



Sterling
Bank of Asia
A Savings Bank

2023 Annual Report

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Our Core Values

We will manifest the Sterling Bank of Asia Philosophy through consistently demonstrating and living the following core values:



Service Excellence

The commitment to continuously challenge ourselves to exceed expectations of our customers by having the genuine concern and interest in their needs and circumstances, and serving them with a deep sense of responsibility.



Professionalism

The dedication to treat all people with respect, fairness, and compassion while continually pursuing the highest levels of knowledge, skills, and expertise.



Social Consciousness

The resolve to ensure optimum value on the resources entrusted to us and to share this value with those we serve.

Our Vision

Sterling Bank of Asia, the Bank with a Heart, is the new standard for future generations of bankers, driven by integrity, and a deliberate will for excellence — a legacy!

Our Mission

We are committed to exceed customer service expectations. We will actively identify and innovatively respond to their evolving needs.

We are propelled by competent and team-oriented professionals in a respectful, caring, and nurturing environment where everyone can maximize his potential.

We will be responsible stewards of the resources entrusted to us, and we will share the resulting benefits with society.

About the Bank

Sincere, committed, and dependable — that's our brand of banking. We look beyond deposits, balance sheets, and assets to help you achieve your financial and personal goals.

The Way We Bank

Sterling Bank of Asia is a savings bank that was established to provide accessible financial solutions and banking services to both commercial and retail market segments.

Since it opened its first branch in March 2007, through the leadership of a core group of successful businessmen and entrepreneurs, and management of seasoned professional bankers, Sterling Bank of Asia's network has grown to 47 branches located in key areas and cities nationwide.

The Bank offers an array of deposits, loans, investments, asset management, and other financial products to service large corporations, small and medium enterprises, as well as retail customers. Products and services are delivered via the Bank's five business groups namely Retail Banking, Commercial Lending, Consumer Lending, Treasury, and Trust.

Guided by the philosophy of putting clients' needs first by banking to a different beat, the Bank partners with each client, whether individual or corporate, to increase and manage their wealth and resources that will eventually help them achieve their financial goals.

With its extensive portfolio products and services, Sterling Bank of Asia creates more opportunities for clients to take hold of their financial future.

Message from the Chairman of the Board

AS CHAIRMAN OF THE BOARD OF STERLING BANK OF ASIA, I AM HONORED TO ADDRESS YOU AT THE CLOSE OF ANOTHER SUCCESSFUL YEAR.

Despite the myriad challenges that the financial sector faces globally, Sterling Bank of Asia has demonstrated unparalleled resilience and growth. Our solid financial performance is a testament to our prudent risk management strategies, robust governance framework, and the unwavering dedication of our employees. We have not only seen a substantial increase in net income but have also strengthened our capital position by maintaining our Capital Adequacy Ratio at an optimal level.

Sterling Bank of Asia is on a journey of continuous digital transformation. We are investing in upgrading our internet and mobile banking platforms, as well as applications to enhance customer experience, providing greater convenience, security, and a range of new features to meet their evolving needs.

Furthermore, our commitment to innovation extends to our internal processes. We have optimized our operations, resulting in increased efficiency that benefits our bottom line and enhances our ability to serve our customers with excellence.

We are deeply committed to a sustainable future. Our sustainability strategy is not just about reducing our environmental impact but also about promoting economic and social well-being. This year, we have made significant strides in our environmental, social, and governance (ESG) initiatives, with a roadmap in place to transform our products, services, and business processes to align with our sustainable strategic objectives and risk appetite. This includes integrating a sustainability component in our internal credit risk rating system, implementing the Environmental and Social Screening Checklist for clients, and enhancing our corporate social responsibility programs to support community development activities.

The trust and loyalty of our shareholders, customers, and employees are the cornerstones of our success. We are deeply

grateful for your continued support and confidence in our vision. To our shareholders, we remain committed to delivering long-term value through sustainable growth and prudent management. To our customers, we pledge to continue providing exceptional service and innovative solutions tailored to your financial needs. To our employees, thank you for your dedication and hard work; you are the heart of our organization, and your contributions are invaluable.

We are looking at the years to come with immense optimism and a clear sense of purpose. At Sterling Bank of Asia, we are well-positioned to navigate this dynamic landscape, driven by our strategic vision, innovative spirit, and unwavering commitment to our stakeholders.

In conclusion, I would like to extend my heartfelt gratitude to each of you for your role in our success. Together, we have built a strong foundation, and together, we will achieve even greater heights. Let us embrace the future with confidence, resilience, and a shared commitment to excellence.

Thank you.

Sincerely,



Ruben C. Tiu
Chairman of the Board

“ Together, we have built a strong foundation, and together, we will achieve even greater heights. Let us embrace the future with confidence, resilience, and a shared commitment to excellence. ”



“ I would like to express my sincere gratitude to our stockholders, customers, and employees for your unwavering support and trust. Together, we have navigated the challenges of the past year and emerged stronger. ”



Report to Stockholders and Stakeholders

STERLING BANK OF ASIA'S PERFORMANCE THIS YEAR UNDERSCORES THE BANK'S COMMITMENT TO EXCELLENCE, INNOVATION, AND SUSTAINABLE GROWTH, EVEN AMIDST A CHALLENGING ECONOMIC LANDSCAPE.

FINANCIAL PERFORMANCE

The financial year has been characterized by robust growth and strong performance across all our key metrics. Our net income surged by 20.77%, reaching Php242.881 million in 2023, compared to Php201.111 million in 2022. Concurrently, our Total Resources reached Php45.990 billion. This growth was primarily fueled by Php1.536 billion, or 70.45%, in Investment Securities and Php3.981 billion, or 12.85%, in Loans and Receivables, underscoring the effectiveness of our enhanced liquidity and cash management strategies. Moreover, we have maintained a strong capital position with a Capital Adequacy Ratio of 13.71%, which is well above the BSP capital requirement of 10%.

The Bank's total deposits amounted to Php 38.694 billion, reflecting strong confidence and support from our depositors. In the face of a demanding high-interest rate environment, the Bank managed to grow its Consumer Loan business to Php 9.331 billion. Real estate loans continued to be a major contributor, benefiting from sustained demand in the housing sector. Meanwhile, Commercial Lending reached PHP 25.804 billion by the end of the year. This growth in both our consumer and commercial loans demonstrates our comprehensive approach to lending and ensures that we provide valuable financial solutions to both individual and corporate clients, driving overall growth and stability for the Bank.

RECOGNITION AND AWARDS

We are proud to highlight the recognition received in 2023, reaffirming our position as a leader in the thrift banking sector. The accolades bestowed upon us by esteemed institutions such as the Bangko Sentral ng Pilipinas (BSP) and BNY Mellon underscore our remarkable financial outcomes, operational strength, and commitment to excellence. Sterling Bank of Asia was honored as one of BSP's 2023 Outstanding Stakeholders, while BNY Mellon presented us with the Straight-through Processing Award for the fifth consecutive year, recognizing our dedication to excellence in financial operations.

DIGITAL TRANSFORMATION

Our commitment to digital transformation remains steadfast. Ongoing efforts to upgrade key application systems and implement digital initiatives have been instrumental in advancing our strategic objectives.

InstaPay is playing a pivotal role in the Philippines' transition to contactless payments. Through the successful implementation of QR Ph P2M (Person-to-Merchant) and P2B (Person-to-Biller) in the Sterling Bank Online mobile banking app, users can now seamlessly scan a merchant's QR code for instant payments and pay bills from various institutions directly through the app. Furthermore, the Bank's migration to InstaPay ISO 20022 streamlines communication between financial institutions, ensuring a faster and more secure InstaPay experience for our valued clients.

RISK MANAGEMENT AND GOVERNANCE

Effective risk management and strong corporate governance are fundamental to our operations. We have further strengthened our risk management framework to ensure resilience against market volatility and economic uncertainties. Our governance practices have been enhanced through the adoption of new policies and procedures, ensuring transparency and accountability at all levels.

EMPLOYEE DEVELOPMENT

Our employees are the backbone of our success. We have continued to invest in their growth and development through comprehensive training programs, leadership development initiatives, and a supportive work environment. Our commitment to fostering a culture of respect, equity, and inclusion remains intact.

LOOKING AHEAD

I would like to express my sincere gratitude to our stockholders, customers, and employees for your unwavering support and trust. Together, we have navigated the challenges of the past year and emerged stronger. I am confident that with our collective efforts, we will continue to achieve new heights and deliver exceptional value in the years to come.

As we look to the future, we are dedicated to achieving sustainable growth and value for our stockholders and stakeholders. With the financial industry rapidly evolving, we are well-equipped to seize emerging opportunities. Our strategic priorities encompass advancing digital innovation, broadening our product range, and strengthening our commitment to sustainable and responsible banking practices.

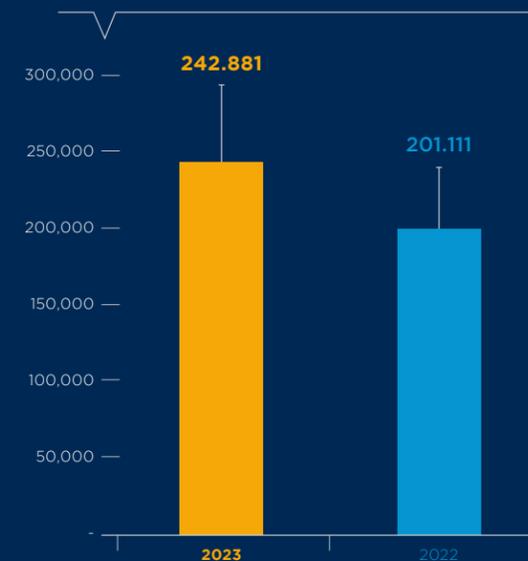
Cecilio D. San Pedro
President and CEO

FINANCIAL HIGHLIGHTS

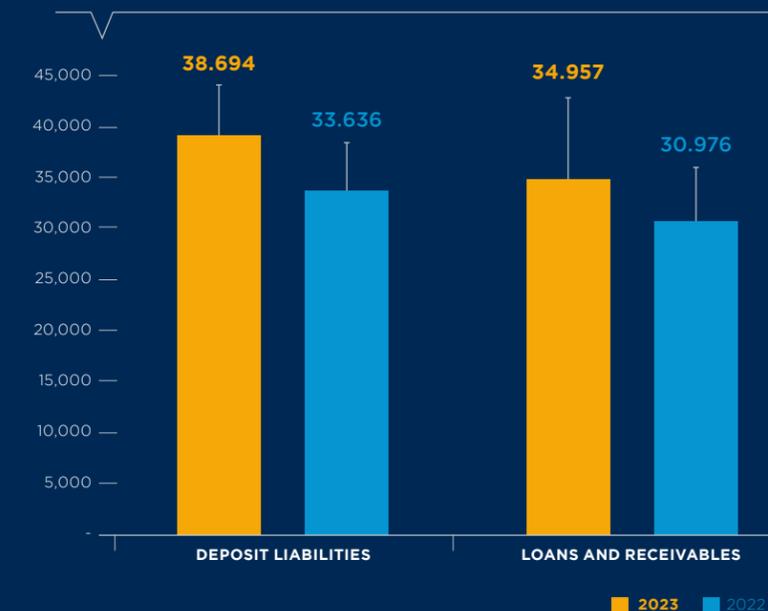
As of December 31

	2023	2022
PROFITABILITY (in Php)		
Total Net Interest Income	1,853,952,923	1,677,560,954
Total Non-Interest Income	189,678,419	187,403,060
Total Non-Interest Expenses	1,710,732,991	1,568,806,734
Pre-provision Profit	332,898,351	296,157,280
Provision for Credit and Impairment Losses	19,303,733	42,137,524
Net Income	242,881,378	201,110,698
SELECTED BALANCE SHEET DATA (in Php)		
Liquid Assets	5,484,815,394	5,757,113,269
Gross Loans	35,846,294,484	31,944,112,963
Total Assets	45,990,455,246	40,500,853,179
Deposits	38,693,816,311	33,636,398,724
Total Equity	4,256,903,921	3,805,604,897
SELECTED RATIOS		
Return on average equity	6.02%	5.41%
Return on average assets	0.56%	0.47%
Net interest margin on average earning assets	4.52%	4.11%
Tier 1 Capital Ratio	8.71%	8.60%
Capital Adequacy Ratio	13.71%	13.89%

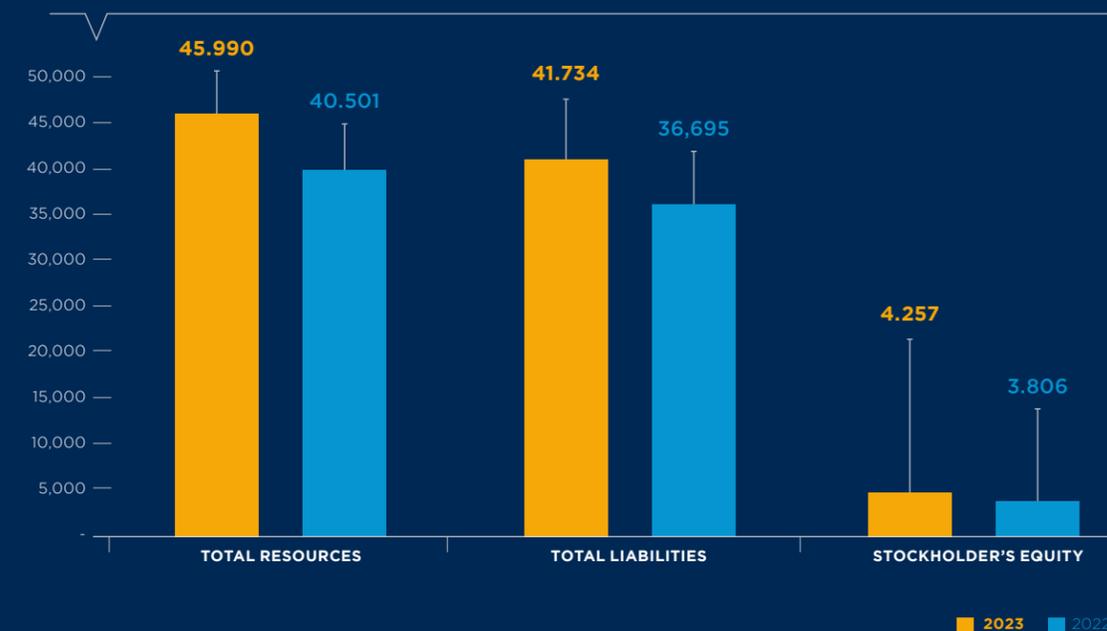
NET INCOME
(in Millions Php)



TOTAL DEPOSITS AND LOANS
(in Billions Php)



BALANCE SHEET MAIN ITEMS
(in Billions Php)



2023 vs 2022



2023 FINANCIAL POSITION

	NET INCOME (in Php Millions)	TOTAL RESOURCES (in Php Billions)	TOTAL LIABILITIES (in Php Billions)
2023	242.881	45.990	41.734
2022	201.111	40.501	36.695

Financial Position

In 2023, the Bank's Total Resources reached Php45.990 billion, marking a substantial increase of Php5.490 billion, equivalent to a 13.55% growth, compared to the Php40.501 billion recorded in 2022. Loans and receivables, also increased by Php3.981 billion, or by 12.85% reaching Php34.957 billion. This growth underscores heightened lending activities, driven by increased demand or the Bank's strategic expansion of its loan portfolio. Furthermore, the Bank's Investment Securities saw a remarkable surge, increasing by 70.45% or Php1.536 billion, indicating a substantial allocation of funds towards these securities.

Total Liabilities climbed by Php5.038 billion to Php41.734 billion by the end of 2023, representing a 13.73% increase from Php36.695 billion in 2022. Deposit liabilities, which rose by 15.04%, or Php5.057 billion went from Php33.636 billion in 2022 to

Php38.694 billion in 2023. This uptick in deposit liabilities reshaped the deposit mix to 74% low-cost and 26% high-cost, compared to the 73% low-cost and 27% high-cost structure in 2022. Consequently, the Bank effectively managed its net interest margin, benefiting from the shift in deposit composition.

Stockholders' Equity witnessed a significant increase of Php451.299 million, marking an 11.86% growth, rising from Php3.806 billion at the end of 2022 to Php4.257 billion by yearend 2023. This growth can be attributed to the Bank's net income after tax of Php242.881 million, coupled with an infusion of additional capital totaling Php200 million. Moreover, the return on average equity demonstrated an upward trend, rising from 4.78% in 2022 to 6.02% in 2023. Despite the slight decrease in the Basel 1 Capital Adequacy Ratio, which stood at 13.71% in 2023 compared to 13.89% in 2022, both figures notably exceeded the 10% regulatory requirement set by the BSP, indicating a strong and stable financial position for the Bank.

	DEPOSIT LIABILITIES (in Php Billions)	STOCKHOLDER'S EQUITY (in Php Billions)	LOANS AND RECEIVABLES (in Php Billions)
2023	38.694	4.257	34.957
2022	33.636	3.806	30.976

Results of Operations

Sterling Bank of Asia posted a Net Income of Php242.881 million in 2023, an increase of 20.77% or Php41.771 million compared to Php201.111 million in 2022, primarily due to higher interest income by Php879.212 million or 40.14%, which indicates higher earnings from interest-bearing assets like loans, securities, and interbank transactions.

Interest Expense increased by 137.00%, reaching Php1.216 billion in 2023 from Php513.025 million in 2022. This increase is primarily driven by higher costs associated with the increase in deposit liabilities and a rising interest rate scenario.

Non-interest income increased slightly by 1.21%, amounting to an additional Php2.275 million. This increase was driven by net trading gains, which rose from Php18.511 million in 2022 to Php32.394 million in 2023. Additionally, net losses from assets sold or acquired decreased from Php25.874 million in 2022 to Php13.295 million in 2023. However, fees and commissions decreased by Php27.274 million.

Operating Expenses increased by Php141.926 million, or 9.05%, to Php1.711 billion in 2023, mainly due to higher salaries, taxes, licenses, and administrative costs associated with the growth in loans and deposits. Furthermore, the provision for loan losses decreased by Php22.834 million, or 54.19%, due to improvements in loan quality and the collection of past-due loans.

OPERATIONAL HIGHLIGHTS

Retail Banking Group

In 2023, Sterling Bank of Asia witnessed a significant increase in total deposit liabilities, reaching Php38.694 billion, with Peso deposits amounting to Php35.532 billion, compared to Php29.934 billion in the previous year. This growth was complemented by an improved deposit mix, with low-cost deposits constituting 77% and high-cost deposits accounting for 23%.

The increase in deposits occurred as a result of the branches' strategic efforts to attract funds from both existing and new customers. By leveraging their understanding of the local markets they serve, the branches were able to foster stronger relationships and enhance customer satisfaction.

While physical branches serve as vital touchpoints for customers, the Bank's digital channels offer both individual and corporate clients convenient access to banking services, enabling easier financial management and 24/7 account access. The Sterling Bank Online banking platform allows customers to conduct various banking activities from any location. This seamless integration of physical and digital channels ensures flexibility and convenience, catering to the evolving preferences of customers in today's fast-paced world.

