

# COVER SHEET

SEC Registration Number

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Company Name

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

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## CONTACT PERSON INFORMATION

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
1 7 - Q	<b>Corporate Finance Dept.</b>	
No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
<b>107</b>	<b>April 22</b>	<b>December 31</b>

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To be accomplished by SEC Personnel concerned

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File Number

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Document ID

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STAMPS

**SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended : **March 31, 2022**
2. Commission Identification Number : **AS094-002733**
3. BIR Tax Identification Number : **003-921-057-000**
4. Exact name of issuer as specified in its charter : **EAST WEST BANKING  
CORPORATION**
5. Province, country or other jurisdiction of  
incorporation or organization : **PHILIPPINES**
6. Industry Classification Code :  (SEC Use Only)
7. Address of issuer's principal office : **The Beaufort, 5<sup>th</sup> Avenue, Corner  
23<sup>rd</sup> St. Fort Bonifacio Global City,  
Taguig City  
Postal Code 1634**
8. Issuer's telephone number, including area code : **+632 8575 3888 Extension 3304**
9. Former name, former address and former fiscal  
year, if changed since last report : **N/A**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the  
RSA

<u>Title of each Class</u>	<u>Number of shares of stock and amount of debt outstanding</u>
<b>Common Shares (Php 10 par)</b>	<b>2,249,975,411 shares</b>
<b>Subordinated Debt</b>	<b>Php 1,242,269,486.47</b>

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

Yes [] No []

**The company was listed in the Philippine Stock Exchange on May 7, 2012.**

If yes, state the name of such Stock Exchange and the classes of securities listed therein:

Name of exchange : **Philippine Stock Exchange**  
Class of securities : **Common Shares**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes []      No []

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

Yes []      No []

## PART I – FINANCIAL INFORMATION

- Item 1. **Management's Discussion & Analysis of Consolidated Financial Position and Result of Operations** - Annex 1

Item 2. **Financial Statements**

Attached are the following:

- Interim Consolidated Statements of Financial Position - Annex 2
- Interim Consolidated Statements of Income - Annex 3(*page 1 of 2*)
- Interim Consolidated Statements of Comprehensive Income - Annex 3(*page 2 of 2*)
- Interim Consolidated Statements of Changes in Equity - Annex 4
- Interim Consolidated Statements of Cash Flows - Annex 5
- General Notes to Interim Consolidated Financial Statements - Annex 6
- Financial Indicators - Annex 7
- Aging of Loans and Receivables - Annex 8

## PART II – OTHER INFORMATION

### I. Control of Registrant

The following stockholders own more than 5% of the total outstanding number of shares issued as of March 31, 2022:

Name of Stockholder	Number of Shares Held	Percent of Total of Number of Shares Issued
Filinvest Development Corporation	900,136,017	40.0%
FDC Forex Corporation	849,517,164	37.7%
PCD Nominee Corporation*	463,131,065	20.6%

*\*As of March 31, 2022, none among the stockholders under the PCD Nominee Corporation holds 5% of more of the Bank's securities.*

### II. Pending Legal Proceedings

The Bank is involved in various legal proceedings in connection with the ordinary course of its business. The Bank believes that these cases will not have a material adverse effect on its financial position.

### III. Board Resolutions

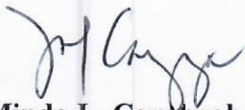
There are no material disclosures that have not been reported under SEC Form 17-C during the period covered by this report.

**SIGNATURE**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**East West Banking Corporation**  
Issuer

By:



**Minda L. Cayabyab**  
Financial Controller

May 13, 2022

**EAST WEST BANKING CORPORATION**  
**SEC FORM 17 - Q**  
**FOR THE PERIOD ENDED MARCH 31, 2022**

**ITEM 1 - Management's Discussion & Analysis of Consolidated Financial Position and Results of Operations**

**Financial Performance Highlights**

EastWest Bank (the Bank or EW) booked a net income of ₱507.6 million, lower than the ₱2.0 billion in the same period last year primarily due to the ₱1.1 billion lower fixed income trading revenues, and lower Net Interest Income (NII) from the decline in loan volumes. Return on equity (ROE) was at 3.4%. Total assets ended at ₱404.2 billion, 5% higher than the previous year.

The record ₱1.0 billion drop in fixed income trading revenues came about as the previous year's ₱854.1 million gain was much higher than usual, while Q1 2022 was a loss of ₱229.9 million from the usual positive level. The wide variance resulted from the significant increase in global and local interest rates as global inflation levels remain above trend. This, in spite of the much lower levels of fixed income securities in its books. Excluding short-term securities held for liquidity management, the Bank has 12% of its assets in fixed income securities, substantially lower than the industry average of 26%. The Bank instead is holding around ₱60 billion in excess liquidity that it intends to invest once there is better visibility on where interest rates will settle.

The extraordinarily high level of excess liquidity partly explains the 12% or ₱700.8 million drop in Net Interest Income to ₱5.2 billion. When invested into fixed income securities, the excess liquidity should generate an annual incremental Net Interest Income of more than ₱2.0 billion.

Consumer loans account for 72% of the Bank's loan portfolio. Consumer loans, other than housing showed an industry-wide decline of 8% and 4% respectively, during the two pandemic years Q1 2020 and Q1 2022. For EW, this year's 11.0% or ₱19.4 billion decline in consumer loan volumes, of which ₱24.3 billion is from the better yielding auto loans, was higher as a result mostly of customer paydowns and the more conservative lending stance. The drop in volume largely accounted for the drop in NII.

Fees and commissions income, meanwhile, was also lower by ₱403.0 million or 37% to ₱687.0 million as transaction levels continued to be subdued and have yet to recover pre-pandemic levels.

As a result, total revenues declined by ₱2.0 billion or 26% to ₱5.8 billion.

Operating expenses, on the other hand, remained flat, declining by ₱190.2 million or 5% to ₱4.0 billion. Provisions for losses were higher by ₱306.9 million, or 42% to ₱1.0 billion.

Deposits, meanwhile, increased by ₱5.7 billion or 5% to ₱323.9 billion, with low-cost CASA increasing by 14% to ₱245.3 billion, and time deposits declining by 15% to ₱78.7 billion. This restructuring of the deposit mix stemmed from the decline in funding needs as loan levels declined. CASA ratio improved to 75%, from the previous year's 70%.

EW's capital ratios improved to 15.2% and 14.0% for Capital Adequacy Ratio (CAR) and Common Equity Tier 1 (CET1) ratio, respectively. This is well above regulatory standards. The Bank now finds itself in a position to start declaring cash dividends while rebuilding its loan books. The Bank aims to maintain a CET1 ratio of between 12% to 13%.

The Bank has resumed its loan rebuilding activities with 100% of the workforce back in the office starting April. It expects its consumer loans to start showing net increases beginning the second half of the year. Related to the effort to recover lost loan volumes, the Bank expects loan-related fees to start growing as well.

For the full year of 2022, the Bank expects total revenues, excluding trading, to improve from Q1 levels and get to the 2021 level of around ₱25 billion. The Bank sees interest rates to remain volatile for some time as monetary authorities around the world address inflation and the impact of the Ukraine-Russia conflict, and the resulting higher commodity prices. On the other hand, the Bank is weighing the prospect of lower than initially projected world growth which could serve as a break to higher interest rates. All told, the Bank expects to maintain its ROE at around 7% to 8% for 2022 and a return to double-digit figures in 2023.

## **Financial Position**

### Loans

Total gross loans decreased by 6% to ₱219.0 billion, due to the limited consumer loan growth opportunities and loan pay-downs. The biggest drop was from auto loans which declined by ₱24.3 billion as new releases were not enough to cover for maturities.

### Securities

The Bank's total securities portfolio increased by 24% to ₱78.3 billion. Short-term securities of 90 days or less were at ₱28.1 billion. Hold-To-Collect (HTC) securities portfolio increased by ₱16.8 billion to ₱28.9 billion. The Bank continues to be cautious in investments and trading as it continues to weigh the post pandemic adjustments.

### Deposits

Total deposits stood at ₱323.9 billion or 5% higher than the same period last year. This was driven by CASA deposits increasing by 14% to ₱245.3 billion as the low-interest rate environment prompted the build-up of excess liquidity as the Bank watched the timing of investing in higher-earning fixed income securities and loans. In contrast, time deposits decreased by 15% to ₱78.7 billion from the lower funding requirements of the Bank. CASA ratio improved to 76%, from the previous year's 70%.

### Capital

The Bank's Capital Adequacy Ratio (CAR) under Basel III, remained more than adequate at 15.2% as of March 31, 2022, while CET-1 ratio stood at 14.0%. The Bank's Tier 1 capital is composed entirely of common equity. Capital ratios continue to be above BSP standards.

### Credit Quality

The Bank's total non-performing loans (NPL) to total gross loans, stood at 11.0% as of end-March, from last year's 10.4% due to the impact of the pandemic to borrowers in meeting their obligations and the overall decline of the Bank's total loan portfolio. Through its credit and impairment policy, the Bank ensures that the expected credit losses of its loan portfolio are adequately provisioned for and aligned with regulatory standards.

## **Result of Operations**

### Net Interest Income

Net interest income stood at ₱5.2 billion, declining by 12% or ₱700.8 million from last year's ₱5.9 billion. The 12% or ₱765.4 million decline in interest income was partly offset by the reduction in interest expense of 11% or ₱64.6 million. Interest income on loans declined by 16% to ₱5.0 billion driven mainly by the lower volume of consumer loans while interest income on securities increased by 46% to ₱561.3 million mainly from the accrual portfolio build-up. Interest expense on deposits declined by 11% to ₱413.8 million from lower time deposit expenses.

### Fees and Other Income excluding Trading Gains

Fees and other income, excluding trading gains, were at ₱825.6 million which was 22% lower than last year's, mainly due to lower late payment charges partly offset by lower losses on sale of real and other properties acquired (ROPA).

### Trading Income/(Loss)

Securities trading and foreign exchange activities posted a loss of ₱229.9 million compared to the ₱854.1 million gain last year. Securities trading losses were at ₱262.1 million, lower significantly than the ₱877.6 million gain from last year. The wide variance is a result of the base effect as trading income for 2021 was higher than usual. In 2021, the trading gains were higher than the long-term average as low interest rates were maintained after the substantial reduction early in the pandemic. In 2022, interest rates moved higher resulting in the unusual trading loss. Foreign Exchange gains, meanwhile, ended at ₱32.2 million, from the ₱23.5 million loss last year.

### Operating Expenses excluding Provisions for Losses

Total operating expenses, excluding provisions for losses, declined by 5% to ₱4.0 billion. Manpower expenses were lower by 8% at ₱1.4 billion, while other operating expenses declined by 2% to ₱2.6 billion, on account of lower transaction taxes such as GRT and DST.

### Provisions for Losses

Provisions for losses, were higher by 42% to ₱1.0 billion from the ₱723.1 million provisions booked last year. Provisions as a percentage of gross loans (or credit cost) is currently at 2.2%, compared to 1.2% in the same period last year. The Bank expects total provisions for the year at around ₱4.0 billion, the same level in 2021.

## **Summary of Key Financials and Ratios**

<b>Balance Sheet (in Php billions)</b>	<b>March 31, 2022</b>	<b>March 31, 2021</b>	<b>y/y Growth %</b>
Assets	404.2	385.7	5%
Consumer Loans	157.4	176.9	-11%
Corporate Loans	61.6	56.8	9%



Low-Cost Deposits (CASA)	245.3	215.8	14%
High-Cost Deposits	78.7	92.5	-15%
Capital	59.2	57.2	4%

<b>Profitability (in Php millions)</b>	<b>March 31, 2022</b>	<b>March 31, 2021</b>	<b>y/y Growth %</b>
Net Interest Income	5,210.0	5,910.9	-12%
Trading Income / (Loss)	(229.9)	854.1	-127%
Fees & Other Income	825.6	1,060.9	-22%
<i>Fees</i>	<i>687.0</i>	<i>1,090.0</i>	<i>-37%</i>
<i>Other Income</i>	<i>138.5</i>	<i>(29.1)</i>	<i>575%</i>
Net Revenues	5,805.7	7,825.8	-26%
Operating Expenses	4,031.4	4,221.5	-5%
Provision for Losses	1,030.0	723.1	42%
Provision for Taxes	200.5	804.7	75%
Net Income After Tax	507.6	2,028.1	-75%

<b>Key Financial Ratios</b>	<b>March 31, 2022</b>	<b>March 31, 2021</b>	<b>Variance b/(w)</b>
Return on Equity <sup>1</sup>	3.4%	14.4%	-11.0%
Return on Assets <sup>2</sup>	0.5%	2.0%	-1.5%
Net Interest Margin <sup>3</sup>	6.3%	7.4%	-1.1%
Cost-to-Income Ratio <sup>4</sup>	69.4%	53.9%	-15.5%
Capital Adequacy Ratio <sup>5</sup>	15.2%	14.4%	0.8%
Tier-1 Ratio <sup>6</sup>	14.0%	13.2%	0.8%

<sup>1</sup> Net income divided by average total equity

<sup>2</sup> Net income divided by average total assets

<sup>3</sup> Net interest income divided by average interest-earning assets

<sup>4</sup> Operating expenses divided by net revenues

<sup>5</sup> Total qualifying capital divided by total risk-weighted assets

<sup>6</sup> Net tier-1 capital divided by total risk-weighted assets

### **Business Segment Performance**

EastWest's industry leading net interest margin (NIM) is a result of its higher proportion of higher yielding consumer loans. While still higher than the industry, the Bank's NIM has gone down as consumer loans as a percentage of total assets dropped to 39% from the 46% the previous year. Despite lower volumes, the Bank maintained its industry-leading NIM at 6.3% as of reporting period.

Consumer Lending was down by 11% to ₱157.4 billion as run-offs outpaced new loan releases due to weak demand and prudent risk-taking. Corporate Banking, posted an increase of 9% to ₱61.6 billion.

### **Other Information:**

As of March 31, 2022, EastWest Bank has a total of 392 stores, with 213 of these stores in Metro Manila. For the rest of the country, the Bank has 100 stores in other parts of Luzon, 40 branches in Visayas, and 39 stores in Mindanao. The total ATM network is 585, composed of 475 on-site ATMs and 110 off-site ATMs. Total headcount of EastWest is 5,759.

