**	₱7,432,256	₱10,102,107
Basic/Diluted Earnings Per Share (Note 37)	**₱9.17**	₱9.86	₱13.40

See accompanying Notes to Financial Statements.

SECURITY BANK CORPORATION AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	**2021**	2020	2019
	(Amounts in Thousands)					
NET INCOME FOR THE YEAR	**₱6,916,970**	₱7,432,256	₱10,102,107	**₱6,938,503**	₱7,247,428	₱10,145,946
OTHER COMPREHENSIVE INCOME (LOSS)						
Other Comprehensive Income (Loss) to be Reclassified to Profit or Loss in Subsequent Periods:						
Cumulative translation adjustments	**761,825**	(615,731)	(36,012)	**761,825**	(615,731)	(36,012)
Change in net unrealized gain (loss) on debt instruments at fair value through other comprehensive income (Note 12)	**(4,091,585)**	1,128,283	1,305,867	**(4,091,585)**	1,128,283	1,310,753
	(3,329,760)	512,552	1,269,855	**(3,329,760)**	512,552	1,274,741
Other Comprehensive Income (Loss) not to be Reclassified to Profit or Loss in Subsequent Periods:						
Remeasurement gains (losses) on defined benefit plans (Notes 15, 27 and 30)	**413,246**	(645,329)	(277,720)	**413,246**	(645,329)	(277,725)
Revaluation gains (losses) on equity instruments at fair value through other comprehensive income (Note 12)	**27,906**	(7,839)	16,995	**26,001**	(2,658)	12,108
	441,152	(653,168)	(260,725)	**439,247**	(647,987)	(265,617)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**(2,888,608)**	(140,616)	1,009,130	**(2,890,513)**	(135,435)	1,009,124
TOTAL COMPREHENSIVE INCOME	**₱4,028,362**	₱7,291,640	₱11,111,237	**₱4,047,990**	₱7,111,993	₱11,155,070

ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**₱4,028,362**	₱7,291,640	₱11,110,862
Non-controlling interest	**–**	–	375
	₱4,028,362	₱7,291,640	₱11,111,237

See accompanying Notes to Financial Statements.

SECURITY BANK CORPORATION AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY

	Consolidated								
	Years Ended December 31, 2021, 2020 and 2019								
	Equity Attributable to Equity Holders of the Parent Company								
	Capital Stock (Note 27)	Additional Paid-in Capital (Note 27)	Surplus (Note 27)	Net Unrealized Gain on Financial Assets at Fair Value through Other Comprehensive Income (Note 12)	Net Unrealized Gain on Subsidiaries' Financial Assets at Fair Value through Other Comprehensive Income (Note 12)	Cumulative Foreign Currency Translation	Total	Non-controlling Interest	Total Equity
Balance at January 1, 2021	**₱7,635,389**	**₱38,524,323**	**₱75,787,131**	**₱2,022,546**	**₱6,074**	**(₱669,429)**	**₱123,306,034**	**₱–**	**₱123,306,034**
Total comprehensive income for the year	**–**	**–**	**7,330,216**	**(4,065,758)**	**2,079**	**761,825**	**4,028,362**	**–**	**4,028,362**
Declaration of cash dividends (Note 27)	**–**	**–**	**(2,264,876)**	**–**	**–**	**–**	**(2,264,876)**	**–**	**(2,264,876)**
Balance at December 31, 2021	**₱7,635,389**	**₱38,524,323**	**₱80,852,471**	**(₱2,043,212)**	**₱8,153**	**₱92,396**	**₱125,069,520**	**₱–**	**₱125,069,520**
Balance at January 1, 2020	₱7,635,389	₱38,524,323	₱71,265,080	₱893,196	₱14,980	(₱53,698)	₱118,279,270	₱6,956	₱118,286,226
Total comprehensive income for the year	–	–	6,786,927	1,129,350	(8,906)	(615,731)	7,291,640	–	7,291,640
Deconsolidation of a subsidiary (Note 38)	–	–	–	–	–	–	–	(6,956)	(6,956)
Declaration of cash dividends (Note 27)	–	–	(2,264,876)	–	–	–	(2,264,876)	–	(2,264,876)
Balance at December 31, 2020	₱7,635,389	₱38,524,323	₱75,787,131	₱2,022,546	₱6,074	(₱669,429)	₱123,306,034	₱–	₱123,306,034
Balance at January 1, 2019	₱7,635,389	₱38,524,323	₱63,705,944	(₱429,428)	₱14,742	(₱17,686)	₱109,433,284	₱6,581	₱109,439,865
Total comprehensive income for the period	–	–	9,824,012	1,322,624	238	(36,012)	11,110,862	375	11,111,237
Declaration of cash dividends (Note 27)	–	–	(2,264,876)	–	–	–	(2,264,876)	–	(2,264,876)
Balance at December 31, 2019	₱7,635,389	₱38,524,323	₱71,265,080	₱893,196	₱14,980	(₱53,698)	₱118,279,270	₱6,956	₱118,286,226

See accompanying Notes to Financial Statements.

Parent Company

Years Ended December 31, 2021, 2020 and 2019

	Capital Stock (Note 27)	Additional Paid-in Capital (Note 27)	Surplus (Note 27)	Net Unrealized Gain on Financial Assets at Fair Value through Other Comprehensive Income (Note 12)	Net Unrealized Gain on Subsidiaries' Financial Assets at Fair Value through Other Comprehensive Income (Note 12)	Cumulative Foreign Currency Translation	Total Equity
Balance at January 1, 2021	**₱7,635,389**	**₱38,551,028**	**₱75,743,754**	**₱2,016,298**	**₱6,074**	**(₱669,429)**	**₱123,283,114**
Total comprehensive income for the year	**–**	**–**	**7,351,749**	**(4,067,663)**	**2,079**	**761,825**	**4,047,990**
Declaration of cash dividends	**–**	**–**	**(2,264,876)**	**–**	**–**	**–**	**(2,264,876)**
Balance at December 31, 2021	**₱7,635,389**	**₱38,551,028**	**₱80,830,627**	**(₱2,051,365)**	**₱8,153**	**₱92,396**	**₱125,066,228**
Balance at January 1, 2020,	₱7,635,389	₱38,551,028	₱71,406,531	₱888,015	₱8,732	(₱53,698)	₱118,435,997
Total comprehensive income for the year	–	–	6,602,099	1,128,283	(2,658)	(615,731)	7,111,993
Declaration of cash dividends	–	–	(2,264,876)	–	–	–	(2,264,876)
Balance at December 31, 2020	₱7,635,389	₱38,551,028	₱75,743,754	₱2,016,298	₱6,074	(₱669,429)	₱123,283,114
Balance at January 1, 2019	₱7,635,389	₱38,551,028	₱63,803,186	(₱434,608)	₱8,494	(₱17,685)	₱109,545,804
Total comprehensive income for the year	–	–	9,868,221	1,322,623	238	(36,012)	11,155,070
Declaration of cash dividends	–	–	(2,264,876)	–	–	–	(2,264,876)
Balance at December 31, 2019	₱7,635,389	₱38,551,028	₱71,406,531	₱888,015	₱8,732	(₱53,697)	₱118,435,998

See accompanying Notes to Financial Statements.

SECURITY BANK CORPORATION AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	**2021**	2020	2019
	(Amounts in Thousands)					
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	**₱10,261,580**	₱4,253,325	₱12,415,491	**₱10,224,641**	₱4,319,551	₱12,456,524
Adjustments for:						
Provision for credit losses (Note 14)	**5,280,537**	26,383,042	4,174,274	**5,285,966**	24,574,507	3,368,528
Depreciation and amortization (Note 16)	**2,173,089**	2,009,962	1,867,239	**1,665,270**	1,519,157	1,425,232
Profit from assets sold/exchanged (Notes 17 and 18)	**(1,390,922)**	(281,636)	(20,822)	**(1,390,922)**	(281,636)	(21,644)
Gain on disposal of financial assets at FVTOCI (Note 9)	**(1,233,901)**	(967,143)	(1,138,116)	**(1,233,901)**	(967,143)	(1,138,116)
Amortization of premium on financial assets at fair value through other comprehensive income and investment securities at amortized cost (Note 12 and 13)	**884,568**	422,391	841,988	**884,568**	422,391	841,988
Amortization of software costs (Note 18)	**362,322**	309,430	259,974	**361,734**	308,746	258,891
Amortization of transaction costs on LTNCD, notes payable and subordinated note (Notes 19, 22 and 23)	**138,597**	160,265	148,031	**138,597**	160,265	148,031
Hedge ineffectiveness (Note 11)	–	2,825,647	2,692	–	2,825,647	2,692
Share in net income (loss) of subsidiaries and joint ventures (Note 15)	**(81,346)**	194,980	(23,799)	**(177,963)**	786,992	(174,946)
Unrealized market valuation gain on financial instruments at fair value through profit or loss (Notes 10 and 20)	**(75,901)**	(494,194)	(67,805)	**(83,889)**	(494,194)	(67,805)
Gain (loss) on disposal/redemption of investment securities at amortized cost (Note 13)	**66,028**	(2,252,662)	–	**66,028**	(2,252,662)	–
Provision for (recovery of) impairment losses (Note 16,17 and 18)	**(15,153)**	35,150	8,813	**(14,653)**	35,150	8,813
Gain on disposal of investment in Subsidiary (Note 32)	–	(933,108)	–	–	(933,108)	–
Changes in operating assets and liabilities:						
Decrease (increase) in the amounts of:						
Loans and receivables (Note 14)	**(16,105,533)**	(15,028,115)	(43,864,593)	**(15,874,741)**	(13,180,897)	(39,802,860)
Financial assets at FVTPL (Note 10)	**4,088,638**	132,310,262	(518,475)	**4,050,685**	130,755,578	1,074,159
Interbank loans receivable and SPURA	**1,045,041**	6,700	(1,051,581)	**1,045,041**	6,700	(1,051,581)
Due from other banks	**3,358**	(56,276)	(2,979)	**993**	618	3,018
Other assets	**(226,047)**	5,540,994	(5,799,143)	**(184,222)**	5,615,772	(5,760,328)
Increase (decrease) in the amounts of:						
Deposit liabilities (Note 19)	**83,140,303**	(61,280,213)	12,391,581	**83,475,580**	(60,698,775)	11,627,219
Accrued interest, taxes and other expenses (Note 24)	**(849,314)**	(881,564)	(655,042)	**(880,631)**	(805,270)	(737,632)
Acceptances payable	**563,557**	(53,969)	(126,914)	**563,557**	(53,969)	(126,914)
Manager's and certified checks outstanding	**358,467**	(257,858)	845,010	**358,467**	(257,858)	845,010
Margin deposits and cash letters of credit	**(21,588)**	(858,963)	(17,926)	**(21,588)**	(858,963)	(17,926)
Other liabilities (Note 25)	**(2,686,346)**	(252,655)	650,595	**(2,853,131)**	(433,884)	984,561
Net cash generated from (used in) operations	**85,680,034**	90,853,792	(19,681,507)	**85,405,486**	90,112,715	(15,855,086)
Income taxes paid	**(1,288,379)**	(2,471,302)	(2,537,758)	**(1,258,589)**	(2,315,587)	(2,433,657)
Net cash provided by (used in) operating activities	**84,391,655**	88,382,490	(22,219,265)	**84,146,897**	87,797,128	(18,288,743)

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	**2021**	2020	2019
	(Amounts in Thousands)					
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of:						
Financial assets at FVTOCI	**(₱128,202,460)**	(₱233,252,469)	(₱176,088,368)	**(₱128,202,460)**	(₱233,252,469)	(₱176,088,367)
Investment securities at amortized cost	**(4,056,173)**	–	(691,384)	**(4,056,173)**	–	(691,384)
Property and equipment (Note 16)	**(1,902,489)**	(1,503,659)	(1,148,671)	**(1,346,186)**	(1,122,887)	(632,929)
Software costs (Note 18)	**(861,651)**	(389,452)	(558,666)	**(874,871)**	(389,306)	(558,264)
Investment in joint ventures (Note 15)	**(750,000)**	–	–	**(750,000)**	–	–
Proceeds from:						
Disposals or maturities of financial assets at FVTOCI	**114,116,186**	188,352,808	188,795,389	**114,116,186**	188,352,808	188,795,389
Disposals of investment in subsidiary (Note 15)	–	1,249,663	–	–	1,528,762	–
Disposals of investment properties and chattel mortgages	**2,515,051**	387,109	536,229	**2,515,051**	390,625	537,051
Disposals, redemptions or maturities of investment securities at amortized cost	**6,075,674**	27,429,515	623,680	**6,075,674**	27,429,515	623,680
Disposals of property and equipment	**241,151**	28,276	52,645	**164,145**	48,720	14,281
Dividends received from subsidiaries (Note 15)	–	–	–	**63,375**	–	19,204
Net cash provided by (used in) investing activities	**(12,824,711)**	(17,698,209)	11,520,854	**(12,295,259)**	(17,014,231)	12,018,661
CASH FLOWS FROM FINANCING ACTIVITIES						
Settlements of:						
Bills payable and securities sold under repurchase agreements (Note 39)	**(25,188,717)**	(416,836,019)	(4,366,722,703)	**(25,005,384)**	(417,100,758)	(4,360,641,703)
Notes and bonds payable (Note 39)	**(18,000,000)**	(15,411,983)	–	**(18,000,000)**	(15,411,983)	–
Proceeds from:						
Bills payable and securities sold under repurchase agreements (Note 39)	**7,034,386**	348,065,479	4,363,848,087	**7,004,386**	347,826,479	4,353,308,127
Issuance of LTNCD (Note 19)	–	2,053,422	8,296,409	–	2,053,422	8,296,409
Issuance of notes and bonds payable (Note 22)	–	13,388,800	17,839,206	–	13,388,800	17,839,206
Maturity of LTNCD	–	–	(10,000,000)	–	–	(10,000,000)
Payment of subordinated note	–	–	(10,000,000)	–	–	(10,000,000)
Cash dividends paid (Note 27)	**(2,262,765)**	(2,262,554)	(2,266,561)	**(2,262,765)**	(2,267,179)	(2,266,581)
Payments of lease liabilities	**(731,547)**	(573,852)	(613,570)	**(731,547)**	(573,852)	(610,909)
Net cash provided by (used in) financing activities	**(39,148,643)**	(71,576,707)	380,868	**(38,995,310)**	(72,085,071)	(4,075,451)
Effect of exchange rate differences	**272,998**	13,941,324	844,201	**283,439**	13,940,787	844,202
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**32,691,299**	13,048,898	(9,473,342)	**33,139,767**	12,638,613	(9,501,331)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**13,310,838**	9,883,536	11,926,373	**13,310,713**	9,883,511	11,926,348
Due from Bangko Sentral ng Pilipinas	**47,391,378**	56,118,831	63,605,386	**47,391,378**	56,118,831	63,605,386
Due from other banks	**10,034,045**	9,275,093	9,017,042	**9,459,629**	9,110,862	8,880,800
Interbank loans receivable and securities purchased under resale agreements with the Bangko Sentral ng Pilipinas	**17,598,097**	8,000	210,001	**17,598,097**	8,000	210,001
	88,334,358	75,285,460	84,758,802	**87,759,817**	75,121,204	84,622,535

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2021	2020	2019	**2021**	2020	2019
	(Amounts in Thousands)					
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**₱11,083,299**	₱13,310,838	₱9,883,536	**₱11,083,174**	₱13,310,713	₱9,883,511
Due from Bangko Sentral ng Pilipinas	**67,391,502**	47,391,378	56,118,831	**67,391,502**	47,391,378	56,118,831
Due from other banks	**13,126,213**	10,034,045	9,275,093	**13,000,265**	9,459,629	9,110,862
Interbank loans receivable and securities purchased under resale agreements with the Bangko Sentral ng Pilipinas	**29,424,643**	17,598,097	8,000	**29,424,643**	17,598,097	8,000
	₱121,025,657	₱88,334,358	₱75,285,460	**₱120,899,584**	₱87,759,817	₱75,121,204
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest received	**₱33,830,932**	₱42,729,771	₱44,601,672	**₱29,404,454**	₱41,388,712	₱43,345,764
Interest paid	**5,354,030**	11,518,385	17,875,342	**5,353,559**	9,335,653	17,767,296
Dividends received	**3,344**	9,585	3,335	**3,344**	9,585	3,335

See accompanying Notes to Financial Statements.

1. Corporate Information

Security Bank Corporation (the Parent Company) is a domestic corporation registered with the Securities and Exchange Commission (SEC) in 1951 and was listed in the Philippine Stock Exchange (PSE) in 1995. The Parent Company's head office is located at Security Bank Centre, 6776 Ayala Avenue, Makati City.

The Parent Company was incorporated on May 8, 1951 and started its operations as a commercial bank on June 18, 1951. On May 30, 2000, the Board of Directors (BOD) of the Parent Company approved its Amended Articles of Incorporation to extend the corporate term of the Parent Company, which would have expired on May 8, 2001, for another 50 years. On February 19, 2001, the SEC approved such amendment.

In 1994, it was approved by the Bangko Sentral ng Pilipinas (BSP) to operate as a universal bank, allowing it to expand its financial services and revenue sources.

The Parent Company provides expanded commercial banking services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury, foreign exchange and trust services. In addition, the Parent Company is licensed to engage in financial derivatives to service the requirements of its customers and as a means of reducing and managing the Parent Company's foreign exchange and interest rate exposures.

The Parent Company and its subsidiaries and joint ventures (collectively referred to as the "Group"), which are all incorporated in the Philippines, are engaged in the following businesses:

			Effective Percentage of Ownership	
Subsidiaries and Joint Ventures	Principal place of business	Line of Business	**December 31, 2021**	December 31, 2020
SB Capital Investment Corporation (SBCIC)	18th floor, Security Bank Centre, 6776 Ayala Avenue, Makati City	Investment house	**100.00**	100.00
SB Equities, Inc. (SBEI)	18th floor, Security Bank Centre, 6776 Ayala Avenue, Makati City	Stock brokerage	**100.00**	100.00
SB International Services, Inc. (SISI) (for dissolution)	17th floor, Security Bank Centre, 6776 Ayala Avenue, Makati City	Marketing services	**100.00**	100.00
SB Rental Corporation (SBRC)	11th floor, Pacific Star Building, Sen. Gil Puyat Ave. corner Makati Ave. Makati City	Rental / leasing	**100.00**	100.00
SB Cards Corporation (SBCC) (non-operating)	Diners Club Center , 114 Valero St. Salcedo Village, Makati City	Credit card operations	**100.00**	100.00
Security Finance and Leasing Inc. (formerly Landlink Property Investments (SPV-AMC), Inc. (LPII))	Security Bank Centre, 6776 Ayala Avenue, Makati City	Financing	**100.00**	100.00
SB Forex, Incorporated (SBFI) (for dissolution)	Security Bank Centre, 6776 Ayala Avenue, Makati City	Foreign exchange services	**100.00**	100.00
SBM Leasing, Inc. (SBML)	11th floor, Pacific Star Building, Sen. Gil Puyat Ave. corner Makati Ave. Makati City	Financing	**60.00**	60.00
SB Finance Company, Inc. (SBFCI) (formerly Security Bank Savings Corporation (SBS)	Keyland Arnaiz Building, 849 Antonio Arnaiz Avenue, Legaspi Village, Makati City 1229	Financing	**49.76**	49.75

The Parent Company is the Ultimate Parent Company of the Group.

On October 20, 2020, after obtaining regulatory approvals in the Philippines and in Thailand, the Parent Company completed the sale of 50% outstanding shares of SBFCI shares to The Bank of Ayudhya Public Company Ltd. (Krungsri). Accordingly, SBFCI ceased to be a subsidiary of the Parent Company. The financial statements of SBFCI were deconsolidated from the consolidated financial statements of the Group (see Note 38).

On February 23, 2021, the Parent Company's BOD approved an additional capital infusion amounting to ₱1.5 billion. Krungsri also approved an additional capital infusion to SBFCI amounting to ₱1.5 billion for a total of ₱3.0 billion. SBFCI will issue 25,850,000 common shares which is subscribed on a 50:50 basis by the Parent Company and Krungsri upon receipt of requisite regulatory approvals.

On May 21, 2021, SBFCI obtained the first tranche of capital infusion from the Parent Company and Krungsri amounting to ₱1.5 billion. SBFCI issued 850,000 common shares with par value of P100 per share for ₱500.0 million from its remaining unissued common shares..

The remaining ₱1.0 billion from the first tranche represents subscription payments required by the SEC for SBFCI's application to increase its authorized capital stock for an additional 25,000,000 common shares. This was approved by the SEC on December 29, 2021 and accordingly, SBFCI issued the corresponding 10,000,000 common shares corresponding to the ₱1.0 billion subscription payment.

On January 18, 2022, SBFCI obtained the second tranche of capital infusion from the Parent Company and Krungsri amounting to ₱1.5 billion (Note 40). Accordingly, SBFCI issued the remaining 15,000,000 common shares.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements include the financial statements of the Parent Company and its subsidiaries.

The accompanying financial statements have been prepared on a historical cost basis except for financial assets and financial liabilities at Fair Value through Profit or Loss (FVTPL), financial assets at Fair Value through Other Comprehensive Income (FVTOCI) and derivative assets and liabilities designated as hedges that have been measured at fair value. The carrying values of recognized loans and receivables and investment securities at amortized cost that are hedged items in fair value hedges, and otherwise carried at amortized cost, are adjusted to record changes in fair value attributable to the risks that are being hedged. The financial statements are presented in Philippine Peso and all values are rounded to the nearest thousand peso (₱000) except when otherwise indicated.

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

The consolidated financial statements provide comparative information in respect of the previous period.

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 each of the Parent Company's subsidiaries is the Philippine Peso.

Statement of Compliance
The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation
The consolidated financial statements of the Group are prepared for the same reporting period as the subsidiaries, using consistent accounting policies.

Control is achieved when the Group 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. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group 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 Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies used in line with those used by the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interests;

- derecognizes the cumulative translation differences recorded in equity;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss; and
- reclassifies the Parent Company's share of components' gains (losses) previously recognized in OCI to profit or loss or surplus, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Non-controlling Interest

Non-controlling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Parent Company.

Non-controlling interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from equity attributable to the Parent Company. Any losses applicable to the non-controlling interests are allocated against the interests 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 transactions, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognized as an equity transaction and attributed to the owners of the Parent Company.

Changes in Accounting Policies

Except for these new and amended standards which were adopted as of January 1, 2021, the accounting policies adopted are consistent with those of previous financial year.

The adoption of the following amendments did not have a significant impact on the consolidated financial statements of the Group:

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*
- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Fair Value Measurement

For measurement and disclosure purposes, the Group determines the fair value of an asset or liability at initial measurement or at each statement of financial position date.

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 the asset or liability measured at fair value has a bid and 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.

External appraisers are involved for valuation of significant non-financial assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are 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 (see Note 6).

<u>Financial Instruments - Initial Recognition and Subsequent Measurement</u>
Date of recognition
Regular way purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market, except for derivatives, are recognized on the settlement date. Settlement date is the date on which the transaction is settled by delivery of the assets that are the subject of the agreement. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Group, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Group. Deposits, amounts due to banks and customers, loans and receivables and spot transactions are recognized when cash is received by the Group or advanced to the borrowers.

Derivatives are recognized on trade date - the date that the Group becomes a party to the contractual provisions of the instrument. Trade date accounting refers to (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Initial recognition of financial instruments
All financial assets and financial liabilities are recognized initially at fair value plus any directly attributable cost of acquisition or issue, except in the case of financial assets and financial liabilities at FVTPL.

'Day 1' difference
Where the transaction price is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group immediately recognizes the difference between the transaction price and the fair value of the instrument (a 'Day 1' difference) in the statement of income unless it qualifies for recognition as some other type of asset or liability. In cases where data used is not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

<u>Classification and Measurement of Financial Assets</u>
For purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' from the point of view of the issuer (under PAS 32, *Financial Instruments: Presentation*), except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial instruments are 'debt instruments'.

Business model assessment
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

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

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

The solely payments of principal and interest (SPPI) test
As a second step of its classification process the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

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

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

Debt financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as 'Interest income' in the statement of income. The Group classified 'Cash and other cash items (COCI)', 'Due from BSP', 'Due from other banks', 'Interbank loans receivable and Securities purchased under resale agreements (SPURA) with the BSP', 'Investment securities at amortized cost', 'Loans and receivables', and cash collateral deposits and security deposits (included under 'Other assets') as financial assets at amortized cost.

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

Financial assets at FVTPL
Debt financial assets that do not meet the amortized cost criteria, or that meet the criteria but the Group has chosen to designate as at FVTPL at initial recognition, are measured at fair value through profit or loss.

Equity investments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at FVTOCI at initial recognition.

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

The Group's financial assets at FVTPL include government securities, private bonds and equity securities held for trading purposes, debt and hybrid instruments that do not meet the amortized cost criteria, and equity investments not designated as at FVTOCI.

As of December 31, 2021 and 2020, the Group has not designated any debt instrument that meets the amortized cost criteria as at FVTPL.

Financial assets at FVTPL are carried at fair value and gains and losses on these instruments are recognized as 'Trading and securities gain - net' in the statement of income. Interest earned on these investments is reported in the statement of income under 'Interest income' while dividend income is reported in the statement of income under 'Miscellaneous income' when the right of payment has been established. Quoted market prices, when available, are used to determine the fair value of these financial instruments. If a financial asset at FVTPL has a bid and 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. If quoted market prices are not available, their fair values are estimated based on market observable inputs. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques.

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

Equity instruments at FVTOCI
At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading.

Equity investments as at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for sale or disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in 'Net unrealized gain on financial assets at FVTOCI' in the statement of financial position. Where the asset is disposed of, the cumulative gain or loss previously recognized in 'Net unrealized gain on financial assets at FVTOCI' is not reclassified to profit or loss, but is reclassified to 'Surplus'. Equity instruments at FVTOCI are not subject to an impairment assessment.

As of December 31, 2021 and 2020, the Group has designated certain equity instruments that are not held for trading as at FVTOCI on initial application of PFRS 9 (see Note 12).

Dividends earned on holding these equity instruments are recognized in the statement of income when the Group's right to receive the dividends is established in accordance with PFRS 9, unless the dividends clearly represent recovery of a part of the cost of the investment. Dividends earned are recognized under 'Miscellaneous income' in the statement of income.

Debt instruments at FVTOCI
The Group applies the new category under PFRS 9 of debt instruments measured at FVTOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

Debt instruments at FVTOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

Derivative instruments
The Parent Company uses derivative instruments such as cross-currency swaps, interest rate swaps, foreign currency forward contracts, options on foreign currencies and bonds and interest rate futures. These derivatives are entered into as a service to customers and as a means for reducing or managing the Parent Company's respective foreign exchange and interest rate exposures, as well as for trading purposes. Such derivative instruments are initially recorded at fair value and carried as financial assets at FVTPL when their fair value is positive and as financial liabilities at FVTPL when their fair value is negative.

Any gains or losses arising from changes in fair value of derivative instruments (except for foreign currency forwards) are recognized as 'Trading and securities gain - net'. For foreign currency forwards, changes in fair value are recognized in 'Foreign exchange gain - net' in the statement of income.

Interest income is recognized in the statement of income if the "receive leg" is higher than the "pay leg" of interest-earning derivatives. Interest expense is recognized in the statement of income if the "pay leg" is higher than the "receive leg" of interest-bearing derivatives.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of PFRS 9 (e.g., financial liabilities and non-financial host contracts) are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

The Group assesses the existence of an embedded derivative on the date it first becomes a party to the contract, and performs re-assessment only where there is a change to the contract that significantly modifies the contractual cash flows.

As of December 31, 2021 and 2020, the Parent Company's hybrid financial instruments are classified as at FVTPL (see Note 10).

Reclassification of financial assets
The Group can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Group is required to reclassify the following financial assets:

- from amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met; and
- from FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual cash flows meet the amortized cost criteria; and
- from FVTOCI to amortized cost if the objective of the business model changes so that the fair value criteria are no longer met but the amortized cost criteria are still met and the instrument's contractual cash flows meet the amortized cost criteria.

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

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

Impairment of Financial Assets
The Group and the Parent Company record the allowance for expected credit losses for all loans and receivables and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, all referred to as ‘financial instruments’. Equity instruments are not subject to impairment under PFRS 9.

Expected Credit Loss (ECL) represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

Staging assessment
A three-stage approach for impairment of financial assets is used, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized.

For non-credit-impaired financial instruments:
- Stage 1 is comprised of all financial instruments which have not experienced a SICR since initial recognition or is considered of low credit risk as of the reporting date. The criteria for determining whether an account should be assessed under Stage 1 are as follows: (i) current or past due up to 30 days; (ii) unclassified or high risk grade especially mentioned accounts; or (iii) no significant increase in the probability of default (PD). For the wholesale loans, stage 1 criteria (i), (ii), and (iii) are considered; while for the retail loans, stage 1 criteria (i), and (ii) are used. The Group recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all financial instruments which have experienced a SICR as of reporting date compared to initial recognition. A SICR is generally deemed present in accounts with: (i) more than 30 days up to 90 days past due; (ii) low to medium risk grade loans that are especially mentioned or substandard; or (iii) with significant increase in PD. For the wholesale loans, stage 2 criteria (i), (ii), and (iii) are considered; while for the retail loans, only stage 2 criteria (i) and (iii) are used. The Group recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:
- Stage 3 is comprised of all financial assets that have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The Group’s criteria for Stage 3 accounts are generally aligned with the definition of “default” which is explained in the next paragraph. The Group recognizes a lifetime ECL for Stage 3 financial instruments.

Definition of “default” and “restored”
The Group classifies loans, investments, receivables, or any financial asset as in default when it is credit impaired, becomes past due on its contractual payments for more than 90 days, considered non-performing, under litigation or is classified as doubtful or loss. As part of a qualitative assessment of whether a customer is in default, the Group considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default

(i.e., restored) if there is sufficient evidence to support that full collection is probable and payments are received for at least six months.

Credit risk at initial recognition
The Group uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.

For accounts originated before the transition date, an approximation of the initial PD at origination was utilized. Average PD per portfolio was used as approximated initial PD at origination. Average of the Point-in-Time PDs was used since most of the accounts were booked in the same year.

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

Significant increase in credit risk
The assessment of whether there has been a significant increase in credit risk is based on an increase in the probability of a default occurring since initial recognition. The SICR criteria vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses.

For exposures without internal credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower except as provided by law. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL

ECL parameters and methodologies
ECL is a function of the probability of default (PD), loss given default (LGD) and exposure at default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD is an estimate of the likelihood of default over a 12-month horizon for Stage 1 or lifetime horizon for Stages 2 and 3. The PD for each individual instrument is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Group segments its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It makes use of defaulted accounts that have either been identified as cured, restructured, or liquidated.

The Group segmented its LGD based on homogenous risk characteristics and calculated the corresponding averages based on security.

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.

Forward-looking information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as GDP growth, exchange rate, interest rate, inflation rate and other economic indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The key forward-looking economic variables used in each of the economic scenarios for the ECL calculations are GDP growth, household expenditure, PSE all shares index, and interest rate benchmark for 3 months.

Debt instruments measured at FVTOCI
The ECLs for debt instruments measured at FVTOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets are measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of the assets.

*Consumer loans and credit card receivab*les
The Group does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Group's expectations of the customer behaviour, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Group's expectations, the period over which the Group calculates ECLs for these products is based on the remaining term.

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 as past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur.

<u>Financial Liabilities</u>
Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

Financial liabilities held for trading include:

- derivative liabilities that are not accounted for as hedging instruments;
- obligations to deliver financial assets borrowed by a short seller (i.e., an entity that sells financial assets it has borrowed and does not yet own);

- financial liabilities that are incurred with an intention to repurchase them in the near term (e.g., a quoted debt instrument that the issuer may buy back in the near term depending on changes in its fair value); and
- financial liabilities that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking.

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

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

Financial liabilities at FVTPL are recorded in the statements of financial position at fair value. Changes in fair value of financial instruments are recorded in ‘Trading and securities gain - net’ in the statement of income. Interests incurred are recorded in ‘Interest expense’ in the statement of income.

Bills payable and other borrowed funds
Bills payable and other borrowed funds are issued financial instruments or their components, which are not financial liabilities at FVTPL. They are classified as such when 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.

After initial measurement, bills payable and similar financial liabilities not qualified as and not recognized as financial liabilities at FVTPL, 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.

<u>Derecognition of Financial Assets and Liabilities</u>

Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:
- the rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a pass-through arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset, but has transferred control over the asset.

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

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 discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

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

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

Financial Guarantees
In the ordinary course of business, the Parent Company provides financial guarantees. Financial guarantees are initially recognized in the financial statements at fair value, and the initial fair value is amortized over the life of the financial guarantee in accordance with PFRS 15. The financial guarantee is subsequently carried at the higher of the amount of loss allowance determined in accordance with the expected credit loss model and the amount initially recognized, less when appropriate, the cumulative amount of income recognized in accordance with PFRS 15.

Offsetting of Financial Instruments
Financial assets and liabilities are offset and the net amount is reported in the statements of financial position, if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to either settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the statement of financial position.

Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents consist of 'COCI', 'Due from BSP', 'Due from other banks', and 'Interbank loans receivable and SPURA with the BSP' that are convertible to known amounts of cash, with original maturities of three months or less from dates of placements and that are subject to insignificant risk of changes in value. 'Due from BSP' includes the statutory reserves required by the BSP which the Parent Company considers as cash equivalents wherein drawings can be made to meet cash requirements.

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

Conversely, securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized in the statements of financial position. The corresponding cash paid, including accrued interest, is recognized in the statements of financial position as SPURA, and is considered a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest method.

Foreign Currency Translation
Transactions and balances
For financial reporting purposes, the foreign currency-denominated assets and liabilities in the RBU are translated into their equivalents in Philippine pesos based on the BAP closing rate, prevailing at the statement of financial position date and foreign currency-denominated income and expenses, at the prevailing exchange rate at the date of transaction. Foreign exchange differences arising from revaluation and translation of foreign-currency denominated assets and liabilities are credited to or charged against operations in the year in which the rates change.

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

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

Investments in Subsidiaries and Joint Ventures
Investment in subsidiaries
Subsidiaries pertain to all entities over which the Group has control.

Interest in joint ventures
A joint venture is a type of joint arrangement where the multiple parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Group's investment in joint ventures represent its 60.0% interest in SBML and 49.76% interest in SBFCI.

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

The Group and the Parent Company's investment in its subsidiaries and joint ventures are accounted for using the equity method. Under the equity method, the investment in a subsidiary and/or joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group and the Parent Company's share of net assets of the subsidiary and/or joint venture since the acquisition date. Goodwill relating to the subsidiary and/or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The statement of income reflects the Group and the Parent Company's share of the results of operations of the subsidiary and/or joint venture. Any change in OCI of the investee is presented as part of the Group and the Parent Company's OCI. In addition, when there has been a change recognized directly in the equity of the subsidiary and/or joint venture, the Group and the Parent Company recognizes its share of any changes, when applicable, in the statements of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a subsidiary and joint venture is shown on the face of the statement of income under 'Share in net income of subsidiaries and joint ventures' and represents profit or loss after tax and non-controlling interests in the subsidiaries and joint ventures.

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

After application of the equity method, the Group and the Parent Company determine whether it is necessary to recognize an impairment loss on its investment in subsidiaries and joint venture. At each statement of financial position date, the Group and the Parent Company determines whether there is objective evidence that the investment in subsidiaries and joint venture is impaired. If there is such evidence, the Group and the Parent Company calculate the amount of impairment as the difference between the recoverable amount of the subsidiaries and joint venture and their carrying value, then recognizes the loss in the statement of income.

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

Transfer of business from subsidiary to the Parent
The Parent Company accounts for the transfer as if it has effectively received a distribution that it accounts for at the fair value of the business received. Any excess in the fair value of the net assets received over the consideration is recognized in the statement of income. This reflects the assets acquired and liabilities assumed at their fair value, including goodwill, which will be measured as at the date of the transfer. These transfers have no effect on the consolidated financial statements.

Property and Equipment
Land is stated at cost less any impairment in value. Depreciable properties including building and improvements, furniture, fixtures and equipment, transportation equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization, and any impairment in value.

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

Depreciation is computed using the straight-line method based on the estimated useful life (EUL) of the depreciable assets. The range of EUL of property and equipment follows:

	Years
Building and Improvements	20
Furniture, fixtures and equipment	3-5
Transportation equipment	5
Leasehold improvements	5-15

Leasehold improvements are amortized over the applicable EUL of the improvements or the terms of the related leases, whichever is shorter.

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

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts (see accounting policy on Impairment of Non-financial Assets).

Right-of-use Assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the lease term, as follows:

	Years
Buildings and improvements	2 to 15
Transportation equipment	2 to 3

Investment Properties

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. Any gain or loss on exchange is recognized in the statement of income. Foreclosed properties are classified under 'Investment properties' upon:

- entry of judgment in case of judicial foreclosure;
- execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
- notarization of the Deed of Dacion in case of payment in kind (dacion en pago).

Real properties acquired

Depreciable real properties acquired are carried at cost, which is the fair value at acquisition date, less accumulated depreciation and any impairment in value. Land is carried at cost less any impairment in value. Transaction costs, which include non-refundable capital gains tax and documentary stamp tax, incurred in connection with foreclosure are capitalized as part of the cost of the real properties acquired.

The Group applies the cost model in accounting for investment properties. Depreciation is computed on a straight-line basis over the EUL of 10 years. The EUL and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of real properties acquired.

The carrying values of the real properties acquired are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amounts (see accounting policy on Impairment of Non-financial Assets).

Investments in real estate

Investments in real estate consist of investments in land and building. Investments in land are carried at cost less impairment in value. Building is carried at cost less accumulated depreciation and impairment in value. All costs that are directly attributable to the acquisition and development of property are capitalized, including borrowing costs incurred to finance the property development. Depreciation is computed on a straight-line basis over 10-15 years.

Investment properties are derecognized when they have either been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on retirement or disposal of investment properties are recognized in the statement of income in the year of retirement or disposal as 'Profit from assets sold/exchanged'.

Other Properties Acquired
Other properties acquired include chattel mortgage properties acquired in settlement of loan receivables. The Group applies the cost model in accounting for other properties acquired. Under the cost model, these assets are carried at cost, which is the fair value at acquisition date, less accumulated depreciation and any impairment in value.

Depreciation is computed on a straight-line basis over the EUL of 3 years. The EUL and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of other properties acquired.

The carrying values of the other properties acquired are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts (see accounting policy on Impairment of Non-financial Assets).

An item of other properties acquired 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 as 'Profit from assets sold/exchanged' in the year the asset is derecognized.

Intangible Assets
Intangible assets consist of software costs, exchange trading right and branch licenses. An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

Software costs
Costs related to software purchased by the Group for use in operations are amortized on a straight-line basis over 3 to 5 years. The amortization period and the amortization method for software cost are reviewed periodically to be consistent with the changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset. The amortization expense on software costs is recognized in the statement of income.

Exchange trading right
The exchange trading right of SBEI is an intangible asset regarded as having an indefinite useful life as there is no foreseeable limit to the period over which this asset is expected to generate cash inflows. It is carried at the amount allocated from the original cost of the exchange membership seat (after a corresponding allocation was made to the value of the Philippine Stock Exchange shares) less impairment in value. SBEI does not intend to sell the exchange trading right in the near future.

Branch licenses
Branch licenses have been acquired and granted by the BSP, and capitalized on the basis of the cost incurred to acquire and bring to use in operation. Branch licenses are determined to have indefinite useful lives and are tested for impairment annually.

The carrying values of intangible assets with definite useful lives are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts (see accounting policy on Impairment of Non-financial Assets).

Business Combinations

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and is within the scope of PFRS 9 is measured at fair value with changes in fair value either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PFRS 9, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of fair value of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the Group assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of assets acquired over the aggregate consideration transferred, then the gain is recognized in statement of income.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's Cash Generating Unit (CGU) or a group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment in accordance with PFRS 8.

Where goodwill has been allocated to a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstance is measured based on the relative values of the disposed operation and the portion of the CGU retained.

When an entity reorganizes its reporting structure in a way that changes the composition of one or more cash-generating units to which goodwill has been allocated, the goodwill shall be reallocated to the units affected. This reallocation shall be performed using a relative value approach similar to that used when an entity disposes of an operation within a cash-generating unit, unless the entity can demonstrate that some other method better reflects the goodwill associated with the reorganized units.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized in the statement of income.

Non-current Assets and Disposal Group Classified as Held for Sale

The Group classifies non-current assets and disposal group as held for sale if their carrying amounts will be recovered principally through a sale transaction. Such non-current assets and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Assets and liabilities of disposal group classified as held for sale are presented separately in the consolidated statements of financial position.

The Parent Company accounts for any investment to be retained over the disposal group at cost and presents it as part of 'Investment in subsidiaries' in the Parent Company's statement of financial position.

Impairment of Non-financial Assets

Non-financial assets include property, equipment and right-of-use assets, investment properties, investment in subsidiaries and a joint venture, software costs, goodwill, exchange trading right, branch licenses and other properties acquired.

Property, equipment and right-of-use assets, investments in subsidiaries and joint ventures, investment properties, and other properties acquired

The Group assesses at each statements of financial position date whether there is any indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less cost to sell and its value in use (VIU). Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing VIU, 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Any impairment loss is charged to operations in the year in which it arises.

An assessment is made at each statement of financial position 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 Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, 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 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.

Intangible assets - branch licenses, exchange trading right and software costs
Intangible assets with indefinite useful lives are tested for impairment annually at each statement of financial position date either individually or at the cash generating unit level, as appropriate or when circumstances indicate that the intangible asset may be impaired. Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

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

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

<u>Income Taxes</u>
Current income tax
Current income tax assets and liabilities for the current periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the statements of financial position date.

Deferred tax
Deferred tax is provided on all temporary differences at the statements of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and carryforward of unused MCIT and unused NOLCO can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements.

PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers.

PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. The five-step model is as follows:

a. Identify the contract(s) with a customer
b. Identify the performance obligations in the contract
c. Determine the transaction price
d. Allocate the transaction price to the performance obligation in the contract
e. Recognize revenue when (or as) the entity satisfies a performance obligation

Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires the Group to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Except for the recognition of revenues from the Parent Company's credit card business, the specific recognition criteria that must be met before revenue is recognized across the Group's revenue streams did not materially change from PAS 18.

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

Revenues within the scope of PFRS 15:

Service charges and penalties
Service charges and penalties are recognized only upon collection or accrued when there is reasonable degree of certainty as to its collectibility.