In 2023, the Bank introduced QR Ph P2M (Person-to-Merchant), allowing clients to make digital payments to supermarkets, department stores, pharmacies, and restaurants, including sari-sari stores. Additionally, QR Ph P2B (Person-to-Biller) enables customers to conveniently pay bills using the national interoperable QR standard (QR Ph). Both QR Ph P2M and P2B are available through the Sterling Bank Online Mobile Banking app.

Sterling Bank of Asia likewise enhanced its Optima Business Banking Solutions, designed to minimize overhead expenses, streamline operations, and boost profitability for business clients. These enhancements included expanding and improving collection capabilities through Optima Point-of-Sale (POS), enabling seamless receipt of payments from online customers via various channels. Additionally, the introduction of the Optima ePayments system facilitated wholesale payments and fund transfers to other financial institutions, enhancing efficiency and convenience. These upgrades collectively reinforce the comprehensive and integrated experience offered by Optima Business Banking Solutions, aligning with the bank's commitment to meeting the evolving needs of corporate clients.

Looking ahead to 2024, the Bank plans to further improve its Digital Corporate Internet Banking (DCB) platform by adding features aimed at delivering an improved overall customer experience.

Consumer Lending Group

The Consumer Lending Group's strategic focus on asset expansion, partnership development, and process improvement played a crucial role in the Group's recovery in 2023. The total consumer loan portfolio was Php9.331 billion, showing an 18% increase from the Group's total portfolio of Php7.9 billion in 2022. 73% of the portfolio came from real estate loans, 22% from auto loans, and the remaining percentage from personal and salary loans.

Despite challenges related to high interest rates, the Group's growth mainly came from home financing. This initiative involved forging new partnerships and strengthening existing ones to broaden the Bank's lending channels across Metro Manila, Visayas, and Mindanao. These efforts allowed the Bank to tap into wider market segments and better serve the borrowing needs of individual customers. Collaborative efforts between the Sales and Credit teams led

to significant improvements in processes and policies, enhancing the Bank's competitiveness within the industry.

In 2024, the Consumer Lending Group aims to expand the Bank's presence in promising markets through exceptional service delivery. The focus will be on attracting new clients and engaging existing customers, with an emphasis on the real estate and auto loan sectors.



Commercial Lending Group

The Commercial Lending Group concluded 2023 with a 10% increase in its loan portfolio, reaching Php25.804 billion, marking a Php2.334 billion increase from the previous year.

Amidst a challenging business environment marked by high interest rates, the Group demonstrated resilience by offering credit facilities that suit the requirements of its clients, including short-term business loans and trade finance credit facilities. By strategically expanding existing accounts and consistently acquiring new business clients, the Group sustained its growth trajectory in 2023.

The Commercial Lending Group remains optimistic about attracting new clients, reinforcing its commitment to bolstering the Bank's bottom line.



Treasury

Inflation continued to be persistent in 2023, which led to central banks maintaining their rate hiking cycles and hawkish comments. The US Federal Open Market Committee (FOMC) raised the Fed funds target four times by an increment of 25 basis points (bps) each time, from 4.25%/4.50% at the start of the year to 5.25%/5.50%, where it stayed for the rest of the year. The Bangko Sentral ng Pilipinas (BSP), on the other hand, raised its policy rates from 5.50% at the start of the year to 6.50%, inclusive of a 25 bps off-cycle rate hike in October. The rate hikes proved necessary to prevent inflation from getting out of hand as economies remained strong. The US bucked analysts' predictions of a recession due to the rate hikes as growth remained positive while unemployment remained low at 3.7%, with wage growth at 4%. The Philippine 2023 headline and core inflation averaged 6% and 6.6%, respectively, while growth averaged 5.6%, the second highest in the region after Vietnam.

While the rate hiking cycle helped contain inflation, it also had its victims. Most notable was the United States' 16th largest bank, Silicon Valley Bank. It suffered a USD1.8 billion trading loss when it had to sell its low-yielding government bonds at market rates to generate liquidity. This led to the collapse of the said bank and triggered nervousness in US regional banks. The shutdown of Signature Bank and the sale of First Republic Bank followed despite efforts from the US government to assure depositors that their deposits in excess of those insured would be covered. March 2023 also saw the end of financial giant Credit Suisse as Swiss National Bank had to arrange a rescue package, resulting in Union Bank of Switzerland buying the bank for CHF3 billion.

Contrary to some economists and banks insisting on going against the US Fed's direction/projections, the Treasury maintained its view that interest rates were poised to rise based on the



US FOMC's and BSP's comments and current economic data. Treasury limited its holdings to short-term instruments to minimize mark-to-market and actual losses in both trading and investment portfolios. It only started shifting some investments to medium-term instruments in the fourth quarter. Treasury made the most out of BSP's Monetary Operations System (MOS) facilities, which provided ample yield to the Bank's excess liquidity. This allowed the Treasury to generate Php416.950 million in trading and interest income as well as Php 13.051 million in net foreign exchange gain and other fees and commissions.

A reversal in interest rate policy direction is expected in the second half of 2024 as inflation has started coming down, especially with high base factors for inflation rates at the start of the year. However, risks remain on the horizon. Aside from the war in Ukraine, the October 7 attack on Israel has created instability in the Middle East. If war between Israel and Hamas escalates, this could affect oil prices. With Yemen's Houthi rebels attacking ships in the Red Sea in support of Hamas, shipping costs could go up. China has the opposite problem. After the real estate collapse, with several major Chinese companies in default, China is having difficulty propping up

the economy as confidence remains low. Despite several rate cuts and government measures to support the stock market and CNY, it is uncertain how it will get back on its feet. On the local front, an expected strong El Niño can affect the prices of agricultural products. Regarding the fiscal side, the national government will be pressured to raise funds in the first quarter as Php700 billion in treasury bonds is maturing in March. The fiscal deficit projection of Php1.356 trillion will add to the funding requirement of the national government, which could provide support for interest rates as it competes with the private sector for funding. Most of the risks to inflation will be seen in the first half of 2024, while lower policy rates plus a possible cut in reserve requirements in the second half of 2024 will provide the Treasury with fixed-income trading and investment opportunities. The unwinding of overly priced-in US rate cuts at the start of the year and the change in policy direction by mid-year will create FX volatility and create FX trading opportunities. The continuous Philippine growth, on the other hand, will translate to more trade and remittance flows that the Bank can service.

Trust

Despite a challenging year for the Bank's Trust business, the Trust Group remains committed to providing exceptional service and a diverse range of investment options to meet clients' financial needs and requirements. The Trust Group ended the year with Assets Under Management (AUM) totaling Php5.367 billion.

Throughout the year, there was growth in Trust and Other Fiduciary Accounts (TOFA) and Unit Investment Trust Funds (UITF). TOFA saw a significant increase of 54.40%, with a total of Php343.29 million, while UITF grew by 38.82%, reaching Php89.76 million. Additionally, Trust gross revenue from 2022 increased by 12.53%, driven by enhanced client participation in the capital markets in 2023. This growth can be

attributed to The Trust Group's commitment to providing clients with access to a diversified range of investment opportunities. The Group also experienced a net inflow of fresh funds by offering clients the chance to invest in primary and secondary corporate and government issuances, alongside traditional products from other financial institutions.

Looking ahead, the Trust Group plans to expand its investment universe to include USD-denominated funds that pay regular income to clients, and Environmental, Social, and Governance (ESG-themed) products that align with the BSP's sustainability framework. Additionally, the Group will focus on implementing digital initiatives to facilitate seamless client onboarding.



RISK MANAGEMENT



Risk Management Culture and Philosophy

Sterling Bank of Asia fosters an inclusive risk management culture recognizing the contributions of every employee, officer, director, and stakeholder within its enterprise risk management framework. The Bank's activities are risk-based and encompass product development, sales, customer management, strategic planning, and audit, among others.

The Bank's Risk Philosophy highlights that managing risk is a collective responsibility and duty throughout the organization. Consequently, every Sterling Banker is aware of their specific role in risk management. This philosophy is emphasized during onboarding, where the Bank's Enterprise Risk Management framework is thoroughly covered in the New Hires Orientation Program. Risk training is provided as part of the Bank's ongoing education program led by the Center for Learning to cultivate a culture of risk awareness. This training provides employees with the necessary tools and technical skills to understand the risks inherent in their roles and business processes, emphasizing the importance of making risk-informed business decisions.

Enterprise Risk Management Framework

Sterling Bank of Asia's four pillars for Risk Management are (i) Strategy and Risk Appetite; (ii) Organization and Governance; (iii) Infrastructure; and (iv) Models and Measures.

STRATEGY AND RISK APPETITE

The organization's efficiency is significantly reliant on the success of its risk management processes. As such, the Bank's daily operations are carried out using an integrated risk management approach. The Bank's Risk Appetite is incorporated in the strategic planning to ensure that goals and objectives are met, and the risks to achieving them are calculated and acceptable.

A. General Risk Appetite Statements

- The Bank has no appetite for breaches in regulatory limits, thresholds, or requirements and will always ensure compliance.
- The Bank has no appetite for risk exposures caused by negligence or willful violation of internal and regulatory policies.
- The Bank has no appetite for any fraud (internal and external) and will provide adequate resources to avoid, detect, handle, and remedy fraud incidents.
- The Bank has a low to moderate appetite for strategic risk to support business growth while optimizing capital.

B. Credit Risk Appetite Statements

The Bank’s lending decisions shall be aligned with its strategic goals and support corporate governance. Clear risk-taking boundaries will be established to ensure all applicable credit policies are adhered to when granting loans to clients.

- The Bank has a moderate appetite for credit risk and will not lend to new accounts with a Credit Risk Rating of 6 - Weak and below.
- The Bank has no appetite for any breach of the regulatory Single Borrower’s Limit (SBL) and will closely monitor the accounts using over 75% of internal SBL.
- The Bank has a moderate appetite for non-performing assets and will manage NPA to gross assets by continuously improving collection and remedial efforts, including loan restructuring programs to its borrowers, as well as doing promotional offers to sell our acquired assets.
- The Bank has a low appetite for credit concentration risk. It will avoid unnecessary credit concentrations and large exposures to any single or group of accounts. It will continuously monitor the new availments to ensure adequate diversification of the credit portfolio.

C. Market and Liquidity Risk Appetite Statements

The Bank shall ensure that its market risk position is constantly monitored and adequately protected against constantly

changing or adverse market conditions through effective market risk management. The Bank shall also ensure that it is able to source funds under normal and stress scenarios.

- The Bank has no appetite for any breach of the regulatory thresholds/limits. It ensures that the Bank holds robust capital buffers on top of the minimum capital requirement through regular monitoring of exposure against limits wherein the internal limits are set as early warning triggers.
- The Bank has a moderate appetite for trading activities. It will ensure that exposures are within the internal and regulatory thresholds through regular and timely monitoring and early warning indicators.
- The Bank has a moderate appetite for market risk. It will ensure that risk measurements and limits are aligned with assumptions, including Treasury’s strategic investment/trading plans, while ensuring that the resulting CAR will remain above BSP’s threshold of 10%.
- The Bank has a moderate appetite for liquidity risk. It will ensure cost-effective funding from diversified sources to maintain a strong liquidity position and enable and support the Bank’s lending operations even under stressed market conditions through regular monitoring of exposures against limits and stress testing activities.

D. Operational Risk Appetite Statements

The Bank shall ensure that operational risks are managed at all levels and that internal controls are in place, adequate, and effective to prevent losses.

- The Bank has a low appetite for actual loss with the threshold set at P100T.
- The Bank has a medium appetite for key risk indicators and residual risk scores of the units’ identified critical processes (Key Risk Indicator Monitoring and Risk and Control Self-Assessment)
- The Bank has a low appetite for business disruptions and ensures that Recovery Time Objectives and Recovery Point Objectives are met.

- The Bank has zero appetite for reputation events that can potentially create a negative perception of the Bank and its customers, shareholders, investors, employees, market analysts, the media, and other stakeholders such as regulators and other government agencies.

E. IT & Information Security Risk Appetite Statements

The Bank is committed to provide highly reliable data and system protection to its information assets. The following expectations for mission-critical data and systems have been established to achieve this goal.

- The Bank has no appetite for any data breach and will ensure that existing controls are always adequate.
- The Bank has a very low appetite for system unavailability. It will ensure 99.9% availability of its systems at any point unless previously scheduled for maintenance or other pre-defined and approved purposes.
- The Bank has a low appetite for system disruptions and will ensure rapid recovery and resumption of the Bank’s systems in adherence to the Bank’s business continuity management.
- The Bank has a low appetite for information security risk. It will ensure rapid response to information security or cybersecurity-related incidents in adherence to its cybersecurity incident management framework.

F. Environmental and Social Risk Appetite Statements

- The Bank will not lend to, invest, or partner with persons and entities engaged in activities listed under the exclusion list.
- The Bank will limit its exposure to industries and entities with High E&S risk only after carefully assessing mitigating circumstances.

- The Bank will not tolerate any violation of environmental and social issues in engaging with clients, counterparties, and third-party service providers.
- The Bank will avoid activities and practices that will compromise the health and safety of its employees within its office premises and outside during official business conduct.
- The Bank will ensure the resiliency of all its offices and branches to withstand natural disasters and other environmental risks.

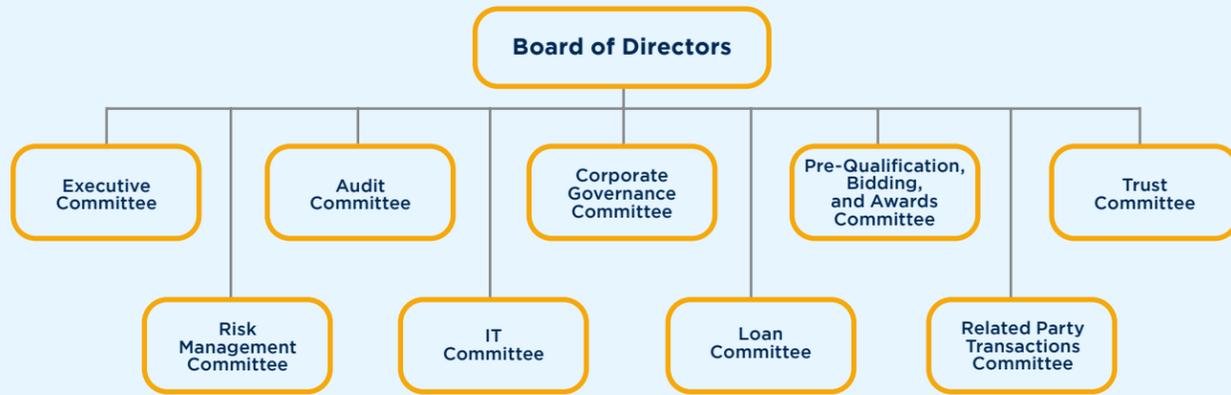
RISK ORGANIZATION AND GOVERNANCE

Sterling Bank of Asia embraces a multiple-stakeholder approach to both risk management and business operations. This shared effort underscores that risk accountability is a collective responsibility across the organization. Working closely with support teams, each business unit conscientiously fulfills its role in the risk management process. This approach follows a multi-layered defense model designed to uphold the board-established risk tolerance levels effectively.

The Bank strictly adheres to the principle of separation between front, middle, and back-office functions, as reflected in its four lines of defense structure. Business management is the first line of defense. Line groups, as risk-taking units, enter into business transactions and manage risks embedded in their products and services, both financial and non-financial.

The front-line offices are in charge of assessing and managing risks across business lines and developing and implementing procedures to limit risks associated with bank products and services.





The second line of defense is the back office units including Legal Services Group. They support and facilitate transaction processing while ensuring controls and policies are followed during deal implementation and execution.

The middle office functions represented by Risk Management and Compliance Office comprise the third line of defense. These groups establish risk management and control standards and ensure compliance with applicable laws and regulations.

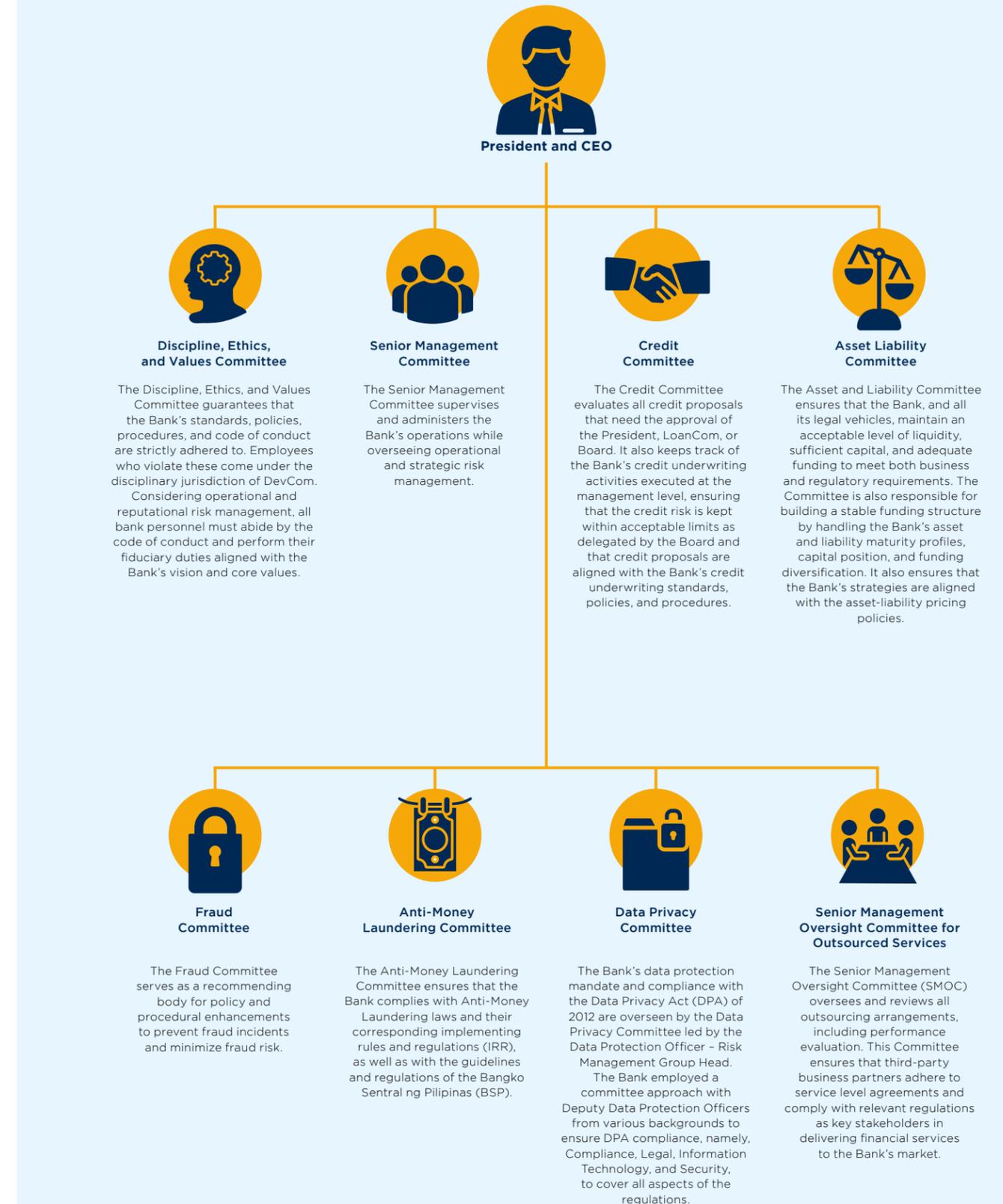
The independent units oversee and challenge the front-line units' risk-taking operations while evaluating the effectiveness of back-office controls and functions. These independent units also guide bank units on techniques, tools, and processes that can be utilized to raise risk awareness and foster a culture of compliance and control.