The Bank's subsidiaries have a total of 76 stores and 1,377 officers/staff, bringing the group store network total to 468 with 585 ATMs and a combined manpower complement of 7,136.

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

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

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

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

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

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

#### **Capital Expenditures**

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

#### **Significant Elements of Income or Loss**

Significant elements of the consolidated net income of the Bank for the three (3) months ended March 31, 2022, and 2021 came from its continuing operations.

#### **Seasonal Aspects**

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

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

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

#### **I. Balance Sheet – March 31, 2022 vs. December 31, 2021**

- Cash and other cash items decreased by 15% to ₱6.5 billion due to the leveling-off of cash in vault from the usual year-end build-up.
- Due from BSP decreased by 29% to ₱41.5 billion due to lower deposits with the BSP in the Term Deposit Auction Facility (TDAF).
- Due from other banks increased by 55% to ₱30.0 billion due to nostro placements in foreign currency accounts.
- Interbank loans receivable decreased by 34% to ₱11.6 billion as more funds were placed in better yielding liquid assets.
- Financial assets at fair value through profit and loss decreased by 22% to ₱3.2 billion due to movements in the Bank's proprietary trading portfolio.
- Financial assets at fair value through other comprehensive income increased by 11% to ₱46.3 billion due to movements in the Bank's proprietary trading portfolio.
- Investment Securities at Amortized Cost increased by 39% to ₱28.9 billion in line with the Bank's balance sheet business models.

- Investment in a Joint Venture increased by 21% to ₱740.6 million due to the capital infusion in the Joint Venture offset by the proportionate share of the Bank in its net loss.
- Deferred tax assets increased by 5% to ₱4.4 billion mainly on account of provisions set-up, net of write-offs during the period.
- Other assets increased by 5% to ₱4.1 billion on account of repossessed vehicles.
- Bills and acceptance payables increased by 71% to ₱167.5 million mainly from the higher volume of outstanding acceptances.
- Accrued taxes, interest, and other expenses increased by 13% to ₱3.4 billion mainly from the accrual of manpower expenses.
- Income tax payable increased by 180% to ₱395.7 million due to accrual of provision for taxes for the period.
- Other liabilities increased by 25% to ₱8.2 billion mainly due to higher bills purchased.

## **II. Income Statement – March 31, 2022 vs. March 31, 2021**

- Interest income decreased by 12% to ₱5.7 billion primarily due to lower loan levels brought about by muted lending activities.
- Interest expense decreased by 11% to ₱524.8 million primarily due to lower interest rates and shift towards low-cost deposits.
- Service charges, fees, and commissions decreased by 37% to ₱687.0 million due to lower loan-related fees and charges.
- Securities trading losses were at ₱262.1 million due to mark-to-market losses on the Bank's trading portfolio.
- Foreign exchange income amounted to ₱32.2 million due to higher income on FX derivative transactions from increased volume including revaluation gains on the Bank's open FX position.
- Trust income increased by 20% to ₱28.2 million due to the growth in assets under management.
- Loss on sale of acquired assets and foreclosures ended at ₱123.1 million due to the higher number of units sold for the period.
- Miscellaneous income ended at ₱233.4 million mainly from reversals of modification loss as some accounts opted out from loan deferments and other income.
- Compensation and fringe benefits decreased by 8% to ₱1.4 billion on account of lower provisions for bonuses
- Taxes and licenses decreased by 25% to ₱441.8 million on account of lower transaction taxes such as Gross Receipts Tax and Documentary Stamp Tax.
- Depreciation and amortization increased by 25% to ₱625.2 million mainly due to increased auto ROPA depreciation.
- Rent increased by 29% to ₱74.8 million due to additional warehouse leases for storage of auto ROPA.

# EAST WEST BANKING CORPORATION AND SUBSIDIARIES

## **Interim Consolidated Financial Statements**

As of March 31, 2022 (Unaudited) and December 31, 2021 (Audited)  
and for the quarters ended March 31, 2022 and March 31, 2021 (Unaudited)

**EAST WEST BANKING CORPORATION AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**As of March 31, 2022 (With Comparative Figures for December 31, 2021)**  
*(Amounts in Thousands of Philippine Peso)*

	2022 (Unaudited)	2021 (Audited)
<b>ASSETS</b>		
Cash and Other Cash Items	₱6,519,737	₱7,705,729
Due from Bangko Sentral ng Pilipinas	41,547,065	58,842,366
Due from Other Banks	30,031,784	19,335,182
Interbank Loans Receivables and Securities Purchased Under Resale Agreements	11,554,782	17,518,984
Financial Assets at Fair Value Through Profit or Loss (FVTPL) (Note 7)	3,151,410	4,056,851
Financial Assets at Fair Value Through Other Comprehensive Income (FVTOCI) (Note 7)	46,256,646	41,660,568
Investment Securities at Amortized Cost (Note 7)	28,892,870	20,815,382
Loans and Receivables (Note 8)	214,982,525	213,562,586
Investment in a Joint Venture	740,635	614,494
Property, Equipment and Right-of-Use Assets	4,439,101	4,422,355
Investment Properties	903,610	927,988
Deferred Tax Assets	4,356,851	4,160,134
Goodwill and Other Intangible Assets (Note 9)	6,760,896	6,795,374
Other Assets	4,109,316	4,343,837
<b>TOTAL ASSETS</b>	<b>₱404,247,228</b>	<b>₱404,761,830</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
<b>Deposit Liabilities</b>		
Demand	₱117,782,812	₱120,321,094
Savings	127,491,817	124,667,522
Time	66,230,857	69,420,051
Long-term negotiable certificates of deposits	12,439,643	12,436,238
	<b>323,945,129</b>	<b>326,844,904</b>
Lease Liability (Note 12)	3,221,719	3,106,320
Bills and Acceptances Payable	167,531	98,150
Accrued Taxes, Interest and Other Expenses	3,119,542	2,975,265
Cashier's Checks and Demand Draft Payable	743,614	730,702
Bonds Payable (Note 10)	3,690,326	3,687,686
Subordinated Debt (Note 11)	1,242,269	1,241,964
Income Tax Payable	395,709	141,255
Other Liabilities	8,486,812	6,585,949
<b>TOTAL LIABILITIES</b>	<b>345,012,651</b>	<b>345,412,196</b>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY</b>		
Common Stock (Note 14)	22,499,754	22,499,754
Additional Paid-in Capital	5,065,059	5,065,059
Surplus Reserves	946,618	946,618
Surplus	32,093,224	31,585,667
Fair Value Reserves on Financial Assets at FVTOCI	(866,455)	(138,821)
Remeasurement Losses on Retirement Plans	(210,138)	(211,495)
Cumulative Translation Adjustment	(293,485)	(397,148)
<b>TOTAL EQUITY</b>	<b>59,234,577</b>	<b>59,349,634</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>404,247,228</b>	<b>404,761,830</b>

See accompanying Notes to Unaudited Interim Financial Statements.

Annex 3  
(page 1 of 2)

**EAST WEST BANKING CORPORATION AND SUBSIDIARIES**

**INTERIM CONSOLIDATED STATEMENTS OF INCOME**

For the periods ended March 31, 2022 and 2021

(Amounts in Thousands of Philippine Peso)

	(Unaudited)			
	March 31			
	2022	2021	2022	2021
	For the quarter ended	For the quarter ended	For the three months ended	For the three months ended
<b>INTEREST INCOME</b>				
Loans and receivables	P5,021,894	P5,985,777	P5,021,894	5,985,777
Financial assets at fair value through other comprehensive income and investment securities at amortized cost	515,512	297,757	515,512	297,757
Financial assets at fair value through profit or loss	45,796	87,450	45,796	87,450
Due from BSP and other banks and interbank loans receivables and securities purchased under resale agreement	151,629	129,236	151,629	129,236
	<b>5,734,831</b>	<b>6,500,220</b>	<b>5,734,831</b>	<b>6,500,220</b>
<b>INTEREST EXPENSE</b>				
Deposit liabilities	413,808	475,674	413,808	475,674
Bills and acceptances payable and SSURA, bonds payable, subordinated debt and other borrowings	59,479	59,530	59,479	59,530
Lease liability	51,521	54,164	51,521	54,164
	<b>524,808</b>	<b>589,368</b>	<b>524,808</b>	<b>589,368</b>
<b>NET INTEREST INCOME</b>	<b>5,210,023</b>	<b>5,910,852</b>	<b>5,210,023</b>	<b>5,910,852</b>
Service charges, fees and commissions	687,032	1,090,015	687,032	1,090,015
Trading and securities gain (loss)	(262,092)	(635,282)	(262,092)	(635,282)
Foreign exchange gain	32,197	(23,504)	32,197	(23,504)
Gain (loss) on sale of asset	(104,531)	721	(104,531)	721
Loss on asset foreclosure and dacion transactions	(18,601)	(216,373)	(18,601)	(216,373)
Trust income	28,246	23,465	28,246	23,465
Gain on sale of investment securities at amortized cost	13	1,512,899	13	1,512,899
Miscellaneous	233,405	163,041	233,405	163,041
<b>TOTAL OPERATING INCOME</b>	<b>5,805,692</b>	<b>7,825,834</b>	<b>5,805,692</b>	<b>7,825,834</b>
<b>OPERATING EXPENSES</b>				
Compensation and fringe benefits	1,383,065	1,506,052	1,383,065	1,506,052
Provision for impairment and credit losses	1,030,020	723,114	1,030,020	723,114
Taxes and licenses	441,775	590,003	441,775	590,003
Depreciation and amortization	586,016	460,007	586,016	460,007
Amortization of intangible assets	39,224	38,888	39,224	38,888
Rent	74,839	58,133	74,839	58,133
Miscellaneous	1,506,456	1,568,464	1,506,456	1,568,464
<b>TOTAL OPERATING EXPENSES</b>	<b>5,061,395</b>	<b>4,944,661</b>	<b>5,061,395</b>	<b>4,944,661</b>
<b>INCOME BEFORE SHARE IN NET INCOME OF JOINT VENTURE</b>				
	744,297	2,881,173	744,297	2,881,173
<b>SHARE IN NET LOSS OF JOINT VENTURE</b>	<b>(36,221)</b>	<b>(48,375)</b>	<b>(36,221)</b>	<b>(48,375)</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>708,076</b>	<b>2,832,798</b>	<b>708,076</b>	<b>2,832,798</b>
<b>PROVISION FOR INCOME TAX</b>	<b>200,519</b>	<b>804,678</b>	<b>200,519</b>	<b>804,678</b>
<b>NET INCOME</b>	<b>507,557</b>	<b>P2,028,120</b>	<b>507,557</b>	<b>P2,028,120</b>
<b>ATTRIBUTABLE TO:</b>				
<b>Equity holders of the Parent Company</b>	<b>P507,557</b>	<b>P2,028,120</b>	<b>P507,557</b>	<b>P2,028,120</b>
<b>Non-controlling interest</b>	-	-	-	-
<b>NET INCOME</b>	<b>P507,557</b>	<b>P2,028,120</b>	<b>P507,557</b>	<b>P2,028,120</b>
Basic Earnings Per Share Attributable to Equity Holders of the Parent Company	<b>P0.23</b>	<b>P0.90</b>	<b>P0.23</b>	<b>P0.90</b>
Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company	<b>P0.23</b>	<b>P0.90</b>	<b>P0.23</b>	<b>P0.90</b>

**EAST WEST BANKING CORPORATION AND SUBSIDIARIES**

**INTERIM STATEMENTS OF COMPREHENSIVE INCOME**

**For the periods ended March 31, 2022 and 2021**

(Amounts in Thousands of Philippine Peso)

	<b>(Unaudited)</b>			
	<b>March 31</b>			
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>For the quarter ended</b>	<b>For the quarter ended</b>	<b>For the three months ended</b>	<b>For the three months ended</b>
<b>NET INCOME FOR THE PERIOD</b>	<b>₱507,557</b>	₱2,028,120	<b>₱507,557</b>	₱2,028,120
<b>OTHER COMPREHENSIVE INCOME</b>				
Change in remeasurement loss of retirement liability	1,357	(1,273)	1,357	(1,273)
Change in fair value reserves on equity securities at FVTOCI	(12,638)	–	(12,638)	–
Change in fair value reserves on debt securities at FVTOCI	(714,997)	(385,240)	(714,997)	(385,240)
Cumulative translation adjustment	103,663	67,295	103,663	67,295
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>(622,615)</b>	(319,218)	<b>(622,615)</b>	(319,218)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(₱115,057)</b>	₱1,708,902	<b>(₱115,057)</b>	₱1,708,902
<b>ATTRIBUTABLE TO:</b>				
Equity holders of the Parent Company	(₱115,057)	₱1,708,902	(₱115,057)	₱1,708,902
Non-controlling interest		–		–
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(₱115,057)</b>	₱1,708,902	<b>(₱115,057)</b>	₱1,708,902

See accompanying Notes to Unaudited Interim Financial Statements.