Fees and commissions

a. *Fee income earned from services that are provided over time*
   Fees earned for the provision of services over a period of time are accrued over that period. Loan commitment fees are recognized as earned over the term of the credit lines granted to each borrower. However, loan commitment fees for loans that are likely to be drawn are deferred (together with any incremental costs) and recognized as an adjustment to the EIR on the loan.

   Fees received in connection with the issuance of credit cards are deferred and amortized on a straight-line basis over the period the cardholder is entitled to use the card.

b. *Bancassurance fees*
   Non-refundable access fees are recognized on a straight-line basis over the term of the period of the provision of the access.

   Refundable access fees and milestone fees are recognized in reference to the stage of achievement of the milestones.

c. *Fee income from providing transaction services*
   Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as underwriting fees, corporate finance fees, and brokerage fees for the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. Loan syndication fees are recognized in the statement of income when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same EIR as for the other participants.

Discounts earned and awards revenue on credit cards
Discounts received are taken up as income upon receipt from member establishments of charges arising from credit availments by the Group's cardholders and other credit card companies' cardholders when the Group is acting as an acquirer. These discounts are computed based on certain agreed rates and are deducted from the amounts remitted to the member establishments.

Award credits under customer loyalty programmes are accounted for as a separately identifiable component of the transaction in which they are granted. The fair value of the consideration received in respect of the initial sale is allocated based on the estimated stand-alone selling prices. The amount allocated to the loyalty programmes is deferred and recognized as revenue when the award credits are redeemed. Income generated from customer loyalty programmes is recognized in 'Service charges, fees and commissions' in the statement of income.

Other income
Income from the sale of services is recognized upon completion of service. Income from sale of properties is recognized upon completion of earnings process and the collectibility of the sales price is reasonably assured under 'Profit from assets sold/exchanged' in the statement of income.

Revenues outside the scope of PFRS 15:

Interest income
Interest on interest-bearing financial assets at FVTPL and Held-for-Trading (HFT) investments are recognized based on the contractual rate. Interest on financial instruments measured at amortized cost and FVTOCI are recognized based on the effective interest method of accounting.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period.

The EIR is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the EIR, the Group estimates cash flows from the financial instrument (e.g., prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the EIR, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized thereafter using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Trading and securities gain - net
Results arising from trading activities include all gains and losses from changes in fair value of financial assets and financial liabilities at FVTPL, gains and losses from disposal of investment securities at amortized cost and any ineffectiveness recognized on accounting hedges. Costs of investment securities sold are determined using the weighted average cost method.

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

Rental income
Rental income arising on leased premises is accounted for on a straight-line basis over the lease terms on ongoing leases.

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

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

Taxes and licenses
This includes all other taxes, local and national, including gross receipts taxes (GRT), documentary stamp taxes, real estate taxes, licenses and permit fees and are recognized when incurred.

Pension Cost
The Parent Company and certain subsidiaries have a non-contributory defined benefit plan that defines the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The Group'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 (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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 non-routine 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 interest income or expense in the statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise and are closed to surplus at the end of the year. 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 Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

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

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the

amount of lease liabilities is increased to reflect the accretion of interest (included in 'Interest expense on lease liabilities) and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments.

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.

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

Provisions and Contingencies
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 income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as 'Interest expense' in the statement of income.

Contingent liabilities are not recognized but are disclosed in the financial statements except if the possibility of an outflow of assets 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.

Debt Issue Costs
Issuance, underwriting and other related costs incurred in connection with the issuance of debt instruments are deferred and amortized over the terms of the instruments using the effective interest method. Unamortized debt issuance costs are included in the carrying amount of the debt instrument in the statements of financial position.

Earnings Per Share
Basic earnings per share (EPS) is computed by dividing the net income for the year attributable to equity holders of the Parent Company after deducting dividends declared to preferred 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.

Diluted EPS is calculated by dividing the net income attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of any dilutive potential common shares.

Equity
'Capital stock' is measured at par value for all shares issued and outstanding. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital'. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to 'Additional paid-in capital'. If the additional paid-in capital is not sufficient, the excess is charged against 'Surplus'.

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

'Surplus' represents accumulated earnings of the Group less dividends declared.

Surplus reserves pertains to the 10.0% of the net profits realized by the Parent Company from its trust business is appropriated to surplus reserve in compliance with existing BSP regulations. The yearly appropriation is required until the surplus reserve for trust business equals 20.0% of the Parent Company's regulatory capital.

Dividends on Common Shares and Preferred Shares
Cash dividends on common shares and preferred shares are recognized as a liability and deducted from equity when approved by the BOD of the Parent Company, while stock dividends are deducted from equity when approved by the BOD and shareholders of the Parent Company.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. If the Group changes the structure of its internal organization in a manner that causes the composition of its reportable segments to change, the corresponding information for earlier periods, including interim periods, shall be restated unless the information is not available and the cost to develop it would be excessive. Financial information on business segments is presented in Note 36.

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.

Events after the Reporting Period
Any post-year-end event that provides additional information about the Group's position at the statement of financial position date (adjusting event) is reflected in the financial statements. Any post-year-end events that are not adjusting events are disclosed when material to the financial statements.

Standards Issued but Not Yet Effective
Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The listing consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have significant impact on the consolidated financial statements.

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.

- 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 amendments are not expected to have a material impact on the Group.

- 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.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

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

    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.

  - 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.

- 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.

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.

- 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

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

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

  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 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.

3. **Significant Accounting Judgments and Estimates**

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

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

Judgments

a. *Leases*

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

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

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 and is required to make certain entity-specific adjustments (such as the subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease).

b. *Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recognized or disclosed in the statements of financial position 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. These judgments may include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

c. *Business model test*
The Group manages its financial assets based on business models that maintain adequate level of financial assets to match expected cash outflows and maintain adequate level of high quality liquid assets while maintaining a strategic portfolio of financial assets for trading activities.

The Group's business model can be to hold financial assets to collect contractual cash flows even when sales of certain financial assets occur. PFRS 9, however, emphasizes that if more than an infrequent number of sales are made out of a portfolio of financial assets carried at amortized cost and those sales are more than insignificant in value (either individually or in aggregate), the entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows.

In making this judgment, the Group considers the circumstances surrounding the disposal as well as the requirements of BSP Circular No. 1011, *Guidelines on the adoption of PFRS 9*. For changes in business models, the Group considers whether the internal and external changes that triggered the change in business model are significant to the Group and are demonstrable to third parties.

In 2020, the Parent Company disposed investment securities at amortized cost and assessed that this resulted from a change in business model (see Notes 10 and 13). In making the assessment, the Parent Company considered the overall shift in the strategy towards a more fee-based and client-driven income along with the expected changes in tax regulations on its revenue stream and the impact of EVE on its exposure of long-term government securities. The Parent Company reclassified these investments to 'Financial assets at FVTPL' and 'Financial assets at FVTOCI' on April 1, 2020.

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

e. *Contingencies*
The Group is currently involved in various legal proceedings, claims and assessments. The estimate of the probable costs for the resolution of these claims and assessments has been developed in consultation with outside counsel handling the Group's defense in these matters and is based on an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on the financial statements. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 35).

f. *Functional currency*
PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Group considers the following:

- the currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

g. *Consolidation and joint arrangements*
The Group has determined that it controls and consolidates the subsidiaries in which it owns majority of the shares.

The Group has a Joint Venture Agreement (JVA) with Marubeni Corporation (Marubeni) where it owns 60.0% of SBML. Under the JVA, the parties agreed to use SBML as a joint venture entity and requires the unanimous consent of both the Parent Company and Marubeni for any significant decisions made in the ordinary course of business of SBML.

In 2020, the Group also has a JVA with Krungsri where it owns 49.76% of SBFCI. Under the JVA, the parties agreed to use SBFCI as a joint venture entity and requires the unanimous consent of both the Parent Company and Krungsri for any significant decisions made in the ordinary course of business of SBFCI.

The Group has (after considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangements and the Group's rights and obligations arising from the arrangements) classified its interest in SBML and SBFCI under PFRS 11. Based on the foregoing, the Group accounts for its investment in SBML and SBFCI using the equity method.

Estimates
a. *Fair value of financial instruments*
The fair values of financial instruments that are not quoted in active markets are determined using valuation techniques such as discounted cash flow analysis and standard option pricing models for some derivative instruments. Where valuation techniques are used to determine fair values, they are reviewed by qualified personnel independent of the area that created them. All financial models are reviewed before they are used and to the extent practicable, financial models use only observable data, however, areas such as credit risk (both own and counterparty) volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments. Refer to Note 6 for the fair value measurements of financial instruments.

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

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:
- Internal credit grading model, which assigns PDs to the individual grades
- Criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime CL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis

- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as household expenditure, real GDP, BVAL interest rate 3 months, PSE All Shares Index
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models
- Segmentation of the portfolio, where the appropriate model or ECL approach is used

The ECL models and all ECL-related policies are assessed and approved by the Risk Oversight Committee and the Board of Directors.

Model calibration or the process of improving the accuracy of ECL model to reflect the as-built status and actual operating conditions shall be performed at least annually. These will require the following approvals:

- ECL Steering Committee consisting of the Business Segment Heads, Chief Financial Officer and Chief Risk Officer, for changes in the model estimates
- Risk Oversight Committee for changes in model assumptions or inputs with material increase or decrease on portfolio-level ECL of at least 10% or ₱200 million.

In 2021, changes in the model estimates and/or assumptions as a result of calibration were accordingly assessed and approved by the ECL Steering Committee and/or Risk Oversight Committee.

In 2021 and 2020, the Group also identified specific accounts within industries that would need to be assessed separately for ECL purposes. The status of the accounts and the protracted impact of the pandemic to these accounts were considered by the Group in the assessment. The Group also considered the potential direction of macroeconomic indicators because of the pandemic in the scenario generation and the assignment of probabilities for each scenario.

The ECL models and all ECL-related policies are assessed by the Risk Oversight Committee and the Board of Directors.

The gross carrying amounts of financial assets and the related allowance for credit losses are disclosed in Notes 7, 12, 13, 14, and 18.

c. Recognition of deferred tax assets
The Group reviews the carrying amounts of deferred tax assets at each statements of financial position date and reduces it to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies. The Group and the Parent Company have considered the impact of the COVID-19 pandemic on future taxable income and on the recognition of deferred tax assets. The recognized net deferred tax assets and unrecognized deferred tax assets of the Group and the Parent Company are disclosed in Note 29.

d. Impairment of non-financial assets
Investments in subsidiaries and joint ventures and other non-financial assets
The Parent Company and SBCIC assess impairment on its investments in subsidiaries and joint ventures whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Among others, the factors that the Parent Company and SBCIC consider important which could trigger an impairment review on its investments include the following:

- deteriorating or poor financial condition;
- recurring net losses; and
- significant changes with an adverse effect on the subsidiary or associate have taken place during the period, or will take place in the near future, the technological, market, economic, or legal environment in which the subsidiary operates.

The Group assesses impairment on other non-financial assets (i.e., 'Property and equipment', 'Investment properties', 'Software costs', and 'Other properties acquired') 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 nonfinancial assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Group recognizes an impairment loss whenever the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is computed based on the higher of the asset's fair value less cost to sell or VIU. Recoverable amounts are estimated for individual nonfinancial assets or, if it is not possible, for the CGU to which the nonfinancial asset belongs. In 2021 and 2020, the Group considered the impact of the COVID-19 pandemic in determining the VIU.

The Group is required to make estimates and assumptions that can materially affect the carrying amount of the asset being assessed.

As of December 31, 2021 and 2020, the carrying values of the Parent Company's investments in subsidiaries and joint ventures are disclosed in Note 15.

The carrying values of the Group's and the Parent Company's non-financial assets (other than 'Goodwill') follow:

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
Property, equipment and right-of-use assets (Note 16)	**₱5,185,001**	₱5,517,976	**₱4,044,676**	₱4,327,641
Investment properties (Note 17)	**1,182,810**	1,092,610	**1,181,267**	1,092,610
Branch licenses (Note 18)	**1,445,000**	1,460,000	**1,445,000**	1,445,000
Software costs (Note 18)	**1,767,078**	1,253,249	**1,765,387**	1,252,250
Other properties acquired (Note 18)	**206,647**	507,414	**206,647**	507,414
Exchange trading right (Note 18)	**9,000**	8,500	–	–

The provision for (recovery of) impairment losses on non-financial assets of the Group and the Parent Company are disclosed in Note 17.

Intangible assets with indefinite useful life
Intangible assets with indefinite useful lives such as exchange trading right and branch licenses are tested for impairment annually at statement of financial position date either individually or at

the cash generating unit level, as appropriate. Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs) to which the intangible assets relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in the statement of income.

The recoverable amount of the CGU has been determined based on a VIU calculation using cash flow projections from financial budgets approved by senior management covering a three-year period. Key assumptions in VIU calculation of CGUs are most sensitive to discount rates and growth rates used to project cash flows.

Goodwill
Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in the statement of income. The carrying value of goodwill is disclosed in Note 4.

e. *Estimated useful lives of property, equipment and right-of-use assets, investment properties, software costs and other properties acquired*
The Group reviews on an annual basis the estimated useful lives of property, equipment and right-of-use assets, depreciable investment properties, software costs and other properties acquired based on expected asset utilization as anchored on business plans and strategies that also consider expected future technological developments and market behavior. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property and equipment, depreciable investment properties, software costs and other properties acquired would decrease their respective balances and increase the recorded depreciation and amortization expense.

The carrying values of depreciable property and equipment, investment properties, software costs and other properties acquired follow:

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
Property, equipment and right-of-use assets (Note 16)*	**₱4,757,833**	₱5,145,070	**₱3,617,508**	₱3,913,721
Investment properties (Note 17)*	**441,157**	408,191	**499,869**	481,277
Software costs (Note 18)	**1,767,078**	1,253,249	**1,765,387**	1,252,250
Other properties acquired (Note 18)	**206,647**	507,414	**206,647**	507,414

**Excludes land*

f. *Pension benefits*
The cost of defined benefit pension plans and other post employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The present value of the defined benefit obligation of the Group and the Parent Company are disclosed in Note 30.

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 specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates.

Further details about the assumptions used are provided in Note 30.

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period. As of December 31, 2021 and 2020, accrual for other employee benefit obligations and expenses included under 'Accrued other expenses payable' (included under 'Accrued interest, taxes and other expenses' in the statements of financial position) amounted to ₱1.1 billion and ₱0.8 billion, respectively, in 2021 and 2020 for the Group and the Parent Company (see Note 24).

4. Goodwill

Impairment Testing of Goodwill

In 2012, goodwill acquired through business combination has been allocated to SBS as the CGU. In 2015, the entire goodwill was reallocated to the branch banking group as a result of the integration of SBS to the Parent Company. As of December 31, 2021 and 2020, the carrying amount of goodwill amounted to ₱841.6 million and there was no impairment loss recognized in 2021 and 2020.

The recoverable amount of the CGU has been determined based on a VIU calculation using cash flow projections from financial budgets approved by senior management covering a three-year period. Key assumptions in VIU calculation of CGUs are most sensitive to discount rates and growth rates used to project cash flows. Future cash flows and growth rates were based on experiences and strategies developed and prospects. The discount rate used for the computation of the net present value is the cost of equity and was determined by reference to a comparable entity. In 2021 and 2020, the pre-tax discount rate applied to cash flow projections is 12.84% and 13.60%, respectively, while the growth rate used to extrapolate cash flows beyond the three-year period is 6.0%.

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

5. Financial Risk Management Objectives and Policies

Introduction

Integral to the Parent Company's value creation process is risk management. It therefore operates an integrated risk management system to address the risks it faces in its banking activities, including credit, market, liquidity and operational risks. Exposures across these risk areas are regularly identified, measured, controlled, monitored and reported to Senior Management, Risk Oversight Committee (ROC) and the BOD.

Risk Management Structure

Board of Directors
The BOD directs the Parent Company's over-all risk management strategy. The risk management processes of the subsidiaries are the separate responsibilities of their respective BOD. The BOD performs an oversight function on the Parent Company's implementation of its risk policies through various committees that it has created as follows:

Risk Oversight Committee
The ROC reviews, approves, and ensures effective implementation of the risk management framework. It approves risk-related policies, oversees limits to discretionary authority that the BOD delegates to management, and evaluates the magnitude, distribution and direction of risks in the Parent Company.

Corporate Governance Committee
The Corporate Governance Committee oversees the compliance function and assists the BOD in fulfilling its corporate governance responsibilities. It is responsible for ensuring the BOD's effectiveness and, due observance of corporate governance principles and guidelines.

Audit Committee
The Audit Committee through the Internal Audit Division provides the independent assessment of the overall effectiveness of, and compliance with the Parent Company's risk management policies and processes.

Executive Committee
The Executive Committee approves credit risk limits for borrowing groups whose proposed facilities exceed the delegated approving authority of the Credit Committee. Note that facilities to directors, officers, stockholders and related interests (DOSRI) are approved by the BOD regardless of the amount.

Restructuring Committee
The Restructuring Committee focuses on adversely classified or non-performing loans (NPLs) and approves the remedial strategy and action plan for these exposures.

Related Party Transaction Committee
The Related Party Transaction Committee ensures that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders.

Nominations and Remunerations Committee
The Nominations and Remunerations Committee has oversight over Board nominees and other appointments requiring Board approval, as well as their remuneration commensurate with corporate and individual performance.

Finance Committee
The Finance Committee has oversight of the financial management of the group, including capital and liquidity management, reviewing financial performance ensuring that it is compliance with regulatory requirements.

Trust Committee
The Trust Committee ensures that funds and properties held in trust or in any fiduciary capacity shall be administered with the skill, care, prudence and diligence necessary under the circumstances then

prevailing that a prudent man, acting in like capacity and familiar matters, would exercise in the conduct of an enterprise of like character and with similar aims.

Transformation and Technology Committee
The Transformation and Technology Committee shall oversee the development and implementation of strategy, transformation, innovation and information technology initiatives of the Bank and its subsidiaries and affiliates, in support of the Group's vision, mission and strategic objectives

The Parent Company's organizational structure includes the Risk Management Group (RMG), which is responsible for driving the following risk management processes of the Group:

- Independent assessment, measurement, monitoring and reporting of the Group's risk-taking activities; and
- Formulation, review and recommendation of risk-related policies and control structures.

Nevertheless, the Group's risk management framework adopts the basic tenet that risks are owned by the respective business and process owners. Everyone in the organization is therefore expected to proactively manage the risks inherent to their respective area by complying with the Group's risk management framework, policies and standards.

The Parent Company and its subsidiaries manage their respective financial risks separately. The subsidiaries have their own risk management procedures but are structured similar to that of the Parent Company. To a certain extent, the respective risk management programs and objectives are the same across the Group.

<u>Risk Measurement and Reporting</u>
The Parent Company's risks are measured using various methods compliant with Basel III standards. The Parent Company also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Expected credit loss models are developed and maintained by Risk Management Group. These models are used as a tool for the Parent Company's risk management process and management reporting systems. The applicable results of the calculations are used as the basis for the assessment of expected credit losses.

Monitoring and controlling risks are primarily performed based on limits established by the Parent Company. These limits reflect the business strategy and market environment of the Parent Company as well as the level of risk that the Parent Company is willing to take. In addition, the Parent Company monitors and measures the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

For all levels throughout the Parent Company, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information. These reports include aggregate credit exposure, credit metric forecasts, limit exceptions, Value-at-Risk (VaR), liquidity ratios and risk profile changes.

Credit Risk Management prepares detailed reporting of risks per credit classification, payment status, industry, and other measures of portfolio quality. Senior management assesses the appropriateness of allowance for credit losses on a yearly basis or as the need arises. The ROC and the heads of the concerned business units receive a comprehensive credit risk report monthly which is designed to provide all the necessary information to assess and conclude on the credit risks of the Parent Company.

In the case of market risk, a monthly report is presented to the ROC on the utilization of market limits and liquidity, plus any other risk developments.

Information compiled from all the businesses is examined and processed in order to analyze, control and identify risks early. This information is presented and explained to the BOD, the ROC, and the head of each business unit.

Risk Mitigation
As part of its market risk management, the Parent Company uses derivatives and other instruments to manage exposures resulting from changes in interest rates and foreign currencies. For interest rate risk from HTC securities (fair value hedge), the Parent Company entered into Interest Rate Swaps. The risk management objective is to protect the fair value of the HTC securities against adverse movements in interest rates, specifically due to an aggressive rate hike cycle in the identified hedge period. This objective also allows the Parent Company to safeguard its net interest margin and keep its pool of high-quality liquid assets.

In accordance with the Parent Company's policy, the risk profile of the Parent Company is assessed before entering into hedge transactions, which are authorized by the appropriate committees. The effectiveness of hedges is assessed by the RMG. The effectiveness of all the hedge relationships is monitored by the RMG monthly. In situations of ineffectiveness, the Parent Company will enter into a new hedge relationship to mitigate risk on a continuous basis.

In 2020, consistent with its change in business model, the Parent Company terminated the Interest Rate Swaps designated to hedge the fair value changes on the HTC securities (Note 13).

The Parent Company actively uses collateral to reduce its credit risks.

Excessive Risk Concentration
Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Parent Company's performance to developments affecting a particular industry or geographic location.

The Parent Company manages concentration risks by setting exposure limits to borrowing groups, industries, and where appropriate, on products and facilities. These limits are reviewed as the need arises but at least annually.

In order to avoid excessive concentrations of risk, the Parent Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of risks are controlled and managed accordingly.

Credit Risk
Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to perform its obligations during the life of the transaction. This includes risk of non-payment by borrowers or issuers, failed settlement of transactions and default on contracts.

The Parent Company drives credit risk management fundamentally via its Credit Policy Manual (CPM), the provisions of which are regularly reviewed and updated to reflect changing regulations and risk conditions. The CPM defines the principles and parameters governing credit activities, ensuring that each account's creditworthiness is thoroughly understood and regularly reviewed. Relationship Managers assume overall responsibility for the management of credit exposures while middle and back office functions are clearly defined to provide independent checks and balance to credit risk-taking activities. A system of approving and signing limits ensures adequate senior management involvement for bigger and more complex transactions. Large exposures of the Group are kept under rigorous review as these are subjected to stress testing and scenario analysis to assess the impact of changes in market conditions or key risk factors (examples are economic cycles, interest rate, liquidity conditions or other market movements) on its profile and earnings.

The risk management structure of policies, accountabilities and responsibilities, controls and senior management involvement is similarly in place for non-performing assets.

Derivative financial instruments
Credit risk in respect of derivative financial instruments is limited to those with positive fair values, which are included under 'Financial assets at FVTPL'. As a result, the maximum credit risk, without taking into account the fair value of any collateral and netting agreements, is limited to the amounts in the statements of financial position.

Credit-related commitments
The Parent Company makes available to its customers, guarantees which may require the Parent Company to make payments on their behalf and enter into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Parent Company to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Parent Company to similar risks to loans and these are mitigated by the same control processes and policies. This also includes the unutilized credit limit of the Group's credit card customers.

Maximum exposure to credit risk of on-balance sheet credit risk exposures with collaterals held or other credit enhancements
The tables below show the maximum exposure to on-balance sheet credit risk exposures of the Group and the Parent Company after taking into account any collaterals held or other credit enhancements (amounts in millions):

			Consolidated		
	Carrying Amount	**Fair Value of Collateral**	**Maximum Exposure to Credit Risk**	**Financial Effect of Collateral**	**Associated ECL***
December 31, 2021					
Credit risk exposure relating to on-balance sheet assets					
Receivable from customers - net (exclusive of SBEI):					
Corporate lending	**₱339,856**	**₱90,198**	**₱265,084**	**₱74,772**	**₱11,544**
Consumer lending	**28,761**	**38,079**	**10,609**	**18,152**	**2,862**
Small business lending	**1,178**	**792**	**563**	**615**	**40**
Residential mortgages	**57,427**	**72,616**	**14,718**	**42,709**	**1,199**
Receivable from customers - net (SBEI):					
Corporate	**522**	**1,434**	**229**	**293**	–
Individual	**194**	**2,157**	**54**	**140**	**1**
Other receivables	**4,874**	**67**	**4,786**	**88**	**492**
Credit card receivables – individual	**15,772**	–	**15,772**	–	**2,053**
	₱448,584	**₱205,343**	**₱311,815**	**₱136,769**	**₱18,191**

	Consolidated				
	Carrying Amount	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral	Associated ECL*
December 31, 2020					
Credit risk exposure relating to on-balance sheet assets					
Receivable from customers - net (exclusive of SBEI):					
Corporate lending	₱326,649	₱84,267	₱259,159	₱67,490	₱7,436
Consumer lending	36,203	42,725	19,407	16,796	9,770
Small business lending	904	601	435	469	16
Residential mortgages	53,750	66,260	14,837	38,913	1,452
Receivable from customers - net (SBEI):					
Corporate	199	5,524	108	91	–
Individual	377	4,434	128	249	–
Other receivables	5,069	634	4,961	108	730
Credit card receivables - individual	15,700	–	15,700	–	2,232
	₱438,851	₱204,445	₱314,735	₱124,116	₱21,636

**Amount deducted from gross amount to reflect carrying amount*

	Parent Company				
	Carrying Amount	**Fair Value of Collateral**	**Maximum Exposure to Credit Risk**	**Financial Effect of Collateral**	**Associated ECL***
December 31, 2021					
Credit risk exposure relating to on-balance sheet assets					
Receivable from customers - net (exclusive of SBEI):					
Corporate lending	**₱340,931**	**₱90,198**	**₱266,159**	**₱74,772**	**₱11,544**
Consumer lending	**28,758**	**38,078**	**10,606**	**18,152**	**2,861**
Small business lending	**1,178**	**792**	**563**	**615**	**40**
Residential mortgages	**57,427**	**72,616**	**14,718**	**42,709**	**1,199**
Other receivables	**4,480**	**67**	**4,413**	**67**	**467**
Credit card receivables - individual	**15,772**	–	**15,772**	–	**2,053**
	₱448,546	**₱201,751**	**₱312,231**	**₱136,315**	**₱18,164**

	Parent Company				
	Carrying Amount	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral	Associated ECL*
December 31, 2020					
Credit risk exposure relating to on-balance sheet assets					
Receivable from customers - net (exclusive of SBEI):					
Corporate lending	₱327,622	₱84,267	₱260,132	₱67,490	₱7,436
Consumer lending	36,199	42,724	19,404	16,795	9,770
Small business lending	904	601	435	469	16
Residential mortgages	53,750	66,260	14,837	38,913	1,452
Other receivables	4,927	519	4,847	80	706
Credit card receivables - individual	15,700	–	15,700	–	2,232
	₱439,102	₱194,371	₱315,355	₱123,747	₱21,612

**Amount deducted from gross amount to reflect carrying amount*

The maximum exposure to credit risks for the other financial assets is limited to the carrying value as of December 31, 2021 and 2020.

Credit card receivables and receivables of SBEI are presented separately for the purpose of identifying receivables that are subjected to different credit risk rating systems.

Other receivables include accrued interest receivable, accounts receivable, sales contracts receivable and dividend receivable.

Risk concentrations of the maximum exposure to credit risk
The Group considers loans and receivables as highly concentrated when Herfindahl-Hirschman Index (HHI) reaches 2,500 or greater. The maximum acceptable HHI set by the Group for its loan concentration is 1,500 to 2,500, which means moderately concentrated. HHI is a measure of concentration, calculated by squaring the share of each loan segment to total loan portfolio and then summing the resulting numbers. In addition, the Group caps its total exposure to most industry segments at 15.0% each of the total credit risk exposure, which is more conservative than the BSP requirement of 30.0% of total loan portfolio.

The distribution of financial assets and off-balance sheet items by industry sector of the Group and the Parent Company, before taking into account collateral held or other credit enhancements (maximum exposure) follows (amounts in millions):

	Consolidated				
	Loans and Receivables	**Financial Investments***	**Loans and Advances to Banks****	**Others*****	**Total**
December 31, 2021					
Financial and insurance activities	**₱33,440**	**₱9,044**	**₱110,204**	**₱1,605**	**₱154,293**
Real estate activities	**106,641**	**9,923**	–	**3,606**	**120,170**
Public administration and defense; compulsory social security	**830**	**81,757**		–	**82,587**
Electricity, gas, stream and air conditioning supply	**70,880**	–	–	**10,501**	**81,381**
Activities of households as employers; undifferentiated goods and services and producing activities of households for own use****	**39,623**	–	–	**34,969**	**74,592**
Wholesale and retail trade; repair of motor vehicles and motorcycles	**65,975**	**2**	–	**8,344**	**74,321**
Manufacturing	**49,616**	**7,899**	–	**5,699**	**63,214**
Information and communication	**18,831**	–	–	**10,106**	**28,937**
Transportation and storage	**20,208**	**275**	–	**4,069**	**24,552**
Construction	**11,654**	–	–	**1,058**	**12,712**
Agriculture, forestry and fishing	**8,447**	–	–	**748**	**9,195**
Water supply, sewerage, waste management and remediation activities	**5,056**	–	–	**531**	**5,587**
Professional scientific and technical services	**5,032**	–	–	**45**	**5,077**
Others	**12,351**	**528**	–	**7,804**	**20,683**
	₱448,584	**₱109,428**	**₱110,204**	**₱89,085**	**₱757,301**
December 31, 2020					
Financial and insurance activities	₱35,010	₱32,015	₱76,741	₱396	₱144,162
Real estate activities	92,086	2,969	–	2,285	97,340
Wholesale and retail trade; repair of motor vehicles and motorcycles	68,167	6,482	–	3,526	78,175
Electricity, gas, stream and air conditioning supply	68,866	–	–	2,331	71,197
Activities of households as employers; undifferentiated goods and services and producing activities of households for own use****	45,659	–	–	–	45,659

(Forward)

	Consolidated				
	Loans and Receivables	Financial Investments*	Loans and Advances to Banks**	Others***	Total
Manufacturing	₱43,252	₱9	₱–	₱2,260	₱45,521
Transportation and storage	20,515	12	–	4,063	24,590
Information and communication	13,268	–	–	10,000	23,268
Public administration and defense; compulsory social security	134	46,171			46,305
Construction	14,349	–	–	6	14,355
Agriculture, forestry and fishing	9,939	–	–	974	10,913
Professional scientific and technical services	8,004	–	–	15	8,019
Water supply, sewerage, waste management and remediation Activities	5,661	–	–	1,058	6,719
Others	13,942	15,254	–	58,479	87,675
	₱438,852	₱102,912	₱76,741	₱85,393	₱703,898

* Consists of Financial assets at FVTPL and FVTOCI, and Investment securities at amortized cost
** Consists of, Due from BSP, Due from other banks, Interbank loans receivables and SPURA and Cash collateral deposits (included in 'Other assets')
*** Consists of Contingent liabilities relating to inward and outward bills for collections, outstanding guarantees, letters of credit, unutilized credit limit of credit card holders, committed loan lines, security deposits and financial guarantees with commitment
**** Excludes loans and receivables on real estate or dwelling units which are considered production activities and classified under "Real estate"

	Parent Company				
	Loans and Receivables	Financial Investments*	Loans and Advances to Banks**	Others***	Total
December 31, 2021					
Financial c	**₱34,047**	**₱9,044**	**₱110,078**	**₱1,603**	**₱154,772**
Real estate activities	**106,638**	**9,923**	**–**	**3,606**	**120,167**
Public administration and defense; compulsory social security	**830**	**81,757**	**–**	**–**	**82,587**
Electricity, gas, stream and air conditioning supply	**70,879**	**–**	**–**	**10,501**	**81,380**
Activities of households as employers; undifferentiated goods and services and producing activities of households for own use****	**39,623**	**–**	**–**	**34,969**	**74,592**
Wholesale and retail trade; repair of motor vehicles and motorcycles	**65,964**	**2**	**–**	**8,344**	**74,310**
Manufacturing	**49,587**	**7,899**	**–**	**5,699**	**63,185**
Information and communication	**18,831**	**–**	**–**	**10,106**	**28,937**
Transportation and storage	**20,205**	**275**	**–**	**4,069**	**24,549**
Construction	**11,654**	**–**	**–**	**1,058**	**12,712**
Agriculture, forestry and fishing	**8,447**	**–**	**–**	**748**	**9,195**
Water supply, sewerage, waste management and remediation activities	**5,056**	**–**	**–**	**531**	**5,587**
Professional scientific and technical services	**5,032**	**–**	**–**	**45**	**5,077**
Others	**11,753**	**483**	**–**	**7,805**	**20,041**
	₱448,546	**₱109,383**	**₱110,078**	**₱89,084**	**₱757,091**
December 31, 2020					
Financial and insurance activities	₱35,980	₱32,015	₱76,167	₱396	₱144,558
Real estate activities	92,086	2,931	–	2,285	97,302
Electricity, gas, stream and air conditioning supply	68,866	–	–	2,331	71,197
Wholesale and retail trade; repair of motor vehicles and motorcycles	68,129	6,482	–	3,526	78,137
Activities of households as employers; undifferentiated goods and services and producing activities of households for own use****	45,659	–	–	–	45,659
Manufacturing	43,231	9	–	2,260	45,500
Transportation and storage	20,478	12	–	4,063	24,553
Construction	14,349	–	–	6	14,355
Information and communication	13,268	–	–	10,000	23,268
Agriculture, forestry and fishing	9,939	–	–	974	10,913
Water supply, sewerage, waste management and remediation activities	5,661	–	–	1,058	6,719
Professional scientific and technical services	8,004	–	–	15	8,019

(Forward)

	Parent Company				
	Loans and Receivables	Financial Investments*	Loans and Advances to Banks**	Others***	Total
Public administration and defense; compulsory social security	₱134	₱46,171	₱–	₱–	₱46,305
Others	13,318	15,220	–	58,479	87,017
	₱439,102	₱102,840	₱76,167	₱85,393	₱703,502

* Consists of Financial assets at FVTPL and FVTOCI, and Investment securities at amortized cost
** Consists of Due from BSP, Due from other banks, Interbank loans receivables and SPURA and Cash collateral deposits (included in 'Other assets')
*** Consists of Contingent liabilities relating to inward and outward bills for collections, outstanding guarantees, letters of credit, unutilized credit limit of credit card holders, committed loan lines, security deposits and financial guarantees with commitment
**** Excludes loans and receivables on real estate or dwelling units which are considered production activities and classified under "Real estate"

For details of the composition of the loans and receivables portfolio, refer to Note 14.

Offsetting of financial assets and financial liabilities
The Parent Company has various derivative financial instruments with various counterparties transacted under the International Swaps and Derivatives Association (ISDA) which are subject to enforceable master netting agreements. Under the agreements, the Parent Company has the right to settle its derivative financial instruments either: (1) upon election of the parties; or (2) in the case of default and insolvency or bankruptcy. The Parent Company, however, has no intention to net settle or to gross settle the accounts simultaneously. Also, the enforceability of netting upon default is contingent on a future event, and so the offsetting criteria under PAS 32 are not met. Consequently, the gross amount of the derivative asset and the gross amount of the derivative liability are presented separately in the Parent Company's statements of financial position.

Cash collaterals have also been received from and pledged to the counterparties for the net amount of exposures from the derivative financial instruments. These cash collaterals do not meet the offsetting criteria in under PAS 32 since it can only be set off against the net amount of the derivative asset and derivative liability in the case of default and insolvency or bankruptcy, in accordance with an associated collateral arrangement.

The Parent Company has entered into sale and repurchase agreements with various counterparties that are accounted for as collateralized borrowing. The Parent Company has also entered into a reverse sale and repurchase agreements with various counterparties that are accounted for as a collateralized lending. These transactions are subject to a global master repurchase agreement with a right of set-off only against the collateral securities upon default and insolvency or bankruptcy and therefore do not meet the offsetting criteria under PAS 32. Consequently, the related SSURA is presented separately from the collateral securities in the Parent Company's statements of financial position.

The table below presents the recognized financial instruments of the Group and the Parent Company that are offset, or subject to enforceable master netting agreements or other similar arrangements but not offset, as at December 31, 2021 and 2020, taking into account the effects of over-collateralization.

	Gross amounts of recognized financial instruments	Gross amounts set-off in accordance with the PAS 32 offsetting criteria	Net amount presented in statements of financial position	Effect of remaining rights of set-off that do not meet PAS 32 offsetting criteria		Net exposure
				Financial instruments	Financial collateral	
	[a]	[b]	[c]=[a]-[b]	[d]		[e]=[c]-[d]
2021						
Financial Assets						
Derivative assets (Notes 6 and 10)	**₱1,240,315**	**₱–**	**₱1,240,315**	**₱509,384**	**₱–**	**₱730,931**
Financial Liabilities						
Derivative liabilities including designated as hedges (Notes 6, 11 and 20)	**₱1,285,386**	**₱–**	**₱1,285,386**	**₱509,384**	**₱–**	**₱776,002**
SSURA (Note 21)	**2,777,596**	**–**	**2,777,596**	**–**	**3,945,013**	
	₱4,062,982	**₱–**	**₱4,062,982**	**₱509,384**	**₱3,945,013**	**₱776,002**

	Gross amounts of recognized financial instruments [a]	Gross amounts set-off in accordance with the PAS 32 offsetting criteria [b]	Net amount presented in statements of financial position [c]=[a]-[b]	Effect of remaining rights of set-off that do not meet PAS 32 offsetting criteria: Financial instruments [d]	Financial collateral	Net exposure [e]=[c]-[d]
2020						
Financial Assets						
Derivative assets (Notes 6 and 10)	₱1,531,134	₱–	₱1,531,134	₱349,342	₱–	₱1,181,792
Financial Liabilities						
Derivative liabilities including designated as hedges (Notes 6, 11 and 20)	₱1,098,381	₱–	₱1,098,381	₱349,342	₱–	₱749,039
SSURA (Note 21)	10,312,432	–	10,312,432	–	15,877,575	–
	₱11,410,813	₱–	₱11,410,813	₱349,342	₱15,877,575	₱749,039

Collateral and other credit enhancements
The amount and type of collateral required depends on the assessment of the credit risk of the borrower or counterparty. The Group follows guidelines on the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:
- For corporate accounts - cash, guarantees, securities and physical collaterals (e.g., real estate, chattels, inventory, etc.); as a general rule, commercial, industrial and residential lots are preferred.
- For retail lending - mortgages on residential properties and financed vehicles.

Management monitors the market value of real property collateral on an annual basis and as needed for marketable securities to preserve collateral cover. The existing market value of collateral is considered during the review of the credit facilities and adequacy of the allowance for credit losses.

It is the Parent Company's policy to dispose assets acquired in an orderly fashion. The proceeds from the sale of the foreclosed assets (classified as 'Investment properties' in the statements of financial position) are used to reduce or repay the outstanding claim. In general, the Parent Company does not use repossessed properties for business.

Credit quality per class of financial assets
In compliance with BSP Circular No. 855, the Parent Company has developed and continually reviews and calibrates its internal risk rating system for credit exposures aimed at uniformly assessing its credit portfolio in terms of risk profile. Where appropriate, it obtains security, enters into master netting agreements, and limits the duration of exposures to maintain and even further enhance the quality of the Parent Company's credit exposures.

The credit quality of financial assets is monitored and managed using internal ratings and where available, external ratings.

The credit quality of trading and financial investment securities is generally monitored through the external ratings of eligible external credit rating institutions. Presented below is the mapping of the credit risk rating from external rating agencies to the Parent Company's internal risk rating for investment securities:

Agency	High Grade									
S&P	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
Moody's	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3

Agency	Medium Grade						Low Grade
S&P	BB+	BB	BB-	B+	B	B-	Below B-
Moody's	Ba1	Ba2	Ba3	B1	B2	B3	Below B3

For loan exposures, the credit quality is generally monitored using its internal credit risk ratings system. It is the Parent Company's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates management to focus on major potential risk and the comparison of credit exposures across all lines of business, demographics and products. The rating system is supported by a variety of financial analytics, combined with an assessment qualitative factors such as of management and market information to provide the main inputs for the measurement of credit or counterparty risk. Other variables that may impact the borrower's creditworthiness but are not yet factored into the baseline rating are considered in the model overlay to arrive at the final Probability of Default (PD) rating . All PD ratings are tailored with various categories and are derived in accordance with the Group's rating policy. The attributable risk ratings are assessed and updated regularly.

The Group uses PD Ratings to classify the credit quality of its receivables portfolio. This is currently undergoing upgrade to enhance credit evaluation parameters across different market segments and achieve a more sound and robust credit risk assessment. The description of the loan grades used by the Group for receivable from customers, except credit card receivables and receivables of SBEI, are as follows:

Wholesale Banking Segment Scorecards
The Parent Company has two (2) Wholesale Banking Segment scorecards, differentiated according to the revenue size of the borrower: Big Accounts scorecard for borrowers with at least ₱2.0 billion in revenue size, and Small Accounts scorecard for borrowers with less than ₱2.0 billion revenue size. Both scorecards are mapped to an 11-grade scale masterscale with each grade having a corresponding probability of default (PD).

High Grade (PD Rating of 1 to 7)
Accounts in this category have a low probability of defaulting on their obligations over the next 12 months. A comfortable degree of stability and diversity can be found in these borrowers.

Medium Grade (PD Rating of 8 to 9)
The probability of default (PD) of accounts in this category is slightly higher than high grade borrowers. Accounts whose financial ratios exhibit an amount of buffer though somewhat limited. These accounts can withstand minor economic weaknesses but may suffer if conditions deteriorate in a significant way and therefore, default risk is present under such adverse conditions. Repayment ability is more or less assured if economic and industry conditions remain stable.

Low Grade (PD Rating of 10 to 11)
Accounts for which default risk are very much present and those that have defaulted already are included in this category.

For SBEI's receivable portfolio, the Group classifies accounts that are neither past due nor impaired as follows:

High Grade – receivables from counterparties with no history of default and with apparent ability to settle the obligation. In case of receivables from customers, the outstanding amount must be more than 200.0% secured by collateral.

Medium Grade – receivable from counterparties with no history of default, with apparent ability to settle the obligation and the outstanding amount must be 100.0% – 200.0% secured by collateral.

Low Grade – receivable from counterparties with history of default and partially secured or unsecured accounts.

Unrated – Receivables from employees and refundable deposits.

Effective before January 1, 2021
The Group is currently building a separate credit rating system for its consumer loans portfolio to enhance credit evaluation parameters across different market segments and achieve a more sound and robust credit risk assessment. Accounts which are neither past due nor impaired are presented as unrated.

For Credit Card receivables, the Parent Company classifies accounts that are neither past due nor impaired as follows:

High Grade – Accounts with tenure of 24 months or more which are under the current classification and have never reached 30 days past due for the last 12 months from year-end.

Medium Grade – Accounts with tenure of 12 months or more which are under the current classification and have never reached 30 days past due for the last 12 months from year-end.

Low Grade – Accounts with tenure of less than 12 months which are under the current classification and have never reached 30 days past due for the last 12 months from year-end.