Internal Audit is the fourth line of defense. The unit provides validation mechanisms to determine the implementation of established risk management systems.

The Board of Directors (BOD) is responsible for risk in general and sets the tone for the Bank, shaping its corporate culture and values. The direction given by the Board guides the Bank's business plans and strategies. The BOD, through various committees, oversees their implementation, monitors performance to assess accomplishments against targets, and ensures that activities are kept within acceptable risk thresholds.

The BOD also oversees the implementation of the Bank's Enterprise Risk Management System, which provides a framework for identifying, measuring, monitoring, and controlling the Bank's risk exposures.

The BOD is backed by several Board and management-level committees in its oversight function. These committees are responsible for developing, supervising, and monitoring risks across the organization and providing the necessary governance structure to support its fiduciary duty.



Discipline, Ethics, and Values Committee
The Discipline, Ethics, and Values Committee guarantees that the Bank's standards, policies, procedures, and code of conduct are strictly adhered to. Employees who violate these come under the disciplinary jurisdiction of DevCom. Considering operational and reputational risk management, all bank personnel must abide by the code of conduct and perform their fiduciary duties aligned with the Bank's vision and core values.

Senior Management Committee
The Senior Management Committee supervises and administers the Bank's operations while overseeing operational and strategic risk management.

Credit Committee
The Credit Committee evaluates all credit proposals that need the approval of the President, LoanCom, or Board. It also keeps track of the Bank's credit underwriting activities executed at the management level, ensuring that the credit risk is kept within acceptable limits as delegated by the Board and that credit proposals are aligned with the Bank's credit underwriting standards, policies, and procedures.

Asset Liability Committee
The Asset and Liability Committee ensures that the Bank, and all its legal vehicles, maintain an acceptable level of liquidity, sufficient capital, and adequate funding to meet both business and regulatory requirements. The Committee is also responsible for building a stable funding structure by handling the Bank's asset and liability maturity profiles, capital position, and funding diversification. It also ensures that the Bank's strategies are aligned with the asset-liability pricing policies.

Fraud Committee
The Fraud Committee serves as a recommending body for policy and procedural enhancements to prevent fraud incidents and minimize fraud risk.

Anti-Money Laundering Committee
The Anti-Money Laundering Committee ensures that the Bank complies with Anti-Money Laundering laws and their corresponding implementing rules and regulations (IRR), as well as with the guidelines and regulations of the Bangko Sentral ng Pilipinas (BSP).

Data Privacy Committee
The Bank's data protection mandate and compliance with the Data Privacy Act (DPA) of 2012 are overseen by the Data Privacy Committee led by the Data Protection Officer - Risk Management Group Head. The Bank employed a committee approach with Deputy Data Protection Officers from various backgrounds to ensure DPA compliance, namely, Compliance, Legal, Information Technology, and Security, to cover all aspects of the regulations.

Senior Management Oversight Committee for Outsourced Services
The Senior Management Oversight Committee (SMOC) oversees and reviews all outsourcing arrangements, including performance evaluation. This Committee ensures that third-party business partners adhere to service level agreements and comply with relevant regulations as key stakeholders in delivering financial services to the Bank's market.

Risk Management

The Risk Management Group (RMG), led by the Bank's Chief Risk Officer, supports the Risk Management Committee in exercising its oversight function. The group develops and implements the risk control and monitoring mechanisms under the Bank's Enterprise

Risk Management framework. It reviews risk policies and brings various risk aspects to the management and the board's attention. It also acts as a watchdog and monitors the different units' risk-taking activities to ensure they are within the Board's set thresholds.

Credit Risk and Control Department	Market and Liquidity Department
<ul style="list-style-type: none"> • Credit portfolio risk management and analytics • Implementation of an Internal Credit Risk Rating System • Credit risk identification, quantification, and assessment • Detection of credit concentration and problem accounts • Monitoring of adherence to credit limits and credit underwriting standards • Credit policy development • Model validation 	<ul style="list-style-type: none"> • Analytics of the Bank's market, liquidity, and interest rate risks • Risk identification and assessment affecting the Bank's Treasury, Trust operations, and financial market activities • Market risk quantification and assessment • Contingency measures to address the impact of market shocks and liquidity crunch • Model validation

Operational Risk Department	Information Security (IS) and Information Technology (IT) Risk
<ul style="list-style-type: none"> • Operational loss data tracking and reporting • Operational risk identification, quantification, and assessment • Methodologies in the conduct of risk and control assessment across the institution • Comprehensive Business Continuity Program • Analysis of operational risk management processes within the Bank • Monitoring of Risk Treatment Action Plans and Key Risk Indicators (KRI) • Incident reporting management • DPA implementation • Fraud Risk management • Model validation 	<ul style="list-style-type: none"> • Information Technology (IT) risk management system • Information security program management • IT and IS risk identification, quantification, and assessment • Access control reviews • IS incident management • Vulnerability Assessment and Penetration Testing • Model validation

INFRASTRUCTURE

Sterling Bank of Asia's Enterprise Risk Management (ERM) System is built upon a solid foundation that integrates people, processes, and technology. Within this framework, each business unit assumes responsibility for managing its operational risks. They implement specific controls within their processes to effectively mitigate and manage these risks, ensuring alignment with the bank's overall risk management strategy.

The ERM framework covers all aspects of risk management throughout the organization. It promotes a shift from silo thinking to a holistic view of business and risk integration. This approach acknowledges inherent risks in business activities and identifies relevant risk indicators.

Business processes are structured using a multiple-stakeholder approach to enhance efficiency and eliminate redundancies. This approach promotes a collective understanding of risk throughout the entire process value chain. These processes are bolstered by policies and procedures that address the Bank's primary risks: credit, market, liquidity, and operational risks. Each business unit adheres to specific policies governing risk and risk-taking activities, ensuring alignment with the risk appetite and tolerance levels set by the Board of Directors (BOD). These policies undergo regular review and updates to remain adaptive to changing risk and business landscapes.

Information Technology (IT) is vital to the Bank's risk management system. The IT Group ensures the necessary infrastructure is in place to automate critical processes to support business activities with adequate controls and safeguards. IT is responsible for designing the Bank's risk architecture and data management tools for risk reporting and Management Information System (MIS) to monitor business performance and guide decision-making.

RISK MODELS AND MEASUREMENTS

Risk measurements and monitoring tools help the Bank identify its vulnerabilities. Sterling Bank of Asia uses these measurements to plan how to

recalibrate and address potential weaknesses. These also help make essential business decisions and provide trigger mechanisms for strategic actions in the face of changing regulatory and risk environments that could challenge crucial assumptions from which business plans are anchored. Risk reports showing the results of the monitoring and measurement tools are submitted periodically to the Bank's various concerned Management Level Committees and the Risk Management Committee. RMG performs a detailed analysis of the Bank's risk exposures and provides the Board and Management with a comprehensive assessment of the Bank's overall risk profile. It employs various tools and methodologies to measure risk and set up a comprehensive limit structure that is regularly subject to continuous improvements.

The Bank uses various risk management methodologies, utilizing industry-accepted quantitative and qualitative techniques to estimate and monitor risk exposures. These include Value at Risk and Earnings at Risk measures, methodologies for estimating loan losses using probabilities of default and loss rates for credit risk, internal credit rating systems, gap analysis, and identification of key risk indicators within established key metrics. To ensure the models' predictive accuracy in estimating risk levels, they are subjected to model validation (i) before implementation and (ii) after major changes to the assumptions or parameters are applied. Otherwise, the models will undergo performance monitoring through periodic backtesting to ensure reliability.

TYPES OF RISKS

Credit Risk

Credit risk is the possibility of a loss resulting from a debtor's default and/or counterparty's failure to meet its contractual obligations to the Bank. The Bank's credit risk arises from lending, trade finance, and investment activities.

Credit risk is the most significant risk exposure. As of 2023, it contributed 91.72% of the Bank's risk-weighted assets. The Capital charge for credit risk is calculated through the standardized approach.

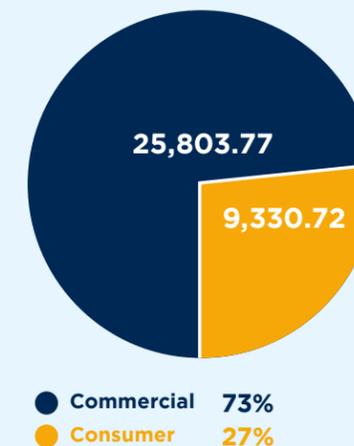
CREDIT RISK WEIGHTED ASSETS				
	2023 Amount (in Millions)		2022 Amount (in Millions)	
0% Risk Weight				
Cash on hand	578.538		510.071	
Due from BSP	2,057.103		2,814.430	
Financial assets at Fair Value Through Other Comprehensive Income (FVOCI)	3,610.886		869.925	
Loans and Receivables Arising from RA/CA/PR/SLB	1,348.575		470.547	
Claims guaranteed by central governments and central banks of foreign countries with highest credit quality	603.014		166.000	
Loans to the extent covered by hold-out	1,394.683		1,119.616	
Loans to the extent guaranteed by Philguarantee	2,385.521		1,499.644	
Total Subject to 0% Risk Weight	11,978.321	-	7,450.233	-
20% Risk Weight				
Claims guaranteed by foreign incorporated banks	176.533		200.832	
Total Subject to 20% Risk Weight	176.533	35.307	200.832	40.166
50% Risk Weight				
Loans to individual for housing purposes	2,383.948		1,901.781	
Qualified MSME loans	-		1,567.502	
Foreign currency denominated claims on or portions of claims guaranteed by or collateralized by foreign currency denominated securities issued by Philippine National Government and the BSP.	575.009		123.866	
Total Subject to 50% Risk Weight	2,958.957	1,479.479	3,593.148	1,796.574
75% Risk Weight				
Qualified micro, small and medium enterprise (MSME) loan portfolio	1,772.313		-	
Total Subject to 50% Risk Weight	1,772.313	1,329.235	-	-
100% Risk Weight				
NPL to individuals for housing purposes	17.233		127.797	
Net Other assets	27,634.303		26,374.233	
Total Subject to 100% Risk Weight	27,651.536	27,651.536	26,502.031	26,502.031
150% Risk Weight				
All NPL except NPL individual for housing purposes	1,705.286		1,957.918	
Real Estate and other acquired properties and NCAHS	611.208		616.977	
Total Subject to 150% Risk Weight	2,316.494	3,474.741	2,574.894	3,862.341
Risk-weighted On Balance Sheet		33,970.296		32,201.112
Risk-weighted Off Balance Sheet		37.599		5.518
Counterparty (Trading/Banking)		0.669		0.934
TOTAL CREDIT RISK		34,008.564		32,207.564

The credit risk exposure is primarily from the Commercial and Consumer Lending businesses, with a combined loan portfolio of Php35.13 billion as of 2023. In terms of loan mix, 73.44% is from Commercial Lending, while 26.56% is from Consumer Lending.

Commercial Lending's portfolio was at Php25.80 billion at the end of 2023. The portfolio consists mainly of short-term business loans,

primarily in loan lines to support working capital requirements, international and domestic trade finance facilities, factoring, and receivables financing. The borrowing terms are tailored to fill the financial gap for the borrowers. The Bank also offers medium-term loans for capital expenditures and floor stock financing for automotive dealers.

TOTAL LOAN PORTFOLIO (in Php Millions)



Commercial loan credit underwriting is based on assessing the borrower's repayment capacity determined by cash flow and industry analyses, assessment of management capability, and financial prospects. The Bank institutes risk and cash flow-based lending standards over collateral-based lending. Collateral, if any, serves only as one of the risk mitigation techniques and provides a second way out rather than a primary consideration for lending.

To classify borrowers into High Grade, Standard Grade, or Impaired categories, the Bank uses a 10-scale Internal Credit Risk Rating System (ICRRS). Credit ratings are one of the variables considered in credit underwriting and are part of the conditions for loan approval. Borrower ratings are re-evaluated and updated at least once a year or as needed, depending on material changes and significant events that may impact the borrower's creditworthiness. The rating system is subdivided into the borrower's risk rating (BRR) and the facility risk rating (FRR). The BRR considers quantitative and qualitative evaluations to estimate credit risk and uses a combination of financial indicators and management and industry assessments. On the other hand, FRR reflects the credit enhancements resulting from the credit structure, including risk mitigation mechanisms. Credit ratings are assigned at the time of loan approval. They are re-assessed and updated at least annually or when the borrower's creditworthiness may be significantly affected by certain events and factors.

INTERNAL CREDIT RISK RATING SYSTEM (ICRRS)		
RISK RATING	CLASSIFICATION	CREDIT QUALITY
1	Excellent	High Grade
2	Strong	
3	Good	
4	Satisfactory	Standard Grade
5	Acceptable	
6	Weak	
7	Poor	Impaired
8	Substandard	
9	Doubtful	
10	Loss	

Underwriting for Consumer Lending is based on the credit acceptance criteria built on borrower characteristics and integrated into credit scorecards for each product offering. Secured and unsecured loans are available in the Consumer Lending space. Secured retail products include vehicle and home loans, while unsecured retail products comprise personal, salary, and employee loans. These loans help fund the clients' personal and lifestyle requirements. The Consumer Lending group enables borrowers to build their asset portfolio by helping finance their dream homes, cars, and business undertakings.

By 2023, the Consumer Loan portfolio was at Php9.33 billion. Around 73.30% of the portfolio is from real estate financing, while 21.60% is from auto loans, and the rest are from personal and salary loans.

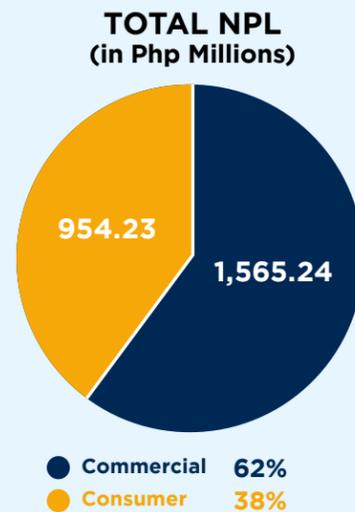
The Bank follows a credit limit structure in its credit risk management. This structure is a mechanism to manage credit concentration risk from significant exposures to single name/ group borrowers, industry sectors, DOSRI/RPT, and country risk exposures.

In approving loan transactions, the Bank uses a system of delegated authorities approved by the Board. One of the techniques by the Bank to ensure adequate credit assessment is the "Four Eyes Principle," where dual approval is observed.

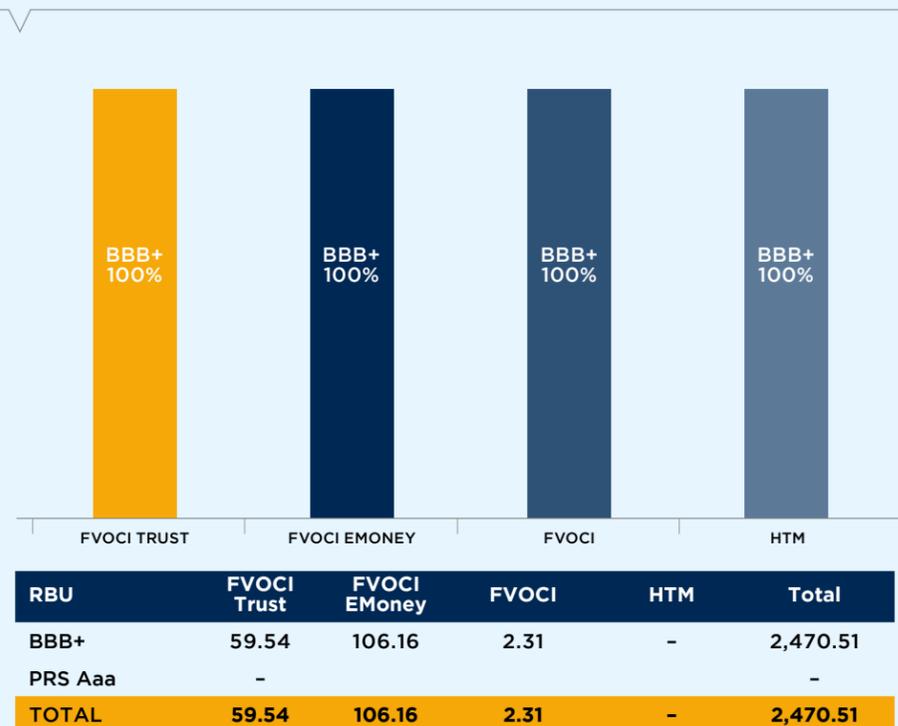
The Loan Committee (LoanCom) is the governing body that oversees the Bank's credit risk management system. LoanCom leads and ensures that the business units implement credit risk strategies as they deliver financing to their target markets. The Committee also approves credit policies and risk control frameworks that specify lending and credit risk-taking parameters.

On the other hand, the Credit Committee (CreCom) ensures the implementation of the instituted credit risk management systems. CreCom oversees the Bank's credit risk-taking activities, ensuring that they align with board-approved strategies and that credit underwriting is carried out within set limits and thresholds.

Credit risk exposures are monitored and regularly reported to the Credit, Loan, and Risk Management Committees. Under the Risk Management Group, the Credit Risk and Control Department assists these committees in risk monitoring and reporting, credit policy creation, risk measurements, and other credit risk management mechanisms.



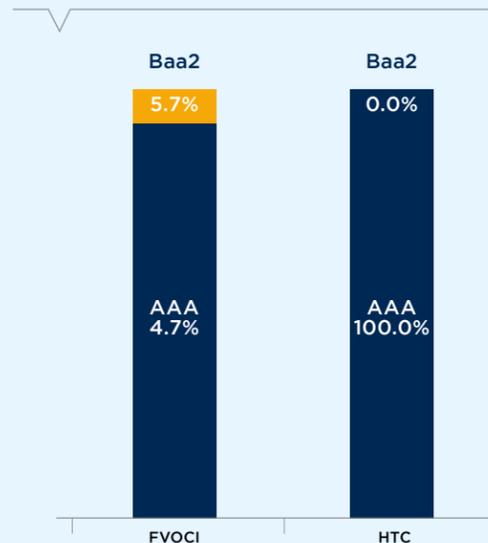
RBU
(Portfolio Concentration Risk by Issuer Rating)



Note: Amounts are in Php Millions

Credit exposures arising from the Bank's treasury trading and investment activities are effectively managed by closely monitoring security prices, which indicate the credit risk premium offered by the market. Credit limit mechanisms such as position limits, counterparty limits, and country limits are also in place to ensure that investing operations are carried out within board-set bounds. Meanwhile, netting arrangements, which provide a single net settlement for exposures, significantly minimize counterparty risk.

FCDU
Portfolio Concentration Risk by Issuer Rating



FCDU	FVOCI	HTC	TOTAL
AAA	1,025.03	142.95	1,167.98
Baa2	62.38	-	62.38
TOTAL	1,087.41	142.95	1,230.36

¹Amounts are in Php Millions

²FCY denomination converted at USD/Php 55.37

Market Risk

Market risk is the risk to a financial portfolio from movement in market prices. The Bank's market risk originates from its holdings of domestic and foreign-denominated debt securities and financial instruments.