**EAST WEST BANKING CORPORATION AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**For the periods ended March 31, 2022 and 2021**  
*(Amounts in Thousands of Philippines Peso)*

	(Unaudited)							
	Three Months Ended March 31, 2022							
	Equity Attributable to Equity Holders of the Parent Company							
	Common Stock	Additional Paid-in Capital	Surplus Reserves	Surplus	Net Unrealized Gain on Financial Assets at FVTOCI	Remeasurement Gains (Losses) on Retirement Plan	Cumulative Translation Adjustment	Total Equity
<b>Balances at January 1, 2022</b>	<b>₱22,499,754</b>	<b>₱5,065,059</b>	<b>₱946,618</b>	<b>₱31,585,667</b>	<b>(₱138,820)</b>	<b>(₱211,495)</b>	<b>(₱397,148)</b>	<b>₱59,349,635</b>
Net Income	–	–	–	507,557	–	–	–	507,557
Other Comprehensive Income	–	–	–	–	(727,635)	1,357	103,663	(622,615)
<b>Total comprehensive income (loss)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>507,557</b>	<b>(727,635)</b>	<b>1,357</b>	<b>103,663</b>	<b>(115,058)</b>
Transfer to surplus reserves	–	–	2,825	(2,825)	–	–	–	–
<b>Balances at March 31, 2022</b>	<b>₱22,499,754</b>	<b>₱5,065,059</b>	<b>₱949,443</b>	<b>₱32,090,399</b>	<b>(₱866,455)</b>	<b>(₱210,138)</b>	<b>(₱293,485)</b>	<b>₱59,234,577</b>



(Unaudited)

Three Months Ended March 31, 2021

Equity Attributable to Equity Holders of the Parent Company

	Common Stock	Additional Paid-in Capital	Surplus Reserves	Surplus	Net Unrealized Gain on Financial Assets at FVTOCI	Remeasurement Gains (Losses) on Retirement Plan	Cumulative Translation Adjustment	Total Equity
Balances at January 1, 2021	₱22,499,754	₱5,065,059	₱936,635	₱27,080,613	₱189,936	(₱402,661)	₱113,207	₱55,482,543
Net Income	–	–	–	2,028,120	–	–	–	2,028,120
Other Comprehensive Income	–	–	–	–	(385,240)	(1,273)	67,295	(319,219)
Total comprehensive income (loss)	–	–	–	2,028,120	(385,240)	(1,273)	67,295	1,708,901
Balances at March 31, 2021	₱22,499,754	₱5,065,059	₱936,635	₱29,108,733	(₱195,304)	(₱403,934)	₱180,502	₱57,191,445

**EAST WEST BANKING CORPORATION AND SUBSIDIARIES****INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS****For the Three Months Ended March 31, 2022 and 2021***(Amounts in Thousands of Philippine Peso)*

	(Unaudited)	
	Three Months Ended March 31	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	P708,076	P2,832,797
Adjustments for:		
Provision for credit and impairment losses	1,030,021	723,114
Depreciation and amortization	586,015	460,007
Loss on asset foreclosure and dacion transactions	(85,942)	215,653
Gain on sale of investment securities at amortized cost	(13)	(1,512,899)
Share in net loss of joint venture	36,221	48,375
Amortization of intangible assets	39,224	38,888
Amortization of debt issuance costs	305	289
Amortization of bond issuance cost	2,640	2,517
Amortization of FVOCI and Investment at amortized cost	(4,759,436)	(374,020)
Accretion of lease liability	51,521	54,164
Loss on modification of loans	(4,375)	-
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets at fair value through profit or loss	905,442	160,017
Loans and receivables	(3,770,848)	9,608,063
Other assets	(216,966)	(647,917)
Increase (decrease) in:		
Deposit liabilities	(2,899,776)	(20,761,291)
Accrued taxes, interest and other expenses	144,277	557,138
Cashier's checks and demand draft payable	12,912	101,074
Other liabilities	1,902,219	(472,796)
Net cash generated from (used in) operations	(6,318,482)	(8,966,826)
Income taxes paid	(110,004)	(60,201)
Net cash provided in operating activities	(6,428,486)	(9,027,028)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale/maturity of:		
Investment securities at amortized cost	-	9,552,280
Financial Assets at fair value through OCI	69,505,516	38,830,600
Investment properties and other repossessed assets	1,726,882	646,070
Property and equipment	1,842	1,245
Acquisitions of:		
Investment securities at amortized cost	(3,480,026)	
Financial asset at fair value through OCI	(74,654,781)	(52,414,394)
Property and equipment	(39,906)	(43,278)
Capitalized software	(4,745)	(36,657)
Additional capital infusion in a joint venture	(175,000)	(200,000)
Net cash used in investing activities	(7,120,218)	(3,664,134)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in bills and acceptances payable	69,381	(3,499,777)
Payment on lease liability	(271,591)	(263,794)
Net cash provided by financing activities	(202,210)	(3,763,571)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(P13,748,893)</b>	<b>(P16,454,733)</b>

(Forward)

	<b>Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		
Cash and other cash items	<b>₱7,705,729</b>	₱8,148,882
Due from Bangko Sentral ng Pilipinas	<b>58,842,366</b>	48,892,706
Due from other banks	<b>19,335,182</b>	11,392,088
Interbank Loans Receivable	<b>17,518,984</b>	17,111,092
	<b>₱103,402,261</b>	₱85,544,768
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		
Cash and other cash items	<b>6,519,737</b>	6,657,253
Due from Bangko Sentral ng Pilipinas	<b>41,547,065</b>	39,602,975
Due from other banks	<b>30,031,784</b>	11,302,636
Interbank Loans Receivable	<b>11,554,782</b>	11,527,171
	<b>₱89,653,368</b>	₱69,090,035
<b>OPERATIONAL CASH FLOWS FROM INTEREST</b>		
Interest received	<b>₱6,422,055</b>	₱6,463,550
Interest paid	<b>531,022</b>	619,215
Dividend received	<b>-</b>	633

*See accompanying Notes to Unaudited Interim Financial Statements.*

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**EAST WEST BANKING CORPORATION AND SUBSIDIARIES**

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**GENERAL NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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**1. Corporate Information**

East West Banking Corporation (EW or the Bank or the Parent Company) is a domestic universal bank which was registered with the SEC on March 22, 1994. The Bank was granted authority by the Bangko Sentral ng Pilipinas (BSP) to operate as a commercial bank and operate an expanded foreign currency deposit unit in 1994. Subsequently in 2012, the Parent Company has been authorized by the BSP to operate as a universal bank. The Parent Company's common shares were listed and commenced trading in the Philippine Stock Exchange (PSE) on May 7, 2012.

As of March 31, 2022, the Parent Company is effectively 77.85% owned by Filinvest Development Corporation (FDC). The Parent Company's ultimate parent company is A.L. Gotianun, Inc. The Parent Company's head office is located at East West Corporate Center, The Beaufort, 5th Avenue corner 23rd Street, Fort Bonifacio Global City, Taguig City.

Through its network of 468 branches as of March 31, 2022, the Bank and its subsidiaries (the Group) provides a wide range of financial services to consumer and corporate clients which includes deposit-taking, loan and trade finance, treasury, trust services, credit cards, cash management, custodial services, insurance services and leasing and finance.

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**2. Summary of Significant Accounting Policies****Basis of Presentation**

The accompanying financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVTOCI) and derivative financial instruments that have been measured at fair value. The financial statements are presented in Philippine peso (₱) and all values are rounded to the nearest thousand except when otherwise indicated.

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

The functional currency of all subsidiaries and the joint venture is the Philippine peso.

**Statement of Compliance**

The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

### Presentation of Financial Statements

The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 13.

### Basis of Consolidation

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company using consistent accounting policies. The following are the wholly-owned subsidiaries of the Parent Company as of March 31, 2022:

	Principal Activities
East West Rural Bank, Inc. (EWRB)	Consumer banking
East West Insurance Brokerage, Inc. (EWIB)	Non-life insurance brokerage
Quest Marketing and Integrated Services, Inc. (Q iMIS)	Sales and marketing
Assurance Solutions Insurance Agency (ASIA)*	General insurance and marketing
East West Leasing and Finance Corporation (EWLFC)*	Finance and leasing

\* Non-operational since 2017

All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in the consolidated financial statements.

The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control and continues to be consolidated until the date when control ceases. Control is achieved when the Parent Company is exposed, or has rights, to variable return from its involvement with an entity and has the ability to affect those returns through its power over the entity. The Parent Company has power over the entity when it has existing rights that give it the current ability to direct relevant activities (i.e., activities that significantly affect the entity's returns). Consolidation of subsidiaries ceases when control is transferred out of the Parent Company. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

### Adoption of New and Amended PFRS

#### *(a) Standards effective in 2021 that are Relevant to the Group*

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

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

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

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

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

The Group adopted the amendments beginning April 1, 2021. There is no significant impact to the Group.

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

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

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The Group adopted the amendments beginning January 1, 2021. There is no significant impact to the Group

*(b) Standards Issued but not yet Effective*

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements [unless otherwise indicated].

*Effective beginning on or after January 1, 2022*

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- Annual Improvements to PFRSs 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

*Effective beginning on or after January 1, 2023*

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

*Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

*Deferred effectivity*

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

#### Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amounts due from Bangko Sentral ng Pilipinas (BSP) and other banks, and interbank loans receivables and SPURA with original maturities of three months or less from dates of placements and that are subject to insignificant risks of changes in value. Due from BSP includes the statutory reserves required by the BSP which the Group considers as cash equivalents wherein withdrawals can be made to meet the Group's cash requirements as allowed by the BSP.

#### Foreign Currency Transactions and Translation

The financial statements are presented in PHP, which is the Group's functional and presentation currency. The book of accounts of RBU are maintained in PHP, while those of the FCDU are maintained in USD.

#### *RBU*

For financial reporting purposes, the foreign currency-denominated monetary assets and liabilities in the RBU are translated in Philippine peso based on the Philippine Dealing System (PDS) closing rate prevailing at the statement of financial position date and foreign currency-denominated income and expenses, at the prevailing exchange rate at the date of transaction. Foreign exchange differences arising from revaluation and translation of foreign currency-denominated assets and liabilities of the RBU are credited to or charged against operations in the period in which the rates change.

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

#### *FCDU*

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

### Fair Value Measurement

The Group measures certain financial instruments such as financial assets at FVTPL, financial assets at FVTOCI and derivative financial instruments at fair value at each statement of financial position date. Also, fair values of financial instruments carried at amortized cost and investment properties carried at cost are measured for disclosure purposes.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

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



## SPURA

Securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized in the balance sheet. The corresponding cash paid including accrued interest, is recognized in the balance sheet as SPURA. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the EIR method.

## Financial Instruments - Initial Recognition and Subsequent Measurement

### *Date of recognition*

The Group recognizes financial instruments when, and only when, the Group becomes a party to the contractual terms of the financial instruments.

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date, i.e., the date that an asset is delivered to or by the Group. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Group, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Group. Securities transactions and related commission income and expense are recorded also on a settlement date basis. Deposits, amounts due to banks and customers, and loans and receivables are recognized when cash is received by the Group or advanced to the borrowers.

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

### *Initial recognition of financial instruments*

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing instruments, as described below. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction cost are added in, or subtracted from this amount. When the fair value of financial instrument at initial recognition differs from the transaction price, the Group accounts for Day 1 profit or loss, as described below.

### *'Day 1' Difference*

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

## Financial Instruments - Classification, Reclassification and Subsequent Measurement

Financial assets are measured at FVTPL unless these are measured at FVOCI or at amortized cost. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing the financial assets. Subsequent to initial recognition, the Bank may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed.

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. As a second step of its classification process, the Bank assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test (SPPI test).

#### *Contractual cash flow characteristics test*

The Group assesses the contractual terms of financial assets to identify whether they meet the 'solely payments of principal and interest' (SPPI) test. Principal, for the purpose of this test, is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset.

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

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

#### *Business model assessment*

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

The Group's business model is not assessed on an instrument-on-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

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

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

#### *Financial assets at amortized cost*

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

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

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any allowance for credit losses, with the calculated interest recognized as 'Interest income in the statement of income.

The Group's financial assets at amortized cost are presented in the statement of financial positions as 'Due from BSP', 'Due from other banks', 'Interbank loans receivables and SPURA', 'Investment securities at amortized cost', 'Loans and receivables and other financial assets (i.e., security deposits, downpayment/advance payments to suppliers and returned cash and other cash items) under 'Other assets'.

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

#### *Financial assets at FVTOCI*

Financial assets at FVTOCI include debt and equity securities.

#### *Debt securities at FVTOCI*

Debt securities at FVTOCI are those that meet both of the following conditions:

- the contractual terms of the financial asset give rise to cash flows that are SPPI on the outstanding principal amount;
- the asset is held within a business model whose objective is both to sell or hold the financial asset in order to both collect contractual cash flows.

Debt securities at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for sale or disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income as 'Change in net unrealized gains (losses) on debt securities at FVTOCI'. The effective yield component and foreign exchange gains (losses) of debt securities at FVTOCI are reported on the statement of income. The ECL arising from impairment of such investments are recognized in OCI with a corresponding charge to 'Provision on credit and impairment losses' in the statement of income.

On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

#### *Equity securities at FVTOCI*

Equity securities designated as at FVTOCI are those that the Group made an irrevocable election to present in OCI the subsequent changes in fair value. The designation is made on instrument-by-instrument basis. Equity securities at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for sale or disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income as 'Change in fair value reserves on equity securities at FVTOCI'. When the asset is disposed of, the cumulative gain or loss previously recognized in 'Change in fair value reserves on equity securities at FVTOCI' is not reclassified to profit or loss but is reclassified directly to 'Surplus'. Equity securities at FVTOCI are not subject to impairment assessment.

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

#### *Financial assets at FVTPL*

Debt instruments that do not meet the amortized cost or FVTOCI criteria, or that meet the criteria, but the Group has chosen to designate as at FVTPL at initial recognition, are measured at fair value through profit or loss. Equity investments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at FVTOCI at initial recognition. Derivative assets classified as at FVTPL are those that are not designated under hedge accounting treatment.

The Group's financial assets at FVTPL include government securities, private bonds, equity securities held for trading purposes and derivative assets.

Financial assets at FVTPL are initially measured at fair value without considering transaction costs. Subsequently, financial assets at FVTPL are re-measured fair value, and fair value gains and losses on these instruments are recognized as 'Trading and securities gain' in the statement of income. Interest earned on these investments is reported in the statement of income under 'Interest income' while dividend income is reported in the statement of income under 'Miscellaneous income' when the right of payment has been established. Quoted market prices, when available, are used to determine the fair value of these financial instruments. If quoted market prices are not available, their fair values are estimated based on inputs provided by the BSP, Bureau of Treasury and investment bankers. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques.

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

#### *Reclassification of financial assets*

Subsequent to initial recognition, the Group may reclassify financial assets only if the objective of its business model for managing those financial assets changes.

The Group is required to reclassify the following financial assets:

- from amortized cost or FVTOCI to FVTPL, if the objective of the business model changes so that the amortized cost or FVTOCI criteria are no longer met
- from FVTPL to amortized cost or FVTOCI, if the objective of the business model changes so that the amortized cost or FVTOCI criteria start to be met and the characteristics of the instruments contractual cash flows are SPPI
- from amortized cost to FVTOCI if the business model changes so that the objective becomes both to collect contractual cash flows and to sell or from FVTOCI to amortized cost if the business model becomes solely for the collection of contractual cash flows.