Unrated – Current but non-active accounts and accounts that have reached 30 days past due for the last 12 months from year-end.

Effective after January 1, 2021
For Auto Loan receivables, the Parent Company classifies accounts that are neither past due nor impaired as follows:

High Grade – Accounts with score >752 and 0-30 Days Past Due; or with score >752 and 31-90 Days Past Due in the last 6 months.

Medium Grade – Accounts with score >679-752 and 0-30 Days Past Due; or with score >679-752 and 31-90 Days Past Due in the last 6 months; or with score >565-679 and 0 Delinquency Segment and 0-30 Days Past Due; or with score >565-679 and 0 Delinquency Segment and 31-90 Days Past Due in the last 6 months.

Low Grade – Accounts with score >565-679 and 0+ Delinquency Segment and 0-30 Days Past Due; or with score >565-679 and 0+ Delinquency Segment and 31-90 Days Past Due in the last 6 months; or with score <=564 and 0-30 Days Past Due.

Unrated – Accounts which unrated and 0-30 Days Past Due; or Unrated and 31-90 Days Past Due in the last 6 months.

For Credit Card receivables, the Parent Company classifies accounts that are neither past due nor impaired as follows:

High Grade – Accounts with score >715 and 0-30 Days Past Due; or with score >715 and 31-90 Days Past Due in the last 6 months.

Medium Grade – Accounts with score >580-715 and 0-30 Days Past Due; or with score >580-715 and 31-90 Days Past Due in the last 6 months.

Low Grade – Accounts with score <=580.

Unrated – Accounts which are inactive in the last 12 months; too early or not enough information to rate; Unrated and 31-90 Days Past Due in the last 6 months; Restructured and 0-90 Days Past Due.

For both Auto Loans and Credit Cards, classification criteria mentioned above will be based on the following hierarchy:

1. Current reporting period's Days Past Due,
2. Current reporting period's Behaviour Score, and
3. Last 6 month's Days Past Due reckoned from the current reporting period.

For the other products in the consumer loans portfolio, the Group is currently building a separate credit rating system to enhance credit evaluation parameters across different market segments and achieve a more sound and robust credit risk assessment. Accounts which are neither past due nor impaired are presented as unrated.

The tables below show the credit quality by class of financial assets (gross of allowance for credit losses and net of unearned discounts and deferred credits) of the Group and the Parent Company.

As of December 31, 2021 and 2020, all investment securities are classified as Stage 1.

	Consolidated				
	Neither Past Due nor Individually Impaired				
	High Grade	Medium Grade	Low Grade	Unrated	Total
December 31, 2021					
Financial assets at FVTPL:					
HFT investments:					
Government securities	**₱5,655,787**	**₱–**	**₱–**	**₱–**	**₱5,655,787**
Private bonds	**18,096**	–	–	**8,258**	**26,354**
Total HFT investments	**₱5,673,883**	**₱–**	**₱–**	**₱8,258**	**₱5,682,141**
Derivative assets:					
Currency forwards	**₱730,492**	**₱–**	**₱–**	**₱127,981**	**₱858,473**
Cross-currency swaps	**119,170**	–	–	**42,318**	**161,488**
Interest rate swaps	**209,899**	–	–	**1,826**	**211,725**
Interest rate futures	**3,159**	–	–	–	**3,159**
Bond option	**5,470**	–	–	–	**5,470**
Total derivative assets	**1,068,190**	–	–	**172,125**	**1,240,315**
Total financial assets at FVTPL	**₱6,742,073**	**₱–**	**₱–**	**₱180,383**	**₱6,922,456**
Financial assets at FVTOCI:					
Treasury notes and bills	**₱40,538,225**	**₱–**	**₱–**	**₱–**	**₱40,538,225**
Treasury bonds	**35,567,565**	–	–	–	**35,567,565**
Private bonds	**2,291,563**	–	–	**1,942,741**	**4,234,304**
	₱78,397,353	–	–	**₱1,942,741**	**₱80,340,094**
Financial assets at amortized cost (excluding loans and receivables)					
Due from BSP	**₱67,391,502**	**₱–**	**₱–**	**₱–**	**₱67,391,502**
Due from other banks	**13,127,536**	–	–	–	**13,127,536**
Interbank loans receivable and SPURA	**29,424,804**	–	–	–	**29,424,804**
Investment securities at amortized cost					
Private bonds	**21,904,006**	–	–	–	**21,904,006**
	131,847,848	–	–	–	**131,847,848**
	₱216,987,274	**₱–**	**₱–**	**₱2,123,124**	**₱219,110,398**

(Forward)

	Consolidated				
	Neither Past Due nor Individually Impaired				
	High Grade	Medium Grade	Low Grade	Unrated	Total
December 31, 2020					
Financial assets at FVTPL:					
HFT investments:					
Government securities	₱9,131,685	₱–	₱–	₱–	₱9,131,685
Private bonds	73,982	11,387	–	–	85,369
Total HFT investments	9,205,667	11,387	–	–	9,217,054
Derivative assets:					
Currency forwards	₱612,215	₱–	₱9,422	₱12,177	₱633,814
Cross-currency swaps	317,023	–	–	15,065	332,088
Interest rate swaps	175,818	–	–	389,414	565,232
Total derivative assets	1,105,056	–	9,422	416,656	1,531,134
Total financial assets at FVTPL	₱10,310,723	₱11,387	₱9,422	₱416,656	₱10,748,188
Financial assets at FVTOCI:					
Treasury notes and bills	₱43,463,252	₱–	₱–	₱–	₱43,463,252
Treasury bonds	22,129,300	–	–	–	22,129,300
Private bonds	2,887,881	–	–	–	2,887,881
	₱68,480,433	₱–	₱–	₱–	₱68,480,433
Financial assets at amortized cost (excluding loans and receivables)					
Due from BSP	₱47,391,378	₱–	₱–	₱–	₱47,391,378
Due from other banks	10,038,280	–	–	–	10,038,280
Interbank loans receivable and SPURA	18,643,296	–	–	–	18,643,296
Investment securities at amortized cost					
Treasury bonds					
Private bonds	23,560,650	–	–	–	23,560,650
	99,633,604	–	–	–	99,633,604
	₱178,424,760	₱11,387	₱9,422	₱416,656	₱178,862,225

	Parent Company				
	Neither Past Due nor Individually Impaired				
	High Grade	Medium Grade	Low Grade	Unrated	Total
December 31, 2021					
Financial assets at FVTPL:					
HFT investments:					
Government securities	**₱5,655,787**	**₱–**	**₱–**	**₱–**	**₱5,655,787**
Private bonds	**18,072**	**–**	**–**	**8,258**	**26,330**
Total HFT investments	**5,673,859**	**–**	**–**	**8,258**	**5,682,117**
Derivative assets:					
Currency forwards	**₱730,492**	**₱–**	**₱–**	**127,981**	**₱858,473**
Cross-currency swaps	**119,170**	**–**	**–**	**42,318**	**161,488**
Interest rate swaps	**209,899**	**–**	**–**	**1,826**	**211,725**
Interest rate futures	**3,159**	**–**	**–**	**–**	**3,159**
Bond option	**5,470**	**–**	**–**	**–**	**5,470**
Total derivative assets	**1,068,190**	**–**	**–**	**172,125**	**1,240,315**
Total financial assets at FVTPL	**₱6,742,049**	**₱–**	**₱–**	**₱180,383**	**₱6,922,432**
Financial assets at FVTOCI					
Treasury notes and bills	**₱40,538,225**	**₱–**	**₱–**	**₱–**	**₱40,538,225**
Treasury bonds	**35,567,565**	**–**	**–**	**–**	**35,567,565**
Private bonds	**2,291,563**	**–**	**–**	**1,942,741**	**4,234,304**
	₱78,397,353	**₱–**	**₱–**	**₱1,942,741**	**₱80,340,094**
Financial assets at amortized cost (excluding loans and receivables)					
Due from BSP	**₱67,391,502**	**₱–**	**₱–**	**₱–**	**₱67,391,502**
Due from other banks	**13,001,430**	**–**	**–**	**–**	**13,001,430**
Interbank loans receivable and SPURA	**29,424,804**	**–**	**–**	**–**	**29,424,804**
Investment securities at amortized cost					
Private bonds	**21,904,006**	**–**	**–**	**–**	**21,904,006**
	131,721,742	**–**	**–**	**–**	**131,721,742**
	₱216,861,144	**₱–**	**₱–**	**₱2,123,124**	**₱218,984,268**

(Forward)

	Parent Company				
	Neither Past Due nor Individually Impaired				
	High Grade	Medium Grade	Low Grade	Unrated	Total
December 31, 2020					
Financial assets at FVTPL:					
HFT investments:					
Government securities	₱9,131,685	₱–	₱–	₱–	₱9,131,685
Private bonds	36,004	11,388	–	–	47,392
Total HFT investments	9,167,689	11,388	–	–	9,179,077
Derivative assets:					
Currency forwards	₱612,215	₱–	₱9,422	₱12,177	₱633,814
Cross-currency swaps	317,023	–	–	15,065	332,088
Interest rate swaps	175,818	–	–	389,414	565,232
Total derivative assets	1,105,056	–	9,422	₱416,656	1,531,134
Total financial assets at FVTPL	₱10,272,745	₱11,388	₱9,422	₱416,656	₱10,710,211
Financial assets at FVTOCI					
Treasury notes and bills	₱43,463,252	₱–	₱–	₱–	₱43,463,252
Treasury bonds	22,129,300	–	–	–	22,129,300
Private bonds	2,887,881	–	–	–	2,887,881
	₱68,480,433	₱–	₱–	₱–	₱68,480,433
Financial assets at amortized cost (excluding loans and receivables)					
Due from BSP	₱47,391,378	₱–	₱–	₱–	₱47,391,378
Due from other banks	9,461,735	–	–	–	9,461,735
Interbank loans receivable and SPURA	18,643,296	–	–	–	18,643,296
Investment securities at amortized cost					
Private bonds	547,500	23,013,150	–	–	23,560,650
	76,043,909	23,013,150	–	–	99,057,059
	₱154,797,087	₱23,024,538	₱9,422	₱416,656	₱178,247,703

	Consolidated			
	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Receivable from customers:				
Corporate lending				
Neither past due nor impaired				
High grade	**₱173,706,663**	**₱–**	**₱–**	**₱173,706,663**
Medium grade	**66,559,954**	**7,465,493**	–	**74,025,447**
Low grade	**29,072,091**	**61,626,520**	–	**90,698,611**
Past due but not impaired	–	**413,341**	–	**413,341**
Past due and impaired	–	–	**12,555,152**	**12,555,152**
	269,338,708	**69,505,354**	**12,555,152**	**351,399,214**
Consumer lending				
Neither past due nor impaired				
High grade	**4,932,923**	–	–	**4,932,923**
Medium grade	**10,481,082**	**9,797**	–	**10,490,879**
Low grade	**2,674,675**	**454,639**	–	**3,129,314**
Unrated	**8,112,450**	**638,198**	–	**8,750,648**
Past due but not impaired	–	**1,345,170**	–	**1,345,170**
Past due and impaired	–	–	**2,973,684**	**2,973,684**
	26,201,130	**2,447,804**	**2,973,684**	**31,622,618**
Small business lending				
Neither past due nor impaired				
High grade	**37,684**	–	–	**37,684**
Medium grade	**446,583**	**11,213**	–	**457,796**
Low grade	**527,380**	**144,849**	–	**672,229**
Past due and impaired	–	–	**49,529**	**49,529**
	1,011,647	**156,062**	**49,529**	**1,217,238**
Residential mortgages				
Neither past due nor impaired				
High grade	**2,287,427**	–	–	**2,287,427**
Medium grade	**155,733**	**15,090**	–	**170,823**
Low grade	**216,240**	**93,355**	–	**309,595**
Unrated	**51,515,859**	**131,777**	–	**51,647,636**

(Forward)

	Consolidated			
	December 31, 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Past due but not impaired	**₱–**	**₱976,979**	**₱–**	**₱976,979**
Past due and impaired	–	–	**3,234,018**	**3,234,018**
	54,175,259	**1,217,201**	**3,234,018**	**58,626,478**
Credit card receivables – individual				
Neither past due nor impaired				
High grade	**2,555,325**	**943**	–	**2,556,268**
Medium grade	**12,557,383**	**113,240**	–	**12,670,623**
Low grade		**468,469**	–	**468,469**
Unrated	**449,809**	**260,239**	–	**710,048**
Past due but not impaired	–	**513,067**	–	**513,067**
Past due and impaired	–	–	**906,346**	**906,346**
	15,562,517	**1,355,958**	**906,346**	**17,824,821**
Receivable from customers (SBEI)				
Neither past due nor impaired				
High grade	**42,984**	–	–	**42,984**
Medium grade	**23,974**	–	–	**23,974**
Low grade	**569,944**	–	–	**569,944**
Unrated	–	**79,718**	–	**79,718**
	636,902	**79,718**	–	**716,620**
Total receivable from customers	**366,926,163**	**74,762,097**	**19,718,729**	**461,406,989**
Other receivables				
Neither past due nor impaired				
High grade	**2,470,240**	–	–	**2,470,240**
Medium grade	**594,594**	**30,074**	–	**624,668**
Low grade	**504,346**	**224,166**	–	**728,512**
Unrated	**672,550**	**27,480**	–	**700,030**
Past due but not impaired	–	**142,310**	–	**142,310**
Past due and impaired	–	–	**702,121**	**702,121**
	4,241,730	**424,030**	**702,121**	**5,367,881**
Other assets				
Neither past due nor impaired				
High grade	**261,857**	–	–	**261,857**
Unrated	**329,238**	–	–	**329,238**
	591,095	–	–	**591,095**
	₱371,758,988	**₱75,186,127**	**₱20,420,850**	**₱467,365,965**

	Consolidated			
	December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Receivable from customers:				
Corporate lending				
Neither past due nor impaired				
High grade	₱144,688,379	₱–	₱–	₱144,688,379
Medium grade	112,407,209	9,922,606	–	122,329,815
Low grade	22,514,459	37,989,444	–	60,503,903
Past due but not impaired	–	136,245	–	136,245
Past due and impaired	–	–	6,427,539	6,427,539
	279,610,047	48,048,295	6,427,539	334,085,881
Consumer lending				
Neither past due nor impaired				
Unrated	33,979,165	994,047	–	34,973,212
Past due but not impaired	–	3,078,706	–	3,078,706
Past due and impaired	–	–	7,920,850	7,920,850
	33,979,165	4,072,753	7,920,850	45,972,768

(Forward)

	Consolidated			
	December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Small business lending				
Neither past due nor impaired				
High grade	₱5,100	₱–	₱–	₱5,100
Medium grade	385,672	19,986	–	405,658
Low grade	429,832	50,056	–	479,888
Past due and impaired	–	–	29,362	29,362
	820,604	70,042	29,362	920,008
Residential mortgages				
Neither past due nor impaired				
High grade	1,066,418	–	–	1,066,418
Medium grade	–	1,407	–	1,407
Low grade	519,857	4,143	–	524,000
Unrated	47,647,061	–	–	47,647,061
Past due but not impaired	–	2,128,364	–	2,128,364
Past due and impaired	–	–	3,834,905	3,834,905
	49,233,336	2,133,914	3,834,905	55,202,155
Credit card receivables – individual				
Neither past due nor impaired				
High grade	4,750,628	57,924	–	4,808,552
Medium grade	4,999,629	5,978	–	5,005,607
Low grade	1,784,126	392	–	1,784,518
Unrated	3,112,095	978,775	–	4,090,870
Past due but not impaired	–	554,076	–	554,076
Past due and impaired	–	–	1,688,272	1,688,272
	14,646,478	1,597,145	1,688,272	17,931,895
Receivable from customers (SBEI)				
Neither past due nor impaired				
High grade	92,956	–	–	92,956
Medium grade	286,699	–	–	286,699
Low grade	78,558	–	–	78,558
Past due but not impaired	–	118,420	–	118,420
	458,213	118,420	–	576,633
Total receivable from customers	378,747,843	56,040,569	19,900,928	454,689,340
Other receivables				
Neither past due nor impaired				
High grade	2,181,372	–	–	2,181,372
Medium grade	637,201	54,295	–	691,496
Low grade	61,538	218,275	–	279,813
Unrated	1,511,390	33,723	–	1,545,113
Past due but not impaired	–	259,224	18,069	277,293
Past due and impaired	–	–	823,278	823,278
	4,391,501	565,517	841,347	5,798,365
Other assets				
Neither past due nor impaired				
High grade	674,923	–	–	674,923
Unrated	347,656	–	–	347,656
	1,022,579	–	–	1,022,579
	₱384,161,923	₱56,606,086	₱20,742,275	₱461,510,284

	Parent Company			
	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Receivable from customers:				
Corporate lending				
Neither past due nor impaired				
High grade	**₱173,706,663**	**₱–**	**₱–**	**₱173,706,663**
Medium grade	**66,559,954**	**7,465,493**	–	**74,025,447**
Low grade	**30,147,286**	**61,626,520**	–	**91,773,806**
Past due but not impaired	–	**413,341**	–	**413,341**
Past due and impaired	–	–	**12,555,151**	**12,555,151**
	270,413,903	**69,505,354**	**12,555,151**	**352,474,408**
Consumer lending				
Neither past due nor impaired				
High grade	**4,932,923**	–	–	**4,932,923**
Medium grade	**10,481,082**	**9,797**	–	**10,490,879**
Low grade	**2,674,675**	**454,639**	–	**3,129,314**
Unrated	**8,109,035**	**638,198**	–	**8,747,233**
Past due but not impaired	–	**1,345,170**	–	**1,345,170**
Past due and impaired	–	–	**2,973,602**	**2,973,602**
	26,197,715	**2,447,804**	**2,973,602**	**31,619,121**
Small business lending				
Neither past due nor impaired				
High grade	**37,684**	–	–	**37,684**
Medium grade	**446,583**	**11,213**	–	**457,796**
Low grade	**527,380**	**144,849**	–	**672,229**
Unrated	–	–	–	–
Past due but not impaired	–	–	–	–
Past due and impaired	–	–	**49,529**	**49,529**
	1,011,647	**156,062**	**49,529**	**1,217,238**
Residential mortgages				
Neither past due nor impaired				
High grade	**2,287,427**	–	–	**2,287,427**
Medium grade	**155,733**	**15,090**	–	**170,823**
Low grade	**216,240**	**93,355**	–	**309,595**
Unrated	**51,515,859**	**131,777**	–	**51,647,636**
Past due but not impaired	–	**976,979**	–	**976,979**
Past due and impaired	–	–	**3,234,018**	**3,234,018**
	54,175,259	**1,217,201**	**3,234,018**	**58,626,478**
Credit card receivables - individual				
Neither past due nor impaired				
High grade	**2,555,325**	**943**	–	**2,556,268**
Medium grade	**12,557,383**	**113,240**	–	**12,670,623**
Low Grade		**468,469**	–	**468,469**
Unrated	**449,809**	**260,239**	–	**710,048**
Past due but not impaired		**513,067**	–	**513,067**
Past due and impaired	–	–	**906,346**	**906,346**
	15,562,517	**1,355,958**	**906,346**	**17,824,821**
Total receivable from customers	**367,361,041**	**74,682,379**	**19,718,646**	**461,762,066**
Other receivables				
Neither past due nor impaired				
High grade	**2,466,610**	–	–	**2,466,610**
Medium grade	**594,594**	**30,074**	–	**624,668**
Low Grade	**179,636**	**224,166**	–	**403,802**
Unrated	**656,193**	**27,480**	–	**683,673**
Past due but not impaired	–	**124,131**	–	**124,131**
Past due and impaired	–	–	**645,557**	**645,557**
	3,897,033	**405,851**	**645,557**	**4,948,441**
Other assets*				
Neither past due nor impaired				
High grade	**261,857**	**–**	**–**	**261,857**
Unrated	**329,238**	**–**	**–**	**329,238**
	591,095	**–**	**–**	**591,095**
	₱371,849,169	**₱75,088,230**	**₱20,364,203**	**₱467,301,602**

**Consists of cash collateral and security deposits*

	Parent Company			
	December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Receivable from customers:				
Corporate lending				
Neither past due nor impaired				
High grade	₱145,640,989	₱–	₱–	₱145,640,989
Medium grade	112,407,209	9,922,606	–	122,329,815
Low grade	22, 514,459	37,989,444	–	60,503,903
Past due but not impaired	–	136,245	–	136,245
Past due and impaired	–	–	6,447,539	6,447,539
	280,562,657	48,048,295	6,447,539	335,058,491
Consumer lending				
Neither past due nor impaired				
Unrated	33,975,245	994,047	–	34,969,292
Past due but not impaired	–	3,078,618	–	3,078,618
Past due and impaired	–	–	7,920,768	7,920,768
	33,975,245	4,072,665	7,920,768	45,968,678
Small business lending				
Neither past due nor impaired				
High grade	5,100	–	–	5,100
Medium grade	385,672	19,986	–	405,658
Low grade	429,832	50,056	–	479,888
Past due and impaired	–	–	29,362	29,362
	820,604	70,042	29,362	920,008
Residential mortgages				
Neither past due nor impaired				
High grade	1,066,418	–	–	1,066,418
Medium grade	–	1,407	–	1,407
Low grade	519,857	4,143	–	524,000
Unrated	47,647,061	–	–	47,647,061
Past due but not impaired	–	2,128,364	–	2,128,364
Past due and impaired	–	–	3,834,905	3,834,905
	49,233,336	2,133,914	3,834,905	55,202,155
Credit card receivables - individual				
Neither past due nor impaired				
High grade	4,750,628	57,924	–	4,808,552
Medium grade	4,999,629	5,978	–	5,005,607
Low Grade	1,784,126	392	–	1,784,518
Unrated	3,112,095	978,775	–	4,090,870
Past due but not impaired	–	554,076	–	554,076
Past due and impaired	–	–	1,688,272	1,688,272
	14,646,478	1,597,145	1,688,272	17,931,895
Total receivable from customers	379,238,320	55,922,061	19,920,846	455,081,227
Other receivables				
Neither past due nor impaired				
High grade	1,858,833	–	–	1,858,833
Medium grade	637,201	54,295	–	691,496
Low Grade	61,538	218,275	–	279,813
Unrated	1,755,763	33,723	–	1,789,486
Past due but not impaired	–	230,250	–	230,250
Past due and impaired	–	–	783,505	783,505
	4,313,335	536,543	783,505	5,633,383
Other assets*				
Neither past due nor impaired				
High grade	674,923	–	–	674,923
Unrated	347,665	–	–	347,665
	1,022,588	–	–	1,022,588
	₱384,574,243	₱56,458,604	₱20,704,351	₱461,737,198

**Consists of cash collateral and security deposits*

The following table provides the analysis of the Group and the Parent Company's restructured receivables by class (included in the preceding table for the credit quality by class of financial assets) as of December 31, 2021 and 2020:

	Consolidated and Parent Company			
	December 31, 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Corporate lending				
Neither past due nor impaired				
High grade				
Medium grade	**₱13,937**	**₱889,791**	**₱–**	**₱903,728**
Low Grade	–	**4,285,177**	–	**4,285,177**
Unrated	–	–	–	
Past due but not impaired	–	**194,000**	–	**194,000**
Past due and impaired	–	–	**5,942,957**	**5,942,957**
	13,937	**5,368,968**	**5,942,957**	**11,325,862**
Consumer lending				
Neither past due nor impaired				
High grade	**13,694**	–	–	**13,694**
Medium grade	**45,461**	**1,067**	–	**46,528**
Low Grade	**158,422**	**32,285**	–	**190,707**
Unrated	**378,607**	**90,804**	–	**469,411**
Past due but not impaired	–	**110,719**	–	**110,719**
Past due and impaired	–	–	**415,766**	**415,766**
	596,184	**234,875**	**415,766**	**1,246,825**
Small business lending				
Neither past due nor impaired				
Low Grade	–	**45,236**	–	**45,236**
Past due but not impaired	–	–	–	
Past due and impaired	–	–	**13,304**	**13,304**
	–	**45,236**	**13,304**	**58,540**
Residential mortgages				
Neither past due nor impaired				
Unrated	**638,260**	**131,777**	–	**770,037**
Past due but not impaired	–	**64,222**	–	**64,222**
Past due and impaired	–	–	**301,940**	**301,940**
	638,260	**195,999**	**301,940**	**1,136,199**
	₱1,248,381	**₱5,845,078**	**₱6,673,967**	**₱13,767,426**

	Consolidated and Parent Company			
	December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Corporate lending				
Neither past due nor impaired	₱–	₱3,621,920	₱–	₱3,621,920
Past due and impaired	–	–	876,534	876,534
	–	3,621,920	876,534	4,498,454
Consumer lending				
Neither past due nor impaired	220,202	3,555	–	223,757
Past due but not impaired	–	63,084	–	63,084
Past due and impaired	–	–	35,610	35,610
	220,202	66,639	35,610	322,451
Small business lending				
Past due and impaired	–	–	12,306	12,306
Residential mortgages				
Neither past due nor impaired	244,114	–	–	244,114
Past due but not impaired	–	42,144	–	42,144
	244,114	42,144	–	286,258
	₱464,316	₱3,730,703	₱924,450	₱5,119,469

Impairment assessment
The Group calculates ECLs either on a collective or an individual basis.

Asset classes where the Group calculates ECL on an individual basis include:
- The large and small and medium exposures of the business lending portfolio,
- The credit cards and auto loans portfolio
- The treasury, trading and interbank relationships (such as investment securities not held for trading, due from other banks, interbank loans and cash collateral deposits)

Asset classes where the Group calculates ECL on a collective basis include:
- The smaller and more generic balances of the Parent Company's business express loans portfolio
- Residential mortgages and other consumer lending

The Group groups these exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans. It includes but not limited to product type, property type, geographic location, internal grade, exposure value, utilization and collateral type, as applicable.

The Group performs assessment of significant increase in credit risk (see Note 2).

As of December 31, 2021 and 2020, the Group and the Parent Company recognize impairment losses based on the results of its individual and collective assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the servicing of cash flows by counterparties, a significant credit rating downgrade, infringement of the original terms of the contract has happened, or when there is inability to pay principal or interest overdue beyond a certain threshold. These and other factors, either singly or together with other factors, constitute observable events and/or data that meet the definition of an objective evidence of impairment.

<u>Liquidity Risk</u>
Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. Liquidity risk is monitored and managed mainly using liquidity gap and Maximum Cumulative Outflows (MCO) limits, stress testing, and compliance to Basel III liquidity ratios. A Contingency Funding Plan is likewise in place to ensure readiness for identified liquidity crisis situation.

The Parent Company's Asset and Liability Committee (ALCO) is directly responsible for market and liquidity risk exposures. ALCO regularly monitors the Parent Company's positions and sets the appropriate transfer pricing rate to effectively manage movements of funds across business activities.

Analysis of financial instruments by remaining contractual maturities
The table below shows the maturity profile of the Group's and the Parent Company's financial instruments, based on the Group's and the Parent Company's internal methodology that manages liquidity based on remaining contractual undiscounted cash flows.

Financial assets
Maturity profile of financial assets held for liquidity purposes is shown below. Analysis of equity and debt securities at FVTPL 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, except for deposits which are based on expected withdrawals. When a 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.

	Consolidated						
	On Demand	**Within 30 Days**	**31 to 60 Days**	**61 to 180 Days**	**181 to 360 Days**	**Over 360 Days**	**Total**
December 31, 2021							
Financial Assets							
Financial assets at FVTPL:							
HFT investments:							
Government securities	**₱–**	**₱5,676,277**	**₱–**	**₱–**	**₱–**	**₱**	**₱5,676,277**
Private bonds	**–**	**26,437**	**–**	**–**	**–**	**–**	**26,437**
Total HFT investments	**–**	**5,702,714**	**–**	**–**	**–**	**–**	**5,702,714**
Derivatives	**–**	**1,240,315**	**–**	**–**	**–**	**–**	**1,240,315**
Total financial assets at FVTPL	**–**	**6,943,029**	**–**	**–**	**–**	**–**	**6,943,029**
Financial assets at amortized cost:							
COCI and due from BSP	**78,474,801**	**–**	**–**	**–**	**–**	**–**	**78,474,801**
Due from other banks	**13,126,213**	**–**	**–**	**–**	**–**	**–**	**13,126,213**
Interbank loans receivable and SPURA with BSP	**–**	**29,686,686**	**–**	**–**	**–**	**–**	**29,686,686**
Investment securities at amortized cost	**–**	**85,302**	**485,462**	**1,972,638**	**459,050**	**22,300,686**	**25,303,138**
Receivable from customers and other receivables	**–**	**70,188,758**	**60,575,682**	**46,544,926**	**34,976,937**	**350,002,828**	**562,289,131**
Total financial assets at amortized cost	**91,601,014**	**99,960,746**	**61,061,144**	**48,517,564**	**35,435,987**	**372,303,514**	**708,879,969**
Financial assets at FVTOCI	**–**	**1,465,047**	**265,499**	**1,363,775**	**1,777,896**	**92,251,678**	**97,123,895**
Total financial assets	**₱91,601,014**	**₱108,368,822**	**₱61,326,643**	**₱49,881,339**	**₱37,213,883**	**₱464,555,192**	**₱812,946,893**
Deposit liabilities:							
Demand	**₱216,470,901**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱216,470,901**
Savings	**–**	**110,567,289**	**–**	**–**	**–**	**–**	**110,567,289**
Time	**–**	**15,493,008**	**15,896,926**	**91,474,926**	**–**	**48,957,668**	**171,822,528**
LTNCD	**–**	**84,250**	**84,250**	**336,998**	**505,498**	**26,170,857**	**27,181,853**
Total deposit liabilities	**216,470,901**	**126,144,547**	**15,981,176**	**91,811,924**	**505,498**	**75,128,525**	**526,042,571**
Bills payable and SSURA	**–**	**441,754**	**–**	**–**	**–**	**3,611,874**	**4,053,628**
Notes and bonds payable	**–**	**36,281**	**36,281**	**145,125**	**13,504,023**	**15,263,575**	**28,985,285**
Acceptances payable	**–**	**–**	**–**	**–**		**1,001,505**	**1,001,505**
Margin deposits and cash letters of credit	**–**	**–**	**–**	**–**	**–**	**40,182**	**40,182**
Manager's and certified checks outstanding	**–**	**4,221,372**	**–**	**–**	**–**	**–**	**4,221,372**
Accrued interest, expense and other liabilities	**–**	**5,975,566**	**299,173**	**21,300**	**178,168**	**1,379,103**	**7,853,310**
Total financial liabilities	**₱216,470,901**	**₱136,819,520**	**₱16,316,630**	**₱91,978,349**	**₱14,187,689**	**₱96,424,764**	**₱572,197,853**

	Consolidated						
	On Demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
December 31, 2020							
Financial Assets							
Financial assets at FVTPL:							
HFT investments:							
Government securities	₱–	₱9,131,685	₱–	₱–	₱–	₱–	₱9,131,685
Private bonds	–	85,369	–	–	–	–	85,369
Total HFT investments	–	9,217,054	–	–	–	–	9,217,054
Derivatives	–	1,531,134	–	–	–	–	1,531,134
Total financial assets at FVTPL	–	10,748,188	–	–	–	–	10,748,188
Financial assets at amortized cost:							
COCI and due from BSP	60,702,216	–	–	–	–	–	60,702,216
Due from other banks	10,034,045	–	–	–	–	–	10,034,045
Interbank loans receivable and SPURA with BSP	–	18,640,597	–	–	–	–	18,640,597
Investment securities at amortized cost	–	–	–	–	2,882,810	20,509,447	23,392,257
Receivable from customers and other receivables	–	62,929,867	65,102,061	25,254,668	27,070,497	258,494,497	438,851,590
Total financial assets at amortized cost	70,736,261	81,570,464	65,102,061	25,254,668	29,953,307	279,003,944	551,620,705
Financial assets at FVTOCI	–	19,563,099	10,044,703	10,649,015	927,880	27,586,910	68,771,607
Total financial assets	₱70,736,261	₱111,881,751	₱75,146,764	₱35,903,683	₱30,881,187	₱306,590,854	₱631,140,500
Financial Liabilities							
Deposit liabilities:							
Demand	₱177,229,044	₱–	₱–	₱–	₱–	₱–	₱177,229,044
Savings	–	98,705,363	–	–	–	–	98,705,363
Time	–	20,163,912	26,811,083	27,029,962	–	65,683,315	139,688,272
LTNCD	–	–	–	–	–	24,821,000	24,821,000
Total deposit liabilities	177,229,044	118,869,275	26,811,083	27,029,962	–	90,504,315	440,443,679
Bills payable and SSURA	–	5,969,527	1,920,920	6,002,875	–	8,572,924	22,466,246
Notes and bonds payable	–	271,162	270,250	17,965,493	–	27,779,460	46,286,365
Acceptances payable	–	–	–	–	–	61,770	61,770
Margin deposits and cash letters of credit	–	3,862,905	–	–	–	–	3,862,905
Manager's and certified checks outstanding	–	–	–	–	–	437,948	437,948
Lease liability	–	730	5,876	19,393	79,784	1,557,192	1,662,975
Accrued interest, expense and other liabilities	–	10,385,948	114,942	27,643	17,885	312,317	10,858,735
Total financial liabilities	₱177,229,044	₱139,359,547	₱29,123,071	₱51,045,366	₱97,669	₱129,225,926	₱526,080,623

	Parent Company						
	On Demand	**Within 30 Days**	**31 to 60 Days**	**61 to 180 Days**	**181 to 360 Days**	**Over 360 Days***	**Total**
December 31, 2021							
Financial Assets							
Financial assets at FVTPL:							
HFT investments:							
Government securities	**₱–**	**₱5,676,277**	**₱–**	**₱–**	**₱–**	**₱–**	**₱5,676,277**
Private bonds	**–**	**26,413**	**–**	**–**	**–**	**–**	**26,413**
Total HFT investments	**–**	**5,702,690**	**–**	**–**	**–**	**–**	**5,702,690**
Derivatives	**–**	**1,240,315**	**–**	**–**	**–**	**–**	**1,240,315**
Total financial assets at FVTPL	**–**	**6,943,005**	**–**	**–**	**–**	**–**	**6,943,005**
Financial assets at amortized cost:							
COCI and due from BSP	**78,474,676**	**–**	**–**	**–**	**–**	**–**	**78,474,676**
Due from other banks	**13,000,265**	**–**	**–**	**–**	**–**	**–**	**13,000,265**
Interbank loans receivable and SPURA with BSP	**–**	**29,686,686**	**–**	**–**	**–**	**–**	**29,686,686**
Investment securities at amortized cost	**–**	**85,302**	**485,462**	**1,742,642**	**459,050**	**22,300,686**	**25,073,142**
Receivable from customers and other receivables	**–**	**70,325,283**	**60,562,458**	**46,408,754**	**34,900,801**	**350,791,605**	**562,988,901**
Total financial assets at amortized cost	**91,474,941**	**100,097,271**	**61,047,920**	**48,151,396**	**35,359,851**	**373,092,291**	**709,223,670**
Financial assets at FVTOCI	**–**	**1,465,047**	**265,499**	**1,363,775**	**1,777,896**	**92,251,678**	**97,123,895**
Total financial assets	**₱91,474,941**	**₱108,505,323**	**₱61,313,419**	**₱49,515,171**	**₱37,137,747**	**₱465,343,969**	**₱813,290,570**

(Forward)

	Parent Company						
	On Demand	**Within 30 Days**	**31 to 60 Days**	**61 to 180 Days**	**181 to 360 Days**	**Over 360 Days***	**Total**
Financial Liabilities							
Deposit liabilities:							
Demand	**₱216,760,077**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱216,760,077**
Savings	**–**	**110,921,669**	**–**	**–**	**–**	**–**	**110,921,669**
Time	**–**	**14,849,452**	**15,896,926**	**91,474,926**	**–**	**50,841,273**	**173,062,577**
LTNCD	**–**	**84,250**	**84,250**	**336,998**	**505,498**	**25,326,497**	**26,337,493**
Total deposit liabilities	**216,760,077**	**125,855,371**	**15,981,176**	**91,811,924**	**505,498**	**76,167,770**	**527,081,816**
Bills payable and SSURA	**–**	**441,754**	**–**	**–**	**–**	**3,611,874**	**4,053,628**
Acceptances payable	**–**	**–**	**–**	**–**	**–**	**1,001,505**	**1,001,505**
Margin deposits and cash letters of credit	**–**	**–**	**–**	**–**	**–**	**40,182**	**40,182**
Manager's and certified checks outstanding	**–**	**4,221,372**	**–**	**–**	**–**	**–**	**4,221,372**
Notes and bonds payable		**36,281**	**36,281**	**145,125**	**13,504,023**	**15,263,575**	**28,985,285**
Accrued interest, expense and other liabilities	**–**	**4,788,370**	**299,173**	**21,300**	**178,168**	**1,378,545**	**6,665,556**
Total financial liabilities	**₱216,760,077**	**₱135,343,148**	**₱16,316,630**	**₱91,978,349**	**₱14,187,689**	**₱97,463,451**	**₱572,049,344**

	Parent Company						
	On Demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days*	Total
December 31, 2020							
Financial Assets							
Financial assets at FVTPL:							
HFT investments:							
Government securities	₱–	₱9,131,685	₱–	₱–	₱–	₱–	₱9,131,685
Private bonds	–	47,392	–	–	–	–	47,392
Total HFT investments	–	9,179,077	–	–	–	–	9,179,077
Others	–	1,531,134	–	–	–	–	1,531,134
Total financial assets at FVTPL	–	10,710,211	–	–	–	–	10,710,211
Financial assets at amortized cost:							
COCI and due from BSP	60,702,091	–	–	–	–	–	60,702,091
Due from other banks	9,459,629	–	–	–	–	–	9,459,629
Interbank loans receivable and SPURA with BSP	–	18,640,597	–	–	–	–	18,640,597
Investment securities at amortized cost	–	–	–	–	2,882,810	20,509,447	23,392,257
Receivable from customers and other receivables	–	62,929,867	65,102,058	25,254,566	27,069,994	258,745,770	439,102,255
Total financial assets at amortized cost	70,161,720	81,570,464	65,102,058	25,254,566	29,952,804	279,255,217	551,296,829
Financial assets at FVTOCI	–	19,563,099	10,044,703	10,649,015	927,880	27,553,570	68,738,267
Total financial assets	₱70,161,720	₱111,843,774	₱75,146,761	₱35,903,581	₱30,880,684	₱306,808,787	₱630,745,307
Financial Liabilities							
Deposit liabilities:							
Demand	₱177,689,911	₱–	₱–	₱–	₱–	₱–	₱177,689,911
Savings	–	11,845,629	–	–	–	87,036,775	98,882,404
Time	–	21,393,119	26,811,083	27,029,962	–	65,465,450	140,699,614
LTNCD	–	–	–	–	–	24,821,000	24,821,000
Total deposit liabilities	177,689,911	33,238,748	26,811,083	27,029,962	–	177,323,225	442,092,929
Bills payable and SSURA	–	5,819,527	1,920,920	6,002,875	–	8,472,924	22,216,246
Acceptances payable	–	–	–	–	–	437,948	437,948
Margin deposits and cash letters of credit	–	–	–	–	–	61,770	61,770
Manager's and certified checks outstanding	–	3,862,905	–	–	–	–	3,862,905
Notes and bonds payable	–	271,162	270,250	17,965,493	–	27,779,460	46,286,365
Lease liability	–	730	5,876	19,393	79,784	1,557,192	1,662,975
Accrued interest, expense and other liabilities	–	9,326,019	114,942	27,643	18,178	312,295	9,799,077
Total financial liabilities	₱177,689,911	₱52,519,091	₱29,123,071	₱51,045,366	₱97,962	₱215,944,814	₱526,420,215

The table below shows the contractual expiry by maturity of the Group's and the Parent Company's contingent liabilities and commitments (gross of allowance for credit losses).

	On Demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
December 31, 2021							
Unutilized credit limit of credit card holders	**₱35,573,141**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱35,573,141**
Committed loan line	**14,230,878**	**–**	**–**	**800,000**	**7,550,000**	**–**	**22,580,878**
Unused commercial letters of credit	**1,393,481**	**4,027,675**	**3,206,022**	**8,895,442**	**8,968,618**	**3,262,053**	**29,753,291**
Outstanding guarantees	**1,406,821**	**–**	**–**	**–**	**–**	**–**	**1,406,821**
Inward bills for collection	**346,393**	**6,455**	**–**	**–**	**–**	**–**	**352,848**
Outward bills for collection	**56,488**	**8,976**	**17,972**	**–**	**–**	**–**	**83,436**
Financial guarantees with commitment	**20,339**	**2,891**	**2,837**	**3,874**	**2,833**	**–**	**32,774**
	₱53,027,541	**₱4,045,997**	**₱3,226,831**	**₱9,699,316**	**₱16,521,451**	**₱3,262,053**	**₱89,783,189**
December 31, 2020							
Unutilized credit limit of credit card holders	₱40,364,583	₱–	₱–	₱–	₱–	₱–	40,364,583
Unused commercial letters of credit	242,356	1,446,910	1,484,840	7,323,732	8,839,468	2,045,635	21,382,941
Committed loan line	8,164,785	–	293,200	10,998,920	851,791	–	20,308,696
Outstanding guarantees	2,413,999	–	–	–	–	–	2,413,999
Inward bills for collection	154,164	62,907	55,498	17,868	–	–	290,437
Outward bills for collection	–	219,965	–	–	–	–	219,965
Financial guarantees with commitment	–	–	1,583	1,374	62,160	–	65,117
	₱51,339,887	₱1,729,782	₱1,835,121	₱18,341,894	₱9,753,419	₱2,045,635	₱85,045,738

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Group classifies exposures to market risk into either trading or non-trading portfolios and manages those portfolios separately.

The Group manages its market risk exposures through various established structures, processes and measurement tools.

- Treasury Group, the unit in charge of managing customer flows, liquidity and interest rate risk in the banking book (IRRBB), and that which handles most of the proprietary trading of the Group, is assigned with risk limits by the ROC. Similarly, limits are assigned to the equities trading arm of the Group, Equities Investment Unit.
- The Risk Management Group performs daily monitoring of compliance with policies, procedures and risk limits and accordingly makes recommendations, where appropriate.
- The ALCO is the senior decision making body for the management of all market risks related to asset and liability management, and the trading and accrual books.
- VaR is the statistical model used by the Group to measure the market risk of its trading portfolio, with the confidence level set at 99.0%.

The market risk measurement models are subjected to periodic back testing to ensure validity of market assumptions used.

Other risk management tools utilized by the Parent Company are as follows:

- Loss limits
- Position and duration limits, where appropriate
- Mark-to-market valuation
- VaR limits
- Economic value of equity (EVE)

Additional risk monitoring tools were likewise adopted to better cope with the fluid market environment. This came mainly in the form of sensitivity analyses to pinpoint vulnerabilities in terms of profit or loss and capital erosion.