The Bank's Market and Liquidity Risk Management is collectively undertaken by the front office (Treasury Group), the back office (Treasury Operations Department), and the middle office (Market and Liquidity Risk

Department of RMG). Together, these create an ecosystem that balances business generation and risk-taking.

The Market and Liquidity Risk Department under RMG identifies, manages, measures, and controls market risk through daily and monthly monitoring of trading and investment activities. It ensures that these are carried out following the Bank's policies, and procedures. The Market Risk Management framework is annually reviewed by both RMG and ALCO and then approved by the Risk Management Committee (RMC). ALCO is the management oversight committee managing the Bank's market risk exposures.

Market Risk in the Trading Book

The Bank's significant source of market risk is its Treasury portfolio which is composed mainly of government securities (PHP and USD), corporate bonds, and foreign currencies. This risk is embedded in the Bank's day-to-day trading activities. Thus, as part of the monitoring and control process, the Bank performs daily analysis of Value-of-Risk (VaR). Aside from that, VaR limits have been set and reviewed annually based on the Bank's risk appetite for all financial trading activities.

VaR monitoring results including calculated VaR, limit utilization, and limit breaches are sent to the Treasury Group, Chief Risk Officer, and President daily. These VaR results guide the Treasury Group's risk-taking activities. Then on a monthly basis, a summary of the VaR results are reported to Asset and Liability Committee (ALCO) and Risk Management Committee (RMC).

VaR is a method used for calculating market risk, specifically for exposures subject to foreign exchange, price, and interest rate risks. This statistical estimate provides the maximum loss that traders and managers can expect given a set time horizon and confidence level. It is well known for capturing positions, rates, and market movements and packaging them into an intuitive forward-looking single-risk metric that facilitates decision-making and strategic business choices for Senior Management and the Board.

The Bank employs the Historical VaR model which uses historical returns and behavior to

predict what can happen to market prices in the future. The acceptability and predictive power of this model is monitored and checked by an independent unit through quarterly backtesting.

In addition, the Bank employs regular stress testing to assess the Bank's vulnerabilities and ability to absorb shocks under extreme market conditions.

The Bank's market risk exposure was low in 2023, comprising 0.03% of the Bank's risk-weighted assets. The capital charge for market risk exposure follows the standardized approach.

Interest Rate Risk in the Banking Books

Interest rate risk in the banking books (IRRBB) is the risk that adverse interest rate fluctuations may erode the Bank's current and future earnings and economic value. Repricing, basis, and yield curve risks are all present in the Bank's current portfolios. These risks mostly relate to the Bank's positions on interest-rate-sensitive assets and liabilities in the domestic and international markets.

The Bank currently uses the Earnings-at-Risk (EaR) methodology to measure and manage IRRBB since it shows the impact of interest rates on the Bank's accounting income and short-term interest cash flows. It ensures that interest rate exposures are kept within acceptable levels by setting limits on IRRBB from the earnings standpoint. It is a measure of the volatility of earnings for accrual portfolios. This is calculated using a 99.00% confidence level through the change in income over the following 12 months, given current exposures that will result from a one-year standard deviation change in interest rate, updated monthly. It is calculated monthly and subject to quarterly stress testing.

The Bank adheres to prudent assets and liabilities management to ensure that exposure to interest rate movements is kept within acceptable levels, following existing regulatory guidelines.

Foreign Currency Risk

Foreign currency risk is the probability of loss of capital or earnings due to an adverse movement in currency exchange rates. This arises when

there is a mismatch in the foreign currency assets and liabilities, i.e., when assets are not equal to liabilities. The Bank manages its exposure to fluctuations in foreign currency exchange rates by maintaining foreign currency exposure within acceptable limits and existing regulatory guidelines.

Liquidity Risk

Liquidity risk is the risk to earnings or capital arising from the Bank's inability to meet its obligations when they come due or the failure of the Bank to make payments on time or meet funding requirements and financial obligations. Effective liquidity risk management is crucial in terms of the viability of the Bank and the greater stability of financial markets.

The Asset and Liability Committee (ALCO) is the management committee for managing the balance sheet and allocating capital resources. It ensures that existing resources are optimized and funds are generated and maintained cost-effectively to meet unexpected changes in the Bank's operating conditions and funding requirements. It also serves as the Funding Crisis Committee in the event that the situation warrants the activation of the contingency plan.

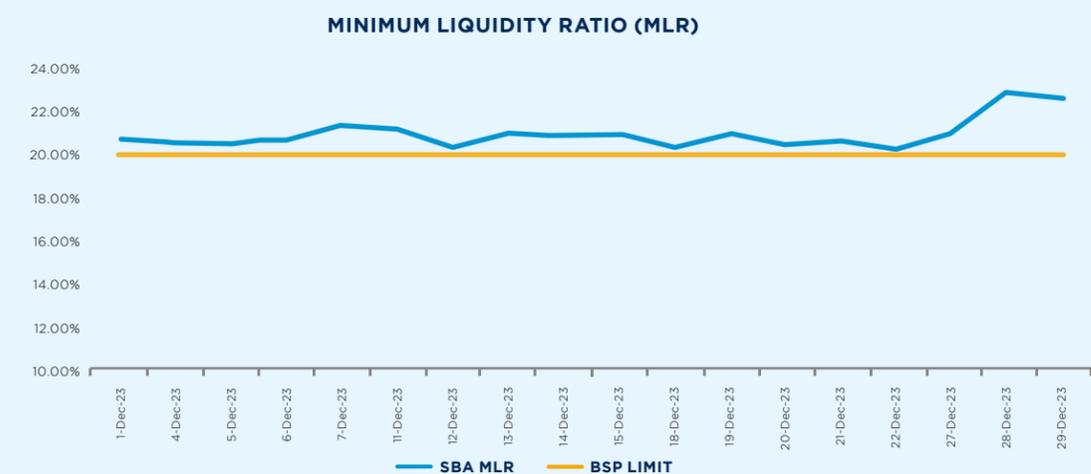
As part of its liquidity risk management, the Bank regularly analyzes its liquidity profile by taking qualitative and quantitative assessments into account. These include looking at the balance sheet size and structure, available standby liquidity and other off-balance sheet (OBS) commitments, and mismatched maturities of assets, liabilities, and OBS exposures. This is supplemented by quantitative assessments through the use of metrics such as liquidity indicator ratios plus the analysis of projected cash inflows and outflows. Scenario analysis and stress testing are also performed to determine the impact of low-probability, high-impact events on the Bank's balance sheet and liquidity profile, triggering management action if necessary. Moreover, the Bank monitors early warning indicators (EWIs) of potential liquidity problems by employing a stoplight approach. EWI risk metrics include Philippine credit rating, non-performing loan ratio, past due ratio, funding concentration risk, and exposure to negative publicity, among others.

The Bank has a well-established Liquidity Contingency Funding Plan (LCFP) that analyzes net funding requirements under various scenarios and the corresponding risk response to deal with these liquidity shocks. The Bank draws on a wide range of fund sources, including short-term bank deposits, practically all of which are accessible on demand or within three months. To test if the Bank's Liquidity measurement entails a comparison between the Bank's cash inflows and outflows to determine the possibility of future net deficits. The Bank uses the Maximum Cumulative Outflow (MCO) model as one of its liquidity risk measurement tools which captures the liquidity gap between maturing assets, liabilities, and OBS commitments. It estimates the volume of anticipated financing that the Bank will require at pre-specified future periods under a typical banking environment. The Bank, through the Treasury Group, utilizes liquidity forecast models to estimate the Bank's cash flow requirements under normal and unusual conditions, taking into account the Bank's contractual obligations. A monthly MCO report is prepared to analyze maturity gaps of the Bank's assets and liabilities. This is reported to the ALCO and Risk Management Committee (RMC) on a monthly basis.

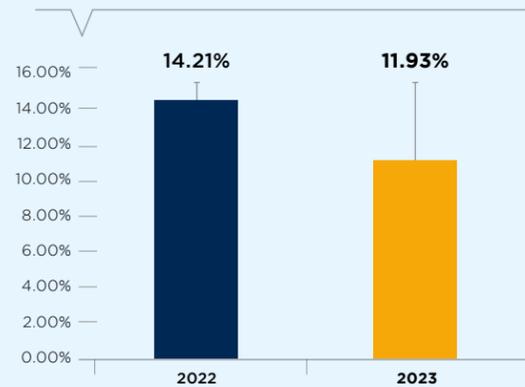
BSP Circular 981 (Guidelines on Liquidity Risk Management), which requires thrift banks to maintain a minimum liquidity ratio (MLR) of 20.00%, emphasizes the importance of liquidity risk management. The Bank continuously worked on maintaining a high level of liquid assets, and its MLR has constantly exceeded regulatory requirements. The regulation was consequently amended by BSP Circular 996 (Amendments to the Liquidity Coverage Ratio Framework and Minimum Prudential Liquidity Requirements), released on February 8, 2018, to promote short-term resilience to liquidity shocks. MLR is calculated as a percentage of eligible stock of liquid assets divided by the total qualifying liabilities. The stock of liquid assets must be unencumbered and readily liquefiable, and the qualifying liabilities must include both on-balance and off-balance sheet commitments.

To assist banks in dealing with the impact of COVID-19, the BSP reduced MLR to 16.00% on April 7, 2020 and it was effective until December 31, 2022. MLR was reset to 20% starting January 1, 2023.

The Bank's MLR at 22.72% and 19.88 % as of December 31, 2023 and December 31, 2022, respectively, reflects its strong liquidity position.



LIQUID ASSETS TO TOTAL ASSETS

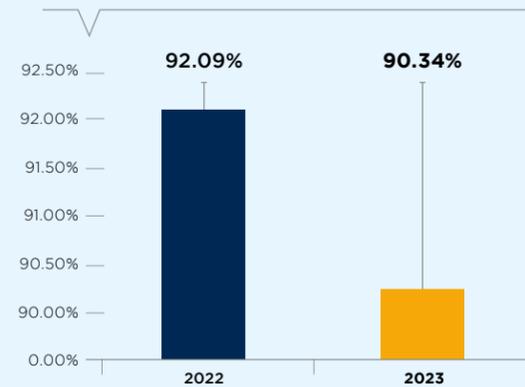


Liquid Assets to Total Assets Ratio

	2022	2023
Liquid Assets	5,757,113,269	5,484,815,394
Total Assets	40,500,853,179	45,990,455,246

*Sum of Cash, COCI, DF BSP, DF Other Banks, Interbank Loans and Financial Assets at Fair Value through Profit or Loss

LOANS TO DEPOSIT RATIO

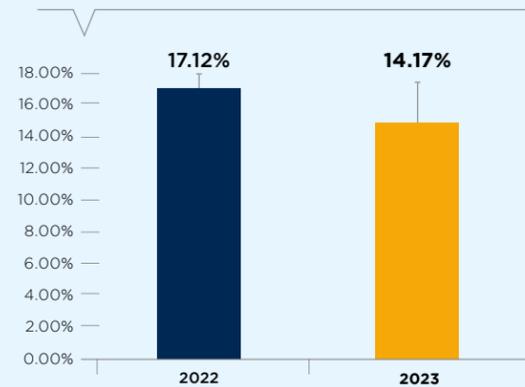


Loans to Deposits Ratio

	2022	2023
Loans and Receivables (net)*	30,975,948,092	34,957,441,412
Total Deposits	33,636,398,724	38,693,816,311

*less allowance for credit losses

LIQUIDITY RATIO

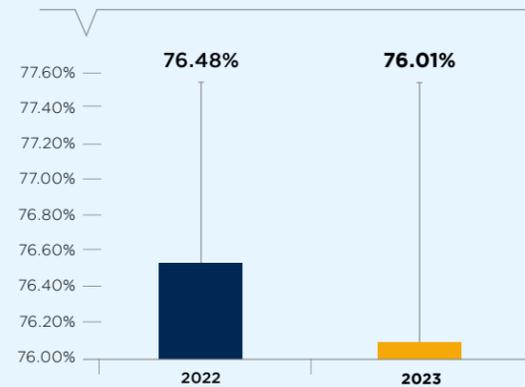


Liquidity Ratio

	2022	2023
Liquid Assets*	5,757,113,269	5,484,815,394
Total Deposits	33,636,398,724	38,693,816,311

*Sum of Cash, COCI, DF BSP, DF Other Banks, Interbank Loans and Financial Assets at Fair Value through Profit or Loss

LOANS TO ASSET RATIO



Loans to Assets Ratio

	2022	2023
Loans and Receivables (net)*	30,975,948,092	34,957,441,412
Total Assets	40,500,853,179	45,990,455,246

*less allowance for credit losses

MCO and liquidity ratios are viewed and used on a complementary basis. RMG calculates liquidity ratios every month.

Operational Risk

Operational Risk refers to the possibility of unexpected financial or reputational loss or organizational breakdown arising from inadequate or failed internal processes, human error, system failures, or external events. This encompasses internal and external fraud, weaknesses in products and business practices, business disruption and systems failure, poor employment practices and workplace safety, damage to physical assets, and execution, delivery, and process management failures.

The Bank recognizes four lines of defense as a fundamental principle in the Bank's operational risk management framework. The business units act as the first line of defense by ensuring that controls are embedded in their processes and risk-taking activities. The back office units (including Legal Services Group) serve as the second line of defense by performing additional controls in the transaction processing. The Risk Management Group and Compliance Office make up the third line of defense by assisting in the development of risk strategies and structures in managing risks and providing advisory services. The Internal Audit serves as the fourth line of defense by assessing independently the Bank's risk management systems and controls.

In evaluating and monitoring the Bank's operational risk profile, the Bank utilizes various tools, which include the Risk and Control Self-Assessment (RCSA), Key Risk Indicators (KRI), and Operational Loss Tracking.

The RCSA enables the business units assess the risk exposures and controls specific to their processes. The assessment covers ten major risk categories: Credit, Market, Interest Rate, Liquidity, Operational, Compliance, Strategic, Reputational, Information Security, and Environmental and Social Risks. Risks related to the bank processes are identified to assist in the alignment of actual risk levels with tolerance levels, and to ensure that the existing control measures remain effective against the current landscape. There are seven impact factors considered to assess the inherent risk

exposure of the different processes. These impacts include Financial, Operational Efficiency, Legal and Regulatory, Reputational, Customer Service, Employee Welfare, and Third-Party Relationship. It is critical to conduct regular RCSA to provide an avenue for regular checks on the gaps between risk exposure and risk appetite.

As a post-RCSA activity, Key Risk Indicators (KRI) are mapped to monitor high-risk areas and determine trigger levels for appropriate risk responses. The KRI report is a tool and exercise that helps the Bank monitor, control, and reduce risk exposures by identifying trends that indicate the organization's vulnerability to certain risks.

The Operational Loss Database, on the other hand, reflects the loss experience of the Bank in terms of the different Basel categories. These losses are consolidated regularly to determine the total loss from failed or poor operational risk management. Loss data are regularly reported to the Risk Management Committee.

Another key operational risk management activity is Incident Management. As laid down in the framework, all the reportable incidents must be escalated by the units to corresponding bank authorities to facilitate the implementation of appropriate responses in addressing concerns and strengthening existing processes.

The Bank is also committed to protecting clients' rights to the privacy of their personal information while optimizing available information to provide insights into how the Bank can further enhance customer experience and improve its delivery of products and services. Adherence to the Data Privacy Act of 2012 is supported by established policies and procedures defined in the Bank's data privacy manual. Implementation of policies is complemented by bank-wide awareness programs such as training and issuance of bulletins. The Bank's Data Privacy Committee is the management committee overseeing the compliance to this regulation and is led by the Data Protection Officer (Head of the Risk Management Group). It is a cross-functional group that includes the Deputy Data Protection Officers, who are the Heads of the Legal Services Group, Compliance Office, Information Technology Group, and Security Group.

Business resiliency is an important component of any enterprise. Thus, the Bank has established a Business Continuity Management Program (BCMP) that aims to ensure continued service delivery in the event of any disruption or disaster scenario. Specific processes and procedures were in place to restore the Bank's core business activities in case of business disruption. They cover varying levels of disruption and consider different scenarios such as loss of personnel, damages to bank properties, inability to access bank premises, and system interruption.

Periodic testing is part of the Business Continuity Lifecycle, as reflected in the Bank's BCMP. This testing is used for plan development to keep strategies updated and fully functional against the current risk landscape. The Bank implements different types of exercises as part of its learning and training methods. Critical business units are pre-identified to safeguard the public and Sterling Bank of Asia's interests and to ensure the continuous performance of essential banking activities and functions in a disaster or crisis scenario. Each unit maintains a Departmental Business Continuity Plan manual that serves as a guide for the employees specific to their processes.

The Bank uses the basic indicator approach to compute the capital charge for operational risk. For 2023, operational risk accounts for 9.01% of the Bank's risk-weighted assets.

Fraud Risk

Fraud Risk is the vulnerability of individuals, internal or external, to the Bank who are capable of fraudulent acts. The effects of fraud can be shown in three ways: material losses, which include costs associated with managing or correcting a fraudulent event; reputational harm from service interruptions or loss of customer data; and financial losses from robbery, misappropriation of funds, or other financial-related crimes. This risk is mitigated through properly implementing the Bank's Fraud Management Framework, its policies and procedures, and effectively handling fraud cases.

The Bank has established a Fraud Monitoring System (FMS) that provides automated, real-time fraud monitoring and detection. To ensure the FMS rules or parameters are in accordance

with the Bank's customer behavior and relevant fraud patterns, fraud incidents and the rules or parameters are periodically reviewed and analyzed, and recalibration or the creation of new rules or parameters is implemented as needed.

Compliance Risk

The Bank is committed to establishing a compliance culture that adheres to applicable laws and ethical standards and promotes transparency, accountability, and fairness in its business practices. For this purpose, the Bank has put in place a robust, responsive, and appropriate Compliance Risk Management System to guide its employees, senior management, and Board of Directors.

Establishing a Compliance Office is a key component of this commitment. The Compliance Office is an independent unit that assists the Board of Directors and Senior Management in effectively managing the compliance risks faced by the Bank. The unit is guided by the Compliance Program, which sets out the planned activities of the compliance function, such as the tracking of regulatory issuances, review of specific policies and procedures, compliance risk assessment, compliance testing, educating staff on compliance matters, monitoring the resolution of compliance risk exposures, and reporting to the board of directors or board-level committee. The program also adopts a risk-based approach to ensure that areas, branches, or units posing higher risks to the Bank are prioritized for advisory function and compliance testing. Compliance Testing is an activity that reviews certain transactions and processes to identify and mitigate risks of regulatory sanctions, material financial loss, or loss to reputation which may arise from failure to comply with laws, rules, and standards applicable to the Bank's activities.

One of the essential components of the Compliance Program is the conduct of the Institutional Risk Assessment (IRA) of the overall exposure to money laundering (ML), terrorist financing (TF), and proliferation financing (PF) risks. It involves identifying the ML/TF/PF risks associated with different types of customers, products, services, and geographic locations and assessing the Bank's risk management system and control mechanism to mitigate such

risks. The Bank has subscribed to the Association of Certified Anti-Money Laundering Specialists (ACAMS) risk assessment tool for this activity.