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

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

#### *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or is designated as at FVTPL.

A financial liability is held for trading if:

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

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

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

Financial liabilities at FVTPL are initially measured at fair value without considering transaction costs. Subsequently, financial liabilities at FVTPL are re-measured fair value, and fair value gains and losses on these instruments are recognized as 'Trading and securities gain' in the statement of income. Interest earned on these investments is reported in the statement of income under 'Interest income' while dividend income is reported in the statement of income under 'Miscellaneous income' when the right of payment has been established. Quoted market prices, when available, are used to determine the fair value of these financial instruments. If quoted market prices are not available, their fair values are estimated based on inputs provided by the BSP, Bureau of Treasury and investment bankers. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques.

#### *Financial liabilities at amortized cost*

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

After initial measurement, financial liabilities not qualified and not designated as FVTPL are subsequently measured at amortized cost using the effective interest amortization method. Amortized cost is calculated by taking into account any discount or premium on the issuance and fees that are an integral part of the effective interest rate (EIR).

#### Impairment of Financial Assets

PFRS 9 requires the Group to record ECL for all loans and other debt financial assets not classified as at FVTPL, together with irrevocable loan commitments and financial guarantee contracts.

#### *Expected credit loss methodology*

ECL represent credit losses that reflect an unbiased and probability-weighted amount which is based on reasonable and supportable information about past events, current conditions and forecasts of future economic conditions, and the time value of money. The objective of the new impairment model is to record lifetime losses on all financial instruments which have experienced a significant increase in credit risk (SICR) since their initial recognition. As a result, ECL allowances are now measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a SICR since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the next 12 months after the reporting date. Lifetime ECLs are credit losses that result from all possible default events over the expected life of a financial instrument.

#### *Staging assessment*

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced SICR since initial recognition. The Group recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced SICR since initial recognition, evidenced by missed payments (for monthly amortizing exposures) and/or the significant increase in the likelihood of default. The Group recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Financial instruments are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of the financial asset. The ECL model requires that lifetime ECL be recognized for credit-impaired financial instruments.

For the movement of accounts to better stages (i.e. from Stage 2 or 3 to Stage 1 or 2):

- Financial instruments are moved to better stages when there is significant improvement to the credit risk such that the criteria for assessment of the better stage are met and there is consistent evidence of good credit behavior by the borrower.

Financial assets that are credit-impaired on initial recognition are classified as purchased or originated credit-impaired (POCI) assets. These are recorded at fair value at initial recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECL is only recognized or released to the extent that there is a subsequent change in the ECLs.

#### *Definition of “default” and “cure”*

For the calculation of ECL, the Group defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower becomes: 1) 91 days past due for amortizing exposures; or 2) non-collection of full amounts at maturity date for non-amortizing loans or bullet-payment loans. As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate likelihood of non-payment when an account is under litigation. When such events occur, the Group carefully

considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e., cured) when it no longer meets any of the default criteria and there is sufficient evidence to support full collection thru payments received for at least 6 months.

#### *Credit risk at initial recognition*

The Group has an internal credit assessment process to determine the credit risk of exposures at initial recognition. The Group has separate models for its key portfolios in which the customers are rated using internal credit rating grades. The models incorporate both qualitative and quantitative information.

#### *Significant increase in credit risk (SICR)*

The Group monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or lifetime ECL, the Group assesses whether there has been a SICR since initial recognition. A set of defined empirical-based rules and expert judgment that discriminate good and bad credit make up the SICR model. For corporate loans and investments to debt-type instruments, accounts are considered to have a SICR if the equivalent Probability of default (PD) exceeds the Group's set threshold. The Group also considers an account to have a SICR if contractual payments are more than thirty (30) days past due or the account is considered "watchlist".

To capture the impact of the pandemic to the credit portfolios, the Bank performed the following: 1) updated the macroeconomic forecasts to reflect the downturn caused by the pandemic and the outlook on the recovery; and 2) identified borrower segments that are likely to experience income disruption due to the community quarantine restrictions and factor adjustments are applied to the expected loss parameters based on the estimated potential increase to defaults and/or difficulty in recoveries as determined through expert credit judgment.

#### *Restructuring*

In certain circumstances, the Group modifies the original terms and conditions of a credit exposure to create a new loan agreement or payment schedule. The modifications can be given depending on the borrower's or counterparty's current or expected financial difficulty. The modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date, date and amount of periodic payments and accrual of interest and charges. Accounts subjected to distressed restructuring with indications of unlikeliness to pay are categorized as impaired accounts and are initially moved to Stage 3.

#### *Assessment of ECL on a collective basis*

The Group calculates ECL either on an individual or collective basis. The Group performs collective impairment by grouping exposures into smaller homogenous portfolios based on a combination of borrower and account characteristics. Accounts with similar attributes (i.e., type of facility) are pooled together for calculating provisions based on the ECL models.

#### *ECL parameters and methodologies*

ECL is a function of the PD, Exposure at default (EAD) and Loss given default (LGD), with consideration for the expected timing of the loss, and is estimated by incorporating forward-looking economic information through the use of statistical techniques and/or experienced credit judgment.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month horizon for Stage 1 or within the remaining life of the exposure for Stage 2. The PD for each individual instrument is modelled based on historical data and is adjusted for current market conditions and reasonable and supportable information about future economic conditions. The Group segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristics of the portfolio, behavior of the accounts and materiality of the portfolio as compared to the total portfolio.

EAD is modelled on historical data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet and undrawn amounts from irrevocable committed credit lines, EAD includes an estimate of any further amounts to be drawn at the time of default (i.e., credit conversion factor). LGD is the amount that may not be recovered in the event of default and is modelled based on historical net cash flow recoveries from collections and the sale of foreclosed assets.

#### *Economic overlays*

The Group incorporates economic overlays into its assessment of SICR and its measurement of ECL. A broad range of economic overlays are considered as economic inputs, such as GDP growth, inflation rates, unemployment rates and interest rates. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect these, quantitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Group's loans and receivables consists of different portfolios, such as auto, corporate, credit card receivables, mortgage loans, as well as other receivables (e.g., personal, branch, emerging enterprise lending, and Department of Education (DepEd) loans). In compliance with PFRS 9, the Group has developed ECL parameters and methodologies for each portfolio, using historical data as well as forward-looking inputs and assumptions.

#### *Undrawn Loan Commitments*

Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. The nominal contractual value of undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position. Starting January 1, 2019, these contracts are in the scope of the ECL requirements where the Group estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and undrawn amounts of irrevocable loan commitments is recognized in 'Other liabilities'.

#### *Financial guarantees*

Financial guarantees are initially recognized at fair value. Subsequent to initial recognition, the Group's liability under each financial guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement and the amount of related ECL.

#### *Restructured loans*

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



## Derecognition of Financial Assets and Financial Liabilities

### *Financial assets*

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

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial assets are written off either partially or fully only when the Group has stopped pursuing the recovery. If a write-off is later recovered, any amounts formerly charged are credited to ‘Recovery on charged-off assets’ under ‘Miscellaneous income’ in the statements of income.

### *Modification of financial assets*

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

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

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

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

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

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

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

If the modification does not result in cash flows that are substantially different, as set out above, then it does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

#### *Financial liabilities*

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

#### SSURA

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

#### Offsetting Financial Instruments

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

### Property and Equipment

Land is stated at cost less any impairment in value and depreciable properties including buildings, leasehold improvements and furniture, fixtures and equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value.

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

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives (EUL) of the property, equipment and ROU assets.

	Group	Parent
Buildings	25-40 years	30-40 years
Major furniture, fixtures and equipment	3-5 years	3-5 years
ROU asset	6-10 years	6-10 years

The EUL of the vaults of EWRB is 20 years. The cost of the leasehold improvements is amortized over the shorter of the covering lease term or the EUL of the improvements of 10 years.

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

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

### Investment Properties

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at the fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of the asset given up. Foreclosed properties are recorded as 'Investment properties' upon: (a) entry of judgment in case of judicial foreclosure; (b) execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or (c) notarization of the Deed of Dacion in case of dation in payment (dacion en pago). Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and any impairment in value. Investment properties comprise completed property and property under construction or re-development (land, buildings and malls) that are held to earn rentals or capital appreciation or both and that are not occupied by the Group. Investment properties also include right-of-use assets involving real properties that are subleased to other entities.

For those right-of-use assets that qualify as investment properties, i.e., those land and buildings that are subleased by the Group, these are classified under investment properties in accordance with paragraph 48 of PFRS 16. Consistent with the Group's policy regarding the measurement of investment properties, these assets are subsequently measured at cost less amortization and impairment in value.

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

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

Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the investment properties but not to exceed 10 years for both buildings and condominium units.

Foreclosed properties of land or building are classified under Investment properties from foreclosure date.

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

#### Other repossessed assets

Other repossessed assets comprise of repossessed vehicles which are measured at cost less accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis using the remaining useful life from the time of acquisition of the asset. The useful life of other repossessed assets is estimated to be five (5) years.

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

#### Business Combinations

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

When the Group acquires a business, it assesses the financial assets acquired and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the

acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

#### Investments in Subsidiaries

Investments in subsidiaries in the Parent Company's separate financial statements are accounted for under the equity method.

Under the equity method, an investment in subsidiary is carried in the statement of financial position at cost plus post-acquisition changes in the Parent Company's share of the net assets of the subsidiary. Post-acquisition changes in the share of net assets of the subsidiaries include the share in the: (a) income or losses; and (b) remeasurement of retirement plans. Dividends received are treated as a reduction in the carrying amount of the investments. The statement of income reflects the share of the results of operations of the subsidiary. Where there has been a change recognized directly in the equity of the subsidiary, the Parent Company recognizes its share of any changes and thus, when applicable, discloses in the statement of changes in equity. If the Parent Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Parent Company discontinues recognizing its share in further losses.

#### Investment in a Joint Venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

The Group's investment in a joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the joint venture since the acquisition date. The statement of income reflects the Group's share of the results of operations of the joint venture. Any change in OCI of the investee is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture. The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of income and represents profit or loss after tax.

On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in a joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in a joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognizes the loss as 'Share in net income (loss) of joint venture' in the statement of income.

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

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

#### Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets, excluding goodwill and branch licenses, are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each statement of financial position date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually or more frequently, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of income when the asset is derecognized.

Intangible assets include goodwill, branch licenses, customer relationship, core deposits and capitalized software.

#### *Goodwill*

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

#### *Branch licenses*

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

#### *Customer relationship and core deposits*

Customer relationship and core deposits are the intangible assets acquired by the Group through business combination. These intangible assets are initially measured at their fair value at the date of acquisition. The fair value of these intangible assets reflects expectations about the probability that the expected future economic benefits embodied in the asset will flow to the Group.

Following initial recognition, customer relationship and core deposits are measured at cost less accumulated amortization and any accumulated impairment losses. Customer relationship related to the credit cards business is amortized on a straight-line basis over its useful life of 40 years while the customer relationship related to the auto loans business and core deposits are amortized on a straight-line basis over its useful life of 13 and 10 years, respectively (Note 13).

#### *Capitalized software*

Capitalized software acquired separately is measured at cost on initial recognition. Following initial recognition, capitalized software is carried at cost less accumulated amortization and any accumulated impairment losses. The capitalized software is amortized on a straight-line basis over its estimated useful life of 5-10 years.

#### Card Acquisition Costs

Card acquisition costs represent capitalized commissions paid to third-party brokers for successfully originated credit card accounts, which are amortized over two years, the average relationship life with customers.

### Impairment of Nonfinancial Assets

An assessment is made at each statement of financial position date whether there is any indication of impairment of property and equipment, investment properties, other repossessed assets and intangible assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated at the higher of the asset's value in use or its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged against the statement of income in the period in which it arises, unless the asset is carried at a revalued amount in which case the impairment loss is charged against the revaluation increment of the said asset.

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

The following criteria are also applied in assessing impairment of specific assets:

#### *Property and equipment, investment properties and other repossessed assets*

The carrying values of the property and equipment and investment properties are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or CGUs are written down to their recoverable amounts.

#### *Goodwill*

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

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

#### *Branch licenses*

Branch licenses are tested for impairment annually at the statement of financial position date either individually or at the CGU level, as appropriate.

#### *Other intangible assets*

Other intangible assets such as customer relationship, core deposits and capitalized software are assessed for impairment whenever there is an indication that they may be impaired.



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

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

#### *Service charges and penalties*

Service charges and penalties earned over a period of time are accrued over that period as the customer simultaneously receives and consumes the benefits provided by the Group. Service charges and penalties are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to a customer and excludes amounts collected on behalf of third parties.

#### *Customer loyalty programmes*

Award credits under customer loyalty programmes are accounted for as a separately identifiable component of the transaction in which they are granted. The Parent Company allocates a portion of the consideration received from interchange from credit cards to the reward points. This allocation is based on the estimated stand-alone selling prices. The amount allocated to the customer loyalty program is deferred, and is recognized as revenue when loyalty points are redeemed or the likelihood of the customer redeeming the loyalty points becomes remote. Income generated from customer loyalty programmes is recognized as part of 'Service charges, fees and commissions' in the statement of income.

#### *Interest income*

Under PFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortized cost, interest rate derivatives for which hedge accounting is applied and the related amortization/recycling effect of hedge accounting. Interest income on interest bearing financial assets at FVOCI under PFRS 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortized cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortized cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Group recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognized at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

The IBOR reform Phase 2 amendments allow as a practical expedient for changes to the basis for determining contractual cash flows to be treated as changes to a floating rate of interest, provided certain conditions are met. The conditions include that the change is necessary as a direct consequence of IBOR reform and that the transition takes place on an economically equivalent basis.

#### *Dividend income*

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

#### *Commissions earned on credit cards*

Commissions earned on credit cards are taken up as income upon receipt from member establishments of charges arising from credit availments by credit cardholders. These commissions are computed based on certain agreed rates and are deducted from amounts remittable to member establishments.

Purchases by credit cardholders, collectible on an installment basis, are recorded at the cost of the items purchased plus certain percentage of cost. The excess over cost is credited to Unearned discount and is shown as a deduction from Loans and receivables in the statement of financial position.

The unearned discount is taken to income over the installment terms and is computed using the effective interest method.

#### *Gain on sale of assets*

Income from sale of assets include any gains or losses on the retirement or disposal of property and equipment, investment properties, and other repossessed assets. The gain or loss arising from the derecognition is recognized in the statement of income in the year of retirement or disposal.