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Bank defines Interest Rate Risk in the Banking Book as the risk of deterioration in the net interest income or capital of bank arising from the timing and rate mismatch of its assets and liabilities combined with unfavorable movements in interest rates.

The Parent Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. Management of interest rate risk in the banking books (IRRBB) entails identifications of risks in the banking book, modelling of balance sheet account behavior, measurement of interest rate gap, estimation of Earnings-at-Risk, interest rate stress-testing, reporting to ALCO, Risk Oversight Committee and the Board of Directors, model validation and maintenance, and regular audit.

Interest rate risk exposures are reported via the monthly repricing gap schedule. The repricing gap report highlights mismatches in the repricing tenors of assets and liabilities. Repricing gaps are calculated by distributing the statements of financial position accounts into time buckets based on the next repricing dates of individual items. For non-maturing deposits, distinction is made between the stable (i.e. core) and non-stable portions, where the former is spread in time buckets aligned with Basel's IRRBB Document while the latter is bucketed in short-term tenors. The resulting difference between the amount of the assets and the amount of the liabilities that will reprice within a particular time bucket constitutes a repricing gap.

The Group employs gap analysis to measure the sensitivity of its assets and liabilities to fluctuations in market interest rates for any given period. A positive gap occurs when the amount of interest rate-sensitive assets exceeds the amount of interest rate-sensitive liabilities and is favorable to the Group during a period of rising interest rates since it is in a better position to invest in higher yielding assets more quickly than it would need to refinance its interest bearing liabilities. Conversely, during a period of falling interest rates, a positively gapped position could result in a restrained growth or even a declining net interest income.

The EVE is a cash flow calculation that takes the present value of all asset cash flows and subtracts the present value of all liability cash flows. Delta EVE is defined as a bank's value sensitivity to changes in market rates. EVE will complement earnings-at-risk (EaR) and value-at-risk (VaR) as the Group's measure of interest rate risk. As of December 31, 2021 , the Parent Company's Delta EVE is at 3.96%, arising from parallel down interest rate shock scenario.

The following tables set forth the asset-liability gap position of the Group and of the Parent Company as of December 31, 2021 and 2020 (amounts in millions):

	Consolidated					
	Within 30 Days	**31 to 60 Days**	**61 to 180 Days**	**181 to 360 Days**	**Over 360 Days**	**Total**
December 31, 2021						
Rate-sensitive Financial Assets						
Financial assets at FVTPL:						
HFT investments:						
Government securities	**₱–**	**₱5,656**	**₱–**	**₱–**	**₱–**	**5,656**
Private bonds	–	**26**	–	–	–	**26**
Total HFT investments	–	**5,682**	–	–	–	**5,682**
Derivative assets	–	**1,240**	–	–	–	**1,240**
Total financial assets at FVTPL	–	**6,922**	–	–	–	**6,922**

(Forward)

	Consolidated					
	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
Financial assets at amortized cost:						
Due from BSP and other banks and Interbank loans receivable and SPURA with the BSP	₱109,944	₱–	₱–	₱–	₱–	₱109,944
Investment securities at amortized cost - gross of allowance	–	400	1,657	–	19,847	21,904
Receivable from customers and other receivables - gross of allowance	68,252	58,642	39,691	25,678	274,512	466,775
Total financial assets at amortized cost	178,196	59,042	41,348	25,678	294,359	598,623
Financial assets at FVTOCI	1,199	–	307	199	78,964	80,669
Total rate-sensitive assets	179,395	65,964	41,655	25,877	373,323	686,214
Rate-sensitive Financial Liabilities						
Deposit liabilities	245,309	15,897	91,475	–	170,908	523,589
Bills payable and SSURA	–	–	–	–	3,464	3,464
Notes and bonds payable	–	–	–	13,468	15,253	28,721
Total rate-sensitive liabilities	245,309	15,897	91,475	13,468	189,625	555,774
Asset-Liability Gap	(₱65,914)	₱50,067	(₱49,820)	₱12,409	₱183,698	₱130,440
December 31, 2020						
Rate-sensitive Financial Assets						
Financial assets at FVTPL:						
HFT investments:						
Government securities	₱9,132	₱–	₱–	₱–	₱–	₱9,132
Private bonds	85	–	–	–	–	85
Total HFT investments	9,217	–	–	–	–	9,217
Derivative Assets	1,531	–	–	–	–	1,531
Total financial assets at FVTPL	10,748	–	–	–	–	10,748
Financial assets at amortized cost:						
Due from BSP and other banks and Interbank loans receivable and SPURA with the BSP	76,066	–	–	–	–	76,066
Investment securities at amortized cost - gross of allowance	–	–	–	2,883	20,678	23,561
Receivable from customers and other receivables - gross of allowance	140,877	8	–	18,555	301,048	460,488
Total financial assets at amortized cost	216,943	8	–	21,438	321,726	560,115
Financial assets at FVTOCI	19,563	10,045	10,649	928	27,586	68,771
Total rate-sensitive assets	247,254	10,053	10,649	22,366	349,312	639,634
Rate-sensitive Financial Liabilities						
Deposit liabilities	89,551	28,050	21,205	–	301,603	440,409
Bills payable and SSURA	5,970	1,921	6,003	–	7,191	21,085
Notes and bonds payable	–	–	17,959	–	27,752	45,711
Total rate-sensitive liabilities	95,521	29,971	45,167	–	336,546	507,205
Asset-Liability Gap	₱151,733	(₱19,918)	(₱34,518)	₱22,366	₱12,766	₱132,429

	Parent Company					
	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
December 31, 2021						
Rate-sensitive Financial Assets						
Financial assets at FVTPL:						
HFT investments:						
Government securities	₱–	5,656	₱–	₱–	₱–	5,656
Private bonds	–	26	–	–	–	26
Total HFT investments	–	5,682	–	–	–	5,682
Derivative assets	–	1,240	–	–	–	1,240
Total financial assets at FVTPL	–	6,922	–	–	–	6,922
Financial assets at amortized cost:						
Due from BSP and other banks and Interbank loans receivable and SPURA with the BSP	109,818	–	–	–	–	109,818
Investment securities at amortized cost - gross of allowance	–	400	1,657	–	19,847	21,904

(Forward)

	Parent Company					
	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
Receivable from customers and other receivables - gross	₱68,252	₱58,642	₱39,691	₱25,678	₱274,447	₱466,710
Total financial assets at amortized cost	178,070	59,042	41,348	25,678	294,294	598,432
Financial assets at FVTOCI	1,199	–	307	199	78,919	80,624
Total rate-sensitive assets	179,269	65,964	41,655	25,877	373,213	685,978
Rate-sensitive Financial Liabilities						-
Deposit liabilities	244,954	15,897	91,475	–	173,147	525,473
Bills payable and SSURA	–	–	–	–	3,368	3,368
Notes and bonds payable	–	–	–	13,468	15,253	28,721
Total rate-sensitive liabilities	244,954	15,897	91,475	13,468	191,768	557,562
Asset-Liability Gap	(₱65,685)	₱50,067	(₱49,820)	₱12,409	₱181,445	₱128,416

	Parent Company					
	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
December 31, 2020						
Rate-sensitive Financial Assets						
Financial assets at FVTPL:						
HFT investments:						
Government securities	₱9,132	₱–	₱–	₱–	₱–	₱9,132
Private bonds	47	–	–	–	–	47
Total HFT investments	9,179	–	–	–	–	9,179
Derivative assets	1,531	–	–	–	–	1,531
Total financial assets at FVTPL	10,710	–	–	–	–	10,710
Financial assets at amortized cost:						
Due from BSP and other banks and Interbank loans receivable and SPURA with the BSP	75,492	–	–	–	–	75,492
Investment securities at amortized cost	–	–	–	2,883	20,678	23,561
Receivable from customers and other receivables - gross	133,492	8	–	18,555	308,658	460,713
Total financial assets at amortized cost	208,984	8	–	21,438	329,336	559,766
Financial assets at FVTOCI	19,563	10,045	10,649	928	27,553	68,738
Total rate-sensitive assets	239,257	10,053	10,649	22,366	356,889	639,214
Rate-sensitive Financial Liabilities						
Deposit liabilities	91,418	28,050	21,205	–	301,285	441,958
Bills payable and SSURA	5,820	1,921	6,003	–	7,091	20,835
Notes payable	–	–	17,959	–	27,752	45,711
Total rate-sensitive liabilities	97,238	29,971	45,167	–	336,128	508,504
Asset-Liability Gap	₱142,019	(₱19,918)	(₱34,518)	₱22,366	₱20,761	₱130,710

The following table provides for the average effective interest rates by period of repricing (or by period of maturity if there is no repricing) of the Group and of the Parent Company as of December 31, 2021 and 2020:

	Consolidated			Parent Company		
	Less than 3 months	3 months to 1 year	Greater than 1 year	Less than 3 months	3 months to 1 year	Greater than 1 year
December 31, 2021						
Peso						
Financial Assets						
Due from BSP	1.72%	–	–	1.72%	–	–
Due from banks	0.04%	–	–	0.04%	–	–
Interbank loans	–	5.50%	–	-	5.50%	–
Investment securities*	2.34%	3.08%	4.07%	2.34%	3.08%	4.07%
Loans and receivables	4.60%	5.11%	7.19%	4.60%	5.11%	7.19%
Financial Liabilities						
Deposit liabilities other than LTNCD	0.83%	1.02%	0.76%	0.83%	1.02%	0.76%
LTNCD	–	–	4.24%	–	–	4.24%
Bills payable and SSURA	–	–	8.00%	–	–	8.00%
Notes payable	6.35%	3.55%	–	6.35%	3.55%	–

(Forward)

	Consolidated			Parent Company		
	Less than 3 months	3 months to 1 year	Greater than 1 year	Less than 3 months	3 months to 1 year	Greater than 1 year
USD						
Financial Assets						
Due from banks	**0.04%**	**–**	**–**	**0.04%**	**–**	**–**
Investment securities*	**0.57%**	**–**	**1.71%**	**0.57%**	**–**	**1.71%**
Loans and receivables	**0.85%**	**8.07%**	**0.24%**	**0.85%**	**8.07%**	**0.24%**
Financial Liabilities						
Deposit liabilities	**0.15%**	**0.34%**	**0.51%**	**0.15%**	**0.34%**	**0.51%**
Bills payable	**–**	**0.74%**	**4.85%**	**–**	**0.74%**	**4.85%**
Notes payable	**–**	**–**	**4.68%**	**–**	**–**	**4.68%**
December 31, 2020						
Peso						
Financial Assets						
Due from BSP	1.60%	–	–	1.60%	–	–
Due from banks	0.68%	–	–	0.68%	–	–
Interbank loans	–	5.50%	2.92%	–	5.50%	2.92%
Investment securities*	2.47%	2.61%	4.32%	2.47%	2.61%	4.32%
Loans and receivables	4.72%	6.11%	7.93%	4.72%	6.11%	7.93%
Financial Liabilities						
Deposit liabilities other than LTNCD	0.60%	1.05%	1.26%	0.60%	1.05%	1.26%
LTNCD	–	–	4.24%	–	–	4.24%
Bills payable and SSURA	1.99%	0.81%	3.60%	1.99%	0.81%	3.60%
Notes payable	–	6.35%	–	–	6.35%	–
USD						
Financial Assets						
Due from banks	0.19%	–	–	0.19%	–	–
Investment securities*	0.26%	0.48%	2.84%	0.26%	0.48%	2.84%
Loans and receivables	2.60%	2.99%	3.97%	2.60%	2.99%	3.97%
Financial Liabilities						
Deposit liabilities	0.89%	1.10%	0.78%	0.89%	1.10%	0.78%
Bills payable	0.60%	0.81%	–	0.60%	0.81%	–
Notes payable	–	–	4.68%	–	–	4.68%

** Consists of Financial assets at FVTPL, Financial assets at FVTOCI and Investment securities at amortized cost*

Market Risk in the Trading Book

The Parent Company needs to measure VaR in order to have an idea on how the market value of an asset or of a portfolio of assets is likely to decrease over a certain time period as market factors randomly change.

VaR computation is a two-step process which involves calculation of the changes in the relevant risk factors then computing for the corresponding impact on the exposure's value. A risk factor is defined as a variable that causes a change in the value of a financial instruments or a portfolio of financial instruments.

VaR Methodology

The Parent Company uses a Historical Model approach to calculate VaR for all products.

Unlike parametric methods, the historical approach does not put specific assumptions on the distribution (ex. normality assumption) of the historical returns. Instead, the Historical Model estimates VaR by reliving history, which involves using historical changes in market factors to construct an empirical distribution of potential profits and losses, and then reading off the loss that is exceeded at a specified confidence level and period. The Parent Company employs Historical model using a Taylor expansion composed of "Greek" sensitivities (Delta and Gamma) characterizing market behavior.

VaR Parameters
The Group uses one-year historical observations consisting of 365 data points with a 99.0% confidence level and a 1-day holding period. This means there is 99% confidence that the portfolio will not lose more than the calculated VaR over the next day.

The VaR figures are backtested against actual and hypothetical profit and loss to validate the robustness of the VaR model. Likewise, to complement the VaR measure, the Parent Company performs stress tests wherein the trading portfolios are valued under extreme market scenarios not covered by the confidence interval of the VaR model.

Since VaR is an integral part of the Parent Company's market risk management, VaR limits are set annually for all financial trading activities based on its risk appetite level. Exposures are then monitored daily against the established VaR limits.

The following table provides the VaR summary of the Parent Company for the quarter ended December 31, 2021 and 2020 (amounts in millions):

	FX and FX Swaps	Fixed Income	Interest Rate Swap Agreements*	Other Derivatives
31-Dec-21				
2021-Average Daily	**₱2.171**	**₱32.082**	**₱8.753**	**₱3.481**
2021-Highest	**12.586**	**145.125**	**25.240**	**19.485**
2021-Lowest	**(3.772)**	**(2.164)**	**(2.715)**	**(4.272)**
As of Dec. 31, 2021	**(0.287)**	**11.043**	**7.161**	**5.350**
31-Dec-20				
2020-Average Daily	₱8.034	₱24.620	₱2.346	₱1.572
2020-Highest	62.816	183.880	13.969	18.346
2020-Lowest	(3.823)	(2.367)	(10.185)	(11.355)
As of Dec. 31, 2020	7.011	74.325	0.751	(3.644)

*Includes interest rate swap transactions of same currency, e.g., PHP fix/float, and cross currency swaps, e.g., USD/PHP fix/fix

The Parent Company's trading in fixed income securities together with the interest rate swaps are exposed to movements in interest rates. Foreign exchange swaps and other derivatives such as options and gold forwards are exposed to multiple risk factors including foreign exchange rates, interest rates, and sometimes even the volatility of these factors, e.g., for options, the volatility of the FX rates are also being traded.

The high and low of the total portfolio may not equal to the sum of the individual components as the high and low of individual portfolios may have occurred on different trading days.

Equity price risk
Equity price risk is the risk that the fair values of equities will decrease as a result of changes in the levels of equity indices and the value of individual stocks. As of December 31, 2021 and 2020 this risk originates from the open stock positions of SB Equities.

The following tables set forth the impact of changes in the PSE Index (PSEi) on the Group's unrealized gain (loss) (in absolute amounts):

	Consolidated			
	2021		2020	
Changes in PSEi	**3.13%**	**-3.13%**	8.96%	-8.96%
Change on trading income of equity portfolio under:				
Financial intermediaries	**₱–**	**₱–**	₱–	₱–
Holding firms	**33**	**(33)**	28	(28)
Industrial companies	**4**	**(4)**	7	(7)
Property	**–**	**–**	–	–
Services	**–**	**–**	–	–
	₱37	**(₱37)**	₱35	(₱35)
As a percentage of the Group's net unrealized gain (loss) for the year	**0.00%**	**0.00%**	0.00%	0.00%

Financial Assets at FVTOCI

	Consolidated			
	2021		2020	
Changes in PSEi	**3.13%**	**-3.13%**	8.96%	-8.96%
Change in net unrealized loss of SBEI's PSE shares	**₱758,450**	**(₱758,450)**	₱1,536,607	(₱1,536,607)
As a percentage of SBEI's net unrealized gain (loss) for the year	**8.99%**	**(8.99%)**	56.53%	(56.53%)

The Group, except for SBEI, has no equity securities classified under Financial assets at FVTOCI as of December 31, 2021 and 2020 which are affected by changes in the PSEi as these securities are mainly golf and club shares.

Market Risk in the Non-Trading Book

The accrual book pertains to the assets and liabilities that make up the Parent Company's balance sheet. Such accrual positions are sensitive to changes in interest rates. The Parent Company monitors the exposure of non-trading assets and liabilities to fluctuations in interest rates by measuring the impact of interest rate movements on its interest income.

The following tables set forth, for the period indicated, the sensitivity of the Parent Company's net interest income and equity to reasonably possible changes in interest rates with all other variables held constant:

	2021				2020			
Currency	**PHP**		USD		PHP		USD	
Changes in interest rates (in basis points)	**+100**	**-100**	**+100**	**-100**	+100	-100	+100	-100
Change in annualized net interest income*	**₱2,073**	**(₱2,073)**	**₱246**	**(₱246)**	₱2,191	(₱2,192)	₱194	(₱194)

**Amounts in millions*

EAR is the bank's key measure of IRRBB. EAR is the sensitivity of the statement of income as an effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at each statements of financial position date. This approach focuses on the impact in profit or loss of holding on to the gaps over a 1-year time frame. The Bank calculates Earnings-at-Risk on monthly basis.

The take-off point for the EAR calculation is the bank's repricing gap model which takes into account behavior. To control the interest rate repricing risk in the banking books, the Parent Company sets a limit on the EAR measure.

The Parent Company recognizes, however, that this metric assumes a "business-as-usual" scenario and, therefore, do not show potential losses under a "stress" scenario. To address this limitation, the Parent Company performs regular stress testing to test its ability to cope with adverse changes in interest rates under different stress scenarios. This process involves applying one-time interest rate shocks of different magnitudes to the current repricing gap positions in the balance sheet. Stress-testing involves yield curve shifts of up to 300 basis points for USD and 500 basis points for PHP. The bank uses hedging products such as interest rate swaps to hedge its banking book.

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Foreign currency-denominated deposits are generally used to fund the Parent Company's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency-denominated liabilities with the foreign currency-denominated assets held under the FCDU books.

The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines.

The following tables summarize the Group's and the Parent Company's exposure to currency risk as of December 31, 2021 and 2020. Included in the tables are the Group's and the Parent Company's assets and liabilities at carrying amounts, categorized by currency (amounts in Philippine Peso equivalent).

	Consolidated					
		2021			2020	
	USD	**Others***	**Total**	USD	Others*	Total
Financial Assets						
Cash and cash equivalents	**₱51**	**₱88,055**	**₱88,106**	₱326	₱92,295	₱92,621
Due from other banks	**2,134,678**	**3,705,213**	**5,839,891**	1,965,021	2,070,512	4,035,533
Financial assets at FVTPL	**–**	**–**	**–**	–	–	–
Loans and receivables	**5,917,971**	**20,795**	**5,938,766**	6,294,296	11,085	6,305,381
Other assets	**1,103**	**–**	**1,103**	145	180	325
Total financial assets	**8,053,803**	**3,814,063**	**11,867,866**	8,259,788	2,174,072	10,433,860
Financial Liabilities						
Deposit liabilities	**–**	**3,385,482**	**3,385,482**	–	2,119,460	2,119,460
Derivative liabilities	**14,599**	**–**	**14,599**	57,933	–	57,933
Bills payable and SSURA	**(28)**	**110**	**82**	10,553,317	301	10,553,618
Acceptances payable	**980,710**	**20,795**	**1,001,505**	426,863	11,085	437,948
Margin deposits and cash letters of credit	**2,751**	**–**	**2,751**	938	–	938
Accrued interest, taxes and other expenses	**681**	**243**	**924**	20,301	120	20,421
Other liabilities	**39,753**	**12,648**	**52,401**	48,920	266	49,186
Total financial liabilities	**1,038,466**	**3,419,278**	**4,457,744**	11,108,272	2,131,232	13,239,504
Currency Swaps and Forwards	**2,708,650**	**(55,183)**	**2,653,467**	(10,449,685)	25,571	(10,424,114)
Net Exposure	**₱9,723,987**	**₱339,602**	**₱10,063,589**	(₱13,298,169)	₱68,411	(₱13,229,758)

	Parent Company					
	2021			2020		
	USD	**Others***	**Total**	USD	Others*	Total
Financial Assets						
Cash and cash equivalents	**₱51**	**₱88,055**	**₱88,106**	₱326	₱92,295	₱92,621
Due from other banks	**2,134,678**	**3,705,213**	**5,839,891**	1,965,021	2,070,512	4,035,533
Financial assets at FVTPL	**–**	**–**	**–**	–	–	–
Loans and receivables	**5,917,971**	**20,795**	**5,938,766**	6,294,296	11,085	6,305,381
Other assets	**1,103**	**–**	**1,103**	145	180	325
Total financial assets	**8,053,803**	**3,814,063**	**11,867,866**	8,259,788	2,174,072	10,433,860
Financial Liabilities						
Deposit liabilities	**–**	**3,385,482**	**3,385,482**	–	2,119,460	2,119,460
Derivative liabilities	**14,599**	**–**	**14,599**	57,933	–	57,933
Bills payable and SSURA	**(28)**	**110**	**82**	10,553,317	301	10,553,618
Acceptances payable	**980,710**	**20,795**	**1,001,505**	426,863	11,085	437,948
Margin deposits and cash letters of credit	**2,751**	**-**	**2,751**	938	–	938
Accrued interest, taxes and other expenses	**681**	**243**	**924**	20,301	120	20,421
Other liabilities	**39,753**	**12,648**	**52,401**	48,920	266	49,186
Total financial liabilities	**1,038,466**	**3,419,278**	**4,457,744**	11,108,272	2,131,232	13,239,504
Currency Swaps and Forwards	**2,708,650**	**(55,183)**	**2,653,467**	(10,449,685)	25,571	(10,424,114)
Net Exposure	**₱9,723,987**	**₱339,602**	**₱10,063,589**	(₱13,298,169)	₱68,411	(₱13,229,758)

* *Consists of Euro, British pound, Australian dollar, Canadian dollar, Hong Kong dollar, Singapore dollar, New Zealand dollar, Swiss franc, Japanese yen, Danish kroner, Thai baht, Chinese yuan, and South Korean won*

Information relating to the Parent Company's currency derivatives are disclosed in Note 6. The Parent Company has outstanding cross-currency swaps with notional amount of USD161.5million and USD332.1 million as of December 31, 2021 and 2020, respectively, and foreign currency forward transactions with notional amount of USD0.9 billion (bought) and USD1.2 billion (sold) as of December 31, 2021 , and USD0.7 billion (bought) and USD0.9 billion (sold) as of December 31, 2020. The impact of the range of reasonably possible changes in the US Dollar-Philippine Peso exchange rate (except those in the FCDU books) on the Parent Company's non-consolidated pre-tax income in 2021 and 2020 has been included in the VaR summary per product line.

Operational Risk

Operational risk is the probability of loss arising from fraud, unauthorized activities, errors, omissions, system failures, cyber incidents or from external events. This is the broadest risk type encompassing product development and delivery, operational processing, systems development, computing systems, complexity of products and services, and the internal control environment.

Operational Risk Management is considered a critical element in the Bank's commitment to sound management and corporate governance. Under the Bank's operational risk management framework and operational risk manual, a risk-based approach is used in mapping operational risks along critical/key business processes and services, addressing any deficiencies/weaknesses through the proactive process of identifying, assessing and limiting impact of risk in every business/operational area.

Group policies on internal control, information risk management, business continuity, crisis management and other operational risk aspects have been established and continuously developed to increase the Bank's operational resilience. Key Risk Indicators have been recalibrated to improve oversight to the Bank's overall operational risk environment while Risk and Control Assessment Guidelines have been updated to ensure alignment to the overall risk appetite, and embedment of assurance across the three lines of defense. In addition, the Bank has strengthened the Issue Escalation and Incident Reporting process to ensure that issues or incidents where lapses in controls occur are captured, evaluated, elevated for correction and reported to concerned regulating bodies. There is a continuous effort to expand the Operational Loss Database covering loss event categories as defined by Basel II.

The Bank continues to operate under a remote working setup for most of its non-branch operations to ensure business continuity under evolving government restrictions during the current pandemic. There remains increased focus on operational resilience, with ongoing reviews of business continuity plans and crisis management playbooks, and planned upgrades to critical systems as part of IT disaster recovery efforts. This year also saw the successful implementation of the Bank's mass notification system, which will be augmented by planned automation of the larger business continuity management process.

Increased digitalization in response to customer needs has been accompanied by enhanced alignment of the Bank's risk assessment and technology project management processes. Security controls were strengthened to mitigate increasing cybersecurity and external fraud risks, particularly within the online banking services. Security awareness programs for both customers and staff have likewise been enhanced. Finally, third-party experts were contracted to assess and guide further improvements to both cybersecurity maturity and incident response capability. This is all to ensure that information security, fraud and operational resilience risks are adequately addressed.

6. Fair Value Measurement and Derivative Transactions

The following table provides the fair value hierarchy lending of the Group's and the Parent Company's assets and liabilities measured at fair value and those for which fair values should be disclosed:

	Consolidated				
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
December 31, 2021					
Assets Measured at Fair Value					
Financial assets at FVTPL:					
HFT investments:					
Government securities	**₱5,655,787**	**₱5,655,787**	**₱902,552**	**₱4,753,235**	**₱–**
Private bonds	**26,354**	**26,354**	**7,841**	**18,513**	–
Total HFT investments	**5,682,141**	**5,682,141**	**910,393**	**4,771,748**	–
Derivative assets:					
Currency forwards	**858,473**	**858,473**	–	**858,473**	–
Interest rate swaps	**211,725**	**211,725**	–	**211,725**	–
Cross-currency swaps	**161,488**	**161,488**	–	**161,488**	–
Interest rate futures	**3,159**	**3,159**	–	**3,159**	–
Bond options	**5,470**	**5,470**	–	**5,470**	–
Total derivative assets	**1,240,315**	**1,240,315**	–	**1,240,315**	–
Total financial assets at FVTPL	**6,922,456**	**6,922,456**	**910,393**	**6,012,063**	–
Financial assets at FVTOCI:					
Treasury notes and bills	**40,538,225**	**40,538,225**	**1,208,124**	**39,330,101**	**–**
Treasury bonds	**35,567,565**	**35,567,565**	**19,246,936**	**16,320,629**	**–**
Private bonds	**4,234,304**	**4,234,304**	**585,235**	**3,649,069**	**–**
Equity securities	**329,127**	**329,127**	–	**329,127**	**–**
	80,669,221	**80,669,221**	**21,040,295**	**59,628,926**	–
	₱87,591,677	**₱87,591,677**	**₱21,950,688**	**₱65,640,989**	**₱–**
Assets for which Fair Values are Disclosed					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost:					
Private bonds	**₱21,836,607**	**₱22,109,944**	**₱19,535,011**	**₱2,574,933**	**₱–**
Total investment securities at amortized cost	**21,836,607**	**22,109,944**	**19,535,011**	**2,574,933**	**–**

(Forward)

			Consolidated		
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Receivable from customers:					
Corporate lending	₱340,377,816	₱346,725,557	₱–	₱–	₱346,725,557
Consumer lending	44,726,021	44,723,374	–	–	44,723,374
Small business lending	1,177,560	1,190,490	–	–	1,190,490
Residential mortgages	57,426,978	57,453,840	–	–	57,453,840
Total receivable from customers	443,708,375	450,093,261	–	–	450,093,261
Other receivables	4,875,539	4,875,539	–	–	4,875,539
Other assets	592,765	569,185	–	–	569,185
Total financial assets at amortized cost	471,013,286	477,647,929	19,535,011	2,574,933	455,537,985
Non-financial Assets					
Investment properties	1,182,810	2,010,843	–	–	2,010,843
	₱472,196,096	₱479,658,772	₱19,535,011	₱2,574,933	₱457,548,828
Liabilities Measured at Fair Value					
Financial liabilities at FVTPL:					
Derivative liabilities:					
Interest rate swaps	₱110,983	₱110,983	₱–	₱110,983	₱–
Currency forwards	1,174,299	1,174,299	–	1,174,299	–
Cross-currency swaps	104	104	–	104	–
Total financial liabilities at FVTPL	₱1,285,386	₱1,285,386	₱–	₱1,285,386	₱–
Liabilities for which Fair Values are Disclosed					
Deposit liabilities excluding LTNCD	₱498,860,718	₱499,102,684	₱–	₱–	₱499,102,684
Bills payable and SSURA	3,464,424	3,397,822	3,397,822	–	–
Notes and bonds payable	28,721,313	29,774,531	–	–	29,774,531
LTNCD	24,728,573	25,224,883	–	–	25,224,883
	₱555,775,028	₱ 557,499,920	₱3,397,822	₱–	₱554,102,098

			Parent Company		
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
December 31, 2021					
Assets Measured at Fair Value					
Financial assets at FVTPL:					
HFT investments:					
Government securities	₱5,655,787	₱5,655,787	₱902,552	₱4,753,235	₱–
Private bonds	26,330	26,330	7,817	18,513	–
Total HFT investments	5,682,117	5,682,117	910,369	4,771,748	–
Derivative assets:					
Currency forwards	858,473	858,473	–	858,473	–
Interest rate swaps	211,725	211,725	–	211,725	–
Cross-currency swaps	161,488	161,488	–	161,488	–
Interest rate futures	3,159	3,159	–	3,159	–
Bond forwards and options	5,470	5,470	–	5,470	–
Total derivative assets	1,240,315	1,240,315	–	1,240,315	–
Total financial assets at FVTPL	6,922,432	6,922,432	910,369	6,012,063	
Financial assets at FVTOCI:					
Treasury notes and bills	40,538,225	40,538,225	1,208,124	39,330,101	–
Treasury bonds	35,567,565	35,567,565	19,246,936	16,320,629	–
Private bonds	4,234,304	4,234,304	585,235	3,649,069	–
Equity securities	283,443	283,443	–	283,443	–
	80,623,537	80,623,537	21,040,295	59,583,242	–
	₱87,545,969	₱87,545,969	₱21,950,664	₱65,595,305	₱–

(Forward)

	Parent Company				
		Fair Value			
	Carrying Value	**Total**	**Quoted Prices in active market (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets for which Fair Values are Disclosed					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost:					
Private bonds	**₱21,836,607**	**₱22,109,944**	**₱19,535,011**	**₱2,574,933**	**₱–**
Total investment securities at amortized cost	**21,836,607**	**22,109,944**	**19,535,011**	**2,574,933**	–
Receivable from customers:					
Corporate lending	**340,930,896**	**343,868,134**	–	–	**343,868,134**
Consumer lending	**44,529,511**	**44,526,864**	–	–	**44,526,864**
Small business lending	**1,177,560**	**1,190,490**	–	–	**1,190,490**
Residential mortgages	**57,426,978**	**57,453,840**	–	–	**57,453,840**
Total receivable from customers	**444,064,945**	**447,039,328**	–	–	**447,039,328**
Other receivables	**4,481,397**	**4,481,397**	–	–	**4,481,397**
Other assets	**591,098**	**567,637**	–	–	**567,637**
Total financial assets at amortized cost	**470,974,047**	**474,198,306**	**19,535,011**	**2,574,933**	**452,088,362**
Non-financial Assets					
Investment properties	**1,181,267**	**2,009,299**	–	–	**2,009,299**
	₱472,155,314	**₱476,207,605**	**₱19,535,011**	**₱2,574,933**	**₱454,097,661**
Liabilities Measured at Fair Value					
Financial liabilities at FVTPL:					
Derivative liabilities:					
Interest rate swaps	**₱110,983**	**₱110,983**	**₱–**	**₱110,983**	**₱–**
Currency forwards	**1,174,299**	**1,174,299**	–	**1,174,299**	–
Cross-currency swaps	**104**	**104**	–	**104**	–
Total financial liabilities at FVTPL	**₱1,285,386**	**₱1,285,386**	**₱–**	**₱1,285,386**	**₱–**
Liabilities for which Fair Values are Disclosed					
Financial liabilities at amortized cost:					
Deposit liabilities excluding LTNCD	**₱500,744,323**	**₱500,986,289**	**₱–**	**₱–**	**₱500,986,289**
Bills payable and SSURA	**3,367,757**	**3,301,155**	**3,301,155**	–	–
Notes and bonds payable	**28,721,313**	**29,774,531**	–	–	**29,774,531**
LTNCD	**24,728,573**	**25,224,883**	–	–	**25,224,883**
	₱557,561,966	**₱559,286,858**	**₱3,301,155**	**₱–**	**₱555,985,703**

	Consolidated				
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
December 31, 2020					
Assets Measured at Fair Value					
Financial assets at FVTPL:					
HFT investments:					
Government securities	₱9,131,685	₱9,131,685	₱2,186,040	₱6,945,645	₱–
Private bonds	85,369	85,369	55,005	30,364	–
Total HFT investments	9,217,054	9,217,054	2,241,045	6,976,009	–
Derivative assets:					
Currency forwards	633,814	633,814	–	633,814	–
Interest rate swaps	565,232	565,232	–	565,232	–
Cross-currency swaps	332,088	332,088	–	332,088	–
Total derivative assets	1,531,134	1,531,134	–	1,531,134	–
Total financial assets at FVTPL	10,748,188	10,748,188	2,241,045	8,507,143	–
Financial assets at FVTOCI:					
Treasury notes and bills	43,463,252	43,463,252	36,635,681	6,827,571	–
Treasure bonds	22,129,300	22,129,300	13,744,844	8,384,456	–
Private bonds	2,887,881	2,887,881	1,020,654	1,867,227	–
Equity securities	291,174	291,174	–	291,174	–
	68,771,607	68,771,607	51,401,179	17,370,428	–
	₱79,519,795	₱79,519,795	₱53,642,224	₱25,877,571	₱–

(Forward)

	Consolidated				
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets for which Fair Values are Disclosed					
Financial Assets					
Financial assets at amortized cost					
Investment securities at amortized cost:					
Private bonds	₱23,392,257	₱24,335,675	₱24,335,675	₱–	₱–
Total investment securities at amortized cost	23,392,257	24,335,675	24,335,675	–	–
Receivable from customers:					
Corporate lending	324,572,463	332,651,191	–	–	332,651,191
Consumer lending	53,600,274	53,596,697	–	–	53,596,697
Small business lending	904,660	914,558	–	–	914,558
Residential mortgages	53,751,490	53,776,804	–	–	53,776,804
Total receivable from customers	432,828,887	440,939,250	–	–	440,939,250
Other receivables	6,022,703	6,022,703	–	–	6,022,703
Other assets	347,656	325,575	–	–	325,575
Total financial assets at amortized cost	462,591,503	471,623,203	24,335,675	–	447,287,528
Non-financial Assets					
Investment properties	1,092,610	2,593,284	–	–	2,593,284
	₱463,684,113	₱474,216,487	₱24,335,675	₱–	₱449,880,812
Liabilities Measured at Fair Value					
Financial liabilities at FVTPL:					
Derivative liabilities:					
Currency forwards	₱490,803	₱490,803	₱–	₱490,803	₱–
Interest rate swaps	597,777	597,777	–	597,777	–
Currency Options	9,801	9,801	–	9,801	–
Total financial liabilities at FVTPL	1,098,381	1,098,381	–	1,098,381	–
	₱1,098,381	₱1,098,381	₱–	₱1,098,381	₱–
Liabilities for which Fair Values are Disclosed					
Deposit liabilities excluding LTNCD	₱415,720,415	₱415,904,560	₱–	₱–	₱415,904,560
Bills payable and SSURA	21,084,361	19,436,470	–	–	19,436,470
Notes payable	45,710,678	47,729,704	47,729,704	–	–
LTNCD	24,690,165	25,581,088	–	–	25,581,088
	₱507,205,619	₱508,651,822	₱47,729,704	₱–	₱460,922,118

	Parent Company				
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
December 31, 2020					
Assets Measured at Fair Value					
Financial assets at FVTPL:					
HFT investments:					
Government securities	₱9,131,685	₱9,131,685	₱2,186,040	₱6,945,645	₱–
Private bonds	47,392	47,392	17,028	30,364	–
Total HFT investments	9,179,077	9,179,077	2,203,068	6,976,009	–
Derivative assets:					
Currency forwards	633,814	633,814	–	633,814	–
Interest rate swaps	565,232	565,232	–	565,232	–
Cross-currency swaps	332,088	332,088	–	332,088	–
Total derivative assets	1,531,134	1,531,134	–	1,531,134	–
Total financial assets at FVTPL	10,710,211	10,710,211	2,203,068	8,507,143	–
Financial assets at FVTOCI:					
Treasury notes and bills	43,463,252	43,463,252	36,635,681	6,827,571	–
Treasury bonds	22,129,300	22,129,300	13,744,844	8,384,456	–
Private bonds	2,887,881	2,887,881	1,020,654	1,867,227	–
Equity securities	257,834	257,834	–	257,834	–
	68,738,267	68,738,267	51,401,179	17,337,088	–
	₱79,448,478	₱79,448,478	₱53,604,247	₱25,844,231	₱–

(Forward)

	Parent Company				
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets for which Fair Values are Disclosed					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost:					
Private bonds	₱23,392,257	₱24,335,675	₱24,335,675	₱–	₱–
Total investment securities at amortized cost	23,392,257	24,335,675	24,335,675	–	–
Receivable from customers:					
Corporate lending	326,353,110	334,658,417	–	–	334,658,417
Consumer lending	53,020,155	53,016,578	–	–	53,016,578
Small business lending	904,659	914,557	–	–	914,557
Residential mortgages	53,751,490	53,776,804	–	–	53,776,804
Total receivable from customers	434,029,414	442,366,356	–	–	442,366,356
Other receivables	5,072,841	5,072,841	–	–	5,072,841
Other assets	347,665	325,583	–	–	325,583
Total financial assets at amortized cost	462,842,177	472,100,455	24,335,675	–	447,764,780
Non-financial Assets					
Investment properties	1,092,611	2,593,284		–	2,593,284
	₱463,934,788	₱474,693,739	₱24,335,675	₱–	₱450,358,064
Liabilities Measured at Fair Value					
Financial liabilities at FVTPL:					
Derivative liabilities:					
Interest rate swaps	₱597,777	₱597,777	₱–	₱597,777	₱–
Currency forwards	490,803	490,803	–	490,803	–
Cross-currency swaps	9,801	9,801	–	9,801	–
Total financial liabilities at FVTPL	1,098,381	1,098,381	–	1,098,381	–
	₱1,098,381	₱1,098,381	₱–	₱1,098,381	₱–
Liabilities for which Fair Values are Disclosed					
Financial liabilities at amortized cost:					
Deposit liabilities excluding LTNCD	₱417,268,743	₱417,456,072	₱–	₱–	₱417,456,072
Bills payable and SSURA	20,834,361	19,186,470	–	–	19,186,470
Notes payable	45,710,678	47,729,704	47,729,704	–	–
LTNCD	24,690,165	25,581,088	–	–	25,581,088
	₱508,503,947	₱509,953,334	₱47,729,704	₱–	₱462,223,630

When fair values of listed equity and debt securities, as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations, without any adjustments for transaction costs, the instruments are included within Level 1 of the hierarchy.

For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other revaluation models. Instruments included in Level 3 include those for which there is currently no active market.

During the years ended December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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

COCI, due from BSP and other banks and interbank loans receivable and SPURA with the BSP
The carrying amounts approximate fair values considering that these accounts consist mostly of overnight deposits and floating rate placements.

Debt securities
Fair values are generally based upon quoted market prices, if available. If the market prices are not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology.

Equity securities
Fair values of quoted equity securities are based on quoted market prices. Fair values of unquoted equity securities are derived based on the adjusted net asset value method.

Receivable from customers and sales contracts receivable (included under 'Other receivables')
Fair values of loans and receivables are estimated using the discounted cash flow methodology, using the Group's current incremental lending rates for similar types of loans and receivables.

Other receivables - Accounts receivable and accrued interest receivable
Carrying amounts approximate fair values given their short-term nature.

Investment properties
Fair value of investment properties are determined by independent or in-house appraisers using the market data approach. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued. Significant unobservable inputs in determining fair values include the following:

Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of the lot size differences on land value.
Time element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time, in which case, the current data is superior to historic data.
Discount	Generally, asking prices in advertisements posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

Other financial assets
The carrying amounts approximate fair values due to their short-term nature.

Derivative instruments
Derivative products are valued using valuation techniques using market observable inputs including foreign exchange rates and interest rate curves prevailing at the statements of financial position date. For interest rate swaps, cross-currency swaps and foreign exchange contracts, discounted cash flow model is applied. This valuation model discounts each cash flow of the derivatives at a rate that is dependent on the tenor of the cash flow.

Deposit liabilities (demand and savings deposits excluding long-term deposits)
The carrying amounts approximate fair values considering that these are due and demandable.

Long-term negotiable certificates of deposit (LTNCD) and subordinated note
Fair values of LTNCD and subordinated note are estimated using adjusted quoted market prices of comparable investments. The adjustments on market quoted prices are unobservable inputs.

Other financial liabilities
For accrued interest and other expenses and other financial liabilities, the carrying amounts approximate fair values due to their short-term nature.

The significant unobservable input used in the fair value measurement of the Group's financial assets and financial liabilities is credit-adjusted rates for similar types of financial instruments. Significant increases (decreases) in the credit-adjusted rates would result in a significantly lower (higher) fair value measurement.

Derivative Financial Instruments
The following tables set out the information about the Group's and the Parent Company's derivative financial instruments and the related fair values:

	2021			2020		
	Notional Amounts	**Derivative Asset (Note 10)**	**Derivative Liability (Note 20)**	Notional Amounts	Derivative Asset (Note 10)	Derivative Liability (Note 20)
Forward exchange bought	**USD968,485**	**₱854,814**	**₱887**	USD726,247	₱6,728	₱484,871
Forward exchange sold	**USD1,172,176**	**3,659**	**1,173,412**	USD943,286	627,086	5,932
Interest rate swaps	**₱53,883,809**	**211,725**	**110,983**	₱29,510,255	565,232	597,777
Warrants	**USD250,258**	–	–	USD250,258	–	–
Interest Rate Futures	**USD30,000**	**3,159**	–			
FX options	**USD10,000**	**5,470**	–	USD–	–	–
Cross-currency swaps	**USD45,878**	**161,488**	**104**	USD98,961	332,088	9,801
		₱1,240,315	**₱1,285,386**		₱1,531,134	₱1,098,381

The movements in the Group's and the Parent Company's derivative financial instruments follow:

	2021	2020
Derivative Assets (Note 10)		
Balance at beginning of year	**₱1,531,134**	₱1,148,008
Fair value changes during the year	**1,283,209**	431,237
Settled transactions	**(1,574,028)**	(48,111)
Balance at end of year	**₱1,240,315**	₱1,531,134
Derivative Liabilities (Note 20)		
Balance at beginning of year	**₱1,098,381**	₱1,104,235
Fair value changes during the year	**1,604,715**	2,619
Settled transactions	**(1,417,710)**	(8,473)
Balance at end of year	**₱1,285,386**	₱1,098,381

Fair value changes of derivatives other than forward contracts amounting to ₱0.1 billion gain and ₱7.7 million loss in 2021 and 2020, respectively, are recognized as 'Trading and securities gain - net' in the statements of income (see Note 9), while fair value changes on forward contracts amounting to ₱0.5 billion loss in 2021 and ₱0.4 billion gain in 2020 are recognized as 'Foreign exchange gain - net' in the statements of income.