The policies and procedures to protect the Bank from becoming a channel for evolving money laundering (ML), terrorist financing (TF), and proliferation financing (PF) schemes are embodied in the Money Laundering and Terrorist Financing Prevention Program (MTPP). It defines the risk-based policies related to customer due diligence, covered transaction and suspicious transaction reporting procedures, record-keeping requirements, and AML/CTF/CPF training and education in line with relevant banking and AML regulations.

As part of the customer due diligence process and compliance with the requirements of the Targeted Financial Sanctions, the Bank uses the Lexis Nexis sanction screening solution to identify designated persons and ensure that it is not dealing with sanctioned individuals and entities. Further, the Base60 AML system is in place for transaction monitoring and identification of unusual transactions which warrant additional due diligence.

In coordination with the Bank's Center for Learning, employees, including Senior Management and the Board of Directors, receive continuous training and updates on the latest trends in ML/TF/PF typologies, changes in AML laws, rules, and internal policies and procedures to promote a culture of AML Compliance.

The AML Committee governs the effective implementation of AML/CTF/CPF compliance, while the Corporate Governance Committee oversees all compliance-related matters.

Strategic Risk

Strategic Risk is the risk of loss arising from ineffective business plans and failure to respond appropriately to changes in the business environment. This risk is attributed to unfavorable business decisions, failed process implementations, and the inability to adapt to industry changes.

The Board of Directors sets the strategic plans with the Senior Management Committee (SMC). They ensure the Bank's goals align well with the business strategies, resources, and implementation plans. Extensive risk reviews and evaluations are

performed before launching new products and services, as well as process and product enhancements.

The Senior Management Committee and the Executive Committee/Board of Directors periodically monitor and review the Bank's group performances versus the set objectives.

Reputational Risk

Reputational risk refers to the risk of loss arising from a negative perception of the Bank by its customers, shareholders, investors, employees, market analysts, the media, and other stakeholders, including regulators and other government agencies, that can adversely affect the Bank's ability to maintain existing business relationships, establish new businesses or partnerships, or continuously access varied funding sources.

This risk is mitigated through the proper implementation of processes and the efficient handling of customer complaints to avoid negative impacts such as loss of public trust, decrease in customer base, operational disruptions, and lawsuits.

The continuous rise of social media as a platform for positive and negative feedback constantly changes the risk environment in managing reputational risk. In this regard, Sterling Bank of Asia has added Viber as another customer touchpoint to make the flow of information to clients faster and more efficient. Meanwhile, its 24/7 customer management helpline addresses customer concerns and feedback. Concerns were addressed following the Bank's internal policies and regulatory guidelines regarding customer complaints handling, guided by the financial consumer protection framework. Moreover, the Bank knows that reputational risk is inherent in all aspects of its undertakings. As the Bank employs an approach appropriate to each type of risk exposure, the reputational risk related to all other risk types is also addressed through the existing associated risk type framework of the Bank.

SUSTAINABLE FINANCE FRAMEWORK

The Bank is committed to fulfilling its role in upholding its environmental and social responsibility to achieve sustainable financing in carrying out all its business activities and serving the needs of its customers. This includes embodying sustainability principles in its corporate governance, risk management system, strategic objectives, and operations.

Sustainability Strategic Objectives:

A. Credit Sustainability Strategy

The Bank will build a sustainable portfolio and promote its lending and investing activities by highlighting E&S risk assessment and sustainable initiatives of clients, counterparties, and third parties in the credit review process.

B. Product Sustainability Strategy

The Bank will develop products and services that support sustainability principles and anticipate clients' evolving needs, including those in the underserved market.

C. People and Culture Sustainability Strategy

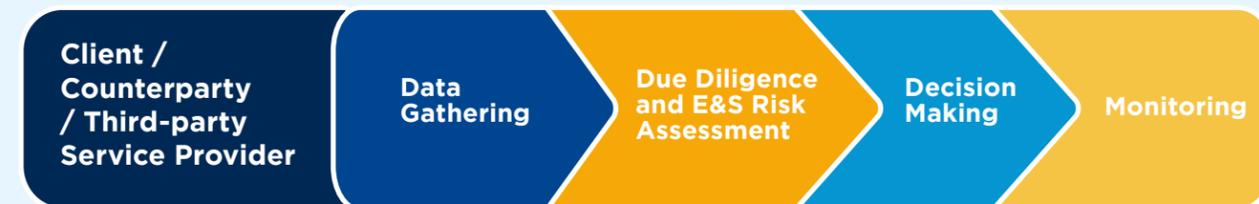
The Bank will develop experts and leaders in the sustainability campaign who will champion the sustainability culture and drive customer-centric initiatives and innovations.

D. Operations Sustainability Strategy

The Bank will promote sustainability in its conduct of business by continuously improving processes and procedures to reduce its carbon footprint and preserve the health and safety of its employees.

Environmental and Social Risk Management System (ESRMS)

The Bank's environmental and social policy framework focuses on developing and implementing policies and procedures to manage direct and indirect environmental and social impacts arising from clients and engaging with counterparties or third-party service providers.



The following categories are to be considered in terms of the client's industry, project, or source of funding:

- **Category A (high risk)** - These are clients or industries with potentially significant adverse or irreversible impact on the environment and society.
- **Category B (medium risk)** - These are clients

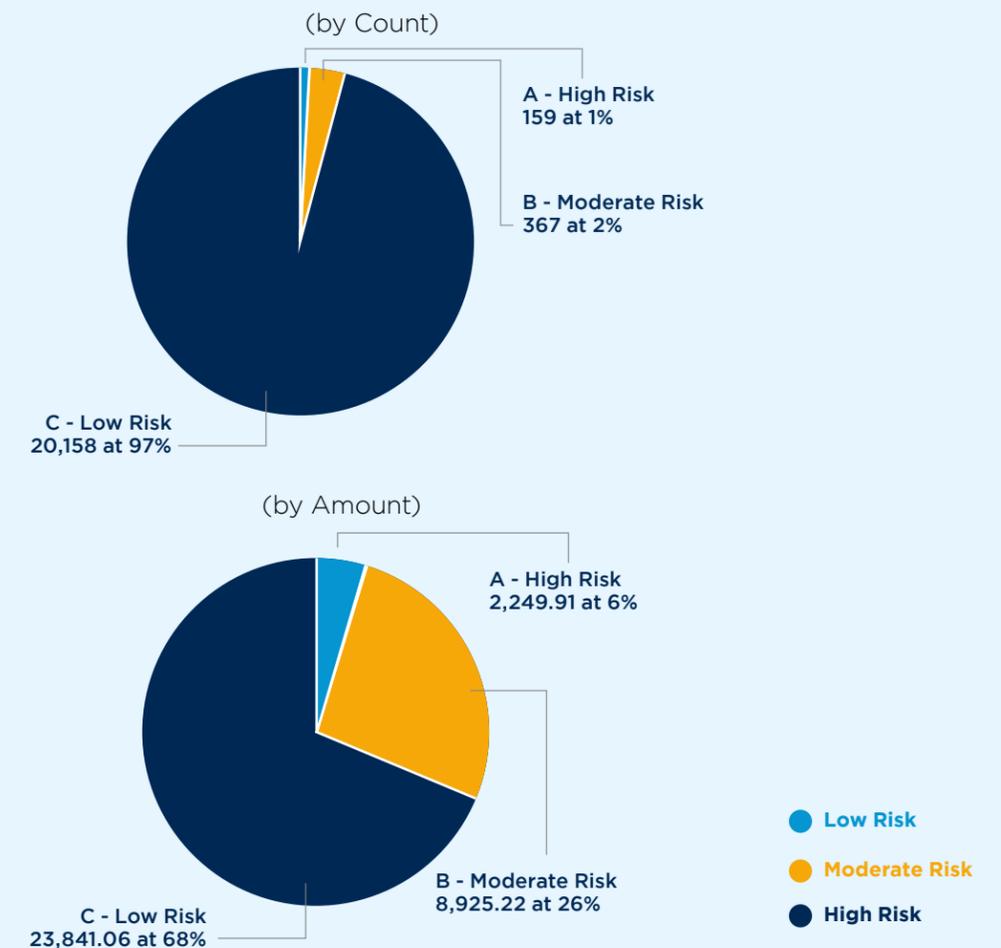
or industries with potential limited adverse social and environmental impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.

- **Category C (low risk)** - These are clients or industries with minimal to no adverse social or environmental impacts.

Category A	Category B	Category C
<ul style="list-style-type: none"> • Cement • Chemicals, Plastic, and Paints • Electronic Products • Energy Supply • Metal Products and Machinery • Mining and Quarrying • Oil and Gas • Iron, Steel, and Other Metals • Pharmaceuticals • Recycling and Waste Treatment • Wood Products 	<ul style="list-style-type: none"> • Construction • Crops and Gardening • Fishing and Hunting • Food and Beverage • Forestry • Garages and Petrol Stations • Leather and Footwear • Livestock Farming • Pulp and Paper • Glass and Ceramic Products • Health Services • Laundry and Dry Cleaning • Precision Instruments • Printing • Textiles and Apparel • Tourism and Leisure • Transport • Water Supply 	<ul style="list-style-type: none"> • Services • Consulting • Trading • Retails Sales

This refers to borrowing clients of Lending Units and RBG who are subject to credit evaluation.

SUSTAINABLE FINANCE INDUSTRY CATEGORY



LOAN PORTFOLIO GROUPED BY SUSTAINABLE FINANCE INDUSTRY CATEGORY

as of December 31, 2023

Sustainable Finance Industry Category	Count	Amount (in Php Millions)	Count (%)	Amount (%)
Category A - High Risk	159	2,249.98	0.8%	6.4%
Chemicals, Plastic, and Paints	64	478.05	0.3%	1.4%
Iron, Steel and Other Metals	21	789.38	0.1%	2.3%
Metal Products and Machinery	4	74.20	0.0%	0.2%
Mining and Quarrying	7	353.74	0.0%	1.0%
Oil and Gas	35	53.53	0.2%	0.2%
Wood Products	23	101.08	0.1%	0.3%
Cement	5	400.00	0.0%	1.1%
Category B - Moderate Risk	367	8,925.22	1.8%	25.5%
Construction	106	3,833.71	0.5%	10.9%
Food and Beverage	48	1,752.21	0.2%	5.0%
Garages and Petrol Stations	21	203.96	0.1%	0.6%
Health Services	9	49.26	0.0%	0.1%
Printing	1	25.00	0.0%	0.1%
Pulp and Paper	3	9.17	0.0%	0.0%
Textiles and Apparel	77	408.32	0.4%	1.2%
Tourism and Leisure	22	915.90	0.1%	2.6%
Transport	78	1,720.95	0.4%	4.9%
Water Supply	2	6.75	0.0%	0.0%
Category C - Low Risk	20,158	23,841.06	97.5%	68.1%
Consulting	40	2,111.30	0.2%	6.0%
Retail Sales*	19,399	10,299.81	93.8%	29.4%
Services	207	6,434.84	1.0%	18.4%
Trading	512	4,995.11	2.5%	14.3%
Grand Total	20,684	35,016.25	100.0%	100.0%

* The P9.33B Consumer Loan (19,200 accounts) is included in the Retail Sales category.

The Bank's Sustainable Finance roadmap has laid down the implementation of several initiatives in transforming its products, services, and business processes to align with the sustainable strategic objectives and risk appetite:

- Inclusion of sustainability component in the internal credit risk rating system

Industry Attractiveness & Strength Profile		Environmental & Social Risk Profile		
		C-Low	B-Medium	A-High
Low	A-Protect Position	Low	Medium	High
	B-Lend To Build	Low	Medium	High
Medium	C-Build Selectively	Medium	Medium	High
High	D-Manage Earnings	Medium	High	High
	E-Divert	High	High	High

- Implementation of the Environmental and Social Screening Checklist for new and renewing clients
- Adopting sustainability in the Bank's Corporate Social Responsibility Program
 - Think Green - SBA Environmental Campaign to support the Single-use Products Regulation Act, which implemented the ban on the use of single-use plastic products in the Bank's canteen
 - Nurture-a-Grove - a tree nurturing activity of Bank employees in the Masungi Geo Reserve in Rizal Province
 - Waste segregation and energy conservation within Bank premises, contributing to the reduction of the Bank's carbon footprint

CAPITAL MANAGEMENT FRAMEWORK

Risk and Capital Management optimizes the level and mix of bank resources to increase shareholder value and ensure capital sufficiency to support the Bank's asset growth and expansion.

CAPITAL ADEQUACY RATIO

December 31, 2023 (in Php Millions)

	2023	2022
Tier 1 Capital	3,566.430	3,342.792
Tier 2 Capital	1,854.939	1,872.219
Gross Qualifying Capital	5,421.369	5,215.011
Less: Regulatory Deductions	336.505	295.586
TOTAL QUALIFYING CAPITAL	5,084.864	4,919.425

Credit Risk Weighted Assets	34,008.564	32,207.564
Market Risk Weighted Assets	9.384	18.210
Operational Risk Weighted Assets	3,062.645	3,191.878
TOTAL RISK-WEIGHTED ASSETS (RWA)	37,080.593	35,417.652
Tier 1 Capital Ratio Net	8.71%	8.60%
Total Capital Adequacy Ratio	13.71%	13.89%

	CREDIT RISK		MARKET RISK		OPERATIONAL RISK	
	2023	2022	2023	2022	2023	2022
On-Balance Sheet (Net of Deductions)	33,970.296	32,201.112				
Off-Balance Sheet	37.599	5.518				
Counterparty (Trading/Banking)	0.669	0.934				
Interest Rate Exposure			-	-		
Foreign Exchange			9.384	18.210		
Operational Risk Weighted-Assets					3,062.645	3,191.878
Total	34,008.564	32,207.564	9.384	18.210	3,062.645	3,191.878
Capital Requirements	3,400.856	3,220.756	0.938	1.821	306.264	319.188

Capital Management Objectives

The Bank's risk-taking activities are determined mainly by its level of capital. Thus, risk and capital management adhere to the following objectives:

- Maintain capital ratios above the minimum regulatory capital with sufficient buffer to absorb shocks in periods of stress
- Ensure capital availability to support asset growth and business activities
- Balance risk and reward to achieve Risk Weighted Assets (RWA) optimization

TOTAL TIER 1 CAPITAL

	2023	2022
Paid-up Common Stock	2,370.000	2,170.000
Retained Earnings	961.857	997.125
Undivided Profits	218.566	161.801
Other Comprehensive Income	16.008	13.866
Gross Amount	3,566.430	3,342.792
Deductions:		
Deferred tax assets	15.675	13.626
Unsecured DOSRI	315.000	281.960
Defined benefit pension funds	5.830	-
Total Deductions	336.505	295.586
NET TIER 1 CAPITAL	3,229.926	3,047.206

TOTAL TIER 2 CAPITAL

	2023	2022
Preferred Stock	300.000	300.000
General Loan Loss Provision	262.189	279.469
Unsecured Subordinated Debt	1,292.750	1,292.750
NET TIER 2 CAPITAL	1,854.939	1,872.219

GOVERNANCE

The Board of Directors (BOD), through the Bank's Risk Management Committee (RMC), is in charge of the strategic allocation of risk capital. The BOD's key focus in risk and capital management is to oversee the alignment of corporate strategies and risk-taking activities with capital planning to ensure the best use of capital and optimize the level and mix of resources. The RMC is assisted by the Risk Management Group (RMG), a unit independent of the business lines, in exercising its oversight functions. RMG is in charge of providing the RMC with an aggregated and firm-wide view of capital adequacy.

The Heads of the Business Units, as the risk-taking units of the Bank, are accountable for capital risk. Activities of the business units should be guided by the Bank's capacity to absorb risks and capital utilization for such activities.

Recommendations relating to capital utilization are submitted to ALCO, the bank committee in charge of balance sheet management. The objective is to actively manage the business portfolio, rationalize the business mix, reallocate capital as necessary, and align activities with funding capacity.

The Credit Committee (Crecom) screens all big-ticket credit items requiring the President's and the Board's approval. The Loan Committee (LoanCom), the highest approving body for credit exposures, shall factor in risk and capital utilization considerations in its credit decision-making process.

Capital Management Mechanism

The Board of Directors sets the direction for target capital ranges. The Bank takes action based on the target capital ranges that act as an Early Warning System and trigger mechanism. Target capital ratios consider the Bank's strategic directions and business objectives, growth, and expansion plans, including a financial buffer for shocks under stressed scenarios.

Capital ratios are assessed to monitor capital adequacy on a monthly basis. The regular

assessment triggers action plans should any of the capital ratios fall below the acceptable level. Risk exposures are periodically tracked to assess capital utilization as part of the Bank's risk and reward trade-off. The results of these monitoring activities are submitted monthly to the appropriate Committees. They are also used in escalation protocols to address instances of a near breach and/or breaches in Board-set limits, hence, initiating timely and appropriate bank responses.

The Bank's system of risk limits affords diversification across risk exposures and risk capital utilization. These thresholds parallel the Bank's risk tolerance and capacity set by the Board. In addition, stress testing is an integral part of the Bank's risk and capital management system. It calculates the impact of pre-defined scenarios reflecting various degrees of severity on the Bank's capital position. Stress testing exercises cover internal stress scenarios developed on the Bank's portfolio and sub-portfolio and the regulatory stress scenarios required by the BSP as part of its oversight of the Philippine banking sector.

Simulations measure and check the impact on capital levels of various business and economic scenarios. Further simulations on the effects of proposed significant investments and loan exposures are conducted to serve as a feedback mechanism on capital utilization to balance risk-reward trade-offs.



CORPORATE GOVERNANCE

Sterling Bank of Asia remains dedicated in upholding the highest standards of good governance through its continued cultivation of a resilient corporate culture that is deeply rooted in the principles of excellence, integrity, disclosure and transparency, accountability, and fairness.

The Bank continues to promote the best interest of its clients and stakeholders and strives to achieve its corporate goals through the leadership of its Board of Directors and Management; the guidance of corporate governance rules of the Bangko Sentral ng Pilipinas (BSP) under the Manual of Regulations for Banks (MORB), as amended by BSP Circular No. 1129 (Series of 2021), and of the Securities and Exchange Commission (SEC) under SEC Memorandum Circular No. 19 (Series of 2016), and SEC Memo Circular No. 4 (Series of 2022); and adherence to the industry's best corporate governance practices and standards on organizational and procedural controls and independent self-assessment functions.

Board of Directors

The Board of Directors plays a key role in sustaining the Bank's commitment to good governance. They are entrusted with the oversight responsibility which involves providing sound leadership to the Management by giving clear direction and overseeing the implementation of approved strategies aimed at achieving the Bank's corporate goals. As such, the members of the Board are regularly assessed to ensure they remain qualified for their positions individually and collectively, and to guarantee that they can effectively fulfill their role as leaders of the Bank.

New candidates for membership undergo a selection process that employs a thorough evaluation of their background, expertise, experience, and management style. The Bank's assessment practices are further enhanced with the adoption of BSP Circular No. 1076: Amendments to the Regulations on the Disqualifications and Watchlisting of Directors/Officers and SEC Memo Circular No. 4 (Series of 2022): Disqualifications of Directors, Trustees and Officers of Corporations; and the Guidelines on the Procedure of their Removal.