#### *Other income*

Income from sale of services or properties is recognized when control of such services or properties are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

#### Expense Recognition

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

Expenses are recognized in the statement of income:

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

Expenses in the statement of income are presented using the nature of expense method. General and administrative expenses are cost attributable to administrative and other business activities of the Group.

#### Leases

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

#### *Group as a lessee*

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

#### *Right-of-use assets*

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

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

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Impairment of Nonfinancial Assets.

#### *Lease liabilities*

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

#### *Short-term leases and low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of ATM sites (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of ATM sites that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

#### *Group as a lessor*

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

#### Retirement Cost

##### *Defined benefit plan*

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset; and
- Remeasurements of net defined benefit liability or asset

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

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

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

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

the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

#### *Termination benefit*

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

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

#### *Employee leave entitlement*

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

#### Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and where, appropriate, the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as Interest expense in the statement of income.

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

#### Debt Issue Costs

Issuance, underwriting and other related expenses incurred in connection with the issuance of debt instruments (other than debt instruments designated at FVTPL) are deferred and amortized over the terms of the instruments using the effective interest method. Unamortized debt issuance costs are included in the measurement of the related carrying value of the debt instruments in the statement of financial position.

## Income Taxes

### *Current taxes*

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

### *Deferred taxes*

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

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of Minimum Corporate Income Tax (MCIT) over the regular income tax and unused Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

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

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

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

## Equity

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

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

Direct cost incurred related to the equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are charged to 'Additional paid in capital' account. If additional paid-in capital is not sufficient, the excess is charged against 'Surplus'.

Surplus represents accumulated earnings of the Group less dividends declared.

### Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when declared and approved by the Board of Directors (the Board or BOD) of the Parent Company and approved by the BSP. Dividends for the year that are declared and approved after the statement of financial position date, if any, are dealt with as an event after the financial reporting date and disclosed accordingly.

### Earnings Per Share (EPS)

Basic EPS is determined by dividing the net income for the year attributable to common shares by the weighted average number of common shares outstanding during the year while diluted EPS is computed by dividing net income for the year attributable to common shares by the weighted average number of outstanding and dilutive potential common shares. Basic and diluted EPS are given retroactive adjustments for any stock dividends declared and stock rights exercised in the current year, if any. The Group does not have dilutive potential common shares.

### Segment Reporting

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

The Group's operations are organized according to the nature of products and services provided. Financial information on business segments is presented in Note 6.

### Events after the Financial Reporting Date

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

### Fiduciary Activities

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

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### 3. Significant Accounting Judgments and Estimates

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

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

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### 4. Financial Risk Management

The risk exposure of the Parent Company and its subsidiary (the Group) in credit, market, interest rate, and liquidity remain contained within its risk limits and adequately covered by its available capital.

Specifically, notable risk exposures, where most emanate from the Parent Company, as of the end of first quarter of 2022 in the following areas are summarized below.

- Credit risk: Potential risk is well within regulatory capital as gleaned from the following indicators.
  - Credit quality of portfolio remains at a composite rating of 'Satisfactory' for its corporate portfolio, 'Substandard' grade for most of its consumer portfolio, and its non – tradable investment portfolio at 'BBB' composite rating.
  - Loan portfolio security profile is over 55% secured given the significant proportion of consumer lending business. For the portfolio of products that normally require collateral, the Bank remains healthy at approximately 70% secured.
  - No credit concentration in size, borrower, and industry as defined by BSP and internal risk policies.
- Market risk: Around 0.3% of the Parent Company's Qualifying Capital or around 2% of the market value of the trading position is the potential loss on the Parent Company's trading book on account of potential adverse movements in interest rate and foreign exchange rate.
- Interest rate risk: The interest rate risk impact given a potential adverse movement remains compliant with the minimum internal Earnings-at-Risk (EaR) limit. At the consolidated level of the banking book, given the upward trend in interest rate, the budgeted Net Interest Income and Net Income for 2022 will reduce by 6% and 30%, respectively.

On account of the expected upward trend in interest rate, the Group's Change in Economic Value of Equity shows that the capital will reduce by 7% given the Group's balance sheet structure.

Meanwhile, around 1% of the Parent Company's Qualifying Capital as well as the market value of the banking book position is the potential loss on the Parent Company's banking book in view of the potential adverse movements in interest rates.

- Liquidity risk: There is no imminent liquidity risk as the Group remains to be generally liquid, particularly in the near term or within the one-year horizon, with sufficient sources of funding as and when the need arises. Regulatory and internal risk limits are duly complied with.

The Group has already fully covered the loss impact of the pandemic, and succeeding losses are expected to go back to normal levels following the recovery of the economy. The Group anticipates



that potential losses will be proportionate with the expansion of loans as the Group regains its market share during the recovery years.

With capital level standing at approximately P50 billion , the Group remains to be capital accretive on a net basis and compliant with the regulatory minimum, in accordance with the supervisor's prescriptions, as well as cover for the above approximated risk exposures.

Thus, except for the meantime tempered risk-taking as a consequence of the pandemic, the Group's risk management policies remain generally the same as in 2021. The Group's 2021 audited financial statements discuss in detail its risk exposures and its related policies.

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## 5. Fair Value Measurement

The Group has assets and liabilities in the consolidated and Parent Company statements of financial position that are measured at fair value on a recurring and non-recurring basis after initial recognition. Recurring fair value measurements are those that another PFRS requires or permits to be recognized on the statements of financial position at the end of the year. These include financial assets and liabilities at FVTPL and Financial assets at FVTOCI.

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

*Cash and other cash items, due from BSP and other banks, Interbank loans receivables and SPURA and accrued interest receivables* – The carrying amounts approximate their fair values in view of the relatively short-term maturities of these instruments.

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

*Equity securities* - Fair values of quoted equity securities are based on quoted market prices.

*Derivative instruments (presented as other financial assets and liabilities in 'Other assets' and 'Other liabilities')* - Fair values of derivative instruments, mainly currency forwards and swaps and interest rate swaps, are valued using a valuation technique using market observable inputs. The valuation technique applied includes forward pricing and swap models using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates, yield curves of the respective currencies and interest rate curves prevailing at the statement of financial position date. For futures, these are valued considering the prevailing futures prices on the exchange as of the statement of financial position date.

*Receivable from customers and unquoted debt securities classified as loans* - Fair values of loans and receivables are estimated using the discounted cash flow methodology, using the Group's current incremental lending rates for similar types of loans and receivables.

*Accounts receivable, sales contract receivable and other financial assets included in other assets* – quoted market prices are not readily available for these assets. These are reported at cost and are not significant in relation to the Group's total portfolio of securities

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

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

*Deposit liabilities (demand, savings and time)* – For demand and savings deposit, carrying amounts approximate fair values considering that these are due and demandable. Fair value of time deposit liabilities is estimated using the discounted cash flow methodology using the Group's incremental borrowing rates for similar borrowing with maturities consistent with those for the liabilities being valued.

*LTNCDs and subordinated debt* - Fair values of LTNCD and subordinated debt are estimated using adjusted quoted market prices of comparable investments. The adjustments on market quoted prices are unobservable inputs.

*Bonds Payable* – Fair value of Bonds Payable are measured using the Present Value (PV) of the computed cash flows by the PV factor.

*Lease Liabilities* – Fair value of lease liabilities are measured using the Bloomberg valuation (BVal) rate as of the reporting period plus the spread which is the derived difference between the actual market rate and the BVal rate.

*Bills and acceptances payable, cashier's checks and demand draft payable* – Carrying amounts approximate fair values due to the short-term nature of the accounts.

*Other financial liabilities included in 'Other liabilities'* – Quoted market prices are not readily available for these liabilities. These are reported at cost and are not significant in relation to the Group's total portfolio.

The following table provides the fair value hierarchy of the Group's assets and liabilities measured at fair value and those for which fair values are required to be disclosed as of March 31, 2022 and December 31, 2021 as follows:

	Consolidated				
	March 31, 2022 (Unaudited)				
	Carrying Value	Fair Value			
Total		Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<b>Assets measured at fair value</b>					
<b>Financial assets</b>					
Financial assets at FVTPL:					
Government securities	P3,100,233	P3,100,233	P3,100,233	P–	P–
Private bonds	40,842	40,842	40,842	–	–
Equity securities	10,335	10,335	10,335	–	–
	<b>3,151,410</b>	<b>3,151,410</b>	<b>3,151,410</b>	–	–
Derivative assets*	219,013	219,013	–	219,013	–
Financial assets at FVTOCI:					

<b>Consolidated</b>					
<b>March 31, 2022 (Unaudited)</b>					
<b>Fair Value</b>					
	<b>Carrying Value</b>	<b>Total</b>	<b>Quoted Prices in active market (Level 1)</b>	<b>Significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
Government securities	39,134,364	39,134,364	39,134,364	-	-
Private bonds	7,122,281	7,122,281	7,122,281	-	-
Equity Securities	1	1	1	-	-
	<b>46,256,646</b>	<b>46,256,646</b>	<b>46,256,646</b>	<b>-</b>	<b>-</b>
	<b>49,627,068</b>	<b>49,627,068</b>	<b>49,408,055</b>	<b>219,013</b>	<b>-</b>

Consolidated					
March 31, 2022 (Unaudited)					
Fair Value					
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets for which fair values are disclosed</b>					
<b>Financial assets</b>					
Investment securities at amortized cost:					
Government securities	₱27,029,381	₱8,963,216	₱8,963,216	₱–	₱–
Private bonds	1,863,489	3,168,502	3,168,502	–	–
	<b>28,892,870</b>	<b>12,131,718</b>	<b>12,131,718</b>	–	–
Loans and receivables					
Receivable from customers:					
Corporate lending	59,838,124	61,883,346	–	–	61,883,346
Consumer lending	147,745,839	174,646,110	–	–	174,646,110
Unquoted debt securities	259,472	332,770	–	–	332,770
Other receivables	7,139,090	8,703,442	–	–	8,703,442
	<b>214,982,525</b>	<b>245,565,668</b>	–	–	<b>245,565,668</b>
Other financial assets	519,264	519,264	–	–	519,264
<b>Non-financial assets</b>					
Investment properties	903,610	2,053,987	–	–	2,000,783
	<b>₱294,925,337</b>	<b>₱326,670,653</b>	<b>₱78,312,721</b>	<b>₱219,013</b>	<b>₱248,138,919</b>
<b>Financial liabilities</b>					
Derivative liabilities**	₱250,854	₱250,854	₱–	₱250,854	₱–
<b>Liabilities for which fair values are disclosed</b>					
<b>Financial liabilities</b>					
Deposit liabilities					
Demand	117,782,812	117,782,812	–	–	117,782,812
Savings	127,491,817	127,491,817	–	–	127,491,817
Time	66,230,857	66,211,564	–	–	66,211,564
LTNCD	12,439,643	15,115,068	–	–	15,115,068
	<b>323,945,128</b>	<b>326,601,260</b>	–	–	<b>326,601,260</b>
Lease liability	3,221,719	3,247,381	–	–	3,247,381
Bills and acceptances payable and SSURA	167,531	167,531	–	–	167,531
Bonds payable	3,690,326	3,690,326	–	–	3,690,326
Subordinated debt	1,242,269	1,326,458	–	–	1,326,458
	<b>₱332,517,828</b>	<b>₱335,283,810</b>	<b>₱–</b>	<b>₱250,854</b>	<b>₱335,032,956</b>

\*Presented under 'Other Assets'

\*\*Presented under 'Other Liabilities'

Consolidated					
December 31, 2021 (Audited)					
Fair Value					
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets measured at fair value</b>					
<b>Financial assets</b>					
Financial assets at FVTPL:					
Government securities	₱4,006,261	₱4,006,261	₱4,006,261	₱–	₱–
Private bonds	40,257	40,257	40,257	–	–
Equity securities	10,333	10,333	10,333	–	–
	<b>4,056,851</b>	<b>4,056,851</b>	<b>4,056,851</b>	–	–
Derivative assets*	15,407	15,407	–	15,407	–
Financial assets at FVTOCI:					
Government securities	33,771,291	33,771,291	33,771,291	–	–
Private bonds	7,889,276	7,889,276	7,889,276	–	–
Equity Securities	1	1	1	–	–
	<b>41,660,568</b>	<b>41,660,568</b>	<b>41,660,568</b>	–	–
	<b>45,732,826</b>	<b>45,732,826</b>	<b>45,717,419</b>	<b>15,407</b>	–

	Consolidated				
	December 31, 2021 (Audited)				
	Carrying Value	Total	Fair Value		
Quoted Prices in active market (Level 1)			Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets for which fair values are disclosed					
<b>Financial assets</b>					
Investment securities at amortized cost:					
Government securities	₱18,976,453	₱18,987,980	₱18,987,980	₱-	₱-
Private bonds	1,838,929	1,839,022	1,839,022	-	-
	20,815,382	20,827,002	20,827,002	-	-
Loans and receivables					
Receivable from customers:					
Corporate lending	58,846,591	61,776,194	-	-	61,776,194
Consumer lending	145,922,140	176,353,593	-	-	176,353,593
Unquoted debt securities	258,218	332,115	-	-	332,115
Other receivables	8,535,637	10,039,729	-	-	10,039,729
	213,562,586	248,501,631	-	-	248,501,631
Other financial assets	486,322	486,322	-	-	486,322
<b>Non-financial assets</b>					
Investment properties	927,988	2,051,873	-	-	2,051,873
	₱281,525,104	₱317,599,654	₱66,544,421	₱15,407	₱251,039,826
<b>Financial liabilities</b>					
Derivative liabilities**	₱212,691	₱212,691	₱-	₱212,691	₱-
Liabilities for which fair values are disclosed					
<b>Financial liabilities</b>					
Deposit liabilities					
Demand	120,321,094	120,321,094	-	-	120,321,094
Savings	124,667,522	124,667,522	-	-	124,667,522
Time	69,420,051	69,538,087	-	-	69,538,087
LTNCD	12,436,238	15,203,855	-	-	15,203,855
	326,844,905	329,730,558	-	-	329,730,558
Lease liability	3,106,320	3,225,162	-	-	3,225,162
Bills and acceptances payable and SSURA	98,150	98,150	-	-	98,150
Bonds payable	3,687,686	3,687,686	-	-	3,687,686
Subordinated debt	1,241,964	1,322,667	-	-	1,322,667
	₱335,191,716	₱338,276,914	₱-	₱212,691	₱338,064,223

\*Presented under 'Other Assets'

\*\*Presented under 'Other Liabilities'

## 6. Segment Reporting

The Group's main operating businesses are organized and managed primarily according to the current organizational structure. Each segment represents a strategic business unit that caters to the Group's identified markets. The Group's business segments are:

- Retail banking* - this segment mainly covers traditional branch banking products and services such as deposits, back-to-back/emerging market loans and other over-the-counter (OTC) transactions. It likewise caters to the needs of high net-worth clients for alternative investment channels. It includes entire transaction processing, service delivery and infrastructure consisting of the Group's network of branches, automated teller machines as well as its internet banking platform;
- Corporate banking* - this segment handles lending and trade financing for both large corporations and middle market clients;
- Consumer banking* - this segment primarily caters to loans for individuals; and
- Treasury and Trust* - this segment consists of Treasury and Trust operations of the Group. Treasury focuses on providing money market, trading and treasury services, as well as the management of the Group's funding operations through debt securities, placements and acceptances with other banks. Trust includes fund management, investment management

services, custodianship, administration and collateral agency services, and stock and transfer agency services. In addition, the Parent Company through Trust, provides retail customers with alternative investment opportunities through its unit investment fund products.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment assets are those operating assets employed by a segment in its operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities are those operating liabilities that result from the operating activities of a segment and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Interest income is reported net, as management primarily relies on the net interest income as performance measure, not the gross income and expense.