As of December 31, 2021 and 2020, the Parent Company has positions in the following types of derivatives:

Forwards
Forward contracts are contractual agreements to buy or sell a specified instrument at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter market.

Swaps
Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Parent Company with other financial institutions in which the Parent Company either receives or pays a floating rate in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a currency swap, the Parent Company pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

Interest rate futures
Futures contract is a contractual agreement made on a futures exchange to buy or sell particular assets at a predetermined price in the future. Futures contracts standardize the quality and quantity of the underlying asset.

Derivative financial instruments held or issued for trading purposes
The Parent Company's derivative trading activities relate to deals with customers which are normally laid off with counterparties. The Parent Company may also take positions with the expectation of generating profit from favorable movements in prices and rates on indices. Also included under this heading are any derivatives which do not meet hedge accounting requirements.

Derivative financial instruments held or issued for hedging purposes
As part of its asset and liability management, the Parent Company used derivatives for hedging purposes in order to reduce its exposure to market risks that is achieved by hedging portfolios of fixed rate financial instruments.

The accounting treatment explained in Note 2 to the financial statements, *Hedge Accounting*, varies according to the nature of the item hedged and compliance with the hedge criteria. Hedges entered into by the Parent Company which provide economic hedges but do not meet the hedge accounting criteria are treated as Derivatives Held or Issued for Trading Purposes.

Fair value hedges
Fair value hedges are used by the Parent Company to protect its portfolio against changes in fair value of financial assets due to movements in interest rates. The financial instruments hedged for interest rate risk represents receivables from customers. The Parent Company uses interest rate swaps to hedge against identified interest rate risks (see Note 11).

7. Due from Other Banks

This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Foreign banks	**₱10,509,499**	₱8,070,600	**₱10,509,499**	₱8,070,600
Local banks	**2,618,037**	1,967,680	**2,491,931**	1,391,135
	13,127,536	10,038,280	**13,001,430**	9,461,735
Allowance for credit losses				
Balance at beginning of year	**4,235**	3,562	**2,106**	2,724
Provision for (recovery of) credit losses (Note 14)	**(3,358)**	673	**(993)**	(618)
Foreign exchange adjustment	**446**	–	**52**	–
	1,323	4,235	**1,165**	2,106
	₱13,126,213	₱10,034,045	**₱13,000,265**	₱9,459,629

In 2021 and 2020, due from other banks were carried at stage 1 and there were no transfers into and out of stage 1.

For the year ended December 31, 2021, peso-denominated due from other banks bear nominal annual interest rates ranging from 0.05% to 0.43%, while foreign currency-denominated due from other banks bear nominal annual interest rates ranging from 0.03% to 0.13%. For the year ended December 31, 2020, peso-denominated due from other banks bear nominal annual interest rates ranging from 0.001% to 1.73%, while foreign currency-denominated due from other banks bear nominal annual interest rates ranging from 0.002% to 0.52%.

Total interest income on 'Due from other banks' earned by the Group amounted to ₱5.8 million, ₱39.4 million and ₱67.8 million for the years ended December 31, 2021, 2020 and 2019, respectively, while total interest income on 'Due from other banks' earned by the Parent Company amounted to ₱3.5 million, ₱35.8 million and ₱60.8 million for the years ended December 31, 2021, 2020 and 2019, respectively, included in 'Interest income on deposits with banks and others' in the statements of income.

Total interest income on 'Due from BSP' earned by the Group and Parent Company amounted to ₱606.5 million, ₱14.9 million and nil for the years ended December 31, 2021, 2020 and 2019, respectively.

8. Interest Income on Financial Investments

This account consists of interest income on:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Investment securities at amortized cost (Note 13)	**₱1,217,012**	₱2,813,180	₱7,956,191	**₱1,217,012**	₱2,813,180	₱7,956,191
Financial assets at FVTOCI (Note 12)	**2,029,679**	745,511	1,287,781	**2,029,679**	745,511	1,287,781
	3,246,691	3,558,691	9,243,972	**3,246,691**	3,558,691	9,243,972
Financial assets at FVTPL (Note 10):						
Derivatives	**435,180**	478,770	825,781	**435,180**	478,770	825,781
Held-for-trading	**227,687**	1,824,521	152,320	**227,622**	1,824,521	152,320
	662,867	2,303,291	978,101	**662,802**	2,303,291	978,101
	₱3,909,558	₱5,861,982	₱10,222,073	**₱3,909,493**	₱5,861,982	₱10,222,073

Ranges of annual fixed interest on financial investments follow:

	2021	2020	2019
Peso-denominated			
HFT investments	**2.38%-9.38%**	2.38%-15.00%	3.00%-9.75%
Investment securities at amortized cost	**3.44%-6.88%**	3.50%-8.13%	4.28%-8.13%
Debt financial assets at FVTOCI	**2.38%-6.88%**	2.38%-8.75%	3.96%-6.84%
Foreign currency-denominated			
HFT investments	**2.13%-9.50%**	0.88%-9.50%	1.63%-11.63%
Investment securities at amortized cost	**2.13%-4.13%**	2.85%-9.50%	3.70%-9.50%
Debt financial assets at FVTOCI	**0.13%-10.63%**	1.65%-9.50%	3.00%-9.50%

9. Trading and Securities Gain

Net gains (losses) from trading/disposal of investment securities and derivatives follow:

	Consolidated			**Parent Company**		
	2021	2020	2019	**2021**	2020	2019
Financial assets at FVTOCI (Note 12)	**₱1,233,901**	₱967,143	₱1,138,116	**₱1,233,901**	₱967,143	₱1,138,116
Financial assets at FVTPL:						
Held-for-trading investments (Note 10)	**(271,579)**	10,145,601	395,853	**(273,225)**	10,138,768	394,658
Derivatives (Note 6)	**129,406**	(8,166)	4,181	**129,406**	(8,166)	4,181
	(₱142,173)	₱10,137,435	₱400,034	**(₱143,819)**	₱10,130,602	₱398,839
	₱1,091,728	₱11,104,578	₱1,538,150	**₱1,090,082**	₱11,097,745	₱1,536,955

10. Financial Assets at Fair Value Through Profit or Loss

This account consists of:

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
Held-for-trading:				
Government securities	**₱5,655,787**	₱9,131,685	**₱5,655,787**	₱9,131,685
Private bonds	**26,354**	85,369	**26,330**	47,392
	5,682,141	9,217,054	**5,682,117**	9,179,077
Derivative assets (Note 6):				
Currency forwards	**₱858,473**	₱633,814	**₱858,473**	₱633,814
Interest rate swaps	**211,725**	565,232	**211,725**	565,232
Cross-currency swaps	**161,488**	332,088	**161,488**	332,088
Interest rate futures	**3,159**	–	**3,159**	–
Bonds options	**5,470**	–	**5,470**	–
	1,240,315	1,531,134	**1,240,315**	1,531,134
	₱6,922,456	₱10,748,188	**₱6,922,432**	₱10,710,211

As of December 31, 2021 and 2020, 'Financial assets at FVTPL' include net unrealized gain of ₱262.9 million and ₱488.3 million, respectively, for the Group and the Parent Company.

Fair value gains or losses on financial assets at FVTPL (other than currency forwards) are included in 'Trading and securities gain - net' (see Note 9) in the statements of income. Fair value gains or losses on currency forwards are included in 'Foreign exchange gain - net' in the statements of income (see Note 6).

As of December 31, 2021 and 2020, certain government securities were pledged with foreign banks as collateral for SSURA (see Note 21).

11. Derivatives Designated as Hedges

In 2020, as a result of the Group's change in business model for government securities under the investment securities at amortized cost portfolio, the Group discontinued the hedging relationship for certain derivatives on April 01, 2020. The cumulative changes in fair value attributable to the interest rate risk on the HTC financial assets on the date of the discontinuation of the hedge accounting amounting to ₱151.0 million was included in the carrying value of the reclassified securities. The Group also terminated the related interest rate swap agreements used as hedging instruments in the hedge relationship in 2020.

For the years ended December 31, 2021, 2020 and 2019, net interest expense on derivative liabilities designated as hedges amounted to nil, ₱550.3 million, and ₱21.8 million, respectively. The change in fair value of the hedging instruments resulted in a gain amounting to nil and ₱4.9 billion for the year ended December 31, 2021 and 2020, respectively.

For the year ended December 31, 2021 and 2020, the hedge ineffectiveness amounting to nil and a loss of ₱2.8 billion, respectively, is presented under 'Trading and securities gain - net' in the statements of income.

12. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
Debt instruments				
Treasury notes and bills	**₱40,538,225**	₱43,463,252	**₱40,538,225**	₱43,463,252
Treasury bonds (Note 21)	**35,567,565**	22,129,300	**35,567,565**	22,129,300
Private bonds	**4,234,304**	2,887,881	**4,234,304**	2,887,881
	80,340,094	68,480,433	**80,340,094**	68,480,433
Equity instruments				
Golf shares	**290,794**	263,734	**283,443**	257,834
PSE shares	**38,333**	27,440	**–**	–
	329,127	291,174	**283,443**	257,834
	₱80,669,221	₱68,771,607	**₱80,623,537**	₱68,738,267

An analysis of changes in the fair value of debt instruments and the corresponding ECL allowances follow:

	2021	2020
Fair value at beginning of year	**₱68,480,433**	₱24,431,946
New assets originated or purchased	**136,090,566**	267,405,792
Assets derecognized or repaid	**(123,530,076)**	(223,560,510)
Change in fair value	**(3,777,368)**	706,813
Reclassified securities from HTC	–	596,105
Foreign exchange adjustments	**3,076,539**	(1,099,713)
	₱80,340,094	₱68,480,433
ECL allowance at beginning of year	**₱16,567**	₱15,349
Provision for (recovery of) credit losses (Note 14)	**(16,787)**	1,218
Foreign exchange and other adjustments	**4,147**	–
	₱3,927	₱16,567

In 2021 and 2020, debt instruments at FVTOCI were carried at stage 1 and there were no transfers into and out of stage 1.

As of December 31, 2021 and 2020, Peso-denominated debt financial assets at FVTOCI amounted to ₱57.6 billion and ₱18.9 billion, respectively.

As of December 31, 2021 and 2020, USD-denominated debt financial assets at FVTOCI amounted to ₱22.7 billion and ₱49.6 billion, respectively.

As of December 31, 2020, certain treasury bond securities were pledged with foreign banks as collateral for SSURA (see Note 21).

As of December 31, 2021 and 2020, government securities included under 'Financial Assets at Fair Value through Other Comprehensive Income' with a total face value amounted to ₱845.0 million and ₱820.0 million, resepectively, were deposited with the BSP in compliance with the requirements of the General Banking Law relative to the Parent Company's trust functions (see Note 28).

PSE shares were obtained by SBEI in 2001 as a result of the demutualization of its membership shares in the stock exchange. These investments were for long-term strategic purpose. SBEI designated these equity securities as financial assets at FVTOCI as management believes that this provides a more meaningful presentation for medium or long-term strategic investments, rather than reflecting changes in fair value immediately in the statements of income. The Group also adopted the same classification for its investments in golf shares.

The movements in 'Net unrealized gain (losses) on financial assets at FVTOCI' follow:

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
Balance at beginning of year	**₱2,028,620**	₱908,176	**₱2,022,372**	₱896,747
Unrealized gains (losses) for the year	**(4,071,809)**	1,057,967	**(4,073,714)**	1,063,148
Amount realized in profit or loss	**8,130**	62,477	**8,130**	62,477
Balance at end of year	**(₱2,035,059)**	₱2,028,620	**(₱2,043,212)**	₱2,022,372

13. **Investment Securities at Amortized Cost**

This account consists of investments by the Parent Company in:

	2021	2020
Private bonds	**₱21,904,006**	₱23,560,650
Allowance for credit losses	**67,399**	168,393
	₱21,836,607	₱23,392,257

In March 2020, the Finance Committee, ROC and the BOD of the Parent Company approved the change in the business model over its government securities lodged under a HTC business model to a trading portfolio and to fair value through other comprehensive income for government securities held under trust duties. This is in line with the Parent Company's plan to shift its focus towards a more fee-based and client-driven income along with the impact of expected changes in tax regulations on its revenue stream and the impact of EVE in relation to its exposure of holding long-term government securities.

In line with the change in business model, the Parent Company disposed certain USD-denominated and Peso-denominated government securities classified as HTC securities with a carrying amount of USD489.1 million (₱24.8 billion) and ₱8.3 billion, respectively, during the first quarter of 2020 and resulted in gains of USD97.9 million (₱4.96 billion) and ₱118.9 million, respectively, gross of the fair value change in hedging instrument and hedged item amounting to a loss of ₱2.8 billion, recorded in the statement of income under 'Gain on disposal of investment securities at amortized cost'.

On April 1, 2020 the Group reclassified USD-denominated and Peso-denominated HTC securities with a carrying amount of USD2.6 billion and ₱13.8 billion, respectively, to the 'Financial assets at FVTPL' category and ₱596.1 million Peso-denominated HTC securities under 'Financial assets at FVTOCI'. The reclassification resulted in a trading gain of ₱7.9 billion for the securities reclassified to 'Financial assets at FVTPL' and 'Net unrealized gain on financial assets at FVTOCI' recognized in 'Other comprehensive income' of ₱0.91 million for securities reclassified to 'Financial assets at FVTOCI' for the year ended December 31, 2020 (Notes 10 and 11).

On November 30, 2021 and December 9, 2021, the Parent Company participated on an issuer-initiated mandatory early redemption of USD-denominated corporate bond with face value of USD20.0 million and PHP-denominated corporate bond with face value of ₱5.0 billion,respectively. Total amount of redemptions during the year amounted to ₱6.1 billion.

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	2021	2020
Gross carrying amount at beginning of year	**₱23,560,650**	₱209,049,631
New assets originated or purchased	**7,193,788**	–
Assets reclassified	–	(138,300,516)
Assets derecognized or repaid	**(8,979,132)**	(34,302,208)
Amortized premium/discount	**69,180**	–
Foreign exchange adjustments	**59,520**	(12,886,257)
	₱21,904,006	₱23,560,650
ECL allowance at beginning of year	**₱168,393**	₱107,108
Provision for (recovery of) credit losses (Note 14)	**(105,113)**	61,285
Foreign exchange and other adjustment	**4,119**	–
	₱67,399	₱168,393

In 2021 and 2020, investment securities at amortized cost were carried at stage 1 and there were no transfers into and out of stage 1.

14. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Receivable from customers:				
Corporate lending	**₱352,294,439**	₱334,314,274	**₱352,847,512**	₱335,286,885
Consumer lending	**50,338,711**	65,414,508	**50,140,715**	64,833,784
Residential mortgages	**58,626,960**	55,203,231	**58,626,960**	55,203,231
Small business lending	**1,217,743**	920,503	**1,217,743**	920,503
	462,477,853	455,852,516	**462,832,930**	456,244,403
Less unearned discounts and deferred credits	**1,070,864**	1,163,176	**1,070,864**	1,163,176
	461,406,989	454,689,340	**461,762,066**	455,081,227
Accrued interest receivable (Note 33)	**4,421,621**	4,930,016	**4,422,781**	4,931,327
Accounts receivable (Note 33)	**877,960**	786,302	**457,360**	620,009
Sales contracts receivable	**68,300**	82,047	**68,300**	82,047
	466,774,870	460,487,705	**466,710,507**	460,714,610
Less allowance for credit losses	**18,190,956**	21,636,115	**18,164,165**	21,612,355
	₱448,583,914	₱438,851,590	**₱448,546,342**	₱439,102,255

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to corporate lending follow:

	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at January 1, 2021	**₱279,802,615**	**₱48,054,302**	**₱6,457,357**	**₱334,314,274**
New assets originated or purchased	**530,155,264**	**–**	**–**	**530,155,264**
Assets derecognized or repaid (excluding write offs)	**(484,241,216)**	**(26,918,733)**	**(998,690)**	**(512,158,639)**
Transfers to Stage 1	**9,301,863**	**(9,301,863)**	**–**	**–**
Transfers to Stage 2	**(62,635,417)**	**62,758,415**	**(122,998)**	**–**
Transfers to Stage 3	**(2,169,837)**	**(5,066,847)**	**7,236,684**	**–**
Amounts written off	**–**	**–**	**(16,460)**	**(16,460)**
	₱270,213,272	**₱69,525,274**	**₱12,555,893**	**₱352,294,439**
ECL allowance as at January 1, 2021 under PFRS 9	**₱1,106,648**	**₱1,742,671**	**₱4,586,574**	**₱7,435,893**
Provision for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	**224,186**	**–**	**–**	**224,186**
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	**–**	**462,670**	**1,092,624**	**1,555,294**
Transfers to Stage 1	**98,940**	**(98,940)**	**–**	**–**
Transfers to Stage 2	**(338,952)**	**344,122**	**(5,170)**	**–**
Transfers to Stage 3	**(610,127)**	**(3,779,786)**	**4,389,913**	**–**
Other movements*	**487,795**	**2,339,861**	**(499,151)**	**2,328,505**
	(138,158)	**(732,073)**	**4,978,216**	**4,107,985**
Amounts written off	**–**	**–**	**(16,460)**	**(16,460)**
Foreclosures and other adjustments			**16,100**	**16,100**
	₱968,490	**₱1,010,598**	**₱9,564,430**	**₱11,543,518**

**includes changes in assumptions and payments*

	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2020	₱295,483,691	₱21,677,502	₱2,994,675	₱320,155,868
New assets originated or purchased	348,902,709	–	–	348,902,709
Assets derecognized or repaid (excluding write offs)	(316,565,416)	(16,459,364)	(718,721)	(333,743,501)
Transfers to Stage 1	1,088,988	(1,088,988)	–	–
Transfers to Stage 2	(45,025,233)	45,026,555	(1,322)	–
Transfers to Stage 3	(4,082,124)	(1,101,403)	5,183,527	–
Amounts written off	–	–	(1,000,802)	(1,000,802)
	₱279,802,615	₱48,054,302	₱6,457,357	₱334,314,274
ECL allowance as at January 1, 2020 under PFRS 9	₱643,678	₱403,519	₱1,404,170	₱2,451,367
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	374,938	–	–	374,938
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	–	1,445,561	2,413,031	3,858,592
Transfers to Stage 1	7,384	(7,384)	–	–
Transfers to Stage 2	(236,339)	236,404	(65)	–
Transfers to Stage 3	(497,922)	(1,080,817)	1,578,739	–
Other movements*	814,909	745,388	191,501	1,751,798
	462,970	1,339,152	4,183,206	5,985,328
Amounts written-off	–	–	(1,000,802)	(1,000,802)
	₱1,106,648	₱1,742,671	₱4,586,574	₱7,435,893

**includes changes in assumptions and payments*

	Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at January 1, 2021	**₱280,775,227**	**₱48,054,301**	**₱6,457,357**	**₱335,286,885**
New assets originated or purchased	**445,572,686**	**–**	**–**	**445,572,686**
Assets derecognized or repaid (excluding write offs)	**(400,078,177)**	**(26,918,732)**	**(998,690)**	**(427,995,599)**
Transfers to Stage 1	**9,301,863**	**(9,301,863)**	**–**	**–**
Transfers to Stage 2	**(62,635,417)**	**62,758,415**	**(122,998)**	**–**
Transfers to Stage 3	**(2,169,837)**	**(5,066,847)**	**7,236,684**	**–**
Amounts written off	**–**	**–**	**(16,460)**	**(16,460)**
	₱270,766,345	**₱69,525,274**	**₱12,555,893**	**₱352,847,512**
ECL allowance as at January 1, 2021	**₱1,106,599**	**₱1,742,671**	**₱4,587,204**	**₱7,436,474**
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	**224,187**	**–**	**–**	**224,187**
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	**–**	**462,670**	**1,092,624**	**1,555,294**
Transfers to Stage 1	**98,940**	**(98,940)**	**–**	**–**
Transfers to Stage 2	**(338,945)**	**344,115**	**(5,170)**	**–**
Transfers to Stage 3	**(610,128)**	**(3,779,786)**	**4,389,914**	**–**
Other movements*	**487,837**	**2,339,861**	**(499,781)**	**2,327,917**
	(138,109)	**(732,080)**	**4,977,587**	**4,107,398**
Amounts written off	**–**	**–**	**(16,460)**	**(16,460)**
Foreclosures and other adjustments			**16,099**	**16,099**
	₱968,490	**₱1,010,591**	**₱9,564,430**	**₱11,543,511**

**includes changes in assumptions and payments*

	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2020	₱298,229,769	₱21,677,502	₱2,994,675	₱322,901,946
New assets originated or purchased	348,902,710	–	–	348,902,710
Assets derecognized or repaid (excluding write offs)	(318,338,883)	(16,459,365)	(718,721)	(335,516,969)
Transfers to Stage 1	1,088,988	(1,088,988)	–	–
Transfers to Stage 2	(45,025,233)	45,026,555	(1,322)	–
Transfers to Stage 3	(4,082,124)	(1,101,403)	5,183,527	–
Amounts written off	–	–	(1,000,802)	(1,000,802)
	₱280,775,227	₱48,054,301	₱6,457,357	₱335,286,885
ECL allowance as at January 1, 2020	₱643,630	₱403,519	₱1,404,170	₱2,451,319
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	374,937	–	–	374,937
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	–	1,445,561	2,413,031	3,858,592
Transfers to Stage 1	7,384	(7,384)	–	–
Transfers to Stage 2	(236,339)	236,404	(65)	–
Transfers to Stage 3	(497,922)	(1,080,817)	1,578,739	–
Other movements*	814,909	745,388	192,131	1,752,428
	462,969	1,339,152	4,183,836	5,985,957
Amounts written off	–	–	(1,000,802)	(1,000,802)
	₱1,106,599	₱1,742,671	₱4,587,204	₱7,436,474

**includes changes in assumptions and payments*

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to consumer lending follow:

	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at January 1, 2021	**₱53,418,532**	**₱4,073,807**	**₱7,922,169**	**₱65,414,508**
New assets originated or purchased	**155,482,024**	–	–	**155,482,024**
Assets derecognized or repaid (excluding write offs)	**(161,240,460)**	**(716,316)**	**(2,745,201)**	**(164,701,977)**
Transfers to Stage 1	**2,228,304**	**(1,307,152)**	**(921,152)**	–
Transfers to Stage 2	**(2,648,562)**	**3,025,266**	**(376,704)**	–
Transfers to Stage 3	**(4,738,635)**	**(1,224,391)**	**5,963,026**	–
Amounts written off	–	–	**(5,855,844)**	**(5,855,844)**
	₱42,501,203	**₱3,851,214**	**₱3,986,294**	**₱50,338,711**
ECL allowance as at January 1, 2021	**₱3,671,426**	**₱1,251,337**	**₱7,079,999**	**₱12,002,762**
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	**191,296**	–	–	**191,296**
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	–	**39,716**	**108,709**	**148,425**
Transfers to Stage 1	**1,218,310**	**(562,110)**	**(656,200)**	–
Transfers to Stage 2	**(151,581)**	**351,847**	**(200,266)**	–
Transfers to Stage 3	**(286,294)**	**(318,599)**	**604,893**	–
Other movements*	**(2,683,067)**	**167,465**	**3,138,594**	**622,992**
	(1,711,336)	**(321,681)**	**2,995,730**	**962,713**
Amounts written off	–	–	**(5,855,844)**	**(5,855,844)**
Foreclosures and other adjustments	–	–	**(2,192,942)**	**(2,192,942)**
	₱1,960,090	**₱929,656**	**₱2,026,943**	**₱4,916,689**

**includes changes in assumptions and payments*

	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2020	₱66,885,960	₱2,325,920	₱2,172,518	₱71,384,398
New assets originated or purchased	11,330,985	–	–	11,330,985
Assets derecognized or repaid (excluding write offs)	(6,097,308)	(3,597,199)	–	(9,694,507)
Transfers to Stage 1	61,439	(52,734)	(8,705)	–
Transfers to Stage 2	(5,648,107)	5,653,132	(5,025)	–
Transfers to Stage 3	(13,114,437)	(255,312)	13,369,749	–
Amounts written off	–	–	(7,606,368)	(7,606,368)
	₱53,418,532	₱4,073,807	₱7,922,169	₱65,414,508
ECL allowance as at January 1, 2020	₱1,515,272	₱92,400	₱1,217,420	₱2,825,092
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	3,207,044	–	–	3,207,044
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	–	669,287	4,784,053	5,453,340
Transfers to Stage 1	3,561	(2,885)	(676)	–
Transfers to Stage 2	(58,518)	59,487	(969)	–
Transfers to Stage 3	(670,643)	(104,462)	775,105	–
Other movements*	(325,290)	537,510	7,911,434	8,123,654
	2,156,154	1,158,937	13,468,947	16,784,038
Amounts written off	–	–	(6,441,506)	(6,441,506)
Foreclosures and other adjustments	–	–	(1,164,862)	(1,164,862)
	₱3,671,426	₱1,251,337	₱7,079,999	₱12,002,762

**includes changes in assumptions and payments*

	Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at January 1, 2021	**₱49,485,040**	**₱5,729,173**	**₱9,619,571**	**₱64,833,784**
New assets originated or purchased	**144,014,206**	**–**	**–**	**144,014,206**
Assets derecognized or repaid (excluding write offs)	**(146,037,063)**	**(2,371,682)**	**(4,442,686)**	**(152,851,431)**
Transfers to Stage 1	**2,228,304**	**(1,307,152)**	**(921,152)**	**–**
Transfers to Stage 2	**(2,648,562)**	**3,025,266**	**(376,704)**	**–**
Transfers to Stage 3	**(4,738,635)**	**(1,224,391)**	**5,963,026**	**–**
Amounts written off	**–**	**–**	**(5,855,844)**	**(5,855,844)**
	42,303,290	**3,851,214**	**3,986,211**	**₱50,140,715**
ECL allowance as at January 1, 2021	**₱3,670,680**	**₱1,251,377**	**₱7,080,000**	**₱12,002,057**
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	**191,009**	**–**	**–**	**191,009**
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	**–**	**39,716**	**108,709**	**148,425**
Transfers to Stage 1	**1,218,310**	**(562,110)**	**(656,200)**	**–**
Transfers to Stage 2	**(151,498)**	**351,764**	**(200,266)**	**–**
Transfers to Stage 3	**(286,294)**	**(318,599)**	**604,893**	**–**
Other movements*	**(2,684,217)**	**167,425**	**3,138,518**	**621,726**
	(1,712,690)	**(321,804)**	**2,995,654**	**961,160**
Amounts written off	**–**	**–**	**(5,855,844)**	**(5,855,844)**
Foreclosures and other adjustments	**–**	**–**	**(2,192,942)**	**(2,192,942)**
	₱1,957,990	**₱929,573**	**₱2,026,868**	**₱4,914,431**

**includes changes in assumptions and payments*

	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2020	₱66,485,272	₱2,325,920	₱2,172,518	₱70,983,710
New assets originated or purchased	11,330,985			11,330,985
Assets derecognized or repaid (excluding write offs)	(7,932,710)	(1,941,833)	–	(9,874,543)
Transfers to Stage 1	61,439	(52,734)	(8,705)	–
Transfers to Stage 2	(5,648,107)	5,653,132	(5,025)	–
Transfers to Stage 3	(14,811,839)	(255,312)	15,067,151	–
Amounts written off	–		(7,606, 368)	(7,606, 368)
	₱49,485,040	₱5,729,173	₱9,619,571	₱64,833,784
ECL allowance as at January 1, 2020	₱1,514,667	₱92,399	₱1,217,421	₱2,824,487
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	3,207,044	–	–	3,207,044
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	–	669,287	4,784,053	5,453,340
Transfers to Stage 1	3,561	(2,885)	(676)	–
Transfers to Stage 2	(58,518)	59,487	(969)	–
Transfers to Stage 3	(670,643)	(104,462)	775,105	–
Other movements*	(325,431)	537,551	7,911,434	8,123,554
	2,156,013	1,158,978	13,468,947	16,783,938
Amounts written off	–	–	(6,441,506)	(6,441,506)
Foreclosures and other adjustments	–	–	(1,164,862)	(1,164,862)
	₱3,670,680	₱1,251,377	₱7,080,000	₱12,002,057

**includes changes in assumptions and payments*

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to residential mortgages lending follow:

	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at January 1, 2021	**₱49,233,849**	**₱2,134,102**	**₱3,835,280**	**₱55,203,231**
New assets originated or purchased	**12,490,849**	**–**	**–**	**12,490,849**
Assets derecognized or repaid (excluding write offs)	**(8,102,369)**	**(320,162)**	**(644,589)**	**(9,067,120)**
Transfers to Stage 1	**1,995,247**	**(1,190,885)**	**(804,362)**	**–**
Transfers to Stage 2	**(754,076)**	**994,089**	**(240,013)**	**–**
Transfers to Stage 3	**(687,999)**	**(399,943)**	**1,087,942**	**–**
	₱54,175,501	**₱1,217,201**	**₱3,234,258**	**₱58,626,960**
ECL allowance as at January 1, 2021	**₱1,212,850**	**₱60,920**	**₱177,971**	**₱1,451,741**
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	**28,479**	**–**	**–**	**28,479**
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	**–**	**7,117**	**39,350**	**46,467**
Transfers to Stage 1	**31,336**	**(18,055)**	**(13,281)**	**–**
Transfers to Stage 2	**(22,232)**	**34,529**	**(12,297)**	**–**
Transfers to Stage 3	**(75,056)**	**(70,385)**	**145,441**	**–**
Other movements*	**(682,403)**	**38,960**	**400,924**	**(242,519)**
	(719,876)	**(7,834)**	**560,137**	**(167,573)**
Foreclosures and other adjustments	**–**	**–**	**(84,668)**	**(84,668)**
	₱492,974	**₱53,086**	**₱653,440**	**₱1,199,500**

**includes changes in assumptions and payments*

	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2020	₱52,950,244	₱1,155,371	₱632,726	₱54,738,341
New assets originated or purchased	8,099,391	–	–	8,099,391
Assets derecognized or repaid (excluding write offs)	(6,677,090)	(756,904)	(200,507)	(7,634,501)
Transfers to Stage 1	66,962	(49,650)	(17,312)	–
Transfers to Stage 2	(2,059,421)	2,063,838	(4,417)	–
Transfers to Stage 3	(3,146,237)	(278,553)	3,424,790	–
	₱49,233,849	₱2,134,102	₱3,835,280	₱55,203,231
ECL allowance as at January 1, 2020	₱102,458	₱12,820	₱282,805	₱398,083
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	345,991	–	–	345,991
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	–	114,484	525,377	639,861
Transfers to Stage 1	938	(638)	(300)	–
Transfers to Stage 2	(17,397)	18,188	(791)	–
Transfers to Stage 3	(158,716)	(56,893)	215,609	–
Other movements*	939,576	(27,041)	(844,729)	67,806
	1,110,392	48,100	(104,834)	1,053,658
	₱1,212,850	₱60,920	₱177,971	₱1,451,741

**includes changes in assumptions and payments*

	Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at January 1, 2021	**₱49,233,849**	**₱2,134,102**	**₱3,835,280**	**₱55,203,231**
New assets originated or purchased	**12,490,849**	**–**	**–**	**12,490,849**
Assets derecognized or repaid (excluding write offs)	**(8,102,369)**	**(320,162)**	**(644,589)**	**(9,067,120)**
Transfers to Stage 1	**1,995,247**	**(1,190,885)**	**(804,362)**	**–**
Transfers to Stage 2	**(754,076)**	**994,089**	**(240,013)**	**–**
Transfers to Stage 3	**(687,999)**	**(399,943)**	**1,087,942**	**–**
	₱54,175,501	**₱1,217,201**	**₱3,234,258**	**₱58,626,960**
ECL allowance as at January 1, 2021	**₱1,212,850**	**₱60,920**	**₱177,971**	**₱1,451,741**
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	**28,479**	**–**	**–**	**28,479**
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	**–**	**7,117**	**39,350**	**46,467**
Transfers to Stage 1	**31,336**	**(18,055)**	**(13,281)**	**–**
Transfers to Stage 2	**(22,232)**	**34,529**	**(12,297)**	**–**
Transfers to Stage 3	**(75,056)**	**(70,385)**	**145,441**	**–**
Other movements*	**(682,403)**	**38,960**	**400,924**	**(242,519)**
	(719,876)	**(7,834)**	**560,137**	**(167,573)**
Foreclosures and other adjustments	**–**	**–**	**(84,668)**	**(84,668)**
	₱492,974	**₱53,086**	**₱653,440**	**₱1,199,500**

**includes changes in assumptions and payments*

	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2020	₱52,814,613	₱1,155,371	₱632,726	₱54,602,710
New assets originated or purchased	8,099,391	–	–	8,099,391
Assets derecognized or repaid (excluding write offs)	(6,541,459)	(756,904)	(200,507)	(7,498,870)
Transfers to Stage 1	66,962	(49,650)	(17,312)	–
Transfers to Stage 2	(2,059,421)	2,063,838	(4,417)	–
Transfers to Stage 3	(3,146,237)	(278,553)	3,424,790	–
	₱49,233,849	₱2,134,102	₱3,835,280	₱55,203,231
ECL allowance as at January 1, 2020	₱102,458	₱12,820	₱282,805	₱398,083
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	345,991	–	–	345,991
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	–	114,484	525,377	639,861
Transfers to Stage 1	938	(638)	(300)	–
Transfers to Stage 2	(17,397)	18,188	(791)	–
Transfers to Stage 3	(158,716)	(56,893)	215,609	–
Other movements*	939,576	(27,041)	(844,729)	67,806
	1,110,392	48,100	(104,834)	1,053,658
Amounts written off	–	–	–	–
Foreclosures and other adjustments	–	–	–	–
	₱1,212,850	₱60,920	₱177,971	₱1,451,741

**includes changes in assumptions and payments*

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to small business lending follow:

	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at January 1, 2021	**₱821,025**	**₱70,042**	**₱29,436**	**₱920,503**
New assets originated or purchased	**2,290,885**	–	–	**2,290,885**
Assets derecognized or repaid (excluding write offs)	**(1,967,339)**	**(26,019)**	**(287)**	**(1,993,645)**
Transfers to Stage 1	**5,600**	**(5,600)**	–	–
Transfers to Stage 2	**(102,408)**	**117,639**	**(15,231)**	–
Transfers to Stage 3	**(35,675)**	–	**35,675**	–
	₱1,012,088	**₱156,062**	**₱49,593**	**₱1,217,743**
ECL allowance as at January 1, 2021	**₱1,676**	**₱922**	**₱13,245**	**₱15,843**
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	**756**	–	–	**756**
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	–	**431**	**9,947**	**10,378**
Transfers to Stage 1	**50**	**(50)**	–	–
Transfers to Stage 2	**(173)**	**758**	**(585)**	–
Transfers to Stage 3	**(1,294)**	–	**1,294**	–
Other movements*	**592**	**(338)**	**12,447**	**12,701**
	(69)	**801**	**23,103**	**23,835**
	₱1,607	**₱1,723**	**₱36,348**	**₱39,678**

**includes changes in assumptions and payments*

	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2020	₱966,749	₱44,952	₱24,441	₱1,036,142
New assets originated or purchased	464,495	–	–	464,495
Assets derecognized or repaid (excluding write offs)	(519,676)	(44,952)	(11,040)	(575,668)
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(70,042)	70,042	–	–
Transfers to Stage 3	(20,501)	–	20,501	–
Amounts written off	–	–	(4,466)	(4,466)
	₱821,025	₱70,042	₱29,436	₱920,503
ECL allowance as at January 1, 2020	₱814	₱598	₱13,591	₱15,003
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	1,142	–	–	1,142
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	–	699	4,953	5,652
Transfers to Stage 1	95	(95)	–	–
Transfers to Stage 2	(223)	223	–	–
Transfers to Stage 3	(186)	–	186	–
Other movements*	34	(503)	(1,019)	(1,488)
	862	324	4,120	5,306
Amounts written off	–	–	(4,466)	(4,466)
	₱1,676	₱922	₱13,245	₱15,843

**includes changes in assumptions and payments*

	Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at January 1, 2021	**₱821,025**	**₱70,042**	**₱29,436**	**₱920,503**
New assets originated or purchased	**2,290,885**	–	–	**2,290,885**
Assets derecognized or repaid (excluding write offs)	**(1,967,339)**	**(26,019)**	**(287)**	**(1,993,645)**
Transfers to Stage 1	**5,600**	**(5,600)**	–	–
Transfers to Stage 2	**(102,408)**	**117,639**	**(15,231)**	–
Transfers to Stage 3	**(35,675)**	**–**	**35,675**	**–**
	₱1,012,088	**₱156,062**	**₱49,593**	**₱1,217,743**
ECL allowance as at January 1, 2021	**₱1,676**	**₱922**	**₱13,246**	**₱15,844**
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	**756**	–	–	**756**
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	–	**431**	**9,947**	**10,378**
Transfers to Stage 1	**50**	**(50)**	–	–
Transfers to Stage 2	**(173)**	**758**	**(585)**	–
Transfers to Stage 3	**(1,294)**	–	**1,294**	–
Other movements*	**592**	**(338)**	**12,446**	**12,700**
	(69)	**801**	**23,102**	**23,834**
	₱1,607	**₱1,723**	**₱36,348**	**₱39,678**

**includes changes in assumptions and payments*

	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2020	₱966,749	₱44,952	₱24,441	₱1,036,142
New assets originated or purchased	464,495	–	–	464,495
Assets derecognized or repaid (excluding write offs)	(519,676)	(44,952)	(11,040)	(575,668)
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(70,042)	70,042	–	–
Transfers to Stage 3	(20,501)	–	20,501	–
Amounts written off	–	–	(4,466)	(4,466)
	₱821,025	₱70,042	₱29,436	₱920,503
ECL allowance as at January 1, 2020	₱814	₱598	₱13,592	₱15,004
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	1,142	–	–	1,142
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	–	699	4,953	5,652
Transfers to Stage 1	95	(95)	–	–
Transfers to Stage 2	(223)	223	–	–
Transfers to Stage 3	(186)	–	186	–
Other movements*	34	(503)	(1,019)	(1,488)
	862	324	4,120	5,306
Amounts written off	–	–	(4,466)	(4,466)
	₱1,676	₱922	₱13,246	₱15,844

**includes changes in assumptions and payments*

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to other receivables (includes accrued interest receivable, sales contracts receivable and accounts receivable) follow:

	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at January 1, 2021	**₱4,391,501**	**₱565,517**	**₱841,347**	**₱5,798,365**
New assets originated or purchased	**54,147,363**	**17,196**	**18,424**	**54,182,983**
Assets derecognized or repaid (excluding write offs)	**(53,984,461)**	**(250,945)**	**(121,778)**	**(54,357,184)**
Transfers to Stage 1	**139,347**	**(108,777)**	**(30,570)**	**–**
Transfers to Stage 2	**(326,853)**	**326,853**	**–**	**–**
Transfers to Stage 3	**(114,327)**	**(159,005)**	**273,332**	**–**
Amounts written off	**–**	**–**	**(256,283)**	**(256,283)**
	₱4,252,570	**₱390,839**	**₱724,472**	**₱5,367,881**
ECL allowance as at January 1, 2021	**₱141,543**	**₱53,801**	**₱534,531**	**₱729,875**
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	**5,087**	**–**	**–**	**5,087**
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	**–**	**2,636**	**74,830**	**77,466**
Transfers to Stage 1	**8,046**	**(5,560)**	**(2,486)**	**–**
Transfers to Stage 2	**(11,286)**	**13,543**	**(2,257)**	**–**
Transfers to Stage 3	**(40,939)**	**(69,375)**	**110,314**	**–**
Other movements*	**4,779**	**26,481**	**75,943**	**107,203**
	(34,313)	**(32,275)**	**256,344**	**189,756**
Amounts written off	**–**	**–**	**(256,283)**	**(256,283)**
Foreclosures and other adjustments	**–**	**–**	**(171,777)**	**(171,777)**
	₱107,230	**₱21,526**	**₱362,815**	**₱491,571**

**includes changes in assumptions and payments*

	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2020	₱7,145,973	₱456,477	₱337,178	₱7,939,628
New assets originated or purchased	45,454,012	–	–	45,454,012
Assets derecognized or repaid (excluding write offs)	(47,369,658)	(154,837)	(49,139)	(47,573,634)
Transfers to Stage 1	292,762	(234,147)	(58,615)	–
Transfers to Stage 2	(512,472)	516,885	(4,413)	–
Transfers to Stage 3	(619,116)	(18,861)	637,977	–
Amounts written off	–	–	(21,641)	(21,641)
	₱4,391,501	₱565,517	₱841,347	₱5,798,365
ECL allowance as at January 1, 2020	₱20,372	₱4,177	₱215,943	₱240,492
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	587	–	–	587
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	–	1,497	40,193	41,690
Transfers to Stage 1	5,961	(3,803)	(2,158)	–
Transfers to Stage 2	(43,642)	44,347	(705)	–
Transfers to Stage 3	(326,332)	(15,556)	341,888	–
Other movements*	484,596	23,139	(38,988)	468,747
	121,170	49,624	340,230	511,024
Amounts written off	–	–	(21,641)	(21,641)
	₱141,542	₱53,801	₱534,532	₱729,875

**includes changes in assumptions and payments*

	Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at January 1, 2021	**₱4,308,549**	**₱541,590**	**₱783,244**	**₱5,633,383**
New assets originated or purchased	**1,737,779**	–	–	**1,737,779**
Assets derecognized or repaid (excluding write offs)	**(1,853,534)**	**(211,407)**	**(101,497)**	**(2,166,438)**
Transfers to Stage 1	**139,350**	**(108,780)**	**(30,570)**	–
Transfers to Stage 2	**(321,849)**	**339,314**	**(17,465)**	–
Transfers to Stage 3	**(114,327)**	**(155,121)**	**269,448**	–
Amounts written off	–	–	**(256,283)**	**(256,283)**
	₱3,895,968	**₱405,596**	**₱646,877**	**₱4,948,441**
ECL allowance as at January 1, 2021	**₱132,649**	**₱49,661**	**₱523,928**	**₱706,238**
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	**5,075**			**5,075**
Newly originated assets which moved to Stage 2 and Stage 3 at yearend		**2,607**	**70,575**	**73,182**
Transfers to Stage 1	**8,047**	**(5,560)**	**(2,487)**	**–**
Transfers to Stage 2	**(11,286)**	**13,543**	**(2,257)**	**–**
Transfers to Stage 3	**(40,939)**	**(69,375)**	**110,314**	**–**
Other movements*	**12,583**	**27,924**	**76,197**	**116,704**
	(26,520)	**(30,861)**	**252,342**	**194,961**
Amounts written off	**–**	**–**	**(256,283)**	**(256,283)**
Foreclosures and other adjustments	**–**	**–**	**(177,871)**	**(177,871)**
	₱106,129	**₱18,800**	**₱342,116**	**₱467,045**

**includes changes in assumptions and payments*

	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2020	₱6,823,082	₱448,690	₱315,497	₱7,587,269
New assets originated or purchased	45,370,766	–	–	45,370,766
Assets derecognized or repaid (excluding write offs)	(47,046,473)	(170,977)	(85,561)	(47,303,011)
Transfers to Stage 1	292,762	(234,147)	(58,615)	–
Transfers to Stage 2	(512,472)	516,885	(4,413)	–
Transfers to Stage 3	(619,116)	(18,861)	637,977	–
Amounts written off	–	–	(21,641)	(21,641)
	₱4,308,549	₱541,590	₱783,244	₱5,633,383
ECL allowance as at January 1, 2020	₱20,238	₱4,165	₱211,509	₱235,912
Provisions for (recovery of) credit losses				
Newly originated assets which remained in Stage 1 at yearend	587	–	–	587
Newly originated assets which moved to Stage 2 and Stage 3 at yearend	–	1,497	40,194	41,691
Transfers to Stage 1	5,961	(3,803)	(2,158)	–
Transfers to Stage 2	(43,642)	44,347	(705)	–
Transfers to Stage 3	(326,331)	(15,556)	341,887	–
Other movements*	475,836	19,011	(38,437)	456,410
	112,411	45,496	340,781	498,688
Amounts written off	–	–	(21,641)	(21,641)
Foreclosures and other adjustments	–	–	(6,721)	(6,721)
	₱132,649	₱49,661	₱523,928	₱706,238

**includes changes in assumptions and payments*

The increase in ECLs of the portfolio was driven by an increase in the gross size of the portfolio and movements between stages as a result of changes in credit risk.