CHAIRMAN OF THE BOARD

The Board of Directors is led by the Chairman who ensures adherence to a sound decision-making process by encouraging critical discussions that welcome the expression of different perspectives, and ensuring the members of the Board receive accurate, timely, and relevant information. In addition, the Chairman of the Board is responsible for maintaining a harmonious relationship between the Board and the Management to help achieve the Bank's corporate goals while protecting the interest of its clients and stakeholders.

CORPORATE SECRETARY

The Corporate Secretary supports the Board and the board-level committees in the conduct of their meetings by ensuring all discussions are duly recorded and such records are safely kept and preserved. In addition, the Corporate Secretary offers advice on the Board's overall responsibilities.

The Bank's current Corporate Secretary is Atty. Anna Francesca C. Respicio.

BOARD COMPOSITION AND QUALIFICATION

The Directors' duty is one of trust and confidence, hence in the path to achieving the Bank's corporate goals, they are expected to act in the best interest of the Bank and its stakeholders in a manner characterized by transparency, accountability, and fairness. Annually, the stockholders elect directors based on their integrity, relevant education, training, competencies, physical and mental fitness, and ability to provide sufficient time to carry out their duties.

The Board of Directors is composed of fifteen (15) directors, nine (9) of whom are non-executive directors, with five (5) of the non-executive directors being independent. Dir. Patricia J. Custodio, an independent director, was elected by the stockholders into the Board on April 25, 2023.

Name of Director	Position/ Type of Directorship	Length of Service	Number of Direct and Indirect Shares Held	Percentage of Shares Held to Total Outstanding Shares of the Bank	No. of Board Meetings Attended	%
Ruben C. Tiu	Chairman of the Board, Non-Executive Director	17 years	23,629,810	8.19%	12	100%
Cecilio D. San Pedro	President & CEO, Executive Director	9 years	1	0.00%	12	100%
John Y. Tiu, Jr.	Chairman of the Executive Committee, Executive Director	17 years	28,108,810	9.75%	12	100%
Lamberto R. Villena	Member, Executive Director	17 years	50,000	0.02%	12	100%
Bansan C. Choa	Member, Executive Director	17 years	47,111,313	16.34%	11	92%
Harris D. Jacildo	Member, Non-Executive Director	17 years	1	0.00%	12	100%
Bernadette Cindy C. Tiu	Member, Executive Director	11 years	1	0.00%	10	83%
Ignatius F. Yenke	Member, Executive Director	17 years	1	0.00%	12	100%
A. Bayani K. Tan	Member, Non-Executive Director	17 years	50,000	0.02%	11	92%
William L. Chua	Member, Non-Executive Director	17 years	50,000	0.02%	12	100%
Nestor H. Vasay	Member, Independent Director	3 years	1	0.00%	12	100%
Maribel B. Sarino-Lazo	Member, Independent Director	6 years	1	0.00%	12	100%
Vicente C. Macasaet, Jr.	Member, Independent Director	6 years	1	0.00%	12	100%
Antonio R. Samson	Member, Independent Director	5 years	1	0.00%	12	100%
Patricia J. Custodio ¹	Member, Independent Director	8 months	1	0.00%	8	100%

Total No. of Meetings 12

¹Dir. Patricia J. Custodio was elected as Independent Director effective 25 April 2023.

As of December 31, 2023, the following stockholders own more than 20% of Sterling Bank of Asia's shares:

Name of Stockholder	Nationality	Type	Number	Shares Subscribed		
				Amount (in PhP)	Paid-In Capital (in PhP)	Percentage of Ownership
JTKC EQUITIES, INC.	Filipino	Common	95,899,994	958,999,940.00	958,999,940.00	33.26%
		Preferred	14,000,000	140,000,000.00	140,000,000.00	4.85%
STAR EQUITIES, INC.	Filipino	Common	72,112,500	721,125,000.00	697,500,000.00	25.01%
SUREWELL EQUITIES, INC.	Filipino	Common	72,112,499	721,124,990.00	710,999,990.00	25.01%
		Preferred	9,000,000	90,000,000.00	90,000,000.00	3.12%

Board Level Committees

AUDIT COMMITTEE

The Audit Committee oversees the adequacy and effectiveness of the Bank's internal control system by assessing its accounting and financial reporting framework, risk management, and governance systems and processes; ensuring compliance with legal and regulatory requirements, governance systems, and the Bank's Code of Ethics; and guiding the Management on necessary actions to address the identified deficiencies, weaknesses, and other issues.

Chairperson: Patricia J. Custodio
Members: Nestor H. Vasay
Vicente C. Macasaet, Jr.
Antonio R. Samson

Audit Committee Meetings		
Name of Director	Attended	%
Bernadette Cindy C. Tiu	3	60%
Nestor H. Vasay	13	100%
Maribel B. Sarino-Lazo	5	100%
Vicente C. Macasaet, Jr.	13	100%
Antonio R. Samson	8	100%
Patricia J. Custodio	8	100%
Total Number of Meetings:	13	

Effective April 25 2023, Dirs. Bernadette Cindy C. Tiu and Maribel B. Sarino-Lazo ceded their Audit Committee membership, while Dirs. Antonio R. Samson and Patricia J. Custodio joined the committee.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee develops and oversees the Risk Management Program of the Bank and the Trust Group. They also approve the risk strategy and the supporting risk management policies and procedures, ensuring the soundness of risk management practices while fully considering the Bank's risk exposures in conjunction with its strategic objectives.

Chairperson: Nestor H. Vasay
Members: Ruben C. Tiu
Harris D. Jacildo
William L. Chua
Vicente C. Macasaet, Jr.
Antonio R. Samson
Patricia J. Custodio

Risk Management Committee Meetings		
Name of Director	Attended	%
Ruben C. Tiu	12	100%
Harris D. Jacildo	12	100%
Bernadette Cindy C. Tiu	4	100%
William L. Chua	12	100%
Nestor H. Vasay	12	100%
Maribel B. Sarino-Lazo	4	100%
Vicente C. Macasaet, Jr.	12	100%
Antonio R. Samson	12	100%
Patricia J. Custodio	8	100%
Total Number Of Meetings:	12	

Effective 25 April 2023, Dirs. Bernadette Cindy C. Tiu and Maribel B. Sarino-Lazo ceded their Risk Management Committee membership, while Dir. Patricia J. Custodio joined the committee.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee ensures compliance with corporate governance frameworks by overseeing the nomination processes for board memberships and board-appointed positions, the continuous education and training programs for the Board, the performance evaluation processes, the design and operation of remuneration and other incentives policies, and the Bank's Compliance Program.

Chairperson: Antonio R. Samson
 Members: Ruben C. Tiu
 A. Bayani K. Tan
 Maribel B. Sarino-Lazo
 Vicente C. Macasaet, Jr.

Corporate Governance Committee Meetings

Name of Director	Attended	%
Ruben C. Tiu	13	100%
Bernadette Cindy C. Tiu	3	60%
A. Bayani K. Tan	11	85%
Maribel B. Sarino-Lazo	13	100%
Vicente C. Macasaet, Jr.	13	100%
Antonio R. Samson	13	100%
Total Number Of Meetings:	13	

Dir. Bernadette Cindy C. Tiu ceded her Corporate Governance Committee membership effective April 25, 2023.

RELATED PARTY TRANSACTIONS COMMITTEE

The Related Party Transactions Committee ensures the sound and prudent manner of handling the Bank's related party transactions by supervising guidelines on transaction materiality thresholds and limits and mechanisms to avoid potential conflict of interest and abuse of these transactions. Additionally, they evaluate related party transactions to ensure the observance of arms-length dealing with the Bank's related parties by observing transparency, accountability, and fairness.

Chairperson: Vicente C. Macasaet, Jr.
 Members: Harris D. Jacildo
 William L. Chua
 Nestor H. Vasay
 Maribel B. Sarino-Lazo
 Patricia J. Custodio

Related Party Transactions Committee Meetings

Name of Director	Attended	%
Harris D. Jacildo	12	100%
Bernadette Cindy C. Tiu	3	75%
William L. Chua	12	100%
Nestor H. Vasay	12	100%
Maribel B. Sarino-Lazo	12	100%
Vicente C. Macasaet, Jr.	12	100%
Antonio R. Samson	4	100%
Patricia J. Custodio	8	100%
Total Number Of Meetings:	12	

Effective April 25, 2023, Dirs. Bernadette Cindy C. Tiu and Antonio R. Samson ceded their Related Party Transactions Committee membership, while Dir. Patricia J. Custodio joined the committee.

EXECUTIVE COMMITTEE

The Executive Committee assists the Board in the general supervision, administration, and management of the Bank's affairs, and helps in providing the direction of the Bank on matters including strategic planning, policy, investment, and risk management. They also actively engage in overseeing the development and execution of the Bank's business strategies.

Chairperson: John Y. Tiu, Jr.
 Members: Cecilio D. San Pedro
 Lamberto R. Villena
 Bansan C. Choa
 Bernadette Cindy C. Tiu
 Ignatius F. Yenke

Executive Committee Meetings

Name of Director	Attended	%
Cecilio D. San Pedro	12	100%
John Y. Tiu, Jr.	12	100%
Lamberto R. Villena	12	100%
Bansan C. Choa	11	92%
Bernadette Cindy C. Tiu	4	50%
Ignatius F. Yenke	12	100%
Total Number Of Meetings:	12	

Dir. Bernadette Cindy C. Tiu joined the Executive Committee effective April 25, 2023.

LOAN COMMITTEE

The Loan Committee manages the credit risk of the Bank's lending portfolio by ensuring diligent, sound, and prudent evaluation of the Bank's credit risks. They monitor lending activities to ensure consistency with Board-approved strategic plans and objectives, and review the effectiveness of credit management systems, policies, and processes for measuring, monitoring, and controlling risk exposures.

Chairperson: Ignatius F. Yenke
 Members: Cecilio D. San Pedro
 John Y. Tiu, Jr.
 Lamberto R. Villena
 Bansan C. Choa

Loan Committee Meetings

Name of Director	Attended	%
Cecilio D. San Pedro	22	92%
John Y. Tiu, Jr.	24	100%
Lamberto R. Villena	24	100%
Bansan C. Choa	24	100%
Ignatius F. Yenke	24	100%
Total Number Of Meetings:	24	

INFORMATION TECHNOLOGY COMMITTEE

The Information Technology (IT) Committee oversees the effective implementation of the Bank's IT governance framework, ensures that IT strategies are aligned with the Bank's strategic plans and objectives, and sets in place an effective IT risk management process that assesses, manages, and mitigates IT-related risks.

Chairperson: Harris D. Jacildo
 Members: Cecilio D. San Pedro
 John Y. Tiu, Jr.
 Bernadette Cindy C. Tiu
 Ignatius F. Yenke
 Henry G. Hung (IT Group Head, Non-voting)

Information Technology Committee Meetings

Name of Director	Attended	%
Cecilio D. San Pedro	10	83%
John Y. Tiu, Jr.	12	100%
Bansan C. Choa	4	100%
Harris D. Jacildo	8	100%
Bernadette Cindy C. Tiu	9	75%
Ignatius F. Yenke	12	100%
Total Number Of Meetings:	12	

Effective 25 April 2023, Dir. Bansan C. Choa ceded his Information Technology Committee membership, while Dir. Harris D. Jacildo joined the committee.

PRE-QUALIFICATION, BIDDING, AND AWARDS COMMITTEE

The Pre-qualification, Bidding, and Awards Committee oversees the Bank's procurement processes and activities as well as the implementation of procurement contracts as part of the Bank's operational risk management, ensuring observance of transparency and good governance.

Chairperson: John Y. Tiu, Jr.
 Members: Cecilio D. San Pedro
 Lamberto R. Villena
 Bansan C. Choa

Pre-Qualification, Bidding, and Awards Committee Meetings

Name of Director	Attended	%
Cecilio D. San Pedro	10	83%
John Y. Tiu, Jr.	12	100%
Lamberto R. Villena	12	100%
Bansan C. Choa	12	100%
Total Number Of Meetings:	12	

TRUST COMMITTEE

The Trust Committee oversees the Trust Group's policies and investment and fiduciary activities. They also ensure that these activities are carried out in accordance with applicable laws, rules and regulations, and prudent practices.

Chairperson: Maribel B. Sarino-Lazo
 Members: Ruben C. Tiu
 Cecilio D. San Pedro
 Harris D. Jacildo
 William L. Chua
 Antonio C. Danao (Trust Officer, Non-voting)

Trust Committee Meetings

Name of Director	Attended	%
Ruben C. Tiu	12	100%
Cecilio D. San Pedro	12	100%
Harris D. Hacildo	12	100%
William L. Chua	12	100%
Maribel B. Sarino-Lazo	8	100%
Antonio R. Samson	4	100%
Total Number Of Meetings:	12	

Effective 25 April 2023, Dir. Antonio R. Samson ceded his Trust Committee membership, while Dir. Maribel B. Sarino-Lazo joined the committee.

Senior Management and Officers

The Senior Management oversees the Bank’s daily operations, ensuring alignment with the Bank’s strategic plans and objectives. They establish a management structure that promotes accountability and transparency, supervise the Bank’s business affairs, and impose necessary controls. They are assisted and supported by the Bank’s Officers, who effectively delegate duties and tasks to staff members to help realize the Bank’s overall strategic plans.

Similar to the Board of Directors, the members of the Senior Management and the Officers undergo a thorough selection process. To ensure their competency and integrity, the Recruitment and Career Management Unit (Recruitment) under the Human Resources Group conducts competency-based interviews, essays, integrity assessments, and psychological tests to evaluate the candidates’ basic qualifications. Additionally, a risk-focused screening process is employed to verify that candidates possess the necessary educational background, skills, experience, character, integrity, and competencies for the role they are being considered. This selection process is also coordinated with hiring managers to ensure job fit.

Successful candidates must comply with pre-employment requirements, including a medical examination and background checks. These checks and encompass employment

verification, character references, negative list and file checking, as well as validation of school records and neighborhood reputation, among other criteria. These procedures ensure adherence to fit and proper standards, especially for those assuming key and critical positions within the Bank.

Performance Assessment Program

The Compliance Office facilitates the annual self-assessment program to evaluate and measure the performance of the Board, the Management, and the board-level committees for the preceding year. This ensures that they are effectively carrying out their functions in accordance with the Bank’s mandated guidelines and principles. The program helps identify areas for improvement and address any gaps in critical governance structures. The results of the annual assessment are reported to the Corporate Governance Committee and Management for appropriate action.

Orientation and Education Program

All newly-hired individuals, from non-officers to senior officers and directors, undergo the Bank’s onboarding program called the New Hires’ Orientation (NHO). The program covers modules such as the Bank’s mission, vision, and corporate values; its history; organizational structure including functions and business thrusts; products and services; HR programs including the Bank’s Code of Conduct, policies and benefits package; and regulatory policies and procedures such as the Bank’s Money Laundering and Terrorism Financing Prevention Program, the Data Privacy Act, Financial Consumer Protection, and internal controls. The roles and mandates of various board-level and management committees are also discussed. In keeping with the new normal, the NHO continues to be an online course, facilitating the timely onboarding of the Bank’s new hires.

The Bank utilizes online platforms extensively for effective training courses. Programs are designed with the best methodology to meet the participants’ training needs and address identified competency gaps. More training programs have been conducted online, and in-house e-learning videos have been produced for asynchronous learning sessions. This self-paced approach allowed employees to complete the courses at their own convenience and learning pace, facilitating the dissemination of regulatory policies bank-wide.

As part of the continuing education of the Board of Directors, they attended various seminars and training programs conducted by BSP-accredited training providers throughout the year. In July 2023, the Board attended the Advanced Corporate Governance Training that covered cybersecurity governance, AML compliance in the age of the digital world, and innovation culture.

Aligned with the nation’s thrust on sustainable finance, the Bank partnered with SustainablePH to conduct the Leadership Forum on Sustainability. This helped instill sustainability principles in employees and equip them with practical applications of these principles both at work and at home.

Retirement and Succession Policy

SUCCESSION PLANNING

The Bank’s board-approved succession plan for management positions is continuously monitored, reviewed, and updated. It involves identifying high-potential employees, assessing their competencies, and providing individually-tailored training plans and corresponding learning interventions. This ensures that employees are prepared to assume vacant positions within the Bank as needed.

RETIREMENT POLICY - DIRECTORS

There is no age limit for determining the fitness of a director to be elected as a member of the Board, provided that the director meets the fit and proper criteria, which assess their

integrity, probity, physical and mental fitness, relevant education, financial literacy and training, competence, diligence, independence of mind, and availability to fully carry out their responsibilities.

Independent Directors may serve for a maximum cumulative term of nine (9) years, after which they shall be perpetually barred from serving as independent directors of the Bank. However, they may continue to serve as regular directors.

RETIREMENT POLICY - EMPLOYEES

The Bank offers a retirement plan that provides funds for paying retirement benefits to eligible employees. Eligible employees can receive retirement benefits when they reach the age of sixty (60) and have completed at least five (5) years of service. An employee may be permitted to work beyond the retirement age, provided that this has been approved by the Bank.

The Bank and its Board of Directors, in its dedication to employee well-being, approved enhancements to the Retirement Plan last October 2023.

Remuneration Policy

The Bank aims to provide compensation and benefits to attract, retain, and motivate its directors, officers, and employees, with the goal of carrying out its vision and mission.

REMUNERATION - DIRECTORS

The Board of Directors receive honoraria in recognition of their contribution and attendance during the board and board-level committee meetings.

PERFORMANCE-BASED REMUNERATION

As part of the existing remuneration policy, the Bank implements its performance-based annual merit increase to incentivize qualified employees for their contribution to achieving the Bank’s goals and targets. The salary increase is directly linked to the employee’s contribution to fulfilling the key result areas of their group.

OFFICERS' COMPENSATION AND BENEFITS

The compensation package for officers include both monetary and non-monetary benefits. Monetary compensation consists of a monthly salary, guaranteed bonuses equivalent to three (3) months' salary, annual clothing allowance, annual medical allowance, monthly rice subsidy, and official travel allowance. Additionally, officers receive an award upon reaching a service milestone of at least five (5) years and every five (5) years thereafter. In 2023, the Bank granted an additional monetary benefit of a monthly rice allowance to all regular employees. Non-monetary benefits include a healthcare plan covering the officer and two (2) qualified legal dependents, group life insurance, leave privileges, car plan, and loans for transportation, housing, and personal needs.

The five (5) highest-paid officers of the Bank are the President and CEO, three Executive Vice Presidents (EVP), and one Senior Vice President (SVP).

Policies and Procedures on Related Party Transactions

Related Party Transactions (RPT) entail inherent risks and potential conflicts of interest that may be disadvantageous to the Bank and its stakeholders. These risks are mitigated through the effective implementation of policies and procedures that govern such transactions. Furthermore, guidelines on the proper vetting and endorsement of material RPT to the Board by the RPT Committee are enforced. Ultimately, the Bank, under the leadership of the Board and its Management, and with the support of its employees, always upholds the values of integrity and transparency in handling these transactions, ensuring they are conducted on an arm's length basis.

Self-Assessment Function

The Bank's check-and-balance processes are conducted by the Internal Audit and Compliance functions. They work together to preserve the adequacy, soundness, and effectiveness of the Bank's governance processes and controls, as

well as identify any weaknesses and areas for improvement. They also ensure that the Bank remains compliant with applicable laws, rules, and regulations. As part of the Bank's commitment to good governance, these self-assessment functions are performed regularly to help improve the Bank's policies and procedures.