The Group's revenue-producing assets are located in the Philippines (i.e., one geographical location); therefore, geographical segment information is no longer presented. The Group has no significant customers which contribute 10.00% or more of the consolidated revenue, net of interest expense.

The segment results include internal transfer pricing adjustments across business units as deemed appropriate by management. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to the business units based on a pool rate which approximates the marginal cost of funds.

Segment information of the Group as of and for the Three Months Ended March 31, 2022 (in millions):

	Retail Banking	Corporate Banking	Consumer Banking	Treasury & Trust	Executive & Elimination Items	Total Bankwide
<b>Statement of Income</b>						
Net Interest Income						
Third Party	1,761,623	188,322	3,336,527	(5,253)	(71,195)	5,210,024
Intersegment	-	562	-	89,757	(90,318)	-
	1,761,623	188,883	3,336,527	84,504	(161,513)	5,210,024
Noninterest Income	309,407	98,362	434,525	(201,046)	(81,801)	559,447
Revenue - Net of Interest Expense	2,071,030	287,246	3,771,052	(116,542)	(243,314)	5,769,471
Noninterest Expense	(1,690,223)	(100,938)	(2,941,633)	(185,173)	(143,428)	(5,061,396)
Income Before Income Tax	380,807	186,307	829,419	(301,715)	(386,742)	708,076
Provision for Income Tax	(127,759)	(21,581)	(56,278)	78,630	(73,532)	(200,518)
Net Income for the Period	253,048	164,727	773,142	(223,085)	(460,274)	507,558
<b>Statement of Financial Position</b>						
Total Assets	41,264,369	21,089,536	176,252,741	106,655,560	58,984,635	404,246,841
Total Liabilities	296,213,229	766,406	57,896,728	35,972,190	(45,836,290)	345,012,263
Other Segment Information						
Depreciation and Amortization	269,159	21,254	282,786	12,960	39,081	625,240
Provision for Credit and Impairment Losses	1,134	(6,680)	928,576	2,549	104,442	1,030,020

\*With Intersegment representing only double-counted deposits

Segment information of the Group as of and for the Three Months Ended March 31, 2021 follow (in millions):

	Retail Banking	Corporate Banking	Consumer Banking	Treasury & Trust	Executive & Elimination Items	Total Bankwide
<b>Statement of Income</b>						
Net Interest Income						
Third Party	1,434,693	373,690	3,218,280	3,455	880,734	5,910,852
Intersegment	-	183,044	-	82,909	(265,953)	-
	1,434,693	556,734	3,218,280	86,365	614,780	5,910,852
Noninterest Income	244,132	36,772	769,806	(647,615)	1,463,510	1,866,605
Revenue - Net of Interest Expense	1,678,825	593,506	3,988,085	(561,250)	2,078,290	7,777,457
Noninterest Expense	(1,781,915)	(199,369)	(670,304)	(158,073)	(2,134,999)	(4,944,660)
Income Before Income Tax	(103,090)	394,138	3,317,782	(719,323)	(56,709)	2,832,797
Provision for Income Tax	(14,777)	(98,698)	(678,921)	182,554	(194,835)	(804,677)
Net Income for the Period	(117,868)	295,439	2,638,861	(536,769)	(251,544)	2,028,120
<b>Statement of Financial Position</b>						
Total Assets	38,405,719	62,199,414	157,683,383	88,966,286	38,485,314	385,740,117
Total Liabilities	277,944,376	53,944,856	5,502,581	37,214,364	(46,057,508)	328,548,670
<b>Other Segment Information</b>						
Depreciation and Amortization	261,165	5,196	182,212	13,004	37,317	498,895
Provision for Credit and Impairment Losses	(93)	37,106	(1,172,128)	(2,448)	1,860,677	723,114

The 'Elimination Items' includes the Group's executive office and elimination items related to the Group's segment reporting framework.

Non-interest income consists of service charges, fees and commissions, gain on sale of assets, gain (loss) on asset foreclosure and dacion transactions, trading and securities gain (loss), gain on sale of investment securities at amortized cost, foreign exchange gain, trust income, share in net loss of a joint venture and miscellaneous income. The share in net loss of a joint venture has been presented as part of the elimination items in the Group's segment reporting framework. Non-interest expense consists of compensation and fringe benefits, taxes and licenses, depreciation and amortization, rent, amortization of intangible assets, provision for impairment and credit losses, and miscellaneous expenses.

## 7. Trading and Investment Securities

The Group and the Parent Company have the following trading and investment securities:

	<b>31-Mar-22</b>	31-Dec-21
	<b>(Unaudited)</b>	(Audited)
Financial assets at FVTPL	<b>₱2,699,103</b>	₱4,056,851
Financial assets at FVTOCI	<b>45,894,802</b>	41,660,568
Investment securities at amortized cost	<b>28,147,691</b>	20,815,382
	<b>₱76,741,596</b>	₱66,532,801

### *Financial assets at FVTPL*

Financial assets at FVTPL of the Group and of the Parent Company consist of:

	<b>31-Mar-22</b>	31-Dec-21
	<b>(Unaudited)</b>	(Audited)
Government securities	<b>2,647,926</b>	₱4,006,261
Private bonds	<b>40,842</b>	40,257
Equity securities	<b>10,335</b>	10,333
	<b>₱2,699,103</b>	₱4,056,851

In the first quarter of 2022 and 2021, the yield rates ranges from 0.88% to 19.72% and 0.55% to 7.86% respectively.

### *Financial assets at FVTOCI*

Financial assets at FVTOCI of the Group and of the Parent Company consists of:

	<b>31-Mar-22</b>	31-Dec-21
	<b>(Unaudited)</b>	(Audited)
Government debt securities	<b>38,343,557</b>	₱33,771,291
Private bonds	<b>7,551,244</b>	7,889,276
Private equity securities	<b>1</b>	1
	<b>45,894,802</b>	₱41,660,568

In the first quarter of 2022 and 2021, the interest rates of financial assets at FVTOCI range from 0.13% to 6.50% and 0.03% to 8.32% respectively.

### *Investment securities at amortized cost*

Investment securities at amortized cost of the Group and of the Parent Company consist of:

	<b>31-Mar-22</b>	31-Dec-21
	<b>(Unaudited)</b>	(Audited)
Government securities	<b>27,041,083</b>	₱18,987,980
Private bonds	<b>1,863,584</b>	1,839,021
Carrying value, gross of allowance for impairment losses	<b>28,904,666</b>	20,827,001
Allowance for impairment losses	<b>(11,796)</b>	(11,619)



<b>₱28,892,870</b>	<b>₱20,815,382</b>
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Peso-denominated government bonds have effective interest rates ranging from 4.96% to 8.11% in 2022 and 2021. Foreign currency-denominated government and private bonds have effective interest rates ranging from 2.76% to 7.76% in 2022 and 2021.

#### Interest Income on Trading and Investment Securities

This account consists of:

	<b>31-Mar-22</b>	<b>31-Mar-21</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Financial assets at FVTPL	<b>₱45,796</b>	87,450
Financial assets at FVTOCI	<b>204,832</b>	90,959
Investment securities at amortized cost	<b>310,680</b>	206,798
	<b>₱561,308</b>	<b>₱385,207</b>

#### Trading and Securities Gains (Losses)

Trading and securities gains (losses) of the Group and of the Parent Company consists of:

	<b>31-Mar-22</b>	<b>31-Mar-21</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Financial assets at FVTPL	<b>(₱178,185)</b>	(₱592,218)
Financial assets at FVTOCI	<b>(101,481)</b>	1,243
US Treasury futures (Note 5)	<b>17,574</b>	(51,033)
Interest rate swaps (Note 5)	<b>-</b>	6,726
	<b>(₱262,092)</b>	<b>(₱635,282)</b>

## 8. Loans and Receivables

Loans and receivables consist of:

	<b>Consolidated</b>	
	<b>31-Mar-22</b>	31-Dec-21
	<b>(Unaudited)</b>	(Audited)
Receivables from customers:		
Corporate lending*	<b>61,727,160</b>	₱60,756,280
Consumer lending	<b>154,783,417</b>	152,434,684
	<b>216,510,577</b>	213,190,964
Unamortized premium	<b>2,521,103</b>	2,675,102
	<b>219,031,680</b>	215,866,066
Unquoted debt securities:		
Private bonds	<b>332,770</b>	332,115
	<b>332,770</b>	332,115
Other receivables:		
Accrued interest receivable	<b>6,629,207</b>	7,316,431
Accounts receivable	<b>1,946,997</b>	2,590,402
Sales contracts receivable	<b>127,238</b>	132,896
	<b>8,703,442</b>	10,039,729

	<b>Consolidated</b>	
	<b>31-Mar-22</b> <b>(Unaudited)</b>	31-Dec-21 <b>(Audited)</b>
	<b>228,067,892</b>	226,237,910
Allowance for credit and impairment losses	<b>(13,085,367)</b>	(12,675,324)
	<b>₱214,982,525</b>	₱213,562,586

*\*Include Corporate loans, Branch loans and Emerging enterprise loans*

Interest income on loans and receivables consist of:

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b> <b>(Unaudited)</b>	2021 <b>(Unaudited)</b>
Receivables from customers	<b>₱5,021,744</b>	₱5,985,542
Unquoted debt securities	<b>150</b>	235
	<b>₱5,021,894</b>	₱5,985,777

## 9. Goodwill and Other Intangible Assets

### Goodwill

Goodwill represents the excess of the acquisitions cost over the fair value arising from acquisition of (a) Ecology Savings Bank, Inc. (“ESBI”) in 2002; (b) American International Group, Inc. Philam Savings Bank (AIGPASB) Group in 2009; (c) EWRB in 2012; (d) Green Bank, Inc. (“GBI”) in 2014; and (e) Standard Chartered Bank (“SCB”) in 2016.

The carrying amounts of the resulting goodwill in the acquisitions above in the books of the Parent Company are as follows:

<b>Acquisitions</b>	<b>CGU</b>	<b>Consolidated</b>
SCB	Treasury and Trust; Consumer banking	₱2,560,513
AIG	Consumer Banking	769,042
GBI	Consumer Banking	373,996
ESBI	Retail Banking	173,690
		<b>₱3,877,241</b>

As of March 31, 2022, goodwill is not considered impaired, hence, no impairment has been recognized by the Bank.

### Branch Licenses

Branch licenses of the Group amounting to ₱2.17 billion represents: one branch license acquired by the Parent Company from the BSP amounting to ₱0.20 million in 2015, 25 branch licenses acquired by the Parent Company from the BSP amounting to ₱505.20 million in 2014, 10 branch licenses acquired by the Parent Company from the BSP amounting to ₱214.80 million in 2013, 42 branch licenses acquired by the Parent Company from the BSP amounting to ₱822.00 million in 2012, and 46 branch licenses acquired by the Parent Company from the acquisition of GBI amounting to ₱625.40 million in 2011.

### Customer Relationship and Core Deposits

The business combination between the Parent Company and AIGPASB Group in 2009 resulted in the acquisition of customer relationship and core deposits amounting to P154.63 million and P40.43 million, respectively.

The business combination between the Parent Company and SCB in 2016 resulted in the acquisition of core deposits amounting to P64.70 million.

### Capitalized Software

Capitalized software pertains to computer software licenses and programs acquired by the Group and the Parent Company for its banking operations.

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## 10. Bonds Payable

This account consists of bonds payable due in 2023 with a face value of P3.70 billion and carrying value of P3.69 billion as of March 31, 2022.

On February 10, 2020, the Parent Company issued 4.50% fixed-rate bonds with issue price at 100.00% face value. The bonds will bear interest at the rate of 4.50% per annum from and including February 21, 2020 to but excluding: (a) February 21, 2023, such date being the maturity date (if the pre-termination option is not exercised); or (b) the pre-termination date (if the pre-termination option is exercised), and the interest will be payable quarterly in arrears at the end of each interest period on February 21, August 21 and November 21 of each year commencing on 2020.

Unless the 2023 Bonds are previously redeemed, the Bonds are repayable to the Bond Holders at 100.00% of their face value on the maturity date or February 21, 2023. As of March 31, 2022, bonds issuance cost amounted to P9.67 million. For the period ended March 31, 2022, the Group recognized interest expense on bonds payable amounting to P41.90 million.

### Reserve requirement

Peso-denominated bonds are subject to reserves equivalent to 3.00% in 2022 and 2021. The Parent Company was in compliance with such requirements as of March 31, 2022.

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## 11. Subordinated Debt

This account consists of:

	Face Value	Consolidated	
		(Unaudited) 31-Mar-22	(Audited) 31-Dec-21
Lower Tier 2 unsecured subordinated notes due 2027	1,250,000	1,242,269	1,241,964
	P1,250,000	P1,242,269	P1,241,964

### Lower Tier 2 unsecured subordinated notes due 2027

On February 20, 2017, EWRB issued a 5.50% coupon rate Lower Tier 2 unsecured subordinated note (the 2027 Notes) with par value of P1.25 billion, maturing on August 20, 2027 but callable on August 20, 2022.