Receivable from customers consist of:

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
Loans (Note 33)	**₱423,396,324**	₱418,133,384	**₱423,751,401**	₱418,525,271
Customers' liabilities under letters of credit and trust receipts	**18,575,752**	15,601,229	**18,575,752**	15,601,229
Credit card receivables	**18,336,112**	18,861,371	**18,336,112**	18,861,371
Bills purchased (Note 25)	**1,168,160**	2,818,584	**1,168,160**	2,818,584
Customers' liabilities under acceptances	**1,001,505**	437,948	**1,001,505**	437,948
	462,477,853	455,852,516	**462,832,930**	456,244,403
Less unearned discounts and deferred credits	**1,070,864**	1,163,176	**1,070,864**	1,163,176
	₱461,406,989	₱454,689,340	**₱461,762,066**	₱455,081,227

On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act ("Bayanihan 1 Act") was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the ECQ Period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2 Act"), was enacted. Under Bayanihan 2 Act, a one-time sixty (60)-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest and other charges.

Based on the Group's assessment, the modifications in the contractual cash flows as a result of the above reliefs are not substantial and therefore do not result in the derecognition of the affected financial assets. The impact of the loan modification including the subsequent accretion of the modified loans is not material to the consolidated and parent company's financial statements.

Restructured receivables of the Group and the Parent Company amounted to ₱13.8 billion as of December 31, 2021 and ₱5.1 billion as of December 31, 2020. Interest income on these restructured receivables amounted to ₱463.5 million in 2021, ₱116.6 million in 2020, and ₱14.8 million in 2019 for the Group and Parent Company.

Provision for (recovery of) credit losses on financial assets in the statements of income are as follows:

	Consolidated		
	For the period ended December 31		
	2021	2020	2019
Due from other banks (Note 7)	**(₱3,358)**	₱673	₱623
Interbank loans receivable and SPURA with BSP	**(2,541)**	2,700	(319)
Financial assets at FVTOCI (Note 12)	**(16,787)**	1,218	(19,327)
Investment securities at amortized cost (Note 13)	**(105,113)**	61,285	(27,771)
Loans and receivables	**5,116,716**	24,339,354	4,308,966
Cash collateral deposits (Note 18)	**–**	(944)	128
Financial guarantees, loan and other commitments (Note 35)	**291,620**	183,319	(88,026)
	5,280,537	24,587,605	4,174,274
Effect of deconsolidation	**–**	1,795,437	–
	₱5,280,537	₱26,383,042	₱4,174,274

	Parent Company		
	For the period ended December 31		
	2021	2020	2019
Due from other banks (Note 7)	**(₱993)**	(₱618)	(₱3,018)
Interbank loans receivable and with BSP	**(2,541)**	2,700	(319)
Financial assets at FVTOCI (Note 12)	**(16,787)**	1,218	(19,327)
Investment securities at amortized cost (Note 13)	**(105,113)**	61,285	(27,771)
Loans and receivables	**5,119,780**	24,327,547	3,506,861
Cash collateral deposits (Note 18)	**–**	(944)	128
Financial guarantees, loan and other commitments (Note 35)	**291,620**	183,319	(88,026)
	₱5,285,966	₱24,574,507	₱3,368,528

As of December 31, 2021 and 2020, the fair value of the collateral held relating to the total loan portfolio amounted to ₱205.3 billion and ₱204.0 billion, respectively, for the Group and ₱201.8 billion and ₱126.9 billion, respectively, for the Parent Company. The collateral consists of cash, securities, letters of guarantee and real and personal properties.

The Group and the Parent Company took possession of various properties previously held as collateral. The carrying values of such properties amounted to ₱2.0 billion and ₱1.3 billion for the Group and the Parent Company as of December 31, 2021 and 2020, respectively.

Interest income on loans and receivables consists of:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Loans	**₱24,542,891**	₱29,604,451	₱30,234,511	**₱24,584,462**	₱28,310,688	₱29,040,436
Credit card receivables	**2,973,226**	3,552,998	2,142,053	**2,973,226**	3,552,998	2,142,053
Customers' liabilities under letters of credit and trust receipts	**520,324**	850,306	1,238,666	**520,324**	850,306	1,238,666
Sales contracts receivable	**7,436**	6,610	7,009	**7,436**	6,610	7,009
Bills purchased	**17,313**	16,510	11,117	**17,313**	16,510	11,117
	₱28,061,190	₱34,030,875	₱33,633,356	**₱28,102,761**	₱32,737,112	₱32,439,281

Of the total receivables from customers of the Group and of the Parent Company, 36.1% and 53.9% as of December 31, 2021 and 2020, respectively, are subject to periodic interest repricing. Remaining receivables from customers, for the Group and the Parent Company, earn annual fixed interest rates, as follows:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Peso-denominated	**2.00%-37.52%**	1.92%-36.83%	2.00%-36.83%	**2.00%-37.52%**	1.92%-36.83%	2.00%-36.83%
Foreign currency-denominated	**1.00%-9.14%**	1.17%-9.14%	1.00%-9.14%	**1.00%-9.14%**	1.17%-9.14%	1.00%-9.14%

Sales contracts receivable earns interest rates ranging from 9% to 13% and 6.0% to 13.5% as of December 31, 2021 and 2020, respectively, for the Group and the Parent Company.

15. Investments in Subsidiaries and Joint Ventures

This account consists of investments in:

	% of Ownership		Consolidated		Parent Company	
	2021	2020	**2021**	2020	**2021**	2020
Subsidiaries:						
Cost:						
SBCIC	**100.00**	100.00	**₱–**	₱–	**₱500,000**	₱500,000
SBCC	**100.00**	100.00	**–**	–	**325,000**	325,000
SFLI	**100.00**	100.00	**–**	–	**125,000**	125,000
SBFI	**100.00**	100.00	**–**	–	**50,000**	50,000
			–	–	**1,000,000**	1,000,000
Accumulated equity in net income						
Balance at beginning of year			**–**	–	**865,318**	947,967
Share in net income (loss)			**–**	–	**96,617**	(583,124)
Dividends			**–**	–	**(63,375)**	–
Balance at end of year			**–**	–	**898,560**	364,843
Accumulated equity in OCI						
Remeasurement gains on defined benefit plans			**–**	–	**76,261**	72,257
Net unrealized gain on financial assets at fair value through other comprehensive income			**–**	–	**8,153**	4,169
Balance at end of year			**–**	–	**84,414**	76,426
Effect of disposal group classified as held for sale (Note 38)			**–**	–	**–**	500,475
			–	–	**1,982,974**	1,941,744
Joint Ventures:						
Cost:						
SBML	**60.00**	60.00	**150,058**	150,058	**150,058**	150,058
SBFCI	**49.76**	49.75	**1,345,654**	595,654	**1,345,654**	595,654
			1,495,712	745,712	**1,495,712**	745,712

(Forward)

	% of Ownership		Consolidated		Parent Company	
	2021	2020	**2021**	2020	**2021**	2020
Accumulated equity in net income						
Balance at beginning of year			**(₱36,811)**	₱167,057	**(₱36,811)**	₱167,057
Share in net income (loss)			**81,346**	(203,868)	**81,346**	(203,868)
Balance at end of year			**44,535**	(36,811)	**44,535**	(36,811)
			1,540,247	708,901	**1,540,247**	708,901
			₱1,540,247	₱708,901	**₱3,523,221**	₱2,650,645

The details of the dividends by the subsidiaries to the Parent Company are provided below:

Subsidiary	Date of declaration	Per share	Total amounts in thousands
SBCC	July 28, 2021	₱19.5 per share	₱63,375
SFLI	September 16, 2019	0.2 per share	19,204
SBCC	June 29, 2018	50.0 per share	162,500
SBCC	June 29, 2017	60.0 per share	195,000

Reclassification of SBFCI to Joint Venture

On October 20, 2020, after obtaining regulatory approvals in the Philippines and in Thailand, the Parent Company completed the sale of the 7,075,000 SBFCI shares to Krungsri for a total consideration of ₱1.53 billion. The shares sold represent 50% of the outstanding shares of SBFCI. The Group and the Parent Company recorded a gain from sale amounting to ₱933.1 million.

Financial Information of Joint Ventures

The summarized financial information of the joint ventures in consolidated financial statements are set out below (in millions):

SBML:

	2021	2020
Cash and cash equivalents	**₱117**	₱105
Loans receivable held for sale	**180**	196
Loans and receivables	**1,486**	1,907
Other assets	**95**	121
Deposits on lease contracts	**(443)**	(550)
Bills payable	**(587)**	(1,049)
Accounts payable and other liabilities	**(311)**	(190)
Equity	**₱537**	₱540
Proportion of the Group's ownership	**60%**	60%
Carrying amount of the investment	**₱322**	₱324

	2021	2020
Income		
Leasing and interest income	**₱94**	₱138
Interest expense	**(31)**	(56)
Net interest income	**63**	82
Other income	**37**	43
Operating expenses	**(101)**	(108)
Income (loss) before income tax	**(1)**	17
Provision for income tax	**(1)**	(7)
Net income (loss)	**(₱2)**	₱10
Group's share for the year	**(₱1)**	₱6

SBFCI:

	2021	2020
Cash and cash equivalents	**₱239**	₱108
Loans and receivables	**6,137**	5,174
Other Assets	**1,044**	843
Bills payable	**(4,565)**	(5,211)
Accrued expenses and othe liabilities	**(407)**	(138)
Equity	**₱2,448**	₱776
Proportion of the Group's ownership	**49.76%**	49.75%
Carrying amount of the investment	**₱1,218**	₱386

	2021	2020
Income		
Interest income	**₱1,689**	₱319
Interest expense	**(156)**	(34)
Net interest income	**1,533**	285
Other income	**234**	13
Operating expenses	**(1,438)**	(711)
Income (loss) before income tax	**329**	(413)
Provision for income tax	**(164)**	(9)
Net income (loss)	**₱165**	(₱422)
Group's share for the year	**₱82**	(₱210)

SBML and SBFCI have no contingent liabilities or capital commitments as of December 31, 2021 and 2020.

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

The composition of and movements in the Group's and the Parent Company's property, equipment and right-of-use assets follow:

	Consolidated								
						Right-of-use Assets			
	Land	Building and Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Building and Improvements	Transportation Equipment	Total Right-of-use assets	Total
December 31, 2021									
Cost									
Balance at beginning of year	₱377,513	₱2,628,406	₱4,066,222	₱2,208,698	₱323,589	₱3,453,984	₱24,758	₱3,478,742	₱13,083,170
Additions	-	13,484	550,552	429,523	74,053	753,751	2,343	756,094	1,823,706
Disposals	(898)	(765)	(60,881)	(334,756)	(86)	(646,922)	(16,062)	(662,984)	(1,060,370)
Amortization of leasehold improvements	-	-	-	-	(135,131)	-	-	-	(135,131)
Reclassifications and other adjustments (Note 18)	64,673	221	(2,145)	4,298	137	13,923	(70)	13,853	81,037
Balance at end of year	441,288	2,641,346	4,553,748	2,307,763	262,562	3,574,736	10,969	3,585,705	13,792,412
Accumulated depreciation									
Balance at beginning of year	-	1,782,923	2,720,090	1,210,472	-	1,826,181	18,751	1,844,932	7,558,417
Depreciation	-	108,168	524,023	432,234	-	780,701	6,685	787,386	1,851,811
Disposals	-	-	(45,937)	(252,826)	-	(504,907)	(16,062)	(520,969)	(819,732)
Reclassifications and other adjustments (Note 18)	-	-	32	2,221	-	1	-	1	2,254
Balance at end of year	-	1,891,091	3,198,208	1,392,101	-	2,101,976	9,374	2,111,350	8,592,750
Allowance for impairment loss									
Balance at the end of year (Note 17)	14,120	541	-	-	-	-	-	-	14,661
Net book value at end of year	₱427,168	₱749,714	₱1,355,540	₱915,662	₱262,562	₱1,472,760	₱1,595	₱1,474,355	₱5,185,001

(Forward)

	Consolidated								
						Right-of-use Assets			
	Land	Building and Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Building and Improvements	Transportation Equipment	Total Right-of-use assets	Total
December 31, 2020									
Cost									
Balance at beginning of year	₱362,447	₱2,603,989	₱3,521,982	₱2,102,669	₱370,496	₱3,365,011	₱30,009	₱3,395,020	₱12,356,603
Additions	15,066	24,333	631,403	261,334	99,645	471,878	–	471,878	1,503,659
Disposals	–	–	(87,152)	(157,512)	(2,214)	(382,905)	(5,251)	(388,156)	(635,034)
Amortization of leasehold improvements	–	–	–	–	(144,261)	–	–	–	(144,261)
Reclassifications and other adjustments	–	84	(11)	2,207	(77)	–	–		2,203
Balance at end of year	377,513	2,628,406	4,066,222	2,208,698	323,589	3,453,984	24,758	3,478,742	13,083,170
Accumulated depreciation									
Balance at beginning of year	–	1,657,216	2,281,411	947,304	–	1,541,392	15,207	1,556,599	6,442,530
Depreciation	–	125,707	521,363	418,692	–	645,885	8,795	654,680	1,720,442
Disposals	–	–	(82,680)	(157,496)	–	(361,096)	(5,251)	(366,347)	(606,523)
Reclassifications and other adjustments	–	–	(4)	1,972	–	–	–	–	1,968
Balance at end of year	–	1,782,923	2,720,090	1,210,472	–	1,826,181	18,751	1,844,932	7,558,417
Allowance for impairment loss									
Balance at beginning and end of year	4,607	2,170	–	–	–	–	–	–	6,777
Net book value at end of year	₱372,906	₱843,313	₱1,346,132	₱998,226	₱323,589	₱1,627,803	₱6,007	₱1,633,810	₱5,517,976

	Parent Company								
						Right-of-use Assets			
	Land	Building and Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Building and Improvements	Transportation Equipment	Total Right-of-use assets	Total
December 31, 2021									
Cost									
Balance at beginning of year	**₱442,186**	**₱2,592,175**	**₱3,405,491**	**₱237,792**	**₱321,476**	**₱3,453,984**	**₱24,758**	**₱3,478,742**	**₱10,477,862**
Additions	**-**	**13,484**	**397,032**	**91,525**	**73,919**	**753,751**	**2,343**	**756,094**	**1,332,054**
Disposals	**(898)**	**(764)**	**(15,524)**	**(49,110)**	**(87)**	**(646,923)**	**(16,062)**	**(662,985)**	**(729,368)**
Amortization of leasehold improvements	**-**		**-**	**-**	**(134,662)**	**-**	**-**	**-**	**(134,662)**
Reclassifications and other adjustments (Note 18)		**221**	**(2,145)**	**4,320**	**137**	**13,923**	**(70)**	**13,853**	**16,386**
Balance at end of year	**441,288**	**2,605,116**	**3,784,854**	**284,527**	**260,783**	**3,574,735**	**10,969**	**3,585,704**	**10,962,272**
Accumulated depreciation									
Balance at beginning of year	**-**	**1,748,595**	**2,398,743**	**130,430**	**-**	**1,825,436**	**18,751**	**1,844,187**	**6,121,955**
Depreciation	**-**	**114,543**	**400,348**	**48,557**	**-**	**774,329**	**6,685**	**781,014**	**1,344,462**
Disposals	**-**	**-**	**(581)**	**(44,186)**	**-**	**(504,907)**	**(16,062)**	**(520,969)**	**(565,736)**
Reclassifications and other adjustments (Note 18)	**-**	**-**	**32**	**2,221**	**-**	**1**	**-**	**1**	**2,254**
Balance at end of year	**-**	**1,863,138**	**2,798,542**	**137,022**	**-**	**2,094,859**	**9,374**	**2,104,233**	**6,902,935**
Allowance for impairment loss									
Balance at the end of year (Note 17)	**14,120**	**541**	**-**	**-**	**-**	**-**	**-**	**-**	**14,661**
Net book value at end of year	**₱427,168**	**₱741,437**	**₱986,312**	**₱147,505**	**₱260,783**	**₱1,479,876**	**₱1,595**	**₱1,481,471**	**₱4,044,676**
December 31, 2020									
Cost									
Balance at beginning of year	₱427,120	₱2,567,758	₱3,027,411	₱230,455	₱367,569	₱3,365,011	₱30,009	₱3,395,020	₱10,015,333
Additions	15,066	24,333	458,640	53,325	99,645	471,878		471,878	1,122,887
Disposals	–	–	(80,549)	(48,195)	(2,214)	(382,905)	(5,251)	(388,156)	(519,114)
Amortization of leasehold improvements	–	–	–	–	(143,446)	–	–	–	(143,446)
Reclassifications and other adjustments	–	84	(11)	2,207	(78)	–	–	–	2,202
Balance at end of year	442,186	2,592,175	3,405,491	237,792	321,476	3,453,984	24,758	3,478,742	10,477,862
Accumulated depreciation									
Balance at beginning of year	–	1,622,888	2,052,107	128,100	–	1,541,392	15,207	1,556,599	5,359,694
Depreciation	–	125,707	406,932	43,878	–	645,140	8,795	653,935	1,230,452
Disposals	–	–	(60,292)	(43,520)	–	(361,096)	(5,251)	(366,347)	(470,159)
Reclassifications and other adjustments	–	–	(4)	1,972	–	–	–	–	1,968
Balance at end of year	–	1,748,595	2,398,743	130,430	–	1,825,436	18,751	1,844,187	6,121,955
Allowance for impairment loss									
Balance at beginning and end of year	28,266	–	–	–	–	–	–	–	28,266
Net book value at end of year	₱413,920	₱843,580	₱1,006,748	₱107,362	₱321,476	₱1,628,548	₱6,007	₱1,634,555	₱4,327,641

As of December 31, 2021 and 2020, the cost of fully depreciated property and equipment still in use amounted to ₱3.6 billion and ₱2.8 billion, respectively, for the Group and the Parent Company.

The details of depreciation and amortization recognized in the statements of income follow.

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Property, equipment and right-of-use assets	**₱1,851,812**	₱1,720,442	₱1,625,825	**₱1,344,462**	₱1,230,452	₱1,184,940
Leasehold improvements	**135,131**	144,261	149,752	**134,662**	143,446	148,779
Investment properties (Note 17)	**67,235**	58,416	44,980	**67,235**	58,416	44,855
Other properties acquired (Note 18)	**118,911**	86,843	46,682	**118,911**	86,843	46,658
	₱2,173,089	₱2,009,962	₱1,867,239	**₱1,665,270**	₱1,519,157	₱1,425,232

Set out below are the carrying amounts of lease liability (see Note 25) and the movements during the year:

	Consolidated		Parent	
	2021	2020	**2021**	2020
Balance at beginning of year	**₱1,662,975**	₱2,007,373	**₱1,662,975**	₱2,007,373
Additions	**600,865**	471,878	**600,865**	471,878
Disposals	**(77,635)**	(242,424)	**(77,635)**	(242,424)
Accretion of interest	**83,974**	139,778	**83,974**	139,452
Payments	**(815,521)**	(713,630)	**(815,521)**	(713,304)
Balance at end of year	**₱1,454,658**	₱1,662,975	**₱1,454,658**	₱1,662,975

17. Investment Properties

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

	Consolidated		
	Land	**Building and Improvements**	**Total**
December 31, 2021			
Cost			
Balance at beginning of year	**₱710,250**	**₱571,836**	**₱1,282,086**
Additions (Note 39)	**120,979**	**117,122**	**238,101**
Disposals	**(85,745)**	**(20,641)**	**(106,386)**
Balance at end of year	**745,484**	**668,317**	**1,413,801**
Accumulated Depreciation			
Balance at beginning of year	–	**146,290**	**146,290**
Depreciation (Note 16)	–	**67,235**	**67,235**
Disposals	–	**(42)**	**(42)**
Balance at end of year	–	**213,483**	**213,483**
Allowance for Impairment Loss			
Balance at beginning of year	**25,831**	**17,355**	**43,186**
Provision for (recovery of) impairment losses	**(21,928)**	**(3,656)**	**(25,584)**
Disposals	**(72)**	**(22)**	**(94)**
Balance at end of year	**3,831**	**13,677**	**17,508**
Net Book Value at End of Year	**₱741,653**	**₱441,157**	**₱1,182,810**
December 31, 2020			
Cost			
Balance at beginning of year	₱714,553	₱476,158	₱1,190,711
Additions (Note 39)	55,275	161,146	216,421
Disposals	(59,578)	(65,468)	(125,046)
Balance at end of year	710,250	571,836	1,282,086

(Forward)

	Consolidated		
	Land	Building and Improvements	Total
Accumulated Depreciation			
Balance at beginning of year	₱–	₱101,803	₱101,803
Depreciation (Note 16)	–	58,416	58,416
Disposals	–	(13,929)	(13,929)
Balance at end of year	–	146,290	146,290
Allowance for Impairment Loss			
Balance at beginning of year	13,457	14,426	27,883
Provision for impairment losses	15,325	5,622	20,947
Disposals	(2,951)	(2,693)	(5,644)
Balance at end of year	25,831	17,355	43,186
Net Book Value at End of Year	₱684,419	₱408,191	₱1,092,610

	Parent Company		
	Land	Building and Improvements	Total
December 31, 2021			
Cost			
Balance at beginning of year	**₱649,501**	**₱653,631**	**₱1,303,132**
Additions (Note 39)	**120,979**	**117,125**	**238,104**
Disposals	**(85,745)**	**(43,233)**	**(128,978)**
Balance at end of year	**684,735**	**727,523**	**1,412,258**
Accumulated Depreciation			
Balance at beginning of year	**₱–**	**₱154,505**	**₱154,505**
Depreciation (Note 16)	–	**67,235**	**67,235**
Disposals	–	**(13,987)**	**(13,987)**
Balance at end of year	–	**207,753**	**207,753**
Allowance for Impairment Loss			
Balance at beginning of year	**38,168**	**17,849**	**56,017**
Provision for (recovery of) impairment losses	**(6,439)**	**2,844**	**(3,595)**
Disposals	**(28,392)**	**(792)**	**(29,184)**
Balance at end of year	**3,337**	**19,901**	**23,238**
Net Book Value at End of Year	**₱681,398**	**₱499,869**	**₱1,181,267**
December 31, 2020			
Cost			
Balance at beginning of year	₱653,804	₱561,469	₱1,215,273
Additions (Note 39)	55,275	161,146	216,421
Disposals	(59,578)	(68,984)	(128,562)
Balance at end of year	649,501	653,631	1,303,132
Accumulated Depreciation			
Balance at beginning of year	–	110,018	110,018
Depreciation (Note 16)	–	58,416	58,416
Disposals	–	(13,929)	(13,929)
Balance at end of year	–	154,505	154,505
Allowance for Impairment Loss			
Balance at beginning of year	25,794	14,920	40,714
Provision for impairment losses	15,325	5,622	20,947
Disposals	(2,951)	(2,693)	(5,644)
Balance at end of year	38,168	17,849	56,017
Net Book Value at End of Year	₱611,333	₱481,277	₱1,092,610

Investment properties include real estate properties acquired in settlement of loans and receivables. The difference between the fair value of the asset upon foreclosure and the carrying value of the loan is recognized under 'Profit from assets sold/exchanged'. In 2021 and 2020, the Profit from assets sold/ exchanges, amounted to ₱0.1 billion and ₱0.2 billion, respectively, for the Group and the Parent Company.

The fair values of investment properties are disclosed in Note 6.

As of December 31, 2021 and 2020, the carrying value of investment properties still subject to redemption amounted to ₱255.2 million and ₱229.6 million, respectively, for the Group and the Parent Company.

In 2021, 2020, and 2019, rental income (included under 'Rent' in the statements of income) on investment properties, which are leased out under operating leases, amounted to nil, ₱3.4 million, and ₱1.1 million, respectively, for the Group and the Parent Company.

In 2021, 2020, and 2019, direct operating expenses, consisting of depreciation and amortization and repairs and maintenance (included under 'Occupancy costs' in the statements of income) pertaining to investment properties amounted to ₱118.9 million, ₱86.9 million, and ₱80.1 million, respectively, for the Group and ₱118.9 million, ₱86.9 million, and ₱41.5 million, respectively, for the Parent Company.

Provision for (recovery of) impairment losses on non-financial assets in the statements of income are as follows:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Property, equipment and right-of-use assets (Note 16)	**₱7,884**	₱–	₱–	**(₱13,605)**	₱–	₱–
Investment properties	**(25,584)**	20,947	2,835	**(3,595)**	20,947	2,835
Other properties acquired (Note 18)	**2,547**	14,203	5,978	**2,547**	14,203	5,978
	(₱15,153)	₱35,150	₱8,813	**(₱14,653)**	₱35,150	₱8,813

18. Intangible and Other Assets

Intangible assets consist of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Branch licenses	**₱1,445,000**	₱1,460,000	**₱1,445,000**	₱1,445,000
Software costs	**1,767,078**	1,253,249	**1,765,387**	1,252,250
Exchange trading right	**9,000**	8,500	–	–
	₱3,221,078	₱2,721,749	**₱3,210,387**	₱2,697,250

Branch licenses of the Group amounting to ₱1.5 billion represents the following:

a. 1 branch license acquired by the Parent Company from the BSP in 2017 amounting to ₱20.0 million;
b. 4 branch licenses acquired by the Parent Company from the BSP in 2016 amounting to ₱80.0 million;
c. 23 branch licenses acquired by the Parent Company from the BSP in 2015 amounting to ₱345.0 million;
d. 11 branch licenses acquired by the Parent Company from the BSP in 2014 amounting to ₱220.0 million;
e. 26 branch licenses acquired by the Parent Company from the BSP in 2013 amounting to ₱520.0 million; and
f. 13 branch licenses acquired by the Parent Company from the BSP in 2012 amounting to ₱260.0 million

Movements in software costs follow:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Cost				
Balance at beginning of year	**₱2,702,783**	₱2,313,337	**₱2,557,655**	₱2,168,349
Additions	**896,901**	389,446	**895,622**	389,306
Disposal	**(4,536)**	–	**(4,525)**	–
Reclassification (Note 16)	**(16,472)**	–	**(16,472)**	–
Balance at end of year	**3,578,676**	2,702,783	**3,432,280**	2,557,655
Accumulated Amortization				
Balance at beginning of year	**₱1,449,534**	₱1,140,104	**₱1,305,405**	₱996,659
Amortization	**362,322**	309,430	**361,734**	308,746
Disposal	**(258)**	–	**(246)**	–
Balance at end of year	**1,811,598**	1,449,534	**1,666,893**	1,305,405
Net Book Value at End of Year	**₱1,767,078**	₱1,253,249	**₱1,765,387**	₱1,252,250

As of December 31, 2021 and 2020, the latest transacted price of SBEI's exchange trading right amounted to ₱9.0 million and ₱8.5 million, respectively.

Other assets consist of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Pension asset (Note 30)	**₱415,983**	₱4,997	**₱413,246**	₱–
Creditable withholding taxes	**400,229**	54,144	**326,480**	–
Rental and security deposits (Note 33)	**329,596**	347,656	**329,238**	347,665
Documentary stamps	**315,424**	468,135	**315,424**	468,135
Prepaid expenses	**365,677**	533,912	**363,690**	474,039
Cash collateral deposits	**261,857**	674,923	**261,857**	674,923
Other properties acquired - net	**206,647**	507,414	**206,647**	507,414
Due from trust	**58,402**	57,142	**58,402**	57,142
Due from brokers	**42,731**	42,633	**42,731**	42,633
Returned checks and other cash items	**11,998**	212,377	**11,998**	212,377
Miscellaneous	**953,574**	662,129	**805,811**	580,052
	3,362,118	3,565,462	**3,135,524**	3,364,380

(Forward)

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Allowance for credit and impairment losses				
Balance at beginning of year	**₱–**	₱944	**₱–**	₱944
Provision for (recovery of) credit losses (Note 14)	**–**	(944)	**–**	(944)
	–	–	**–**	–
	₱3,362,118	₱3,565,462	**₱3,135,524**	₱3,364,380

Cash collateral deposits represent the Parent Company's restricted deposits for its treasury transactions such as interest rate swaps and SSURA. The carrying amount of these deposits approximates their fair value.

In 2021 and 2020, the gross carrying amount and corresponding ECL allowance of cash collateral securities were carried at stage 1 and there were no transfers into and out of stage 1.

As of December 31, 2021 and 2020, 'Other assets - miscellaneous' includes prepaid employee benefits under car plan program amounting to ₱151.3 million and ₱150.8 million for the Group, respectively, and ₱149.8 million and ₱149.6 million for the Parent Company, respectively, and items in process for clearing amounting to ₱374.3 million and ₱336.9 million as of December 31, 2021 and 2020, respectively.

Other properties acquired represent chattel mortgages foreclosed from loan borrowers. Gain or loss upon foreclosure is included under 'Profit from assets sold/exchanged' in the statements of income. In 2021 and 2020, the Profit from assets sold/ exchanges, amounted to ₱1.3 billion and ₱0.1 billion, respectively, for the Group and the Parent Company.

Movements in the other properties acquired by the Group and the Parent Company follow:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Cost				
Balance at beginning of year	**₱574,315**	₱271,551	**₱574,290**	₱271,526
Additions (Note 39)	**1,793,464**	1,077,345	**1,793,464**	1,077,345
Disposals	**(2,122,623)**	(774,581)	**(2,122,625)**	(774,581)
Reclassification	**(1,611)**	–	**(1,611)**	–
Balance at end of year	**243,545**	574,315	**243,518**	574,290
Accumulated Depreciation				
Balance at beginning of year	**52,567**	39,066	**52,540**	39,039
Depreciation (Note 16)	**118,911**	86,843	**118,911**	86,843
Disposals	**(136,766)**	(73,342)	**(136,766)**	(73,342)
Reclassification	**(361)**	–	**(361)**	–
Balance at end of year	**34,351**	52,567	**34,324**	52,540
Accumulated Impairment Loss				
Balance at beginning of year	**14,334**	6,100	**14,336**	6,102
Provision for impairment losses (Note 17)	**2,547**	14,203	**2,547**	14,203
Disposal	**(14,284)**	(5,969)	**(14,286)**	(5,969)
Reclassification	**(50)**	–	**(50)**	–
Balance at end of year	**2,547**	14,334	**2,547**	14,336
Net Book Value at End of Year	**₱206,647**	₱507,414	**₱206,647**	₱507,414

19. **Deposit Liabilities**

As of December 31, 2021 and 2020, the Group and the Parent Company has set aside 'Due from BSP' as reserves amounting to ₱53.6 billion and ₱28.0 billion, respectively.

Long-term Negotiable Certificates of Deposit matured on February 17, 2019
On February 17, 2012, the Parent Company issued 5.50% fixed coupon rate (EIR of 5.62%) 1, 2019.

Long-term Negotiable Certificates of Deposit maturing on August 5, 2025
On February 5, 2020, the Parent Company issued 4.00% fixed coupon rate (EIR of 4.16%) unsecured LTNCD at par value of ₱2.07 billion.

The movement of unamortized debt issue costs on LTNCDs follows:

	2021	2020
Beginning balance	**₱130,835**	₱145,769
Addition	–	16,578
Amortization	**(38,408)**	(31,512)
Balance at end of year	**₱92,427**	₱130,835

Interest expense on deposit liabilities consists of:

	Consolidated			**Parent Company**		
	2021	2020	2019	**2021**	2020	2019
Demand	**₱204,516**	₱187,428	₱146,174	**₱204,819**	₱187,531	₱146,465
Savings	**107,435**	225,839	481,692	**107,715**	226,429	481,946
Time	**1,581,248**	3,733,745	9,005,521	**1,587,676**	3,744,927	9,047,093
LTNCD	**1,047,599**	1,038,504	894,872	**1,047,599**	1,038,504	894,872
	₱2,940,798	₱5,185,516	₱10,528,259	**₱2,947,809**	₱5,197,391	₱10,570,376

Ranges of annual fixed interest on deposit liabilities excluding LTNCD follow:

	2021	2020	2019
Peso-denominated	**0.01%-3.28%**	0.10%-3.50%	0.10%-6.75%
Foreign currency-denominated	**0.01%-1.97%**	0.10%-2.88%	0.25%-3.25%

20. **Financial Liabilities at Fair Value through Profit or Loss**

This account consists of:

	2021	2020
Derivative liabilities (Note 6):		
Currency forwards	**₱1,174,299**	₱490,803
Interest rate swaps	**110,983**	597,777
Cross-currency swaps	**104**	9,801
	₱1,285,386	₱1,098,381

Interest expense on derivative instruments consists of:

	2021	2020	2019
Interest rate swaps	**₱217,100**	₱289,280	₱567,294
Cross-currency swaps	**131,749**	177,400	232,153
	₱348,849	₱466,680	₱799,447

21. Bills Payable and Securities Sold Under Repurchase Agreements

This account consists of borrowings from:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
SSURA	**₱2,777,596**	₱10,312,432	**₱2,777,596**	₱10,312,432
Local banks	**538,421**	379,402	**441,754**	129,402
Local government banks with relending facilities	**148,407**	163,628	**148,407**	163,628
Foreign banks	**–**	10,228,899	**–**	10,228,899
	₱3,464,424	₱21,084,361	**₱3,367,757**	₱20,834,361

The following are the carrying values of the investment securities pledged and transferred under SSURA transactions of the Group:

	December 31, 2021		December 31, 2020	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial assets at FVTPL (Note 10)				
Government securities	**₱3,945,013**	**₱3,945,013**	₱6,687,690	₱6,687,690
Financial assets at FVTOCI (Note 12)				
Treasury bonds	**–**	**–**	9,189,885	9,189,885
	₱3,945,013	**₱3,945,013**	₱15,877,575	₱15,877,575

For the years ended December 31, 2021, 2020 and 2019, interest expense on bills payable and SSURA, notes payable, subordinated notes and other borrowings in the statements of income consist of the following:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Notes payable (Note 22)	**₱1,726,394**	₱2,094,313	₱1,922,295	**₱1,726,394**	₱2,094,313	₱1,922,295
Bills payable and SSURA	**324,661**	1,266,487	3,632,532	**₱317,836**	1,032,088	3,470,662
Subordinated note (Note 23)	**–**	–	326,433	**–**	–	326,433
Others (Note 30)	**22,595**	–	195	**22,595**	–	195
	₱2,073,650	₱3,360,800	₱5,881,455	**₱2,066,825**	₱3,126,401	₱5,719,585

Annual fixed interest rate ranges on the Group's and the Parent Company's interbank borrowings and rediscounting availments follow:

	2021	2020	2019
Interbank borrowings:			
Peso-denominated	**1.50%-8.00%**	3.38%-8.00%	3.97%-8.00%
Foreign currency-denominated	**0.02%-1.33%**	0.00%-2.95%	1.50%-3.75%
Rediscounting availments:			
Peso-denominated	–	0.00%-3.75%	5.06%-5.38%

22. Notes and Bonds Payable

As of December 31, 2021 the account consists of the following:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Senior unsecured notes due 2023	**₱15,253,337**	₱14,339,578	**₱15,253,337**	₱17,958,593
Fixed rate bonds due 2022	**13,467,976**	13,412,507	**13,467,976**	13,412,507
Fixed rate bonds due 2021	**–**	17,958,593	**–**	14,339,578
	₱28,721,313	₱45,710,678	**₱28,721,313**	₱45,710,678

Senior Unsecured Notes due 2023
In September 2018, the Parent Company issued $300.0 million senior unsecured notes ("Senior Notes") due on September 25, 2023. The Senior Notes, which are listed in the Singapore Stock Exchange, were priced at a discount, with a coupon rate of 4.50% fixed rate (EIR of 4.68%) payable on a semi-annual basis commencing on March 25, 2019. The Parent Company incurred debt issue costs amounting to ₱57.6 million.

Fixed Rate Bonds due 2022
On July 24, 2020, the Parent Company issued ₱13.5 billion fixed rate bonds due on July 24, 2022. The bond, which are listed in Philippine Dealing and Exchange Corporation, were priced at par with a coupon rate of 3.125% fixed rate payable on a quarterly basis commencing on October 24, 2020. The Parent Company incurred debt issue costs amounting to ₱111.2 million.

Fixed Rate Bonds due 2021
On June 28, 2019, the Parent Company issued ₱18.0 billion fixed rate bonds due on June 28, 2021. The bond, which are listed in Philippine Dealing and Exchange Corporation, were priced at par with a coupon rate of 5.875% fixed rate payable on a quarterly basis commencing on September 28, 2019. The Parent Company incurred debt issue costs amounting to ₱160.8 million. This fixed rate bond already matured and is no longer outstanding as of December 31, 2021.

The movements in unamortized discount follow:

	December 31, 2021	December 31, 2020
Balance at beginning of year	**₱196,222**	₱217,978
Additions	**–**	111,200
Amortization	**(100,189)**	(128,753)
Translation adjustment	**(17,646)**	(4,203)
Balance at end of year	**₱78,387**	₱196,222

23. Subordinated Note

Tier 2 Unsecured Subordinated Notes due 2024
On July 11, 2014, the Parent Company issued ₱10.0 billion Unsecured Subordinated Notes (2024 Sub Notes) due on July 11, 2024 qualifying as Tier 2 Capital. The Notes initially bear interest at the rate of 5.375% per annum (EIR of 5.464%) from and including July 11, 2014 to but excluding July 11, 2019. Unless the 2024 Sub Notes are redeemed on July 12, 2019, the initial interest rate will be reset at the equivalent of the five-year PDST-R1 plus a spread of 1.575% per annum, and such interest will be payable commencing on July 12, 2019 up to and including July 11, 2024. The interest on the 2024 Sub Notes for the entire term will be payable quarterly in arrears on the 11th of January, April, July, and October of each year, commencing on October 11, 2014.

The 2024 Sub Notes also contain a tax redemption option and a regulatory redemption option which will allow the Parent Company to redeem no less than all of the outstanding 2024 Sub Notes, at an amount equal to 100% of the face value of the 2024 Sub Notes plus accrued interest at the interest rate relating to the current interest period up to but excluding the date of such redemption, upon the happening of certain events that are triggered by changes in laws and regulations.

The 2024 Sub Notes also have a loss absorption feature which means that the notes are subject to a Non-Viability Write-Down in case of the occurrence of a Non-Viability Event, subject to certain conditions, when the Parent Company is considered non-viable as determined by the BSP. Non-Viability is defined as a deviation from a certain level of Common Equity Tier 1 (CET1) Ratio or the inability of the Parent Company to continue business (closure) or any other event as determined by the BSP, whichever comes earlier. Upon the occurrence of a Non-Viability Event, the Parent Company shall write-down the principal amount of the notes to the extent required by the BSP, which could go down to as low as zero. A Non-Viability Trigger Event shall be deemed to have occurred if the BSP notifies the Issuer in writing that it has determined that a: (i) Write-Down of the notes and other capital instruments of the Parent Company is necessary because, without such Write-Down, the Parent Company would become non-viable, (ii) public sector injection of capital, or equivalent support, is necessary because, without such injection or support, the Parent Company would become non-viable, or (iii) Write-Down of the notes and other capital instruments of the Parent Company is necessary because, as a result of the closure of the Parent Company, it has become non-viable. A Non-Viability Write-Down shall have the following effects: (a) reduce the claim on the notes in liquidation; (b) reduce the amount re-paid when a call or redemption is properly exercised; and (c) partially or fully reduce the interest payments on the notes.

The issuance of the 2024 Sub Notes under the terms approved by the BOD was approved by the BSP on May 21, 2014, subject to the Parent Company's compliance with certain conditions.

On March 26, 2019, the Parent Company's BOD approved the exercise of the option to call of its ₱10.0 billion 5.375% Unsecured Subordinated Notes issued on July 11, 2014. The redemption falls under the call provisions of the Note, which has a maturity date of July 11, 2024 and is callable on July 12, 2019. The exercise of the option to call was approved by the BSP on May 10, 2019.