COMPLIANCE FUNCTION

The Compliance function is responsible for the effective management of compliance risks. They provide the Board with advisories on relevant laws, rules, and standards to keep them informed, and issue guidelines and advisories on their appropriate implementation within the Bank. They also inform the Bank of compliance issues, assist with compliance queries and concerns, and maintain a constructive relationship with the Bank's regulators. They identify and assess compliance risks within the Bank's processes and procedures, and conduct regular testing to monitor the Bank's compliance with applicable laws, rules, and regulations. The Compliance Office reports to the Corporate Governance Committee.

INTERNAL AUDIT FUNCTION

The Internal Audit function remains independent, objective, and consultative. Their main objective is to examine, evaluate, and improve the effectiveness of the Bank's internal controls, risk management, and governance structures and processes through a systematic and disciplined approach. They deliver an independent risk-based assurance service to the leaders of the Bank, regularly conduct audits, and provide consulting and advisory services related to governance and control, as necessary. The results of the conduct of these activities ultimately help improve the Bank's internal control processes and assist the Board and the Management in protecting the Bank and its stakeholders. The Internal Audit Group reports to the Audit Committee.

Consumer Protection

Sterling Bank of Asia is fully committed to providing exceptional service to its customers, with financial consumer protection as an integral component of corporate governance, culture, and risk management. The Bank's board-approved Financial Consumer Protection policy apply to all customer interactions, ensuring compliance with standards in disclosure and transparency, fair treatment, privacy and data protection, effective recourse, and protection of consumer assets against fraud and misuse. These guidelines align with the Bangko Sentral ng Pilipinas (BSP) Circular No. 1160, implementing Republic Act No. 11765, the "Financial Products and Services Consumer Protection Act," dated November 28, 2022.

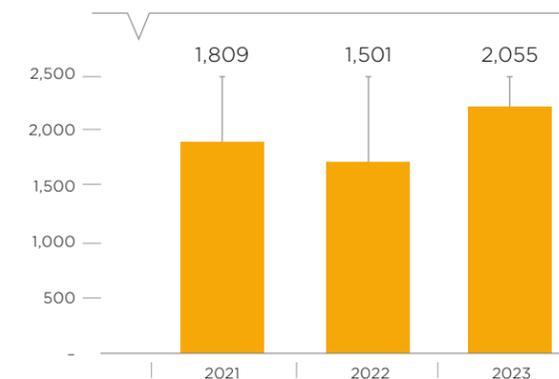
The Board of Directors (BOD) oversees the Bank's financial consumer protection, developing strategy, approving policies, and monitoring the Senior Management's implementation thereof to ensure consistency with the Consumer Protection laws, rules, regulations, and standards set forth by the BSP.

The Bank's Consumer Protection Risk Management System (CPRMS) is a framework designed to identify, measure, monitor, and control consumer protection risks inherent in its operations. This system manages risks and potential harms to financial consumers, prevents unfair business practices, achieves fair and beneficial consumer outcomes, and empowers consumers to make better-informed financial decisions.

To support this commitment, the Bank has instituted a Consumer Assistance Management System (CAMS), which records and monitors customer inquiries, requests, and complaints. Senior Management and the Executive Committee receive periodic reports on complaints, including their causes, recommended solutions, and suggestions for process

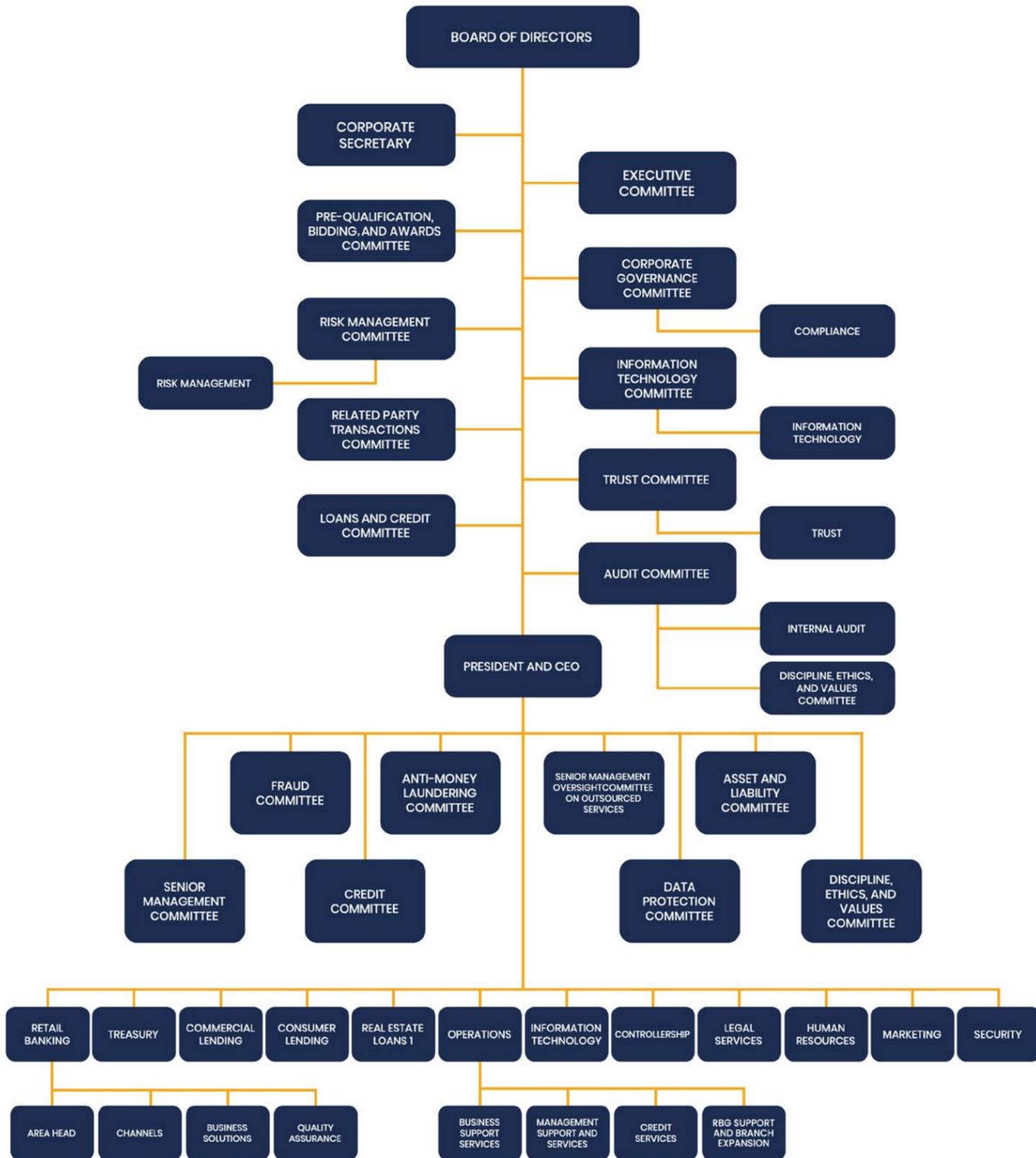
improvement. Significant complaints are escalated immediately to the concerned unit of the Bank, ensuring prompt and effective resolution. In 2023, the Bank received a total of 6,463 customer inquiries, requests, and complaints via its customer assistance channels.

CUSTOMER COMPLAINTS



Customer complaints reached 2,055 in 2023, affecting InstaPay transactions, but remained well within service level agreement standards. With the Bank's recent migration to InstaPay ISO20022, this upgrade is expected to significantly improve InstaPay reliability, minimizing downtime, and enhancing the customer experience.

ORGANIZATIONAL STRUCTURE





Sterling Bank of Asia named as one of BSP's 2023 Outstanding Stakeholders

The Outstanding BSP Stakeholders Appreciation Ceremony is an annual event that recognizes the valuable contributions of stakeholders in the financial industry. The awards are given to financial institutions that have demonstrated exemplary support of BSP's mandates, which include price stability, financial stability, and safe and efficient payments and settlements systems. The ceremony also acknowledges BSP's flagship advocacy on financial inclusion, which is aimed at ensuring that more people have access to financial services.

"We are humbled and honored to receive this recognition," said Clayton Lee, Executive President and Treasurer of Sterling Bank of Asia. "This award affirms our unwavering commitment and relentless efforts to support the mandates of BSP," Lee added.

"We at Sterling Bank of Asia remain dedicated to providing top-notch service to our customers and upholding our support to BSP mandates," said Cecilio San Pedro, President and CEO of Sterling Bank of Asia.



L-R: Luisito Mayor, SBA Operations Group Head & Senior Vice President; Felisa Alcalá, SBA Business Support Services Head & Vice President; Cecilio San Pedro, SBA President & CEO; Cedric Chong, BNY Mellon Relationship Manager, Treasury Services; Jun Cristobal, BNY Mellon Senior Vice President, Global Client Support, Treasury Services, Client Implementation and Philippines Market Manager; and Christopher Rocero, SBA Trade Services and Remittance Head



Sterling Bank of Asia Receives BNY Mellon Straight-through Processing Award 2022

Sterling Bank of Asia (SBA) has once again received the Straight-Through Processing (STP) Award from The Bank of New York Mellon for its exceptional payment formatting performance in 2022. The award has been consistently granted to the Bank for five consecutive years. It is a recognition of SBA's commitment to excellence, and its ability to execute payment formatting performance for MT103/MT202 payments with accuracy and speed in financial operations.

STP is a vital performance indicator in the financial industry, measuring payment processing efficiency. The STP Award is a testament to SBA's fulfillment of BNY Mellon's strict requirements for processing speed, procedural compliance, and secure transactions for offshore transactions.

This accolade reflects the bank's unwavering commitment to excellence and dedication to providing seamless and efficient financial services to its customers. "In the banking industry's dynamic and rapidly evolving landscape, recognition of excellence becomes a crucial benchmark for financial institutions," said SBA President and CEO Cecilio San Pedro.

CORPORATE SOCIAL RESPONSIBILITY



Sterling Bank of Asia (SBA) revisited Masungi Georeserve to further its sustainability initiatives through Corporate Social Responsibility (CSR) endeavors. In collaboration with Masungi Georeserve, the Bank’s annual CSR activity, “Kind Heart Gives,” focused on sustaining reforestation and conservation work on the depleted forests surrounding the reserve.

Recognizing the ongoing commitment to environmental stewardship, the Bank acknowledges the importance of continuity in its sustainability efforts. Forest restoration requires ongoing dedication and effort thus continuing the Bank’s activities in Masungi is essential in promoting long-term sustainability. Sterling Bank of Asia’s CSR Program for 2023 aims to highlight the significance of early action in working towards a climate-resilient, livable, and sustainable future.

In addition to environmental initiatives, the Bank extended its philanthropic efforts by donating vitamins and medicines to St. Vincent Ferrer Parish in Calayan, Cagayan, in February as part of the Kind Heart Gives program.



THE MANAGEMENT



BOARD OF DIRECTORS



RUBEN C. TIU
Chairman of the Board
Non-Executive Director

Mr. Ruben C. Tiu, a 68-year-old Filipino, is the Chairman of the Board of Directors of Sterling Bank of Asia Inc.

He is also the Chairman of JTKC Equities, Inc., a Director and the Chairman of The Discovery Leisure Company Inc., and the Chairman and President of JSD Solutions, Inc. and Star Equities, Inc.

Additionally, Mr. Tiu is the Director, Chairman, and President of several other companies, including Demikk Holdings, Inc., Demikk Realty, Inc., JTKC Land, Inc., JTKC Leisure Holdings Corp. (formerly JTKC Realty Corp.), Oakridge Properties, Inc., and Pan-Asean Multi Resources Corp. He is also the Director, Chairman, President, and General Manager of Aldex Realty Corp.

Furthermore, Mr. Tiu serves as Director and President of Club Asia, Inc., and as Director and Vice President of Goodyear Steel Pipe. He is also a Director of Tera Investments, Inc.

Mr. Tiu obtained a Bachelor of Science in Business Administration from the De La Salle University.



CECILIO D. SAN PEDRO
President and Chief Executive Officer
Executive Director

Mr. Cecilio D. San Pedro, a 63-year-old Filipino, is currently the President and Chief Executive Officer (CEO) and an Executive Director of Sterling Bank of Asia Inc. He joined the Bank in November 2011, serving as Senior Executive Vice President (SEVP) – Chief Operating Officer (COO), Treasurer, and Head of the Treasury Group until his appointment as President and CEO in 2015.

Mr. San Pedro's distinguished career in the banking and financial sector includes holding significant positions, such as Executive Director of Global/Local Markets and Country Treasurer at The Royal Bank of Scotland (formerly ABN AMRO) for eight years. He also had a 20-year tenure at Bank of America NT & SA, where he last served as Principal – Global Markets Head and Country Treasurer.

At present, Mr. San Pedro holds other esteemed positions, namely, Director at the Philippine Payments Management Inc., President of the Chamber of Thrift Banks, Chairman of the Banking and Capital Formation Committee of the Philippine Chamber of Commerce and Industry Inc., Director and Treasurer of the Financial Executives of the Philippines (Finex) Institute, and a member of the Management Association of the Philippines.

Mr. San Pedro graduated from the University of the East with a bachelor's degree in Business Administration, majoring in Accounting. He also completed courses in Corporate Finance Management at the University of Michigan Business School, and Strategic Business Economics at the Center for Research and Communication (now the University of Asia and the Pacific).

BOARD OF DIRECTORS



JOHN Y. TIU, JR.
Chairman of the Executive Committee
Executive Director

Mr. John Y. Tiu Jr., 47, a Filipino, is a Director and the Chairman of the Executive Committee of Sterling Bank of Asia Inc.

He is also the Chairman of the Board of Directors and Chief Executive Officer of Discovery World Corp., and a Director and the President of JTKC Equities, Inc., The Discovery Leisure Company, Inc., and Discovery Country Suites Inc.

Moreover, Mr. Tiu assumes leadership roles as the Chairman and President of One Urdaneta Corporation, as well as similar positions in JT Perle Corp., Ninety Nine Urdaneta Holdings Corp., One Belmont Estate Corporation, One Cerrada Corp., One Legaspi Corp., One Luscarra Corp., and Tera Investments, Inc.

Further demonstrating his leadership, Mr. Tiu chairs the Boards of Directors of several other companies, such as Balay Holdings Inc., Cay Islands Corporation, Discovery Hospitality Corporation, Euro-Pacific Resorts Inc., Katharo Water Solutions, Inc., Long Beach Property Holdings Inc., Lucky Cloud 9 Resort Inc., One Davao Townships Inc., Palawan Cove Corporation, Sonoran Corporation, and Viper Holdings Corp.

In addition to his chairmanship roles, Mr. Tiu holds various directorship positions. He serves as Director and Executive Vice President of Aldex Realty Corp., Director and Treasurer of Star Equities Inc. and JTKC Land Inc., and Director and First Vice President of JTKC Leisure Holdings Corp. (formerly JTKC Realty Corp.). He also holds directorship roles at DYT Equities Corporation, Evergreen Manufacturing Corporation, Lunch Bucks Gourmet Inc., Oakridge Properties Inc., Radenta Technologies Inc., Sagesoft Solutions Inc., and Whistler Investment Corp.

Mr. Tiu earned his bachelor's degree in Electrical Engineering with a minor in Mathematics from the University of Washington in Seattle.



BANSAN C. CHOA
Executive Director

Mr. Bansan C. Choa, 69, a Filipino, serves as a Director of Sterling Bank of Asia Inc.

Mr. Choa leads as Director and Chairman of multiple companies, including Confed Properties, Inc.; Ferris Sobell Properties, Inc.; Merrytown Properties Corp.; Sure Fortune Properties, Inc.; Six Alps Corp.; and Surewell Equities, Inc. He is the Director and President of Bleaushea Properties Corp., Comvest Investment Inc., and Banwood Construction Center, Inc. He also holds directorships at Dragoncircles Phoenixglobe Holdings Corp. and I-Remit, Inc. He serves as Chairman and member of the Board of Trustees of Kassel Condominium Corp., and as member of the Board of Trustees of Le Sure Condominium Corp. and Sunny Ridge Condominium Corp. He is also the President of the Philippine Retirement, Inc.

Mr. Choa is a Board Adviser to various organizations, including the National Real Estate Association, the Organization of Socialized and Economic Housing Developers of the Philippines, Inc., and the Subdivision and Housing Developers Association. He is involved with the Department of Human Settlements and Urban Development (DHSUD) as a private sector representative to the National Human Settlements Board (NHSB) Technical Working Committee (NTWC). He is also the Subdivision and Housing Developers Association, Inc. (SHDA) representative to the Interagency Committee on Price Statistics (IACPS). Additionally, he is a lifetime member of the Philippine Association of the Professional Regulatory Board Members (PAPRB), Inc. and the Philippine Institute of Certified Public Accountants.

Mr. Choa is a Certified Public Accountant (Registration No. 0030924), a Registered Real Estate Broker (Registration No. 0000002), a Registered Real Estate Appraiser (Registration No. 0000002), and a Registered Real Estate Consultant (Registration No. 0000002).

He graduated from the De La Salle University with a bachelor's degree in Commerce, holds a master's degree in Business Administration from the Ateneo Graduate School of Business, and completed a course in housing finance at the Wharton Real Estate Center of the University of Pennsylvania.



BERNADETTE CINDY C. TIU
Executive Director

Ms. Bernadette Cindy C. Tiu, 44, of Filipino nationality, is a Director of Sterling Bank of Asia Inc. She also serves as the Finance Division Head and Chief Financial Officer of I-Remit, Inc., and Vice President of Fidelity Securities, Inc. Ms. Tiu obtained her Bachelor of Science in Business Administration, majoring in Accounting and Finance, from the Boston University School of Management.



LAMBERTO R. VILLENA
Executive Director

Atty. Lamberto R. Villena, 76, of Filipino nationality, formerly held the positions of President and Chief Executive Officer of Sterling Bank of Asia Inc. from December 2006 to June 2015. Presently, he serves as one of its Executive Directors. He is also a Director of Discovery World Corporation.

With over thirty years of experience in banking, Atty. Villena previously served as Executive Vice President for Commercial Banking of Rizal Commercial Banking Corporation (RCBC) before joining Sterling Bank of Asia Inc. During his tenure with the latter, he held various executive roles in Credit, Corporate Banking, Remedial Management, Treasury, and Consumer Banking.

Atty. Villena is a member of the Philippine Bar. He obtained his law degree and master's degree in Business Administration from the University of the Philippines. He is also an alumnus of the Ateneo de Manila University.



IGNATIUS F. YENKO
Executive Director

Mr. Ignatius F. Yenko, a 71-year-old Filipino, serves as a Director of Sterling Bank of Asia Inc. He is also a Director and Vice Chairman of TKC Metal Corp. (formerly TKC Steel), and holds the positions of Director and Chief Financial Adviser of Slashdotph Corp. and Global Integrated Contact Facilities.

Previously, Mr. Yenko was the First Vice President for Strategy and Support at the Philippine Long Distance Telephone Company (PLDT), highlighting his background in the telecom industry. He also worked as a Vice President at The Chase Manhattan Bank N.A., with assignments in their Manila and Seoul branches.