Unless the 2027 Notes are previously redeemed, the 2027 Notes are repayable to the Noteholders at 100.00% of their face value or at par on the maturity date of August 20, 2027.

From and including the issue date to, but excluding the optional redemption date of August 20, 2022, the 2027 Notes bear interest at the rate of 5.50% per annum and shall be payable quarterly in arrears on February 20, May 20, August 20, and November 20 of each year, which commenced on February 20, 2017. Unless the 2027 Notes are previously redeemed, the interest rate will be reset at the equivalent of the prevailing 5-year BVAL at reset date plus initial spread (i.e., the difference between the initial interest rate and the prevailing 5-year BVAL at the pricing date of the initial tranche), commencing on August 20, 2022.

## 12. Leases

The Group leases several premises occupied by its head office and branches. Some leases are subject to annual escalation of 5.00% to 10.00% and for periods ranging from 5 to 15 years, renewable upon mutual agreement of both parties.

### Adoption of PFRS 16

As discussed in Note 2, the Group adopted PFRS 16. The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for all leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Shown below is the maturity analysis of the undiscounted lease payments as of March 31, 2022 and December 31, 2021, as required by PFRS 16:

	<b>Consolidated</b>	
	<b>31-Mar-22</b>	31-Dec-21
Within one year	<b>₱939,325</b>	₱981,887
After one year but not more than five years	<b>1,983,592</b>	1,896,232
More than five years	<b>921,175</b>	802,744
	<b>₱3,844,092</b>	₱3,680,863

Set out below is the carrying amount of lease liabilities and the movements during the nine months ended March 31, 2022:

Balance at beginning of the year	<b>₱3,106,320</b>
Additions/Adjustments	<b>333,449</b>
Payments and terminations	<b>(269,570)</b>
Accretion of interest	<b>51,521</b>
As of March 31, 2022	<b>₱3,221,719</b>

In the first quarter of 2022 and 2021, the interest expense on lease liabilities of the Group (included in 'Interest expense' in the statements of income) amounted to ₱51.52 million and ₱54.16 million, respectively. Rent expense from short-term leases and leases of low-value assets of the Group amounted to ₱74.84 million and ₱58.13million in March 31, 2022 and 2021, respectively.

In the first quarter of 2022 and 2021, the Group's rental income amounted to ₱15.70 million, ₱15.16 million, respectively. As of March 31, 2022, and 2021, the Group has no contingent rental income.

### 13. Maturity Analysis of Assets and Liabilities

The following tables show an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the statement of financial position date:

	Consolidated					
	31-March-2022 (Unaudited)			31-Dec-2021 (Audited)		
	Less than 12 months	Over 12 months	Total	Less than 12 months	Over 12 months	Total
<b>Financial assets:</b>						
Cash and other cash items	₱6,519,737	₱-	₱6,519,737	₱7,705,729	₱-	₱7,705,729
Due from BSP	41,547,065	-	41,547,065	58,842,366	-	58,842,366
Due from other banks - gross	30,037,020	-	30,037,020	19,339,732	-	19,339,732
Interbank loans receivables and SPURA	11,554,782	-	11,554,782	17,518,984	-	17,518,984
Financial assets at FVTPL	3,151,409	-	3,151,409	4,056,851	-	4,056,851
Financial assets at FVTOCI	46,256,646	-	46,256,646	41,660,568	-	41,660,568
Investment securities at amortized cost - gross	103,631	28,801,036	28,904,666	102,573	20,724,428	20,827,001
Loans and receivables - gross	58,977,176	166,569,613	225,546,789	59,629,823	163,932,985	223,562,808
Other assets - gross	324,852	332,004	656,855	186,519	315,210	501,729
	<b>198,472,317</b>	<b>195,702,652</b>	<b>394,174,969</b>	<b>209,043,145</b>	<b>184,972,623</b>	<b>394,015,768</b>
<b>Nonfinancial assets:</b>						
Investment in a joint venture	-	740,635	740,635	-	614,494	614,494
Property and equipment - gross	-	9,887,792	9,887,792	-	9,760,223	9,760,223
Investment properties - gross	-	1,391,138	1,391,138	-	1,407,959	1,407,959
Deferred tax assets	-	4,356,851	4,356,851	-	4,160,134	4,160,134
Goodwill and other intangible assets - gross	-	8,443,832	8,443,832	-	8,439,087	8,439,087
Other assets - gross	1,242,362	2,480,517	3,722,879	927,525	3,517,579	4,445,104
	<b>1,242,362</b>	<b>27,300,767</b>	<b>28,543,128</b>	<b>927,525</b>	<b>27,899,476</b>	<b>28,827,001</b>
	<b>199,714,678</b>	<b>223,003,419</b>	<b>422,718,097</b>	<b>209,970,670</b>	<b>212,872,099</b>	<b>422,842,769</b>
Allowances for impairment and credit losses	-	(13,451,739)	(13,451,739)	-	(12,898,316)	(12,898,316)
Unamortized premium/discount	(118,742)	2,639,846	2,521,103	(223,379)	2,898,481	2,675,102
Accumulated depreciation and amortization	-	(7,540,235)	(7,540,235)	-	(7,857,725)	(7,857,725)
	<b>₱199,595,936</b>	<b>₱204,651,291</b>	<b>₱404,247,227</b>	<b>₱209,747,291</b>	<b>₱195,014,539</b>	<b>₱404,761,830</b>
<b>Financial liabilities:</b>						
Deposit liabilities	310,884,203	13,060,926	323,945,128	₱313,635,009	₱13,209,896	₱326,844,905
Bills and acceptances payable	167,531	-	167,531	98,150	-	98,150
Cashiers' checks and demand drafts payable	743,614	-	743,614	730,702	-	730,702
Subordinated debt	-	1,242,269	1,242,269	-	1,241,964	1,241,964
Bonds Payable	-	3,690,326	3,690,326	-	3,687,686	3,687,686
Accrued interest, taxes and other expenses	2,804,698	-	2,804,698	2,681,226	-	2,681,226
Lease liability	754,341	2,467,377	3,221,719	876,739	2,229,581	3,106,320
Other liabilities	6,159,807	41,144	6,200,951	4,526,168	41,029	4,567,197
				322,547,994	20,410,156	342,958,150
<b>Nonfinancial liabilities:</b>						
Income tax payable	395,709	-	395,709	141,255	-	141,255
Accrued interest, taxes and other expenses	314,844	-	314,844	294,039	-	294,039
Other liabilities	768,661	1,517,199	2,285,860	754,336	1,264,416	2,018,752
	<b>1,479,214</b>	<b>1,517,199</b>	<b>2,996,413</b>	<b>1,189,630</b>	<b>1,264,416</b>	<b>2,454,046</b>
	<b>₱322,993,408</b>	<b>₱22,019,242</b>	<b>₱345,012,650</b>	<b>₱323,737,624</b>	<b>₱21,674,572</b>	<b>₱345,412,196</b>

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## 14. Equity

### Capital Management

The Parent Company actively manages its capital to comply with regulatory requirements, enable growth targets, withstand plausible stress events and be at par with the Parent Company's peers. The primary objective of the Parent Company's capital management is to ensure that it maintains adequate capital to cover risks inherent to its banking activities without prejudice to optimizing shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital structure, or issue capital securities. No changes were made in the objectives, policies and processes from the previous year.

### *Regulatory Qualifying Capital*

Under existing BSP regulations, the determination of the Parent Company's compliance with regulatory requirements and ratios is based on the amount of the Parent Company's 'unimpaired capital' (regulatory net worth) reported to the BSP, which is determined on the basis of regulatory policies. In addition, the risk-based Capital Adequacy Ratio (CAR) of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (Parent Company and subsidiaries engaged in financial allied undertakings). Qualifying capital and risk-weighted assets are computed based on BSP regulations.

### Capital Stock

Capital stock consists of (amounts in thousands, except for par value and number of shares):

	Shares		Amount	
	March 31, 2022	December 31, 2021	March 31, 2022	December 31, 2021
Authorized:				
Common stock – 10.00 par value	4,500,000,000	4,500,000,000		
Preferred stock – 10.00 par value	500,000,000	500,000,000		
Common stock issued and outstanding:				
Balance at the beginning of the year	2,249,975,411	2,249,975,411	₱22,499,754	₱22,499,754
Issuance of stock dividends	-	-	-	-
Balance at year end	2,249,975,411	2,249,975,411	₱22,499,754	₱22,499,754

With the approvals by the PSE of the Parent Company's application for listing and by the SEC for the Registration Statement both on March 14, 2012, a total of 245,316,200 common shares, with ₱10.00 par value per share, representing 21.70% of outstanding capital stock, were offered and subscribed through an initial public offering at ₱18.50 per share on April 20 to 26, 2012. The common shares comprise of (a) 141,056,800 new shares issued by the Parent Company by way of a primary offer, and (b) 104,259,400 existing shares offered by FDC, the selling shareholder, pursuant to a secondary offer. Subsequently, on September 5, 2012, 36,715,300 shares under the over-allotment option were exercised at a price of ₱18.50 per share that brought the subscriptions to 25.00% of the outstanding capital stock. The Parent Company's common shares were listed and commenced trading in the PSE on May 7, 2012.

The preferred shares are perpetual non-voting and non-convertible to common shares. The dividends of the preferred shares shall be non-cumulative and to be fixed by the BOD at an annual dividend rate prior to the date of issue.

The total proceeds raised by the Parent Company from the sale of primary offer shares amounted to ₱2.61 billion while the net proceeds (after deduction of direct costs related to equity issuance) amounted to ₱2.39 billion.

On February 1, 2018, the BSP approved the following amendments to the Parent Company's Articles of Incorporation, which were approved and confirmed by the Parent Company's BOD at its special meeting on July 13, 2017, to provide flexibility for future capital requirements:

- a. Increase of the Parent Company's authorized capital stock from ₱20.00 billion to ₱50.00 billion consisting of 4.50 billion common shares with par value of ₱10.00 per share or a total par value of ₱45.00 billion and ₱0.50 billion preferred shares with par value of ₱10.00 per share or a total par value of ₱5.00 billion.
- b. Declaration of 50.00% stock dividends equivalent to ₱7.50 billion from the Parent Company's unrestricted retained earnings as of December 31, 2016 to meet the required subscribed and paid amount of capital stock per Corporation Code after the increase in the authorized capital of the Parent Company. The increase in the Parent Company's authorized capital stock and stock dividend declaration were subsequently approved by BSP on September 29, 2017 and by SEC on February 28, 2018.

On April 16, 2018, a total of 749,991,801 common shares were listed at the PSE.

The portion of the Parent Company's retained earnings pertaining to the accumulated earnings of the subsidiaries amounting to ₱6.31 billion and ₱5.89 billion as of March 31, 2022 and December 31, 2021, respectively, are not available for dividend declaration until declared as dividends by subsidiaries.

In 2019, upon the full adoption of PFRS 9, the BSP through BSP Circular No. 1011 has required the appropriation for the difference of the 1.00% general loan loss provision over the computed ECL related to Stage 1 accounts. As of December 31, 2021, the amount of appropriation made in 2020 is still sufficient to cover the difference of the required BSP provision over the computed ECL related to Stage 1 accounts.

#### Dividend

As approved by the Parent Company's BOD in its special meeting on July 13, 2017, 50.00% stock dividend equivalent to ₱7.50 billion was declared to stockholders on record as of March 30, 2018, to cover the required 25.00% minimum subscription and payment for the increase of authorized capital of the Parent Company. The stock dividends were issued on April 16, 2018. Direct issuance costs amounting to ₱144.00 million were paid in 2018.

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## 15. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group's related parties include:

- key management personnel, close family members of key management personnel, and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members;
- subsidiaries, joint ventures and associates and their respective subsidiaries; and
- post-employment benefit plans for the benefit of the Group's employees.

The Group has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business.

The Group's significant investors pertain to FDC, the immediate Parent Company of the Group, and FDC Forex Corporation (a company under common control of FDC).

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Group considers the members of the Management Committee to constitute key management personnel for purposes of PAS 24, *Related Party Disclosures*. The Group provides banking services to its key management personnel.

Other related parties pertain to the Group's affiliates (subsidiaries of FDC).

The Group and the Parent Company had no outright purchases and outright sale of debt securities with significant shareholders and key management personnel in 2022 and 2021.

No specific provision and allowance for loan losses was recognized by the Group for loans to significant investors, key management personnel and other related parties in 2022 and 2021.

The Parent Company's subsidiaries have no transactions with related parties outside of the Group.