The movements in unamortized discount follow:

	2019
Balance at beginning of year	₱42,752
Amortization	(42,752)
Balance at end of year	₱–

24. Accrued Interest, Taxes and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Accrued other expenses payable	**₱1,726,489**	₱1,897,090	**₱1,687,867**	₱1,876,978
Accrued interest payable (Note 33)	**811,940**	857,296	**815,265**	859,964
Accrued other taxes and licenses payable	**347,445**	334,017	**328,793**	330,286
Pension liability - net (Notes 30 and 33)	**10,637**	657,422	**–**	645,328
	₱2,896,511	₱3,745,825	**₱2,831,925**	₱3,712,556

Accrued other expenses payable includes accrual for various operating expenses such as payroll, repairs and maintenance, utilities, rental, and contractual services. This also includes estimated provision for probable losses arising from various legal cases of the Group (see Note 35).

25. Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Accounts payable (Note 33)	**₱2,097,382**	₱2,661,259	**₱2,097,382**	₱2,570,253
Lease liability (Notes 2 and 16)	**1,454,658**	1,662,975	**1,454,658**	1,662,975
Payable to brokers	**1,141,819**	939,114	**–**	–
Other deferred credits	**1,127,192**	1,051,427	**1,127,192**	1,051,427
Provision for ECL on loan commitments and financial guarantees (Note 35)	**699,381**	406,802	**699,381**	406,802
Unearned initial milestone fee	**508,329**	670,532	**508,329**	670,532
Bills purchased - contra (Note 14)	**418,651**	2,087,355	**418,651**	2,087,355
Due to the Treasurer of the Philippines	**181,459**	83,839	**181,459**	83,839
Withholding taxes payable	**156,160**	212,620	**156,160**	207,231
Insurance contract liabilities	**142,357**	150,259	**142,357**	150,259
Subscription payable	**30,000**	30,000	**123,750**	123,750
Dividends payable	**10,274**	12,385	**10,274**	12,385
Deposits for keys of safety deposit boxes	**7,240**	7,188	**7,240**	7,188
Miscellaneous	**1,266,763**	3,094,939	**977,629**	2,866,280
	₱9,241,665	₱13,070,694	**₱7,904,462**	₱11,900,276

Miscellaneous liabilities are Social Security System pension for the Group's depositors amounting to ₱30.7 million and ₱1.5 million as of December 31, 2021 and 2020, respectively, cash collateral deposits amounting to nil and ₱1.5 billion, respectively, and items in process for clearing amounting to ₱577.0 million and ₱760.0 million as of December 31, 2021 and 2020, respectively.

26. Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled (amounts in millions):

	Consolidated			Parent Company		
	Within One Year	Over One Year	Total	Within One Year	Over One Year	Total
December 31, 2021						
Financial Assets						
Cash and other cash items	**₱11,083**	–	**₱11,083**	**₱11,083**	–	**₱11,083**
Due from BSP	**67,392**	–	**67,392**	**67,392**	–	**67,392**
Due from other banks	**13,126**	–	**13,126**	**13,000**	–	**13,000**
Interbank loans receivable and SPURA	**29,425**	–	**29,425**	**29,425**	–	**29,425**
Financial assets at FVTPL:						
HFT investments	**5,682**	–	**5,682**	**5,682**	–	**5,682**
Derivative assets	**1,240**	–	**1,240**	**1,240**	–	**1,240**
Total financial assets at FVTPL	**6,922**	–	**6,922**	**6,922**	–	**6,922**
Financial assets at FVTOCI	**1,705**	**78,964**	**80,669**	**1,705**	**78,919**	**80,624**
Investment securities at amortized cost	**4,985**	**16,852**	**21,837**	**4,985**	**16,852**	**21,837**
Loans and receivables - at gross	**211,313**	**256,533**	**467,846**	**211,285**	**256,496**	**467,781**
Other assets	**285**	**331**	**616**	**284**	**329**	**613**
Total financial assets	**346,236**	**352,680**	**698,916**	**346,081**	**352,596**	**698,677**

(Forward)

	Consolidated			Parent Company		
	Within One Year	Over One Year	Total	Within One Year	Over One Year	Total
Non-financial Assets						
Investments in subsidiaries and joint ventures	**₱–**	**₱1,540**	**₱1,540**	**₱–**	**₱3,523**	**₱3,523**
Property and equipment	–	**5,185**	**5,185**	–	**4,045**	**4,045**
Investment properties	–	**1,183**	**1,183**	–	**1,181**	**1,181**
Deferred tax assets	–	**5,246**	**5,246**	–	**5,214**	**5,214**
Goodwill	–	**842**	**842**	–	**842**	**842**
Intangible assets	–	**3,221**	**3,221**	–	**3,210**	**3,210**
Other assets	**309**	**2,437**	**2,746**	**310**	**2,212**	**2,522**
Total non-financial assets	**309**	**19,654**	**19,963**	**310**	**20,227**	**20,537**
	₱346,545	**₱372,334**	**₱718,879**	**₱346,391**	**₱372,823**	**₱719,214**
Less: Allowance for credit losses			**18,191**			**18,164**
Unearned discounts and deferred credits			**1,071**			**1,071**
Total Assets			**₱699,617**			**₱699,979**
Financial Liabilities						
Deposit liabilities	**₱447,927**	**₱75,662**	**₱523,589**	**₱449,811**	**₱75,662**	**₱525,473**
Financial liabilities at FVTPL	**1,285**	–	**1,285**	**1,285**	–	**1,285**
Bills payable and SSURA	**442**	**3,022**	**3,464**	**442**	**2,926**	**3,368**
Acceptances payable	–	**1,002**	**1,002**	–	**1,002**	**1,002**
Margin deposits and cash letters of credit	–	**40**	**40**	–	**40**	**40**
Manager's and certified checks outstanding	**4,221**	–	**4,221**	**4,221**	–	**4,221**
Notes payable	**13,467**	**15,254**	**28,721**	**13,467**	**15,254**	**28,721**
Accrued interest, taxes and other expenses	**2,109**	**440**	**2,549**	**2,063**	**440**	**2,503**
Other liabilities	**4,365**	**939**	**5,304**	**3,224**	**938**	**4,162**
Total financial liabilities	**473,816**	**96,359**	**570,175**	**474,513**	**96,262**	**570,775**
Non-financial Liabilities						
Income tax payable	**86**	–	**86**	**66**	–	**66**
Accrued interest, taxes and other expenses	**348**	–	**348**	**329**	–	**329**
Other liabilities	**3,301**	**637**	**3,938**	**3,100**	**643**	**3,743**
Total non-financial liabilities	**3,735**	**637**	**4,372**	**3,495**	**643**	**4,138**
Total Liabilities	**₱477,551**	**₱96,996**	**₱574,547**	**₱474,008**	**₱96,905**	**₱574,913**
December 31, 2020						
Financial Assets						
Cash and other cash items	₱13,311	₱–	₱13,311	₱13,311	₱–	₱13,311
Due from BSP	47,391	–	47,391	47,391	–	47,391
Due from other banks	10,034	–	10,034	9,460	–	9,460
Interbank loans receivable and SPURA	18,641	–	18,641	18,641	–	18,641
Financial assets at FVTPL:						
HFT investments	9,217	–	9,217	9,179	–	9,179
Derivative assets	1,531	–	1,531	1,531	–	1,531
Total financial assets at FVTPL	10,748	–	10,748	10,710	–	10,710
Financial assets at FVTOCI	41,185	27,587	68,772	41,184	27,554	68,738
Investment securities at amortized cost	2,883	20,509	23,392	2,883	20,509	23,392
Loans and receivables - at gross	203,157	258,494	461,651	203,132	258,746	461,878
Other assets	675	348	1,023	675	348	1,023
Total financial assets	348,025	306,938	654,963	347,387	307,157	654,544
Non-financial Assets						
Investments in subsidiaries and a joint venture	–	709	709	–	2,651	2,651
Property and equipment	–	5,518	5,518	–	4,328	4,328
Investment properties	–	1,093	1,093	–	1,093	1,093
Deferred tax assets	–	7,262	7,262	–	7,189	7,189
Goodwill	–	842	842	–	842	842
Intangible assets	–	2,722	2,722	–	2,697	2,697
Other assets	405	2,136	2,541	345	1,995	2,340
Total non-financial assets	405	20,282	20,687	345	20,795	21,140
	₱348,430	₱327,220	675,650	₱347,732	₱327,952	675,684

(Forward)

	Consolidated			Parent Company		
	Within One Year	Over One Year	Total	Within One Year	Over One Year	Total
Less: Allowance for credit losses			₱21,636			₱21,612
Unearned discounts and deferred credits			1,163			1,163
Total Assets			₱652,851			₱652,909
Financial Liabilities						
Deposit liabilities	₱349,940	₱90,471	₱440,411	₱264,767	₱177,192	₱441,959
Financial liabilities at FVTPL	1,098	–	1,098	1,098	–	1,098
Bills payable and SSURA	13,893	7,191	21,084	13,743	7,091	20,834
Acceptances payable	–	438	438	–	438	438
Margin deposits and cash letters of credit	–	62	62	–	62	62
Manager's and certified checks outstanding	3,863	–	3,863	3,863	–	3,863
Notes payable	17,959	27,752	45,711	17,959	27,752	45,711
Accrued interest, taxes and other expenses	3,100	312	3,412	3,070	312	3,382
Other liabilities	7,447	–	7,447	6,417	–	6,417
Total financial liabilities	397,300	126,226	523,526	310,917	212,847	523,764
Non-financial Liabilities						
Income tax payable	₱61	₱–	₱61	₱48	₱–	₱48
Accrued interest, taxes and other expenses	334	–	334	330	–	330
Other liabilities	4,568	1,056	5,624	4,433	1,051	5,484
Total non-financial liabilities	4,963	1,056	6,019	4,811	1,051	5,862
Total Liabilities	₱402,263	₱127,282	₱529,545	₱315,728	₱213,898	₱529,626

27. Equity

As of December 31, 2021 and 2020, the Parent Company's capital stock consists of:

	Shares*	Amount
Common stock - ₱10 par value		
Authorized	1,000,000,000	₱10,000,000
Issued and outstanding		
Balance at the beginning and end of the period	753,538,887	7,535,389
Preferred stock - ₱0.10 par value		
Authorized	1,000,000,000	100,000
Issued and outstanding		
Balance at the beginning and end of the period	1,000,000,000	100,000
	1,753,538,887	₱7,635,389

**Absolute number of shares*

On November 26, 2013, the Parent Company's stockholders approved and authorized the following:

1. Creation of 1.0 billion non-cumulative, non-participating, non-convertible voting Preferred Stock with par value of ₱0.1 each and issuance of approximately 602.8 million of such Preferred Stock; and
2. Increase in authorized capital stock from ₱10.0 billion to ₱10.1 billion broken down into ₱10.0 billion Common Stock and ₱100.0 million Preferred Stock.

The Preferred Stock was offered to eligible common stockholders, with each eligible stockholder entitled to subscribe to one voting preferred share for every one common stock held as of the record date, June 16, 2014.

On July 10, 2014, the Parent Company issued 602,831,109 non-cumulative, non-participating, non-convertible Preferred Stock with ₱0.1 par value. The dividend rate is 3.9% repricing every 10 years. The Preferred Stock is redeemable at the sole option of the Parent Company at its issue price. Redemption shall at all times be subject to regulation of the BSP and shall require (i) prior approval of the BSP; (ii) replacement with at least an equivalent amount of newly paid-in shares; (iii) a lapse of at least five (5) years from the date of issuance; and (iv) solvency of the Parent Company. Redemption shall not be allowed when the Parent Company is insolvent or if such redemption will cause insolvency, impairment of capital or inability of the Parent Company to meet its debts as they mature.

A sinking fund for the redemption of Preferred Shares amounting ₱100.0 million is created upon their issuance, to be effected by the transfer of free surplus to a restricted surplus account and shall not be available for dividend distribution.

Details of the Parent Company's cash dividend distribution follow:

		Dividend			
Shares	Date of declaration	Per share	Total amounts in thousands	Record date	Payment date
Common	October 26, 2021	₱1.50	₱1,130,308	November 10, 2021	November 24, 2021
Common	March 20, 2021	1.00	753,539	April 16, 2021	April 29, 2021
Common	March 20, 2021	0.5000	376,770	April 16, 2021	April 29, 2021
Preferred	February 23, 2021	0.0039	2,351	June 28, 2021	July 12, 2021
Preferred	February 23, 2021	0.0048	1,908	March 18, 2021	April 5, 2021
Common	October 27, 2020	1.00	753,539	November 11, 2020	November 26, 2020
Common	October 27, 2020	0.5000	376,769	November 11, 2020	November 26, 2020
Common	March 21, 2020	1.00	753,539	April 16, 2020	April 30, 2020
Common	March 21, 2020	0.5000	376,770	April 16, 2020	April 30, 2020
Preferred	February 21, 2020	0.0039	2,351	June 26, 2020	July 10, 2020
Preferred	February 21, 2020	0.0048	1,908	March 18, 2020	April 1, 2020
Common	October 29, 2019	1.00	753,539	November 13, 2019	November 28, 2019
Common	October 29, 2019	0.5000	376,770	November 13, 2019	November 28, 2019
Common	March 26, 2019	1.00	753,539	April 10, 2019	April 25, 2019
Common	March 26, 2019	0.5000	376,770	April 10, 2019	April 25, 2019
Preferred	February 19, 2019	0.0039	2,351	June 26, 2019	July 10, 2019
Preferred	February 19, 2019	0.0048	1,908	March 18, 2019	April 1, 2019

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following BSP guidelines including capital adequacy requirements and other considerations such as general loan loss reserves. However, on September 17, 2015, the BSP through MB Resolution No. 1516, allowed banks to declare and pay dividends without prior BSP verification provided that pre-qualification criteria including capital adequacy requirements are met.

The track record of the Parent Company's registration of securities in compliance with the Securities Regulation Code Rule 68 Annex 68-D 1(I) follows:

a. <u>Authorized Shares</u>

Date of SEC Approval	Type of Shares	Authorized Number of Shares*
April 8, 2014	Preferred	1,000,000,000
November 11, 2013	Common	1,000,000,000
July 29, 1998	Common	600,000,000
February 19, 1997	Common	450,000,000
June 8, 1995	Common	200,000,000

* Absolute number of shares

b. Stock Dividends

Date of BSP Approval	Percentage
July 11, 2013	20.00%
March 29, 2011	20.00%
May 26, 1998	13.75%
April 29, 1997	20.00%
March 26, 1996	20.00%

c. Stock Rights Offering

Date of SEC Approval	Number of shares Registered*	Offer Price
October 8, 2009	89,285,714	₱28.00 per share
February 19, 1997	65,037,768	25.00 per share

*Absolute number of shares

d. Number of Shareholders

Year End	Number of shareholders
December 31, 2021	2,154
December 31, 2020	2,157
December 31, 2019	2,167

In the consolidated financial statements, a portion of the Group's surplus corresponding to the accumulated net earnings of the subsidiaries amounting to ₱364.8 million and ₱948.0 million as of December 31, 2021 and 2020, respectively, is not available for dividend declaration. This accumulated equity in net earnings becomes available for dividend declaration upon receipt of dividends from the investees, subject also to SEC and BSP rules on dividend declaration.

Surplus reserves of the Group and the Parent Company consist of:

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
Reserve for regulatory requirements	**₱2,347,700**	₱2,647,494	**₱2,308,056**	₱2,610,060
Reserve for self-insurance	**2,120,200**	2,120,200	**2,120,200**	2,120,200
Reserve for trust business	**355,118**	327,097	**355,118**	327,097
Reserve for redemption of preferred stock	**100,000**	100,000	**100,000**	100,000
	₱4,923,018	₱5,194,791	**₱4,883,374**	₱5,157,357

In compliance with existing BSP regulations, 10.0% of the net profits realized by the Parent Company from its trust business is appropriated to surplus reserve. The yearly appropriation is required until the surplus reserve for trust business equals 20.0% of the Parent Company's regulatory capital.

To comply with Securities Regulation Code Rule 49.1 (B), *Reserve Fund,* requiring broker dealers to annually appropriate a certain minimum percentage of its audited profit after tax as reserve fund, a portion of the Group's surplus corresponding to the net earnings of SBEI amounting to ₱39.6 million and ₱37.4 million as of December 31, 2021 and 2020, respectively, has been appropriated in the consolidated financial statements and is not available for dividend declaration.

The following table shows the components of comprehensive income closed to Surplus:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Net income attributable to the equity holders of the Parent Company	**₱6,916,970**	₱7,432,256	₱10,101,732	**₱6,938,503**	₱7,247,428	₱10,145,946
Remeasurement gains (losses) on defined benefit plans (Notes 15 and 30)	**413,246**	(645,329)	(277,720)	**413,246**	(645,329)	(277,725)
	₱7,330,216	₱6,786,927	₱9,824,012	**₱7,351,749**	₱6,602,099	₱9,868,221

Capital Management

The Group considers the equity attributable to the equity holders of the Parent Company as the capital base of the Group. The primary objectives of the Group's capital management are to ensure that it complies with externally imposed capital requirements and that it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities and assessment of prospective business requirements or directions. In order to maintain or adjust the capital structure, the Group may adjust the amount and mode of dividend payment to shareholders, issue capital securities or undertake a share buy-back. No changes were made in the objectives, policies and processes from the previous year.

The Parent Company adopted a dividend policy that is intended to support the Bank to weather the uncertainties and volatilities in the market; comply with the higher requirements of Basel III and the BSP; maintain strong credit ratings; minimize the need for capital calls in the medium-term; and provide a capital base for business expansion that will create value over the long-term for all stakeholders. In declaring dividend pay-outs, uses a combination of regular and special dividends such that the dividend pay-out for Common Shares generally may range from 15% to 30% of prior year's NIAT.

BSP Reporting

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the compliance with regulatory requirements and ratios is based on the amount of the "unimpaired capital" (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting policies that differ from PFRS in some respects.

The Group complied with BSP Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi banks, in accordance with the Basel III standards. The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%; capital conservation buffer of 2.50% comprised of CET1 capital and Total Capital Adequacy Ratio (CAR) of 10.00%. These ratios shall be maintained at all times. Further, BSP Circular No. 856 covers the implementing guidelines on the framework for dealing with domestic systemically important banks (DSIBs) in accordance with the Basel III standards. Banks identified as DSIBs shall be required to have higher loss absorbency, on top of the minimum CET1 capital and capital conservation buffer. Compliance with this requirement was phased in starting January 1, 2017, with full compliance on January 1, 2019.

The CAR of the Group and of the Parent Company as reported to the BSP as of December 31, 2021 December 31, 2021 and 2020 follow:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Tier 1 capital	**₱122,044,007**	₱120,018,957	**₱122,044,007**	₱120,015,853
Less Required deductions	**14,519,442**	14,072,149	**17,481,696**	16,855,922
	107,524,565	105,946,808	**104,562,311**	103,159,931
Excess from Tier 2 deducted to Tier 1 Capital*	**–**	–	**–**	–
Net Tier 1 Capital	**107,524,565**	105,946,808	**104,562,311**	103,159,931
Tier 2 capital	**3,736,478**	4,998,644	**3,736,317**	4,979,073
Less: Required deductions	**–**	–	**–**	–
	3,736,478	4,998,644	**3,736,317**	4,979,073
Excess of Tier 2 deducted to Tier 1 Capital*	**–**	–	**–**	–
Net Tier 2 Capital	**3,736,478**	4,998,644	**3,736,317**	4,979,073
Total Qualifying Capital	**₱111,261,043**	₱110,945,452	**₱108,298,628**	₱108,139,004
Credit Risk-Weighted Assets	**₱497,852,003**	496,591,119	**495,306,896**	494,615,339
Market Risk-Weighted Assets	**7,615,872**	5,641,143	**7,615,870**	5,650,026
Operational Risk-Weighted Assets	**57,745,561**	49,911,485	**55,129,340**	47,305,797
Total Risk Weighted Assets	**₱563,213,436**	₱552,143,747	**₱558,052,106**	₱547,571,162
Tier 1 CAR	**19.09%**	19.19%	**18.74%**	18.84%
Total CAR	**19.75%**	20.09%	**19.41%**	19.75%

**Deductions to Tier 2 Capital are capped at its total gross amount and any excess shall be deducted from Tier 1 Capital.*

Qualifying capital and risk-weighted assets (RWA) are computed based on BSP regulations. Under Basel III, the regulatory qualifying capital of the Parent Company consists of CET1 capital, which comprises paid-up common stock, additional paid-in capital, retained earnings including current year profit, retained earnings reserves, OCI and non-controlling interest less required regulatory deductions. The other component of regulatory capital is Tier 2 (supplementary) capital, which includes unsecured subordinated debts and general loan loss provision. RWA consist of total assets excluding 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 determined by the Monetary Board (MB) of the BSP. Operational RWA are computed using the Basic Indicator Approach. As discussed in Note 30, as of December 31, 2018, additional operational risk has been included as required by the MB, which was lifted on July 18, 2019.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

The Internal Capital Adequacy Assessment Process (ICAAP) supplements the BSP's risk-based capital adequacy framework. In compliance with this, the Group has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained by the Group. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Group. The level and structure of capital are assessed and determined in light of the Group's business environment, plans, performance, risks and budget as well as regulatory edicts.

Basel III Leverage Ratio (BLR)

BSP Circular Nos. 881 and 990 cover the implementing guidelines on the BLR framework designed to act as a supplementary measure to the risk based capital requirements and shall not be less than 5.00%. The monitoring period has been set every quarter starting December 31, 2014 and extended until June 30, 2018. Effective July 1, 2018, the monitoring of the leverage ratio was implemented as a Pillar I minimum requirement.

The details of the BLR as reported to the BSP, as of December 31, 2021 and 2020 follow:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Tier 1 Capital	**₱107,524,565**	₱105,946,808	**₱104,562,311**	₱103,159,931
Exposure Measure	**718,951,897**	677,773,552	**716,345,755**	675,355,014
BLR	**14.96%**	15.63%	**14.60%**	15.27%

Under the framework, BLR is defined as the capital measure divided by the exposure measure. Capital measure is Tier 1 capital. Exposure measure is the sum of on balance sheet exposures, derivative exposures, security financing exposures and off balance sheet items.

Liquidity Coverage Ratio (LCR)
BSP Circular No. 905 provides the implementing guidelines on LCR and disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high quality liquid assets to total net cash outflows which should not be lower than 100.00%. As of December 31, 2021 and 2020, the LCR in single currency as reported to the BSP, was at 149.50% and 166.43%, respectively, for the Group, and 147.86% and 164.09%, respectively, for the Parent Company.

Net Stable Funding Ratio (NSFR)
On June 6, 2018, the BSP issued BSP Circular No.1007 covering the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards NSFR. The NSFR is aimed to promote long term resilience against liquidity risk by requiring banks to maintain a stable funding profile in relation to the composition of its assets and off balance sheet activities. It complements the LCR, which promotes short term resilience of a bank's liquidity profile. Banks shall maintain an NSFR of at least 100% at all times.

As of December 31, 2021 and 2020, the NSFR as reported to the BSP, was at 138.48% and 131.96%, respectively, for the Group, and 138.41% and 131.83%, respectively, for the Parent Company.

28. **Trust Operations**

Securities and other properties held by the Parent Company in a fiduciary or agency capacity for clients and beneficiaries are not included in the accompanying statements of financial position since these are not assets of the Parent Company.

Treasury notes and bills included under ‘Investment securities at amortized cost’ as of December 31, 2021 and ‘Financial Assets at Fair Value through Other Comprehensive Income ’ as of December 31, 2020 with a total face value of ₱845.0 million and ₱820.0 million, respectively, were deposited with the BSP in compliance with the requirements of the General Banking Law relative to the Parent Company’s trust functions (see Notes 12 and 13).

29. **Income Taxes**

Provision for (benefit from) income tax consists of:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Current:						
Final	**₱747,213**	₱454,392	₱547,766	**₱745,932**	₱442,168	₱537,784
Corporate	**565,468**	1,757,688	2,318,078	**530,622**	1,582,401	2,209,266
	1,312,681	2,212,080	2,865,844	**1,276,554**	2,024,569	2,747,050
Deferred	**2,031,929**	(5,391,011)	(552,460)	**2,009,584**	(4,952,446)	(436,472)
	₱3,344,610	(₱3,178,931)	₱2,313,384	**₱3,286,138**	(₱2,927,877)	₱2,310,578

The Group's provision for income tax - current represents final tax, RCIT of the Parent Company's RBU and FCDU, SBEI and SBCC; and MCIT of SBRC, SBFCI and other subsidiaries.

Under Philippine tax laws, the Parent Company and its financial intermediary 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 documentary stamp tax and gross receipts tax.

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact to the Group and to the Parent Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

  Effective July 1, 2020, interest expense allowed as a deductible expense is reduced by 20.0% from 33% of interest income subject to final tax.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Effective January 1, 2021, income tax rate for nonresident foreign corporation is reduced from 30% to 25%.

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

- Applying the provisions of the CREATE Act, the Group and the Parent Company is subject to lower regular corporate income tax rate of 25% effective July 1, 2020.

- Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated corporate income tax rate of the Group and the Parent Company for the year 2020 is 27.5%. This will result in a lower provision for current income tax for the year ended December 31, 2020 by ₱171.5 million. The reduced amounts were reflected in the Group's and Parent Company's 2020 annual income tax return. However, for financial reporting purposes, the changes are recognized in the 2021 financial statements.

  In 2021, this also resulted to a write-down of the deferred tax assets and liabilities of the Group and Parent Company recognized as of December 31, 2020 by ₱1.2 billion. This is recognized as provision for income tax - deferred expense in the 2021 financial statements.

Republic Act (RA) No. 9294, which became effective in May 2004, provides that the income derived by the FCDU from foreign currency transactions with non-residents, offshore banking units (OBUs), and local commercial banks, including branches of foreign banks, is tax-exempt while interest income on foreign currency-denominated loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.0% income tax.

Components of net deferred tax assets follow:

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
Deferred tax assets on:				
Allowance for credit and impairment losses	**₱4,545,096**	₱6,488,372	**₱4,537,814**	₱6,479,296
Lease liability	**366,828**	503,733	**363,664**	498,893
Unrealized loss on derivative liabilities	**307,357**	210,302	**307,357**	210,302
Accrued expenses	**303,257**	399,047	**300,514**	395,571
Unamortized past service cost	**241,160**	145,617	**238,056**	142,079
Undrawn commitments	**174,761**	121,330	**174,761**	121,329
Accumulated depreciation on investment properties	**60,520**	46,351	**60,520**	46,351
Others	**52,218**	286,745	**21,086**	224,210
	6,051,197	8,201,497	**6,003,772**	8,118,031
Deferred tax liabilities on:				
Right-of-use asset	**372,708**	494,049	**370,368**	490,366
Unrealized gain on derivative assets	**268,372**	336,768	**268,372**	336,768
Retirement asset	**108,560**	5,304	**103,311**	–
Unrealized gain on financial assets at FVTOCI	**2,691**	–	**–**	–
Accrued rent income	**5,109**	681	**568**	681
Others	**47,502**	102,824	**47,502**	100,916
	804,942	939,626	**790,121**	928,731
Net deferred tax assets	**₱5,246,255**	₱7,261,871	**₱5,213,651**	₱7,189,300

As of December 31, 2021 and 2020, deferred tax assets of the subsidiaries have not been recognized in respect of the deductible temporary differences follow:

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
NOLCO	**₱123,382**	₱7,941	**₱–**	₱–
MCIT	**2,501**	4,016	**–**	–
	₱125,883	₱11,957	**₱–**	₱–

Details of the MCIT credits follow:

	Consolidated			
Inception Year	Amount	Used/Expired	Balance	Expiry Year
2018	₱258	₱258	₱–	2021
2019	2,330	825	1,505	2022
2020	2,457	1,488	969	2023
2021	239	–	239	2024
	₱5,284	₱2,571	₱2,713	

	Parent Company			
Inception Year	Amount	Used/Expired	Balance	Expiry Year
2018	₱258	₱258	₱–	2021
2019	825	825	–	2022
	₱1,083	₱1,083	₱–	

On December 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of Bayanihan to Recover as One Act which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2021 , the Subsidiaries have available NOLCO before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years immediately following the year of such loss, while the Parent company utilizes all the remaining NOLCO during the year. Details as follows:

	Consolidated			
Inception Year	Amount	Used/Expired	Balance	Expiry Year
2018	₱83,360	₱83,360	₱–	2021
2019	47,138	50	47,088	2022
	₱130,498	₱83,410	₱47,088	

	Parent Company			
Inception Year	Amount	Used/Expired	Balance	Expiry Year
2018	₱83,247	₱83,247	₱–	2021

As of December 31, 2021 , the Subsidiaries have incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to Bayanihan 2, as follows:

	Consolidated			
Inception Year	Amount	Used/Expired	Balance	Expiry Year
2020	₱46,883	₱7,445	₱39,438	2025
2021	67,016	–	67,016	2026
	₱113,899	₱7,445	₱106,454	

A reconciliation between the applicable statutory income tax rate to the effective income tax rate follows:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Statutory income tax rate	**25.00%**	30.00%	30.00%	**25.00%**	30.00%	30.00%
Tax effect of:						
FCDU net income	**(2.85)**	(85.02)	(5.95)	**(2.86)**	(83.71)	(5.93)
Non-deductible expenses	**2.23**	5.28	4.67	**1.91**	5.49	4.23
CREATE Impact	**10.07**	–	–	**10.04**	–	–
Interest income from tax-paid and exempt investments	**(1.79)**	(5.37)	(4.41)	**(1.79)**	(5.13)	(4.32)
Change in unrecognized deferred tax assets	**1.91**	0.45	(3.19)	**1.74**	0.25	(2.26)
Non-taxable income	**(1.98)**	(20.08)	(2.49)	**(1.90)**	(14.68)	(3.17)
Effective income tax rate	**32.59%**	(74.74%)	18.63%	**32.14%**	(67.78%)	18.55%

30. Pension Obligations

The Group provides non-contributory defined benefit pension plans for all employees. Provisions for pension obligations are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The most recent actuarial valuation was carried out as of December 31, 2021 . The present value of the defined benefit obligation, and the related current service cost and past service cost were measured using the projected unit credit actuarial method.

The amounts of defined benefit plans are presented in the statements of financial position as follows:

	Consolidated		**Parent Company**	
	2021	2020	**2021**	2020
Other assets (Note 18)	**(₱415,983)**	(₱4,997)	**(₱413,246)**	₱–
Accrued interest, taxes and other expenses (Note 24)	**10,637**	657,422	**–**	645,328
Net pension liability (asset)	**(₱405,346)**	₱652,425	**(₱413,246)**	₱645,328

Changes in net defined benefit liability of the Group and the Parent Company in 2021 and 2020 are as follows:

	Consolidated		
	Present Value of DBO	**Fair Value of Plan Assets**	**Net Retirement Liability (Asset)**
December 31, 2021			
Balance at beginning of year	**₱4,370,666**	**(₱3,718,241)**	**₱652,425**
Net Benefit Cost in Statements of Income			
Current service cost	**346,638**	**–**	**346,638**
Net interest	**152,618**	**(129,835)**	**22,783**
	499,256	**(129,835)**	**369,421**
Benefits paid	**(289,366)**	**289,366**	**–**
Remeasurement in Other Comprehensive Income			
Return on plan assets (excluding amount included in net interest)	**–**	**(5,905)**	**(5,905)**
Actuarial changes arising from experience adjustments	**237,126**	**–**	**237,126**
Actuarial changes arising from changes in financial assumptions	**(644,467)**	**–**	**(644,467)**
	(407,341)	**(5,905)**	**(413,246)**
Contributions paid	**–**	**(1,013,946)**	**(1,013,946)**
Balance at end of year	**₱4,173,215**	**(₱4,578,561)**	**(₱405,346)**

	Consolidated		
	Present Value of DBO	**Fair Value of Plan Assets**	**Net Retirement Liability (Asset)**
December 31, 2020			
Balance at beginning of year	₱3,665,095	(₱3,390,481)	₱274,614
Net Benefit Cost in Statements of Income			
Current service cost	283,341	–	283,341
Net interest	176,363	(163,152)	13,211
	459,704	(163,152)	296,552
Benefits paid	(167,163)	167,163	–
Remeasurement in Other Comprehensive Income			
Return on plan assets (excluding amount included in net interest)	–	233,750	233,750
Actuarial changes arising from changes in demographic assumptions	–	–	–
Actuarial changes arising from experience adjustments	208,827	–	208,827
Actuarial changes arising from changes in financial assumptions	204,203	–	204,203
	413,030	233,750	646,780
Contributions paid	–	(565,521)	(565,521)
Balance at end of year	₱4,370,666	(₱3,718,241)	₱652,425

	Parent Company		
	Present Value of DBO	**Fair Value of Plan Assets**	**Net Retirement Liability (Asset)**
December 31, 2021			
Balance at beginning of year	**₱4,325,982**	**(₱3,680,654)**	**₱645,328**
Net benefit cost in statements of income			
Current service cost	**340,744**	–	**340,744**
Net interest	**150,977**	**(128,455)**	**22,522**
	491,721	**(128,455)**	**363,266**
Benefits paid	**(289,366)**	**289,366**	–
Remeasurement in other comprehensive income			
Return on plan assets (excluding amount included in net interest)	–	**(5,905)**	**(5,905)**
Actuarial changes arising from experience adjustments	**237,126**	–	**237,126**
Actuarial changes arising from changes in financial assumptions	**(644,467)**	–	**(644,467)**
	(407,341)	**(5,905)**	**(413,246)**
Contributions paid		**(1,008,594)**	**(1,008,594)**
Balance at end of year	**₱4,120,996**	**(₱4,534,242)**	**(₱413,246)**
December 31, 2020			
Balance at beginning of year	₱3,628,732	(₱3,354,395)	₱274,337
Net benefit cost in statements of income			
Current service cost	277,987	–	277,987
Net interest	174,542	(161,346)	13,196
	452,529	(161,346)	291,183
Benefits paid	(167,163)	167,163	–
Remeasurement in other comprehensive income			
Return on plan assets (excluding amount included in net interest)	–	233,445	233,445
Actuarial changes arising from experience adjustments	210,642	–	210,642
Actuarial changes arising from changes in financial assumptions	201,242	–	201,242
	411,884	233,445	645,329
Contributions paid	–	(565,521)	(565,521)
Balance at end of year	₱4,325,982	(₱3,680,654)	₱645,328

The fair value of plan assets by each class as at the end of the reporting period follow:

	Consolidated				Parent Company			
	2021		2020		**2021**		2020	
	Amount	**%**	Amount	%	Amount	%	Amount	%
Debt instruments:								
Government Securities	**₱1,772,468**		₱1,421,516		**₱1,755,163**		₱1,404,020	
High Grade	**308,202**		346,125		**300,222**		335,398	
Standard Grade	**–**		33,360		**–**		33,360	
	2,080,670	**45.0**	1,801,001	48.0	**2,055,385**	**44.9**	1,772,778	47.7
Equity instruments:								
Financial intermediaries	**1,154,876**		1,104,006		**1,151,601**		1,100,705	
Real estate	**381,686**		405,418		**381,686**		405,418	
Power, electricity and water distribution	**147,106**		92,517		**146,591**		91,952	
Transport, storage and communication	**287,272**		126,574		**287,272**		126,574	
Manufacturing	**140,744**		59,158		**140,744**		59,158	
Wholesale/Retail Trade	**34,026**		7,908		**34,026**		7,908	
Others	**69,757**		–		**69,757**		–	
	2,215,467	**47.9**	1,795,581	47.8	**2,211,677**	**48.3**	1,791,715	48.2
Deposits in banks	**115,761**	**2.5**	102,010	2.7	**111,865**	**2.4**	101,110	2.7
Investments in Unit Investment Trust Funds	**34,394**	**0.7**	4,593	0.1	**24,003**	**0.5**	206	0.0
Loans and other receivables:								
Government Securities	**27,972**		24,126		**27,853**		23,989	
High Grade	**2,479**		2,884		**2,432**		2,825	
Standard Grade	**–**		266		**–**		266	
Not rated	**151,472**		24,046		**150,613**		23,973	
	181,923	**3.9**	51,322	1.4	**180,898**	**3.9**	51,053	1.4
Total fund asset	**4,628,215**	**100.0**	3,754,507	100.0	**4,583,828**	**100.0**	3,716,862	100.0
Total fund liability	**(49,654)**		(36,266)		**(49,586)**		(36,208)	
Net fund asset	**₱4,578,561**		₱3,718,241		**₱4,534,242**		₱3,680,654	

All equity and debt instruments held have quoted prices in an active market. The remaining plan assets do not have quoted market prices in active market. The plan assets consist of diverse investments and is not exposed to any concentration risk.

The principal actuarial assumptions used in determining retirement liability of the Parent Company and some of its subsidiaries as of January 1, 2021 and 2020 are shown below:

	2021			2020		
	Average Duration of Benefit Payments	**Salary Rate Increase**	**Discount Rate**	Average Duration of Benefit Payments	Salary Rate Increase	Discount Rate
Parent Company	**9**	**6%**	**3.49%**	15	6.50%	4.81%
SBCIC	**13**	**6%**	**3.68%**	18	6.50%	5.00%
SBEI	**9**	**6%**	**3.66%**	17	6.50%	5.00%
SBRC	**16**	**6%**	**3.73%**	18	6.50%	5.08%

Discount rates used in computing for the present value of the obligation of the Parent Company and significant subsidiaries as of December 31, 2021 and 2020 follow:

	Parent Company	**SBCIC**	**SBEI**	**SBRC**
2021	**4.80%**	**4.98%**	**4.84%**	**5.00%**
2020	3.49%	3.68%	3.66%	3.73%

The sensitivity analysis as of December 31, 2021 shown below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	Consolidated		Parent Company	
	Increase (decrease)	Amount	Increase (decrease)	Amount
Discount rates	**1.00%**	**(₱225,876)**	**1.00%**	**(₱223,345)**
	(1.00%)	**267,551**	**(1.00%)**	**264,507**
Turnover rate	**10.00%**	**57,178**	**10.00%**	**56,924**
	(10.00%)	**(57,178)**	**(10.00%)**	**(56,924)**
Future salary increases	**1.00%**	**263,201**	**1.00%**	**260,205**
	(1.00%)	**(228,460)**	**(1.00%)**	**(225,894)**

Shown below is the maturity analysis of the undiscounted benefit payments:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Less than 1 year	**₱1,293,234**	₱1,319,051	**₱1,282,303**	₱1,309,285
More than 1 year to 5 years	**1,519,034**	1,379,912	**1,509,060**	1,370,799
More than 5 years to 10 years	**2,429,169**	2,307,803	**2,406,149**	2,280,570
More than 10 years to 15 years	**2,021,417**	2,042,402	**1,988,843**	2,003,884
More than 15 years to 20 years	**4,891,015**	5,453,069	**4,747,851**	5,243,729
Total	**₱12,153,869**	₱12,502,237	**₱11,934,206**	₱12,208,267

There are no reimbursement rights recognized as a separate asset as of December 31, 2021 and 2020. The Group and Parent Company do not expect to contribute in 2022 to its defined benefit plans.

31. Service Charges, Fees and Commissions

This account consists of service charges, fees and commissions on:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Credit cards	**₱1,246,862**	₱1,077,643	₱991,717	**₱1,246,862**	₱1,077,643	₱991,717
Bancassurance	**817,104**	727,070	854,456	**817,104**	727,070	854,456
Deposits	**733,430**	697,110	753,289	**733,430**	697,110	753,289
Loans	**720,662**	593,467	805,259	**720,662**	571,701	753,270
Stock brokerage	**265,749**	194,776	314,945	**–**	–	–
Advisory	**236,702**	140,352	137,979	**–**	–	–
Remittance	**192,063**	11,671	12,914	**192,063**	11,671	12,914
Miscellaneous (Note 15)	**318,283**	190,162	213,496	**318,283**	189,399	212,225
	₱4,530,855	₱3,632,251	₱4,084,055	**₱4,028,404**	₱3,274,594	₱3,577,871

In 2014, the Parent Company entered into a distribution agreement with FWD for the marketing of FWD's life insurance products through the Parent Company's marketing and distribution network. The distribution agreement was approved by the BSP on December 22, 2014 under Monetary Board Resolution No. 2073, through its letter to the Parent Company dated January 7, 2015, and by the Insurance Commission on January 12, 2015. The term of the distribution agreement shall not be less than 11 years but no longer than 19 years.

Bancassurance revenues include recognized portion of access fees, recognized portion of milestone fees, commissions and bonuses from the Bancassurance agreement. The Parent Company will also receive milestone fees and performance bonuses over the term of the agreement.

Miscellaneous include service charges on bills payment amounting to ₱32.4 million, ₱30.21 million and ₱33.8 million for the period ended December 31, 2021, 2020 and 2019, respectively. Commission on insurance amounting to ₱103.4 million, ₱61.9 million, ₱84.0 million for the period ended December 31, 2021, 2020 and 2019.

32. Miscellaneous Income and Expenses

Miscellaneous income consists of:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Recovery on charged-off assets	**₱948,405**	₱262,383	₱207,531	**₱948,405**	₱262,383	₱172,908
Income from trust operations	**280,204**	226,947	217,557	**280,204**	226,947	217,557
Dividend income	**3,344**	9,585	3,335	**3,344**	9,585	3,335
Gain on sale of SBFCI	–	933,108	–	–	933,108	–
Miscellaneous	**221,116**	261,177	56,586	**170,765**	34,692	22,240
	₱1,453,069	₱1,693,200	₱485,009	**₱1,402,718**	₱1,466,715	₱416,040

Miscellaneous expenses consists of:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Management and other professional fees	**₱2,652,772**	₱1,590,113	₱1,255,205	**₱2,513,442**	₱1,463,592	₱1,087,267
Insurance expenses	**1,197,850**	1,208,622	1,125,653	**1,191,211**	1,197,616	1,118,405
Security, clerical, messengerial and janitorial services	**778,416**	741,098	745,117	**775,283**	737,226	740,748
Entertainment, amusement and recreation (Note 29)	**447,948**	474,305	400,136	**444,358**	461,193	387,007
Litigation/assets acquired expenses	**466,906**	269,392	181,903	**466,906**	269,392	181,903
Advertising and publicity	**339,440**	419,636	758,227	**337,699**	355,298	575,560
Banking fees	**253,490**	271,250	248,950	**253,490**	271,250	248,950
Postage, telephone and cables and telegrams	**281,679**	360,709	302,809	**261,447**	339,251	282,345
Donations and charitable contributions	**246,994**	186,037	236,047	**246,994**	186,037	230,047
Stationery and supplies used	**209,839**	177,293	147,114	**209,533**	176,279	146,163
Information technology	**43,457**	622,693	240,728	**43,457**	622,693	240,728
Brokerage fees	**20,357**	25,922	37,571	**20,357**	25,922	37,571
Miscellaneous	**1,209,341**	936,395	413,737	**1,097,495**	881,471	306,086
	₱8,148,489	₱7,283,465	₱6,093,197	**₱7,861,672**	₱6,987,220	₱5,582,780

Miscellaneous expense includes travelling expenses amounting to ₱58.3 million, ₱160.9 million, and ₱170.3 million for the Group and ₱58.1 million, ₱159.1 million, and ₱168.1 million for the Parent Company for the years ended December 31, 2021, 2020 and 2019, respectively. It also includes athletics and other events amounting to ₱47.5 million, ₱32.5 million, and ₱50.7 million for the Group and ₱47.5 million, ₱32.5 million, and ₱50.5 million for the Parent Company, and fuel and lubricants amounting to ₱36.1 million, ₱30.4 million, and ₱38.0 million for the Group and ₱35.3 million, ₱29.9 million, and ₱37.2 million for the Parent Company for the years ended December 31, 2021, 2020, and 2019, respectively.

33. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group's related parties include:

- Key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members;
- Subsidiaries, joint ventures and their respective subsidiaries;
- Entities under the same group (other affiliates); and
- Post-employment benefit plans for the benefit of the Group's employees

The Group has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties and are usually settled in cash. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.

Transactions of the Parent Company with Subsidiaries

	December 31, 2021		
Category	**Amount/ Volume**	**Outstanding Balances**	**Terms and Conditions/ Nature**
Loans and receivables		**₱1,075,194**	Long term, unsecured, with interest ranging from 1.25% to 3.50%
Grants	**₱786,611**		
Settlements	**531,417**		
Accrued interest receivable	**6,929**		Interest income and accrued interest receivable
Accounts receivable	**26,682**	**8,403**	On demand, unsecured, non-interest bearing
Deposit liabilities		**1,540,892**	Earns interest at the respective bank deposit rates
Deposits	**126,675,170**		
Withdrawals	**126,665,763**		
Accrued interest payable		**1,593**	Interest expense and accrued interest payable
Accounts payable		**43,019**	On demand, unsecured, non-interest bearing
Rent income	**9,360**		Lease of office spaces for periods ranging from 1 to 5 years
Rent expense	**12,653**		Lease of transpo equipment for 3 years
Other assets		**1,259**	Security deposits
Other liability		**2,047**	Security deposits
Commitments - credit facility		**–**	Unsecured

	December 31, 2020		
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/ Nature
Loans and receivables		₱972,611	Long term, unsecured, with interest ranging from 3.50% to 4.91%
Grants	₱1,694,000		
Settlements	1,541,389		
Accrued interest receivable	40,926	1,502	Interest income and accrued interest receivable
Accounts receivable		323,474	On demand, unsecured, non-interest bearing
Deposit liabilities		1,531,485	Earns interest at the respective bank deposit rates
Deposits	105,510,274		
Withdrawals	104,945,671		
Accrued interest payable	11,988	3,199	Interest expense and accrued interest payable
Accounts payable		9,757	On demand, unsecured, non-interest bearing
Rent income	11,108		Lease of office spaces for periods ranging from 1 to 5 years
Rent expense	11,081		Lease of transpo equipment for 3 years
Other assets		3,103	Security deposits
Other liability		3,756	Security deposits
Commitments - credit facility		10,750,000	Unsecured

(Forward)

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/ Nature
	December 31, 2021		
Disposal group classified as held for sale			
Loans and receivables		1,289,563	1 month to 3-year term, unsecured, with interest ranging from 3.25% to 4.68%
Grants	3,687,722		
Settlements	4,504,131		
Accrued interest receivable	77,096	9,321	Interest income and accrued interest receivable
Accounts receivable		13,148	On demand, unsecured, non-interest bearing
Deposit liabilities		55,847	Earns interest at the respective bank deposit rates
Deposits	35,609,697		
Withdrawals	35,691,366		
Accrued interest payable	68		Interest expense and accrued interest payable
Commitments - credit facility		7,050,000	Unsecured

Accounts receivable from subsidiaries pertains to expenses paid by the Parent Company, which were later billed for reimbursement. Accounts payable to SBCC pertains to collections received from credit cardholders on behalf of the Parent Company.

The Parent Company has lease agreements with some of its subsidiaries for periods ranging from 1 to 5 years. The lease agreements include the share of the subsidiaries in the maintenance of the building.

The foregoing transactions were eliminated in the consolidated financial statements of the Group. Other related party transactions conducted in the normal course of business includes the following, as detailed in the Memorandum of Agreement (MOA) between the Parent Company and its subsidiaries:

- Human resource-related services
- Finance/accounting functions including audit
- Collection services (for legal action)
- Preparation of reports
- Processing of credit application (for property appraisal and credit information)
- General services
- Legal documentation
- Information technology related service

Expenses allocated to SBFCI, SBML, SBCIC, SBEI, SBRC and SBCC pertaining to the above services amounted to ₱185.8 million in 2021, ₱69.3 million in 2020 and ₱66.3 million in 2019. The Parent Company has not charged expenses to the other subsidiaries since the levels of their operations remain low.

Transaction of the Group with the Joint Ventures

Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/ Nature
	December 31, 2021		
Receivables purchased	**₱181,555**	**₱–**	Assignment of rights on a without recourse basis
Collection Fee	**–**	**1,020**	Collection fee expense and prepaid collection fee, equivalent to 0.2% of the selling price of the lease receivables amortized over the lease term
Loans receivable:		**3,218,069**	2 to 3-year term; earns 3.30% to 7.20% interest
Grants	**3,769,562**		
Settlement	**1,822,502**		
Accrued interest receivable	**113,099**	**6,044**	Interest income and accrued interest receivable

(Forward)

	December 31, 2021		
Category	**Amount/ Volume**	**Outstanding Balances**	**Terms and Conditions/ Nature**
Accounts receivable	**₱–**	**₱5,124**	Expenses advanced by the Parent Company and outstanding accounts payable (on demand, unsecured, non-interest bearing).
Deposit liabilities:		**503,986**	Earns interest at the respective bank deposit rates
Deposits	**13,871,563**		
Withdrawals	**13,445,056**		
Accrued interest payable	**235**		Interest expense and accrued interest payable
Rent income		–	Rental income for space occupied by SBML
Refundable deposits		–	Unsecured, non-interest bearing
Commitments - credit facility		–	Unsecured

	December 31, 2020		
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/ Nature
Receivables purchased	₱144,028	₱–	Assignment of rights on a without recourse basis
Collection Fee	1,754	1,844	Collection fee expense and prepaid collection fee, equivalent to 0.2% of the selling price of the lease receivables amortized over the lease term
Loans receivable:		1,271,009	2 to 3-year term; earns 3.25% to 4.63% interest
Grants	1,260,000		
Settlement	321,291		
Accrued interest receivable	16,337	416	Interest income and accrued interest receivable
Accounts receivable		6,851	Expenses advanced by the Parent Company and outstanding accounts payable (on demand, unsecured, non-interest bearing).
Deposit liabilities:		77,479	Earns interest at the respective bank deposit rates
Deposits	4,982,356		
Withdrawals	4,954,607		
Accrued interest payable	122		Interest expense and accrued interest payable
Rent income	3,228		Rental income for space occupied by SBML
Refundable deposits	18	593	Unsecured, non-interest bearing
Commitments - credit facility		1,530,000	Unsecured

In 2021, 2020, and 2019, SBML sold various loans and lease receivables to the Parent Company with carrying amounts of ₱224 million, ₱138.3 million and ₱365.0 million, respectively, and realized gains amounting to ₱5.7 million, ₱5.7 million and ₱27.7 million, respectively.

The Parent Company's proportionate share in the gain on sale of lease receivables was eliminated in the consolidated financial statements of the Group.

Transactions of the Parent Company with Other Affiliates

	December 31, 2021		
Category	**Amount/ Volume**	**Outstanding Balances**	**Terms and Conditions/ Nature**
Due from other banks		**USD106**	Earns interest at the respective bank deposit rates
Deposits	**USD75,737**		
Withdrawals	**75,780**		
Due from other banks		**JPY395,314**	Earns interest at the respective bank deposit rates
Deposits	**JPY31,468,516**		
Withdrawals	**31,664,672**		
Accounts receivable		**₱2,740**	Unsecured, noninterest bearing
Accrued interest receivable	**₱77**	**₱5**	Interest income and accrued interest receivable
Deposit liabilities		**USD717**	Earns interest at the respective bank deposit rates
Deposits	**USD544**		
Withdrawals	**540**		

(Forward)

	December 31, 2021		
Category	**Amount/ Volume**	**Outstanding Balances**	**Terms and Conditions/ Nature**
Deposit liabilities		**₱552,813**	Earns interest at the respective bank deposit rates
Deposits	**₱9,148,987**		
Withdrawals	**8,833,816**		
Bills payable (USD)		**USD157,026**	3 months – 3 years term; earns 2% to 5% interest
Availments	**USD680,000**		
Payments	**610,000**		
Accrued interest payable	**₱15**		Interest expense and accrued

	December 31, 2020		
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/ Nature
Due from other banks		USD149	Earns interest at the respective bank deposit rates
Deposits	USD48,472		
Withdrawals	49,080		
Due from other banks		JPY591,470	Earns interest at the respective bank deposit rates
Deposits	JPY13,837,402		
Withdrawals	13,246,555		
Loans and receivables			
Accounts receivable		₱4,152	Unsecured, noninterest bearing
Accrued interest receivable	₱61,866	₱6,563	Interest income and accrued interest receivable
Deposit liabilities		USD713	Earns interest at the respective bank deposit rates
Deposits	USD719		
Withdrawals	573		
Deposit liabilities		₱237,642	Earns interest at the respective bank deposit rates
Deposits	₱8,012,935		
Withdrawals	8,009,523		
Bills payable (USD)		USD87,026	3 months – 3 years term; earns 2.63% to 3.74% interest
Availments	USD313,000		
Payments	536,533		
Accrued interest payable	₱271,897	₱3,935	Interest expense and accrued
Purchase price	1,528,762		Purchase price of 50% shares of SBFCI by Krungsri
Gain on sale	858,975		Purchase price of 50% shares of SBFCI by Krungsri

Transaction of the Group with another Related Party

As part of the Group's continuing support for worthwhile education and livelihood projects, it has made donations to SB Foundation, Inc. (SB Foundation), a non-stock, non-profit organization registered with the SEC and accredited by the Philippine Council for Non-Governmental Organization, as follows:

Donor	**2021**	2020
Parent Company	**₱190,778**	₱142,072
SBEI	**7,000**	–
Total	**₱197,778**	₱142,072

The Parent Company also recognized trust fees amounting to ₱0.6 million in 2021 and 2020, respectively, for acting as the Investment Manager of SB Foundation's fund.

Transactions of the Group with Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Group considers senior officers to constitute key management personnel.

	Consolidated		
	December 31, 2021		
Category	**Amount/ Volume**	**Outstanding Balances**	**Terms and Conditions/ Nature**
Deposit liabilities	**251,463**	**₱346,077**	Earns interest at respective bank deposit rates

	Consolidated		
	December 31, 2020		
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/ Nature
Deposit liabilities	325,937	₱597,540	Earns interest at respective bank deposit rates

	Parent Company		
	December 31, 2021		
Category	**Amount/ Volume**	**Outstanding Balances**	**Terms and Conditions/ Nature**
Deposit liabilities	**251,445**	**₱345,874**	Earns interest at respective bank deposit rates

	Parent Company		
	December 31, 2020		
Category	Amount/ Volume	Outstanding Balances	Terms and Conditions/ Nature
Deposit liabilities	333,360	₱597,319	Earns interest at respective bank deposit rates

Compensation of key management personnel follows:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Salaries and other short-term benefits	**₱330,122**	₱281,691	₱252,597	**₱298,059**	₱250,558	₱216,726
Post-employment benefits	**8,268**	11,674	10,643	**7,811**	10,705	10,086
	₱338,390	₱293,365	₱263,240	**₱305,870**	₱261,263	₱226,812

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's retirement plan.

Transactions of the Group with Retirement Plans

Under PFRS, certain post-employment benefit plans are considered as related parties. The Parent Company has business relationships with a number of its retirement plans pursuant to which it provides trust and management services to these plans. Income earned by the Parent Company from such services amounted to ₱10.3 million and ₱4.1 million in 2021 and 2020, respectively.

As of December 31, 2021 and 2020, the fair values of the plan assets of the Parent Company and some of its subsidiaries in the retirement funds amounted to ₱ 4.6 billion and ₱3.8 billion, respectively, of which ₱4.5 billion and ₱3.7 billion, respectively, pertains to the Parent Company.

Relevant information on statements of financial position of carrying values of the Group and the Parent Company's retirement funds:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Debt instruments	**₱2,080,670**	₱1,801,001	**₱2,055,385**	₱1,772,778
Equity instruments	**2,215,467**	1,795,581	**2,211,677**	1,791,715
Deposits in banks	**115,761**	102,010	**111,865**	101,110
Loans and other receivables	**181,923**	51,322	**180,898**	51,053
Investments in Unit Investment Trust Funds	**34,394**	4,593	**24,003**	206
Total Fund Assets	**₱4,628,215**	₱3,754,507	**₱4,583,828**	₱3,716,862
Total Fund Liability	**₱49,654**	₱36,266	**₱49,586**	₱36,208

Debt instruments include government and private securities.

The Group's retirement funds may hold or trade the Parent Company's shares or securities. Significant transactions of the retirement fund, particularly with related parties, are approved by the Trust Investment Committee. A summary of transactions with related party retirement plans follows *(amounts in thousands except number of shares and market value per share):*

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Dividend income	**₱56,506**	₱6,733	**₱56,303**	₱6,733
Number of Parent Company's shares held by plan - common	**163,127**	606,117	**163,127**	606,117
Number of Parent Company's shares held by plan - preferred	**2,060,400**	2,060,400	**2,060,400**	2,060,400
Market value per common share	**₱119.00**	₱134.00	**₱119.00**	₱134.00
Market value of common shares	**19,412,113**	81,219,678	**19,412,113**	81,219,678

Voting rights over the Parent Company's shares are exercised by an authorized trust officer.

34. Long-term Leases

The Group has entered into commercial property leases with various tenants on its investment property portfolio and part of its bank premises, consisting of the Group's surplus offices and real properties acquired. These non-cancellable leases have remaining lease terms of between 1 and 5 years as of December 31, 2021 and 2020. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 5.0%. Rent income from long-term leases (included in 'Rent income' in the statements of income) amounted to ₱570.2 million in 2021, ₱516.1 million in 2020 and ₱529.3 million in 2019 for the Group, of which, ₱42.7 million in 2021, ₱30.4 million in 2020 and ₱34.2 million in 2019 pertain to the Parent Company (see Note 15).

Future minimum rental receivable under non-cancellable operating leases follow:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Within one year	**₱354,335**	₱420,506	**₱8,841**	₱18,813
After one year but not more than five years	**258,425**	257,000	**27,008**	31,149
More than five years	**1,412**	223	**1,412**	223
	₱614,172	₱677,729	**₱37,261**	₱50,185

The Parent Company leases the premises occupied by some of its branches (about 14.24% of the branch sites are Parent Company-owned). Some of its subsidiaries also lease the premises occupied by their head offices and most of their branches. The lease contracts are for periods ranging from 1 to 15 years and are renewable at the Parent Company's option under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 5.0%. In 2021, 2020, and 2019, rent expense (included in 'Occupancy costs' in the statements of income) amounted to ₱0.1 million, ₱0.9 million, ₱23.6 million, respectively, for the Group, of which, ₱4.1 million, ₱5.8 million and ₱24.9 million, respectively, pertain to the Parent Company.

35. **Commitments and Contingent Liabilities**

In the normal course of operations of the Group, there are outstanding commitments and contingent liabilities and bank guarantees that are not reflected in the financial statements. The Group does not anticipate losses that will materially affect its financial position and financial performance as a result of these transactions.

There are several suits, claims and assessments that remain unsettled. Management believes, based on the opinion of its legal counsels, that the ultimate outcome of such cases and claims will not have a material effect on the Group's financial position and financial performance.

Regulatory Reporting

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

	2021	2020
Trust department accounts	**₱83,799,624**	₱77,664,965
Unutilized credit limit of credit cardholders	**35,573,141**	40,364,583
Unused commercial letters of credit	**29,753,291**	21,382,941
Committed loan line	**22,580,878**	20,308,696
Outstanding guarantees	**1,406,821**	2,413,999
Inward bills for collection	**352,848**	290,437
Outward bills for collection	**83,436**	219,965
Late deposit/payment received	**37,753**	372,308
Financial guarantees with commitment	**32,774**	65,117

Changes in allowance for credit losses on financial guarantees, loan and other commitments of the Group and Parent Company follow (see Note 25):

	Stage 1	**Stage 2**	**Total**
ECL allowance as at January 1, 2021	**₱192,682**	**₱214,120**	**₱406,802**
Provision for credit losses (Note 14)	**394,395**	**(102,775)**	**291,620**
Transfers to Stage 1	**25,924**	**(25,924)**	**–**
Transfers to Stage 2	**(203,309)**	**203,309**	**–**
Foreign exchange and other adjustment	**959**	**–**	**959**
	₱410,651	**₱288,730**	**₱699,381**

	Stage 1	Stage 2	Total
ECL allowance as at January 1, 2020	₱219,538	₱3,945	₱223,483
Provision for credit losses (Note 14)	149,126	34,193	183,319
Transfers to Stage 1	370	(370)	–
Transfers to Stage 2	(176,352)	176,352	–
	₱192,682	₱214,120	₱406,802

36. Segment Information

The Group's operating businesses are recognized and managed separately according to the nature of services provided and the different markets served with each segment representing a strategic business unit.

The Group derives revenues from the following main operating business segments:

Financial Markets Segment - this segment focuses on providing money market, foreign exchange, financial derivatives, securities distribution, asset management, trust and fiduciary services, as well as the management of the funding operations for the Group.

Wholesale Banking Segment - this segment addresses the top 1,000 corporate, institutional, and public sector markets, small-and-medium enterprise and middle markets. Services include relationship management, lending and other credit facilities, trade, cash management, deposit-taking and leasing services provided by the Group. It also provides structured financing and advisory services relating to debt and equity capital raising, project financing, and mergers and acquisitions. The Group's equity brokerage operations are also part of this segment.

Retail Banking Segment - this segment addresses the individual, retail and small businesses. It covers deposit-taking and servicing, commercial and consumer loans, credit card facilities and bancassurance. The Group includes SBFCI as part of this segment.

All Other Segments - this segment includes but not limited to branch banking and other support services. Other operations of the Group comprise the operations and financial control groups.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income after taxes, which is measured in a manner consistent with PFRS as shown in the statements of income. This is regularly reported to the Parent Company's Chief Executive Officer.

Segment assets are those operating assets that are employed by a segment in its operating activities and that either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

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 10.0% or more of the consolidated revenue, net of interest expense.

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

Segment information follows (amounts in millions):

	December 31, 2021					
	Financial Markets	**Wholesale Banking**	**Retail Banking**	**All Other Segments**	**Elimination**	**Total**
Statement of Income						
Net interest income:						
Third party	**₱939**	**₱16,422**	**₱10,064**	**₱37**	**(₱6)**	**₱27,456**
Intersegment	**855**	**(5,687)**	**2,643**	**2,195**	**(6)**	**–**
	1,794	**10,735**	**12,707**	**2,232**	**(12)**	**27,456**
Noninterest income	**2,453**	**1,021**	**6,310**	**(607)**	**178**	**9,355**
Revenue - net of interest expense	**4,247**	**11,756**	**19,017**	**1,625**	**166**	**36,811**
Noninterest expense	**1,757**	**11,997**	**12,064**	**734**	**(3)**	**26,549**
Income before income tax	**2,490**	**(241)**	**6,953**	**891**	**169**	**10,262**
Provision/(benefit) for income tax	**727**	**869**	**1,875**	**(108)**	**(18)**	**3,345**
Net income for the year attributable to the Parent Company	**₱1,763**	**(₱1,110)**	**₱5,078**	**₱999**	**₱187**	**₱6,917**
Statement of Financial Position						
Total assets	**₱227,321**	**₱345,467**	**₱109,381**	**₱17,448**	**₱–**	**₱699,617**
Total liabilities	**₱70,819**	**₱234,973**	**₱260,044**	**₱8,711**	**₱–**	**₱574,547**
Other Segment Information						
Capital expenditures	**₱13**	**₱623**	**₱917**	**₱578**	**₱–**	**₱2,131**
Depreciation and amortization	**₱13**	**₱635**	**₱935**	**₱590**	**₱–**	**₱2,173**
Provision for credit and impairment losses	**(₱4)**	**₱4,795**	**₱1,168**	**(₱694)**	**₱–**	**₱5,265**

	December 31, 2020					
	Financial Markets	Wholesale Banking	Retail Banking	All Other Segments	Elimination	Total
Statement of Income						
Net interest income:						
Third party	₱980	₱17,350	₱12,284	₱36	₱–	₱30,650
Intersegment	71	(7,163)	3,488	3,604	–	–
	1,051	10,187	15,772	3,640	–	30,650
Noninterest income	14,596	1,300	2,755	2,087	(1,015)	19,723
Revenue - net of interest expense	15,647	11,487	18,527	5,727	(1,015)	50,373
Noninterest expense	2,297	12,784	27,684	3,357	(2)	46,120
Income before income tax	13,350	(1,297)	(9,157)	2,370	(1,013)	4,253
Provision for income tax	562	(389)	(2,747)	(664)	59	(3,179)
Net income for the year attributable to the Parent Company	₱12,788	(₱908)	(₱6,410)	₱3,034	(₱1,072)	₱7,432
Statement of Financial Position						
Total assets	₱183,347	₱279,683	₱177,109	₱12,712	₱–	₱652,851
Total liabilities	₱90,414	₱179,467	₱251,826	₱7,838	₱–	₱529,545
Other Segment Information						
Capital expenditures	₱11	₱465	₱608	₱341	₱–	₱1,425
Depreciation and amortization	₱15	₱656	₱787	₱552	₱–	₱2,010
Provision for credit and impairment losses	₱62	₱6,012	₱19,671	₱673	₱–	₱26,418

	December 31, 2019					
	Financial Markets	Wholesale Banking	Retail Banking	All Other Segments	Elimination	Total
Statement of Income						
Net interest income:						
Third party	₱6,398	₱13,617	₱7,134	(₱305)	₱–	₱26,844
Intersegment	(5,162)	(4,027)	4,631	4,558	–	–
	1,236	9,590	11,765	4,253	–	26,844
Noninterest income	2,140	1,533	3,576	39	(183)	7,105
Revenue - net of interest expense	3,376	11,123	15,341	4,292	(183)	33,949
Noninterest expense	2,479	6,382	11,326	1,322	25	21,534
Income before income tax	897	4,741	4,015	2,970	(208)	12,415
Provision for income tax	167	882	745	546	(27)	2,313
Non-controlling interest in net income of subsidiaries	–	–	–	–	–	–
Net income for the year attributable to the Parent Company	₱730	₱3,859	₱3,270	₱2,424	(₱181)	₱10,102
Statement of Financial Position						
Total assets	₱290,315	₱327,281	₱163,069	₱12,342	₱–	₱793,007
Total liabilities	₱162,572	₱266,597	₱231,944	₱13,607	₱–	₱674,720
Other Segment Information						
Capital expenditures	₱11	₱329	₱457	₱352	₱–	₱1,149
Depreciation and amortization	₱19	₱563	₱782	₱503	₱–	₱1,867
Provision for (recovery of) credit and impairment losses	₱4	₱785	₱3,385	₱9	₱–	₱4,183

No operating segments have been aggregated to form the above reportable operating business segments.

The Group's share in net income (loss) of joint ventures amounted to ₱85.5 million in 2021, (₱203.9 million) in 2020 and ₱23.8 million in 2019 are included under 'All Other Segments'.

37. Earnings Per Share

Basic earnings per share amounts were computed as follows (amounts in thousands except earnings per share and weighted average number of outstanding common shares):

	2021	2020	2019
a. Net income attributable to the equity holders of the Parent Company	**₱6,916,970**	₱7,432,256	₱10,101,732
b. Dividends declared to Preferred Shares	**4,259**	4,259	4,259
c. Weighted average number of outstanding common shares	**753,538,887**	753,538,887	753,538,887
d. Earnings per share [(a-b)/c]	**₱9.17**	₱9.86	₱13.40

As of December 31, 2021 , 2020 and 2019, the Parent Company has no potentially dilutive common shares.

38. Assets and Liabilities of Disposal Group Classified as Held for Sale

PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, requires assets and liabilities of SBFCI, to be classified separately from other assets and liabilities. As a result, the Group reclassified all the assets and liabilities of SBFCI to 'Assets of disposal group classified as held for sale' and 'Liabilities of disposal group classified as held for sale', respectively, in the consolidated statement of financial position. In 2019, the Parent Company reclassified the cost of the investment in SBFCI to be sold as 'Assets of disposal group classified as held for sale' in the parent company statement of financial position.

The major classes of assets and liabilities of SBFCI classified as disposal group held for sale to equity holders of the Parent as of December 31, 2019 are as follows:

Assets	
Cash in bank	₱2,356
Loans and receivables	7,028,430
Deferred tax assets	164,023
Other assets	36,457
Assets of disposal group classified as held for sale	₱7,231,266
Liabilities	
Income tax payable	₱57,381
Accrued interest, taxes and other expenses	94,288
Bills payable	3,551,960
Other liabilities	19,123
Liabilities of disposal group classified as held for sale	₱3,722,752
Reserve	
Remeasurement gain on defined benefit plan	₱1,066
Reserve of disposal group classified as held for sale	₱1,066

On October 20, 2020, after obtaining regulatory approvals in the Philippines and in Thailand, the Parent Company completed the sale of the 7,075,000 SBFCI shares to Krungsri for a total consideration of ₱1.53 billion. The shares sold represent 50% of the outstanding shares of SBFCI.

39. Notes to the Statements of Cash Flows

The amounts of interbank loans receivables and securities purchased under agreements to resell considered as cash and cash equivalents follow:

	2021	2020
Interbank loans receivable and SPURA considered as cash and cash equivalents	**₱29,424,643**	₱17,598,097
Interbank loans receivable and SPURA	–	1,042,500
	₱29,424,643	₱18,640,597

As of December 31, 2021 and 2020, movements in allowance for credit losses on 'Due from other banks' and 'Interbank loans receivable and securities purchased under agreements to resell' as follows:

	2021	2020
Due from other banks (Note 7)	**(₱3,358)**	₱673
Interbank loans receivable and SPURA	**(2,541)**	2,700
	(₱5,899)	₱3,373

Significant non-cash transactions of the Group and the Parent Company include foreclosures of investment properties and chattels as disclosed in Notes 17 and 18, respectively.

Reconciliation of liabilities arising from financing activities follows:

		Cashflows		Non-cash charges			
	Beginning Balance	Proceeds/ Availments	Payments	Foreign exchange movement	Amortization of transaction costs	Effect of disposal group held for sale (Note 38)	Ending balance
December 31, 2021							
Bills payable and SSURA	**₱21,084,361**	**₱7,034,386**	**(₱25,188,717)**	**₱534,394**	**₱–**	**₱–**	**₱3,464,424**
Notes payable	**45,710,678**	**–**	**(18,000,000)**	**910,446**	**100,189**	**–**	**28,721,313**
LTNCD	**24,690,165**	**–**	**–**	**–**	**38,408**	**–**	**24,728,573**
	₱91,485,204	**₱7,034,386**	**(₱43,188,717)**	**₱1,444,840**	**₱138,597**	**₱–**	**₱56,914,310**
December 31, 2020							
Bills payable and SSURA	₱93,589,005	₱348,065,479	(₱416,836,019)	(₱2,248,365)	₱–	(₱1,485,739)	₱21,084,361
Notes payable	48,163,022	13,388,800	(15,411,983)	(557,914)	128,753	–	45,710,678
LTNCD	22,605,231	2,053,422	–	–	31,512	–	24,690,165
	₱164,357,258	₱363,507,701	(₱432,248,002)	(₱2,806,279)	₱160,265	(₱1,485,739)	₱91,485,204

		Cashflows		Non-cash charges		
	Beginning balance	Proceeds/ Availments	Payments	Foreign exchange movement	Amortization of transaction costs	Ending balance
December 31, 2021						
Bills payable and SSURA	**₱20,834,363**	**₱7,004,386**	**(₱25,005,384)**	**₱534,392**	**₱–**	**₱3,367,757**
Notes payable	**45,710,678**	**–**	**(18,000,000)**	**910,446**	**100,189**	**28,721,313**
LTNCD	**24,690,165**	**–**	**–**	**–**	**38,408**	**24,728,573**
	₱91,235,206	**₱7,004,386**	**(₱43,005,384)**	**₱1,444,838**	**₱138,597**	**₱56,817,643**
December 31, 2020						
Bills payable and SSURA	₱92,357,005	₱347,826,479	(₱417,100,758)	(₱2,248,363)	₱–	₱20,834,363
Notes payable	48,163,022	13,388,800	(15,411,983)	(557,914)	128,753	45,710,678
LTNCD	22,605,231	2,053,422	–	–	31,512	24,690,165
	₱163,125,258	₱363,268,701	(₱432,512,741)	(₱2,806,277)	₱160,265	₱91,235,206

Reconciliation of lease liabilities of the Group and the Parent Company are disclosed in Note 16.

40. Events after the Reporting Period

On January 18, 2022, the SBFCI obtained the second tranche of capital infusion from Parent Company and Krungsri amounting to ₱1.5 billion.

The Parent Company's BOD, in its meeting held on February 22, 2022, approved the declaration of annual cash dividend of ₱0.004805 per preferred share, representing 4.805% of par value, equivalent to the 10-year PDST-R2 on the issue date of the second tranche of preferred shares, payable on April 1, 2022 to preferred stockholders of record March 18, 2022. The declaration is in accordance with the terms and conditions of the Parent Company's preferred shares.

The Parent Company's BOD, in its meeting held on February 22, 2022, approved the declaration of annual cash dividend of ₱0.0039 per preferred share, representing 3.90% of par value, equivalent to the 10-year PDST-R2 on the issue date of the first tranche of preferred shares, payable on July 11, 2022 to preferred stockholders of record June 27, 2022. The declaration is in accordance with the terms and conditions of the Parent Company's preferred shares.

41. Approval of the Release of the Financial Statements

The BOD of the Parent Company delegated the review and approval for the release of the accompanying consolidated and parent company financial statements to the Audit Committee on February 22, 2022. The Audit Committee reviewed and approved the release of the accompanying consolidated and parent company financial statements on February 24, 2022.

42. **Supplementary Information Required Under Revenue Regulation No. 15-2010**

On November 25, 2010, the BIR issued Revenue Regulation (RR) No. 15-2010 to amend certain provisions of RR No. 21-2002. The Regulations provide that starting 2010, the notes to financial statements shall include information on taxes and licenses paid or accrued during the taxable year. In compliance with the requirements set forth by RR No. 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the calendar year ended December 31, 2021:

Gross receipt tax (GRT)
The Parent Company is subject to GRT on its gross income from Philippine sources. GRT is imposed on interest, fees and commissions from lending activities at 5.0% or 1.0%, depending on the loan term, and at 7.0% on non-lending fees and commissions, trading and foreign exchange gains and other items constituting gross income.

In FCDU, income classified under Others, which is subject to corporate income tax, is also subject to GRT at 7.0%.

The details of the Parent Company's GRT payments and corresponding GRT tax base in 2021 are as follows:

	GRT	GRT tax base
Income from lending activities	₱1,163,311	₱30,184,862
Other income	502,319	7,055,314
	₱1,665,630	₱37,240,176

Taxes and Licenses
This includes all other taxes, local and national, incurred in 2021 and lodged under 'Taxes and licenses' in the statement of income, as follows:

	Amount
Documentary stamp taxes	₱1,426,071
Mayor's permit	91,153
Fringe benefit taxes	55,072
Real estate taxes	15,801
Other taxes	24,550
	₱1,612,647

Other taxes include car registration fees, privilege taxes and other permits.

Withholding Taxes
Details of total remittances in 2021 and balances as of December 31, 2021 are as follows:

	Total Remittance	Balance
Withholding taxes on compensation and benefits	₱846,107	₱117,376
Expanded withholding taxes	210,561	18,008
Final withholding taxes	764,079	34,656
	₱1,820,747	₱170,040

Tax Assessments and Cases
As of December 31, 2021 , the Parent Company has no deficiency tax assessments and has no tax cases, litigation and/or prosecution in courts or bodies outside the BIR.

43. **Supplementary Information Required Under BSP Circular No. 1074**

On February 7, 2020, the BSP issued Circular No. 1074 to amend certain provisions of the MORB and Manual of Regulations for Foreign Exchange Transactions (MORFXT). The Circular 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. This supplementary information is not a required disclosure under PFRS.

In compliance with the requirements set forth by Circular No. 1074, hereunder are the supplementary information:

Financial performance indicators
The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			Parent Company		
	2021	2020	2019	**2021**	2020	2019
Return on average equity	**5.57%**	6.16%	8.87%	**5.61%**	6.00%	8.90%
Return on average assets	**1.02%**	1.03%	1.30%	**1.03%**	1.01%	1.31%
Net interest margin	**4.43%**	4.71%	3.93%	**4.44%**	4.51%	3.81%

The following formulas were used to compute the indicators:

2021 & 2020	
Performance Indicator	BSP Prescribed Formula
Return on Average Equity	$\frac{\text{Net Income (or Loss) after Income Tax x 100}}{\text{Average Total Capital Accounts}}$ Where: Average Total Capital Accounts = $\frac{\text{Current calendar/fiscal year-end Total capital accounts balance + previous calendar /fiscal year-end Total capital accounts balance}}{2}$
Return on Average Assets	$\frac{\text{Net Income (or Loss) after Income Tax x 100}}{\text{Average Total Assets}}$ Where: Average Total Assets = $\frac{\text{Current calendar/fiscal year-end Total assets balance + previous calendar /fiscal year-end Total assets balance}}{2}$
Net Interest Margin	$\frac{\text{Net Interest Income x 100}}{\text{Average Interest Earning Assets}}$ Where: Net Interest Income = Total Interest Income – Total Interest Expense Average Interest Earning Assets = $\frac{\text{Current calendar/fiscal year-end Total interest earning assets balance + previous calendar /fiscal year-end Total interest earning assets balance}}{2}$

2019	
Performance Indicator	Formula
Return on Average Equity	Net Income (or Loss) after Income Tax x 100 Average Total Capital Accounts Where: Average Total Capital Accounts = Sum of end-month Total capital accounts 12
Return on Average Assets	Net Income (or Loss) after Income Tax x 100 Average Total Assets Where: Average Total Assets = Sum of end-month Total assets 12
Net Interest Margin	Net Interest Income x 100 Average Interest Earning Assets Where: Net Interest Income = Total Interest Income – Total Interest Expense Average Interest Earning Assets = Monthly Average Daily Balance of Interest Earning Assets 12

Capital instruments
As of December 31, 2021 and 2020, the Parent Company's capital stock consists of:

	Shares*	Amount
Common stock - ₱10 par value		
Authorized	1,000,000,000	₱10,000,000
Issued and outstanding		
Balance at the beginning and end of the period	753,538,887	7,535,389
Preferred stock - ₱0.10 par value		
Authorized	1,000,000,000	100,000
Issued and outstanding		
Balance at the beginning and end of the period	1,000,000,000	100,000
	1,753,538,887	₱7,635,389

**Absolute number of shares*

There are no capital instruments issued by the Group and the Parent Company in 2021 and 2020.

Significant credit exposures as to industry/economic sector

As of December 31, 2021 and 2020, information on the concentration of credit as to industry, net of unearned discounts and deferred credits, follows (amounts in millions):

	Consolidated				Parent Company			
	2021		2020		**2021**		2020	
	Amount	**%**	Amount	%	**Amount**	**%**	Amount	%
Real estate activities	**₱107,582**	**23.3**	₱95,086	21.0%	**₱107,582**	**23.3**	₱95,083	21.0
Electricity, gas, stream and air conditioning supply	**70,250**	**15.2**	68,556	15.1	**70,250**	**15.2**	68,556	15.0
Wholesale and retail trade; repair of motor vehicles and motorcycles	**70,906**	**15.4**	71,881	15.8	**70,906**	**15.4**	71,881	15.8
Manufacturing	**₱51,750**	**11.2**	₱44,919	9.9	**₱51,750**	**11.2**	₱44,919	9.9
Activities of households as employers; undifferentiated goods and services producing activities of households for own use*	**41,601**	**9.0**	54,552	12.0	**41,601**	**9.0**	54,552	12.0
Financial and insurance activities	**33,443**	**7.2**	35,679	7.8	**34,013**	**7.4**	36,074	7.9
Transportation and storage	**20,539**	**4.5**	20,649	4.5	**20,539**	**4.4**	20,649	4.5
Construction	**14,270**	**3.1**	15,427	3.4	**14,270**	**3.1**	15,427	3.4
Information and communication	**18,769**	**4.1**	13,261	2.9	**18,769**	**4.1**	13,261	2.9
Agriculture, forestry and fishing	**9,058**	**2.0**	10,329	2.3	**9,058**	**2.0**	10,329	2.3
Professional scientific and technical services	**5,734**	**1.2**	5,125	1.1	**5,734**	**1.2**	5,125	1.1
Water supply, sewerage, waste management and remediation activities	**5,082**	**1.1**	5,641	1.2	**5,082**	**1.1**	5,641	1.2
Others	**12,423**	**2.7**	13,584	3.0	**12,208**	**2.6**	13,584	3.0
	₱461,407	**100.0**	₱454,689	100.0	**₱461,762**	**100.0**	₱455,081	100.0

**Excludes loans and receivables on real estate or dwelling units which are considered production activities and classified under "Real estate"*

Breakdown of total loans as to security and status

The following table shows the breakdown of receivable from customers as to secured and unsecured and the breakdown of secured receivables from customers as to the type of security as of December 31, 2021 and 2020 (amounts in millions):

	Consolidated				Parent Company			
	2021		2020		**2021**		2020	
	Amount	**%**	Amount	%	**Amount**	**%**	Amount	%
Secured by:								
Real estate	**₱70,793**	**15.3**	₱67,511	14.8	**₱70,793**	**15.3**	₱67,508	14.8
Chattel	**18,052**	**3.9**	21,429	4.7	**18,052**	**3.9**	21,429	4.7
Assignment of projects/ company assets/contracts	**21,086**	**4.6**	12,661	2.8	**21,086**	**4.6**	12,661	2.8
Mortgage trust indenture	**9,670**	**2.1**	10,273	2.3	**9,670**	**2.1**	10,273	2.3
Deposit hold-out	**2,962**	**0.6**	3,393	0.7	**2,962**	**0.6**	3,393	0.7
Others	**14,590**	**3.2**	11,571	2.5	**13,873**	**3.0**	10,021	2.2
	137,153	**29.7**	126,838	27.8	**136,436**	**29.5**	125,285	27.5
Unsecured	**325,325**	**70.3**	329,015	72.2	**326,397**	**70.5**	330,959	72.5
	₱462,478	**100.0**	₱455,853	100.0	**₱462,833**	**100.0**	₱456,244	100.0

The following table shows the breakdown of receivable from customers net of unearned discounts and deferred credits as to performing and non-performing as of December 31, 2021 and 2020:

	Consolidated		Parent Company	
	2021	2020	**2021**	2020
Performing loans				
Corporate lending	**₱339,560,682**	₱328,234,975	**₱339,919,257**	₱328,610,952
Consumer lending	**45,567,409**	54,295,541	**45,563,994**	54,291,533
Residential mortgages	**55,392,460**	51,367,250	**55,392,460**	51,367,250
Small business lending	**1,167,709**	890,646	**1,167,709**	890,646
	441,688,260	434,788,412	**442,043,420**	435,160,381
Non-performing loans				
Corporate lending	**₱12,555,152**	₱6,427,539	**₱12,555,151**	₱6,447,539
Consumer lending	**3,880,030**	9,609,122	**3,879,948**	9,609,040
Residential mortgages	**3,234,018**	3,834,905	**3,234,018**	3,834,905
Small business lending	**49,529**	29,362	**49,529**	29,362
	19,718,729	19,900,928	**19,718,646**	19,920,846
	₱461,406,989	₱454,689,340	**₱461,762,066**	₱455,081,227

Information on related party loans

In the ordinary course of business, the Parent Company has loan transactions with subsidiaries and with certain DOSRI. Under the Parent Company's policies, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

On January 31, 2007, BSP Circular No. 560 was issued providing the rules and regulations that shall govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said circular, the total outstanding loans, credit accommodations and guarantees to each of the bank's subsidiaries and affiliates shall not exceed 10.00% of the bank's net worth, the unsecured portion shall not exceed 5.00% of such net worth. Further, the total outstanding exposures shall not exceed 20.00% of the net worth of the lending bank. The said Circular became effective on February 15, 2007.

BSP Circular No. 423, dated March 15, 2004 amended the definition of DOSRI accounts. Further, BSP issued Circular No. 464 dated January 4, 2005 clarifying the definition of DOSRI accounts.

The following table shows information relating to DOSRI accounts of the Parent Company:

	2021	2020
Total outstanding DOSRI accounts (in billions)	**₱0.449**	₱0.337
Percent of DOSRI accounts granted prior to effectivity of BSP Circular No. 423 to total loans	**0.09**	0.08
Percent of DOSRI accounts granted after effectivity of BSP Circular No. 423 to total loans	–	–
Percent of DOSRI accounts to total loans	**0.09**	0.07
Percent of unsecured DOSRI accounts to total DOSRI loans	**4.36**	5.27
Percent of past due DOSRI accounts to total DOSRI loans	**–**	–
Percent of nonperforming DOSRI accounts to total DOSRI loans	**–**	–

Total interest income on DOSRI accounts in 2021, 2020, and 2019 amounted to ₱ 52.1 million, ₱54.8 million, ₱213.3 million, respectively.

Aggregate amount of secured liabilities and assets pledged as security

The following are the carrying values of the investment securities pledged and transferred under SSURA transactions of the Group:

	December 31, 2021		December 31, 2020	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial assets at FVTPL (Note 10)				
Government securities	**₱3,945,013**	**₱3,945,013**	₱6,253,445	₱6,687,690
Financial assets at FVTOCI (Note 12)				
Treasury bonds	**–**	**–**	8,294,869	9,189,885
	₱3,945,013	**₱3,945,013**	₱14,548,314	₱15,877,575

Commitments and contingent liabilities

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

	2021	2020
Trust department accounts	**₱83,799,624**	₱77,664,965
Unutilized credit limit of credit cardholders	**35,573,141**	40,364,583
Unused commercial letters of credit	**29,753,291**	21,382,941
Committed loan line	**22,580,878**	20,308,696
Outstanding guarantees	**1,406,821**	2,413,999
Inward bills for collection	**352,848**	290,437
Outward bills for collection	**83,436**	219,965
Late deposit/payment received	**37,753**	372,308
Financial guarantees with commitment	**32,774**	65,117