The amounts and the balances arising from significant related party transactions of the Group are as follows:

Category	March 31, 2022 (Unaudited)		
	Amount/ Volume	Outstanding Balance	Terms and Conditions/Nature
<b>Significant investors:</b>			
Loans receivable	₱-	₱4,842,800	Loans granted with a term of five years, interest of 4.75%, secured with deposit holdout, no impairment
Releases			
Collection			
Deposit liabilities	-	1,705,633	Earns interest at the respective bank deposit rates
Deposits	4,645,530		
Withdrawals	5,589,316		
Accrued interest receivable	-	1,260	Interest income accrued on outstanding loans receivable
Accrued expenses	-	27,516	Payable for management and professional fees paid by FDC (reimbursement for expenses)
Guarantees and commitments	-	4,843	Unused credit line (omnibus facility) with term of 10 months
Interest income	57,508	-	Interest income on loans receivable
Interest expense	733	-	Interest expense on deposit liabilities
<b>Key management personnel:</b>			
Loans receivable	₱-	₱53	Loans granted with a term of five years, interest of 9.82%, no impairment
Releases	88		
Collection	35		
Deposit liabilities	-	384,172	Earns interest at the respective bank deposit rates
Deposits	590,759		
Withdrawals	698,359		
Interest income	-	2	Interest income on loans receivable
Interest expense	-	221	Interest expense on deposit liabilities
<b>Other related parties:</b>			
Loans receivable	₱-	₱ 8,805,051	Loans granted with terms ranging from five days to thirteen and a half years, interest ranging from 2.45% to 17.07%, secured by chattel and real estate mortgage, no impairment
Releases	2,508,555		
Collection	634,797		
Receivables purchased (booked under 'Loans Receivable')	-	2,273,806	Receivables purchased by the Parent Company from FLI
Accounts receivable	-	36,203	Receivables from EW Ageas Life which represent expenses shouldered by the Parent Company
Deposit liabilities	-	3,801,340	Earns interest at the respective bank deposit rates
Deposits	29,203,261		
Withdrawals	26,608,364		



**March 31, 2022 (Unaudited)**

Category	Amount/ Volume	Outstanding Balance	Terms and Conditions/Nature
Accounts payable	-	48,990	Collection of loan insurance on behalf of EW Ageas Life that remained unremitted
Guarantees and commitments	-	7,175	Unused credit lines
Accrued interest receivable	-	35,585	Interest income accrued on outstanding loans receivable
Interest income	-	87,417	Interest income on loans receivable
Interest expense	-	1,362	Interest expense on deposit liabilities
Commission fees	-	-	Commission fees received from EW Ageas Life
Service fee expense	-	-	Service fees paid to FLI for account servicing equivalent to 1.12% of loan amounts collected by FLI on behalf of the Parent Company
Rent expense	19,923	-	Rent expenses paid for lease transactions with other related parties such as Filinvest Asia Corporation, FAI and FLI

**December 31, 2021 (Audited)**

Category	Amount/ Volume	Outstanding Balance	Terms and Conditions/Nature
<b>Significant investors:</b>			
Loans receivable	P-	P4,842,800	Loans granted with a term of five years, interest of 4.75%, secured with deposit holdout, current and not impaired
Releases	4,842,800	-	
Collection	5,621,850	-	
Deposit liabilities	-	2,649,419	Earns interest at the respective bank deposit rates
Deposits	1,157,579	-	
Withdrawals	3,309,556	-	
Accrued interest receivable	-	57,981	Interest income accrued on outstanding loans receivable
Accrued expenses	-	10,220	Payable for management and professional fees paid by FDC (reimbursement for expenses)
Guarantees and commitments	-	4,843	Unused credit line (omnibus facility) with term of 10 months
Interest income	230,033	-	Interest income on loans receivable
Interest expense	3,930	-	Interest expense on deposit liabilities
<b>Key management personnel:</b>			
Deposit liabilities	-	491,773	Earns interest at the respective bank deposit rates
Deposits	106,970	-	
Withdrawals	144,684	-	
Interest income	-	-	Interest income on loans receivable
Interest expense	395	-	Interest expense on deposit liabilities
<b>Other related parties:</b>			
Loans receivable	-	6,931,292	Loans granted with terms ranging from six days to thirteen and a half years, interest ranging from 4.42% to 17.07%, secured by chattel and real estate mortgage, current and not impaired
Releases	619,635	-	
Collection	1,268,957	-	
Receivables purchased (booked under 'Loans Receivable')	-	2,283,451	Receivables purchased by the Parent Company from FLI (Note 9), current and not impaired
Releases	9,645	-	
Collections	109,630	-	
Accounts receivable	-	23,710	Receivables from EW Ageas Life which represent expenses shouldered by the Parent Company
Deposit liabilities	-	1,206,443	Earns interest at the respective bank deposit rates
Deposits	3,083,414	-	
Withdrawals	3,085,141	-	
Accounts payable	-	7,652	Collection of loan insurance on behalf of EW Ageas Life that remained unremitted
Guarantees and commitments	-	6,921	Unused credit lines
Accrued interest receivable	-	34,686	Interest income accrued on outstanding loans receivable
Interest income	388,316	-	Interest income on loans receivable
Interest expense	2,932	-	Interest expense on deposit liabilities
Commission fees	13,477	-	Commission fees received from EW Ageas Life
Service fee expense	83	-	Service fees paid to FLI for account servicing equivalent to 1.12% of loan amounts collected by FLI on behalf of the Parent Company (Note 9)

<b>December 31, 2021 (Audited)</b>			
<b>Category</b>	<b>Amount/ Volume</b>	<b>Outstanding Balance</b>	<b>Terms and Conditions/Nature</b>
Rent expense	80,770	-	Rent expenses paid for lease transactions with other related parties such as Filinvest Asia Corporation, FAI and FLI

### Parent Company Related Party Transactions

Transactions between the Parent Company and its subsidiaries meet the definition of related party transactions.

In addition to the transactions discussed above, the following are the transactions between the Parent Company and its subsidiaries that are recognized in the Parent Company's statements of financial position and statements of income and eliminated in the consolidated financial statements:

<b>March 31, 2022 (Unaudited)</b>			
<b>Category</b>	<b>Amount/ Volume</b>	<b>Outstanding Balance</b>	<b>Terms and Conditions/ Nature</b>
<b>Subsidiaries:</b>			
Receivables purchased	-	<b>₱4,272,191</b>	Receivables purchased by the Parent Company from EWRB
Receivable sold	-	<b>436,236</b>	Employee loans sold by the Parent Company to EWRB
Accounts receivable	-	<b>365,650</b>	Amount collected by EWRB from borrowers on behalf of the Parent Company that remained unremitted and other related expenses shouldered by the Parent Company on behalf of the Subsidiaries
Accounts receivable	-	<b>263,873</b>	Receivables from subsidiaries which represent expenses shouldered by Parent Company
Deposit liabilities	-	<b>581,283</b>	Earns interest at the respective bank deposit rates
Deposits	<b>21,416,462</b>		
Withdrawals	<b>21,492,925</b>		
Accounts payable		<b>119,279</b>	Cash reloading transactions between EWRB and the Parent Company
Service fee expense	<b>4,728</b>	-	Service fees paid to EWRB for account servicing equivalent to 0.37% of loan amounts collected by EWRB on behalf of the Parent Company for the receivables purchased and for collection of credit card payments
Service fee income	<b>232</b>	-	Service fees paid by EWRB for account servicing equivalent to 0.37% of loan amounts collected by the Parent Company on behalf of EWRB for the receivables sold
Commission expense	<b>687,032</b>	-	Commission expense paid by the Parent Company to QMIS
Rent income	<b>10,680</b>	-	Rent of office space leased to subsidiaries

<b>December 31, 2021 (Audited)</b>			
<b>Category</b>	<b>Amount/ Volume</b>	<b>Outstanding Balance</b>	<b>Terms and Conditions/ Nature</b>
<b>Subsidiaries:</b>			
Receivables purchased	₱-	<b>₱1,908,404</b>	Receivables purchased by the Parent Company from EWRB (Note 9)
Acquisitions	2,466,091.19	-	
Collections	4,374,494.79	-	
Receivable sold	-	230,796	Employee loans sold by the Parent Company to EWRB (Note 9)
Accounts receivable	-	206,976	Amount collected by EWRB from borrowers on behalf of the Parent Company that remained unremitted and other related expenses shouldered by the Parent Company on behalf of the Subsidiaries
Accounts receivable	-	494,848	Receivables from subsidiaries which represent expenses shouldered by Parent Company
Deposit liabilities	-	657,746	Earns interest at the respective bank deposit rates
Deposits	1,005,512	-	
Withdrawals	1,331,964	-	
Accounts payable	-	117,639	Cash reloading transactions between EWRB and the Parent Company
Interest expense	34	-	Interest expense on deposits of EWRB and EWIB

Interest income	2,079	-	Interest income on loans receivable
Service fee expense	17,326	-	Service fees paid to EWRB for account servicing equivalent to 0.37% of loan amounts collected by EWRB on behalf of the Parent Company for the receivables purchased (Note 9) and for collection of credit card payments
Service fee income	881	-	Service fees paid by EWRB for account servicing equivalent to 0.37% of loan amounts collected by the Parent Company on behalf of EWRB for the receivables sold (Note 9)
Commission expense	-	-	Commission expense paid by the Parent Company to QMIS
Rent income	1,688	-	Rent of office space leased to subsidiaries

## 16. Commitments and Contingent Liabilities

In the normal course of the Group's operations, there are various outstanding commitments and contingent liabilities which are not reflected in the accompanying financial statements. The Group does not anticipate material unreserved losses as a result of these transactions.

The Group has several loan related suits and claims that remain unsettled. It is not practicable to estimate the potential financial impact of these contingencies. However, in the opinion of management, the suits and claims, if decided adversely, will not involve sums having a material effect on the Group's financial statements.

### Commitments and Contingencies

The following is a summary of commitments and contingencies of the Parent Company at their peso-equivalent contractual amounts arising from off-balance sheet items:

	2022	2021
Unused credit line - credit cards	<b>₱66,244,771</b>	<b>₱58,536,798</b>
Trust department accounts (Note 29)	<b>46,353,503</b>	44,336,050
Forward exchange sold	<b>33,572,628</b>	32,606,906
Broker Customer Securities Account	<b>26,376,007</b>	-
Forward exchange bought	<b>22,295,205</b>	20,978,809
Outstanding guarantees	<b>9,671,853</b>	8,493,434
Spot exchange sold	<b>3,606,067</b>	1,804,578
Unused commercial letters of credit	<b>2,811,543</b>	4,299,666
Spot exchange bought	<b>2,629,051</b>	4,247,072
Inward bills for collection	<b>563,427</b>	608,071
Financial Futures Sold - Trading - FCDO / EFCDO	<b>187,563</b>	-
Treasurer/cashier/manager's checks	<b>93,968</b>	34,829
Late deposits/payments received	<b>29,452</b>	29,219
Outward bills for collection	<b>2,814</b>	42,498
Items held for safekeeping	<b>1,018</b>	1,219
Others	<b>213</b>	866

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## 17. Financial Performance

Earnings per share amounts were computed as follows:

	(Unaudited)	
	<b>March 31, 2022</b>	March 31, 2021
a. Net income attributable to equity holders of the Parent Company	<b>₱507,557</b>	<b>₱2,028,120</b>
b. Weighted average number of outstanding common shares by the Parent Company, including effect of stock dividends issued in 2018	<b>2,249,975</b>	<b>2,249,975</b>
c. Basic and diluted EPS (a/d)	<b>₱0.23</b>	<b>₱0.90</b>

*\*The Bank has no potentially dilutive shares as of March 31, 2022 and 2021.*

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## 18. Subsequent Event

There have been no events subsequent to March 31, 2022 that the Group and the Parent Company need to report.

**EAST WEST BANKING CORPORATION**  
**CONSOLIDATED FINANCIAL RATIOS**  
 (As Required by SRC Rule 68.1)  
**For the period ended March 31, 2022 and 2021**

	<b>March 31, 2022</b>	March 31, 2021
Current ratio <sup>(1)</sup>	<b>61.8%</b>	59.2%
Solvency ratio <sup>(2)</sup>	<b>117.2%</b>	1.2
Debt-to-equity <sup>(3)</sup>	<b>5.8</b>	5.7
Asset-to-equity <sup>(4)</sup>	<b>6.8</b>	6.7
Interest rate coverage ratio <sup>(5)</sup>	<b>134.9%</b>	480.6%
Return on Equity <sup>(6)</sup>	<b>3.4%</b>	14.4%
Return on Assets <sup>(7)</sup>	<b>0.5%</b>	2.1%
Net Interest Margin <sup>(8)</sup>	<b>6.3%</b>	7.5%
Cost-to- Income Ratio <sup>(9)</sup>	<b>69.4%</b>	53.9%
Debt Ratio <sup>(10)</sup>	<b>85.4%</b>	85.2%

**Notes:**

(1) *Current assets divided by current liabilities*

(2) *Total assets divided by total liabilities*

(3) *Total liabilities divided by total equity*

(4) *Total assets divided by total equity*

(5) *Income before interest and taxes divided by interest expense*

(6) *Net income divided by average total equity for the periods indicated.*

(7) *Net income divided by average total assets for the periods indicated.*

(8) *Net interest income divided by average interest-earning assets (incl. interbank loans, trading and investment securities and loans).*

(9) *Other expenses (excl. provision for impairment and credit losses) divided by net interest and other income for the periods indicated.*

(10) *Total liabilities divided by total assets*

**EAST WEST BANKING CORPORATION**  
**AGING OF LOANS AND RECEIVABLE**  
**For the period ended March 31, 2022 and December 31, 2021**  
*(Amounts in thousands of Philippine Peso)*

**March 31, 2022**

	TOTAL LOAN PORTFOLIO	CURRENT	PAST DUE		NON-PERFORMING LOANS		ITEMS IN LITIGATION
			90 Days or less	91-180 Days	181 Days to 1 Year	More Than 1 Year	
Loans and discounts	<b>219,031,680</b>	<b>189,735,430</b>	<b>5,171,091</b>	<b>6,706,570</b>	<b>2,815,825</b>	<b>14,270,328</b>	<b>332,436</b>
Accounts Receivable	<b>1,946,997</b>	<b>262,288</b>	<b>229,594</b>	<b>275,263</b>	<b>302,593</b>	<b>877,259</b>	-
Accrued Interest Receivable	<b>6,629,207</b>	<b>5,656,400</b>	<b>556,505</b>	<b>76,805</b>	<b>14,476</b>	<b>324,325</b>	<b>696</b>
Sales Contract Receivable	<b>127,238</b>	<b>90,730</b>	-	<b>12,125</b>	<b>2,235</b>	<b>22,148</b>	-
Unquoted Debt Securities	<b>332,770</b>	-	<b>332,770</b>	-	-	-	-
Allowance for Probable Losses	<b>(13,085,367)</b>						
<b>Loans and Receivables, net</b>	<b>214,982,525</b>	<b>195,744,848</b>	<b>6,289,960</b>	<b>7,070,763</b>	<b>3,135,129</b>	<b>15,494,060</b>	<b>333,132</b>

December 31, 2021

	TOTAL LOAN PORTFOLIO	CURRENT	PAST DUE		NON-PERFORMING LOANS			ITEMS IN LITIGATION
			90 Days or less	91-180 Days	181 Days to 1 Year	More Than 1 Year		
Loans and discounts	215,866,066	185,238,141	6,636,401	6,791,247	3,814,278	13,090,984	295,013	
Accounts Receivable	2,590,402	838,226	218,302	198,659	284,069	1,051,146	-	
Accrued Interest Receivable	7,316,431	6,637,873	606,813	10,306	5,895	52,217	3,326	
Sales Contract Receivable	132,896	94,593	-	15,477	7,562	15,264	-	
Unquoted Debt Securities	332,115	-	332,115	-	-	-	-	
Allowance for Probable Losses	(12,675,324)	-	-	-	-	-	-	
Loans and Receivables, net	213,562,586	192,808,833	7,793,631	7,015,689	4,111,804	14,209,611	298,339	