Mr. Yenko earned a master's degree in Business Administration from the Asian Institute of Management on scholarship and a bachelor's degree in Economics from the Ateneo de Manila University graduating with honors.

BOARD OF DIRECTORS



PATRICIA J. CUSTODIO
Independent Director

Ms. Patricia Juarez-Custodio, 64 years old, Filipino, was elected as an Independent Director of Sterling Bank of Asia Inc. on 25 April 2023.

Her professional journey includes an extensive career in the financial and real estate sectors. She spent six years at Chinabank, serving as National Marketing Executive and Deputy Head with the rank of Senior Assistant Vice President.

Ms. Juarez-Custodio has a fourteen-year tenure at Manulife, where she held several key positions including Management and Bank Partner Training Head, Chief Agency Officer, Recruitment Head, and Sales and Marketing Head for various groups. Additionally, she worked at Prudential Insurance Corporation of America as an Agency Manager and at Ayala Land, where she advanced from a Training Specialist to a Department Head. Early in her career, she also served as a Market Research Staff/Supervisor at Ayala Corporation.

Ms. Juarez-Custodio holds a degree in Psychology, Guidance, and Counselling from St. Scholastica's College Manila.



VICENTE C. MACASAET, JR.
Independent Director

Mr. Vicente C. Macasaet, Jr. is an 87-year-old Filipino who currently serves as an Independent Director of Sterling Bank of Asia Inc.

Prior to this role, he worked as a Commercial Administration Manager at Air France for 17 years, and then as the Executive Sales Director of the Regent Hotel in Manila for seven years. Following this, he held the position of Executive Sales Director of Northwest and American Airlines in the Middle East, based in Riyadh, Saudi Arabia, for nine years.

Alongside his professional career, he undertook a five-year French Language and Culture course at the Alliance Française de Manille and currently teaches French at Easter College in Baguio.

Mr. Macasaet obtained his Bachelor of Science in Commerce, majoring in Banking with a minor in Finance, from the Colegio de San Juan de Letran.



ANTONIO R. SAMSON
Independent Director

Mr. Antonio R. Samson, aged 76 and a Filipino national, serves as an Independent Director of Sterling Bank of Asia Inc. Concurrently, he holds the following positions: Independent Director of Philequity Fund, Chairman and Chief Executive Officer of Touch XDA, President of the Manila Chamber Orchestra Foundation, and Chief Growth Officer of DDB Philippines.

He earned a bachelor's degree in Economics from the Ateneo de Manila University, followed by master's degrees in Business Administration from the Asian Institute of Management and in Business Economics from the Center for Research and Communication.



MARIBEL B. SARINO-LAZO
Independent Director

Ms. Maribel B. Sarino-Lazo, aged 62 and of Filipino nationality, serves as an Independent Director of Sterling Bank of Asia Inc.

Her professional journey includes roles as a Consultant for Treasury, International Treasury, Controls, and Credit and Collections at various companies such as Adobe Systems, Silicon Graphics, Inc., and Hewlett-Packard Co. in San Jose, California. Prior to this, she held the position of Second Vice President and Assistant Treasurer at Chase Manhattan Bank, North America. Earlier in her career, she managed the foreign office of PCI Bank in France and gained valuable work experience in corporate banking at the Insular Bank of Asia and America.

Ms. Sarino-Lazo is a graduate of Haverford College, Pennsylvania, with a bachelor's degree in Economics.



NESTOR H. VASAY
Independent Director

Mr. Nestor H. Vasay, a 70-years old Filipino, currently holds the position of Independent Director at Sterling Bank of Asia Inc.

With more than twenty years of experience in banking and finance, his career began as a Trust Analyst at Metropolitan Bank and Trust Company in November 1976. He then moved to Chase Manhattan Bank, where he assumed various roles in Credit Administration, ultimately rising to the position of Second Vice President and Head of Credit Services.

Following his tenure at Chase Manhattan Bank, Mr. Vasay served as an Assistant Vice President and Sector Head for Credit Review at International Exchange Bank from June 1996 to August 1997, before venturing into the energy sector. He assumed the role of Assistant Vice President for Credit Administration at First Gas Power Corporation from 1997 to 2002, subsequently being promoted to Vice President and Comptroller from 2002 to 2010. He then joined Energy Development Corporation, where he served as the company's Chief Finance Officer and Treasurer from 2010 to 2018, with the rank of Senior Vice President.

Mr. Vasay holds a Bachelor of Science in Business Administration from Angeles University and is a Certified Public Accountant.



WILLIAM L. CHUA
Non-Executive Director

Mr. William L. Chua, a 73-year-old Filipino, currently serves as a Non-Executive Director of Sterling Bank of Asia Inc.

Mr. Chua, a veteran in the computer industry, holds directorship roles at several companies, including Extra Low Voltage Distributions, Inc. (formerly WSI Phone Care Inc.), Information Technology Security Distributors Inc., Jupiter Systems, Inc., Nexus Technologies, Inc., and WSI Technologies Corp. He also serves as a director at Discovery World Corp. and Greenhills East Village Association.

In addition, he serves as Chairman, President, and CEO of LSI Leading Technologies, Inc. and WSI Philippines, Inc. He is also Chairman of Philmont Academic Solutions Inc. and Wordtext Systems, Inc., CEO of WS Pacific Publications Inc., Vice Chairman and President of Aikontech Corp., and Trustee at the Adolfo S. Suzara Foundation Inc.

Mr. Chua holds a Bachelor of Science degree in Industrial Engineering from California State University and a Master of Business Administration from Santa Clara University.

BOARD OF DIRECTORS



HARRIS D. JACILDO
Non-Executive Director

Mr. Harris D. Jacildo, aged 62, is a Filipino national and serves as a Non-Executive Director of Sterling Bank of Asia Inc.

He holds the position of Chairman and President of I-Remit Inc. Mr. Jacildo also acts as a Director/Nominee at IFast Innovate PTY Ltd. (formerly Worldwide Exchange Pty Ltd), iRemit Global Remittance Ltd. (UK), I-Remit New Zealand Ltd., I-Remittance Singapore PTE Ltd., and Lucky Star Management Ltd. (HKG). Furthermore, he is a Trustee/Nominee at Kabalikang Migranteng Pilipino (KAMPI).

He earned his bachelor's degree in Applied Economics from the De La Salle University and completed a Basic Management Program at the Asian Institute of Management.



ATTY. A. BAYANI K. TAN
Non-Executive Director

Atty. A. Bayani K. Tan, a 69-year-old Filipino, is a Director of Sterling Bank of Asia Inc.

He also holds concurrent positions as Chairman and President of Trifels, Inc., Director and Chairman of Destiny Lend Fund, Inc., and Managing Director of Shamrock Development Corp.

Additionally, he serves as a Director and Corporate Secretary of Citycane Corp., S.C. Tan Export Corp., SCT Electro Component Corp., SCT Furnishings Corp., and Yoshita Corp. He likewise holds directorship positions at Bluepanel Equities and Development, Inc., Club Asia, Inc., Discovery World Corp., Jin Navitas Electric Corp., Mandalore Manila Bay Development Corp., Pascual Laboratories, Inc., Pure Energy Holdings Corp., Northpond Holdings and Development Corp., Tagaytay Highlands Int'l Golf Club, Inc., and T&V Realty Holdings, Inc.

As a Senior Partner at Tan Venturanza Valdez, Atty. Tan holds the concurrent position of Corporate Secretary in the following corporations: Demikk Holdings, Inc., Demikk Realty, Inc., Electroparts Development Corp., JTKC Equities, Inc., Oakridge Properties, Inc., Philippine Asahi Material Corp., and Star Equities, Inc.

Atty. Tan is actively involved in various non-governmental organizations, charitable organizations, and educational institutions, where he holds the following key positions: Chairman and President of SCTAN Foundation, Inc.; Chairman and Trustee of Anhawan Foundation Inc. and Guimaras Forest Foundation, Inc.; President and Trustee of Catarman Chamber Integrated School Foundation, Inc.; Vice Chairman of St. Scholastica's College Manila; Corporate Secretary of the Philippine Jesuit Aid Association, Inc. and Karen Marie L. Ty Foundation; Trustee and Executive Vice President of the UP Law '80 Foundation, Inc.; Trustee and Corporate Secretary of St. Scholastica's Hospital, Inc. and Wellington Dee Ty Foundation Inc.; Trustee and Treasurer of Rebisco Foundation, Inc.; and Trustee of St. Scholastica's College, Inc., Wesolve Foundation, Inc., and Wills International Foundation, Inc.

Atty. Tan holds a Bachelor of Arts in Political Science from San Beda College, where he graduated as class valedictorian and received the Medal for Academic Excellence. He earned his Bachelor of Laws degree from the University of the Philippines, ranking ninth in his class, and later obtained his Master of Laws from New York University. Atty. Tan was a member of the Order of the Purple Feather, the official honor society of the UP College of Law's Juris Doctor program. He took the 1981 Bar Examinations and ranked sixth among all bar passers.

BUSINESS LINE GROUP HEADS



RALPH B. CADIZ
Executive Vice President and
Retail Banking Group Head

Mr. Cadiz, 56, a Filipino, is the Executive Vice President and Head of Retail Banking Group at Sterling Bank of Asia. Prior to his tenure at the Bank, he held significant leadership roles in retail banking, consumer lending, and remittance at esteemed institutions such as UCPB, Solid Bank, International Exchange Bank, Union Bank, Security Bank, and Export Bank. Notably, he served as the Head of Branch Banking and Consumer Lending, holding the rank of Senior Vice President at Export Bank before joining the Bank in September 2010.

Mr. Cadiz holds a Bachelor of Science Degree in Commerce with a major in Business Administration from the University of Santo Tomas.



BENSON J. HARI-ONG
Executive Vice President and
Head-Commercial Lending Group

Mr. Hari-Ong, 58 years old and a Filipino, is the Executive Vice President and Head of the Commercial Lending Group at Sterling Bank of Asia.

With over two decades of experience in Corporate Banking, he has held significant roles at Rizal Commercial Banking Corporation before joining Sterling Bank in March 2008. Mr. Hari-Ong holds a Bachelor of Science Degree in Industrial Management Engineering with a minor in Mechanical Engineering from the De La Salle University. He furthered his education by earning a master's degree in Business Administration from the same university in 1990.



CLAYTON T. LEE
Executive Vice President, Treasurer,
and Head-Treasury Group

Mr. Lee, 55, a Filipino, is the Executive Vice President and Treasurer of Sterling Bank of Asia. Before joining the Bank in November 2011, he had a distinguished banking career and extensive experience in Treasury. He has held various roles in both local and foreign banks in the Philippines, including Allied Bank, Bank of America, and The Royal Bank of Scotland (formerly ABN AMRO). He was also the Vice President - Global/ Local Markets and Foreign Exchange head at The Royal Bank of Scotland.

Mr. Lee graduated from the Ateneo de Manila University with a Bachelor of Arts Degree in Economics.

BUSINESS LINE GROUP HEADS



MARY ROSE U. MENDEZ
Senior Vice President
and Consumer Lending Group Head

Ms. Mendez, 52, a Filipino, holds the position of Senior Vice President and Head of Consumer Lending Group. With a wealth of experience in finance, she previously led the Retail Lending Group at The Philippine National Bank, served as the Head of the Real Estate Loan Division at China Banking Corporation, and oversaw the Mortgage Loan Department at PS Bank. Moreover, her involvement as a grant administrator for finance in a project funded by the Global Environment Facility allowed her to contribute her financial expertise, complementing her extensive banking career.

Ms. Mendez began her banking journey in various Branch and Trust Banking roles at RCBC Savings Bank, Capitol Bank, and Asiatrust Bank. She graduated cum laude with a Bachelor of Science Degree in Business Administration from the University of the Philippines and later earned her Master's degree in Business Administration from the same institution.



CANDICE P. QUIANZON
Senior Vice President and
Real Estate Loans 1 Head

Ms. Candice Quianzon, 52 years old and a Filipino, is the First Vice President and Real Estate Loans Head of Sterling Bank of Asia. With extensive experience in consumer lending, she has held key positions at LBC Development Bank and GSIS Bank. Additionally, she has excelled in sales and marketing roles at prestigious organizations such as ABN-Amro and Urban Bank before joining Sterling Bank in May 2010.

Ms. Quianzon is a licensed real estate broker with a bachelor's degree in Biology from Far Eastern University. She has pursued further education by completing master's units in the MBA program at the University of Santo Tomas and earning an Executive Diploma in Real Estate Management from De La Salle - College of Saint Benilde. Her continuous pursuit of advanced programs in real estate management ultimately led to her completing a master's degree in Management major in Real Estate Management at the University of San Jose-Recoletos in 2023.



ANTONIO C. DANAÓ
First Vice President
and Trust Officer

Mr. Antonio C. Danao, 61, a Filipino, is a seasoned professional in Trust Banking, with a remarkable career spanning over 30 years. His journey includes significant contributions to renowned financial institutions, such as Insular Investments & Trust Corp., Standard Chartered Bank, Metrobank, Bank of Commerce, and Maybank. Notably, he has also served as a Board Director and Vice President of the Trust Officers Association of the Philippines. Mr. Danao earned his Bachelor of Science degree in Economics from Far Eastern University, where he received an Academic Excellence Award for Full Scholarship. He has completed units leading to a Master's degree in Business Administration from the De La Salle University Professional Schools. Additionally, he graduated with distinction from the Trust Operations and Portfolio Management Course at the Philippine Trust Institute.

SENIOR OFFICERS

SENIOR VICE PRESIDENTS



RUTH M. ANIÑÓN
Internal Audit Head



GIRLIE C. GALANG
Chief Compliance Officer



LUISITO S. MAYOR
Operations Group Head



KIM MC IVANS V. PASION
Chief Risk Officer and Risk
Management Head



DALISAY N. RUBIO
Controllership Group Head

FIRST VICE PRESIDENTS



FELISA B. ALCALA
Business Support Services Head



CHERIE C. BALLESTEROS
Retail Banking Area 1 Head



GREGO S. CERVANTES JR.
Retail Banking Area 2 Head



MARY JOAN T. GARCIA
Management Information System
and Budget Head



DAN C. GUEVARA
Center For Learning Head



HENRY G. HUNG
Information Technology Group Head

SENIOR OFFICERS

FIRST VICE PRESIDENTS



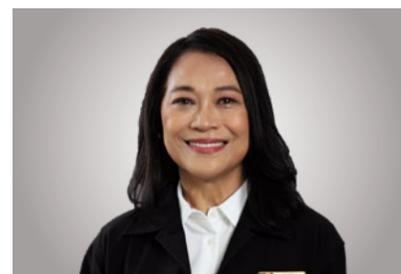
JOSE S. ISON JR.
Commercial Lending 3 Head



LEILA C. QUEVEDO-AMANTE
Vismin Consumer Lending Head



JOSEFINA S. RIVERA
Branch Head - Ortigas



LILIA P. SANTOS
Commercial Lending 1 Head



RONALD C. SANTOS
Treasury Marketing Head



ARLENE N. SIONGCO
Human Resources Group Head/
Concurrent Compensation and
Benefits Head



JOSEPH T. SULIT
Credit Services Head/Concurrent
RBG Support Head



ENRIQUE D. TAN
Commercial Lending 2 Head



LISA T. UY TAN
Retail Banking Area 5 Head



MARILOU B. VILLANUEVA
Foreign Exchange Head

SENIOR OFFICERS

VICE PRESIDENTS



**JOSE EDUARDO
G. ACAYAN**
Treasury Marketing Trader



RAQUEL C. BUMBAY
Marketing Group Head



**MAURICE MARIO
R. CALINGO**
Senior Relationship Manager



**MARC CHRISTOPHER
U. CARLOS**
Domestic Markets Head



**REINA FILIPINA
V. DEACOSTA**
Credit Evaluation and
Approval Head



**MARVIN BRYAN
S. FRANCISCO**
Senior Relationship Manager



RINALDI O. GONZALES
Technology Operations Head



MARILOU B. LABAY
Financial Markets Sales Head



ETHEL L. PERALTA
Management Support
Services Head



NORWINA L. REYES
Quality Assurance Head



MICHELLE R. RODRIGO
General Accounting Head



**JOSE ANTONIO
C. SALVACION**
Chief Security Officer



MA. RUBY N. SAMSON
Application Testing and
User Support Head



**ALMA VALERIE
C. SORIANO**
Legal Services Head



ARIEL F. YANG
Regulatory Reports
and Reconciliation Head

AUDITED FINANCIAL STATEMENTS



REYES TACANDONG & Co.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Registration No. PP201007009

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Fax : +632 8 982 9111
Website : www.reyestacandong.com

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Sterling Bank of Asia Inc. (A Savings Bank)
Sterling Bank Corporate Center
8004 Ortigas Avenue
Greenhills, 1500, San Juan
Metro Manila

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Sterling Bank of Asia Inc. (A Savings Bank) (the Bank), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of material accounting policy information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report for the year ended December 31, 2023 but does not include the financial statements and our auditors' report thereon. The Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

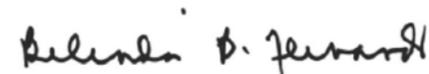
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on the Supplementary Information Required under Section 174 and Appendix 55 of the Manual of Regulations for Banks by the Bangko Sentral ng Pilipinas, Disclosure Requirements to the Audited Financial Statements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the years ended December 31, 2023 and 2022 required by the Bangko Sentral ng Pilipinas under Section 174 and Appendix 55 of the Manual of Regulations for Banks as disclosed in Note 26 to financial statements is presented for additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of the management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

REYES TACANDONG & Co.



BELINDA B. FERNANDO

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

BOA Accreditation No. 4782; Valid until April 13, 2024

BIR Accreditation No. 08-005144-004-2022

Valid until October 16, 2025

PTR No. 9564560

Issued January 2, 2024, Makati City

March 26, 2024

Makati City, Metro Manila

STERLING BANK OF ASIA INC. (A Savings Bank)

STATEMENTS OF FINANCIAL POSITION

	Note	December 31	
		2023	2022
ASSETS			
Cash and other cash items		₱578,568,031	₱510,101,446
Due from Bangko Sentral ng Pilipinas		2,056,165,929	2,813,319,000
Due from other banks		1,502,080,267	1,963,318,024
Interbank loans receivable	6	1,348,001,167	470,374,799
Investment securities	7	3,716,878,965	2,180,629,502
Loans and receivables	8	34,957,441,412	30,975,948,092
Foreclosed assets	9	605,731,320	578,218,320
Property and equipment	10	636,599,636	582,876,543
Intangible assets	11	296,918,747	292,013,209
Net deferred tax assets	21	27,991,015	21,795,988
Other assets	12	264,078,757	112,258,256
		₱45,990,455,246	₱40,500,853,179
LIABILITIES AND EQUITY			
Liabilities			
Deposit liabilities	13	₱38,693,816,311	₱33,636,398,724
Accrued interest, taxes and other expenses	14	270,922,810	176,012,130
Manager's checks		121,010,179	117,174,478
Unsecured subordinated debt	15	1,300,000,000	1,300,000,000
Lease liabilities	18	268,473,038	241,109,327
Retirement liability	19	77,128,693	55,035,205
Income tax payable		7,006,583	299,049
Other liabilities	16	995,193,711	1,169,219,369
Total Liabilities		41,733,551,325	36,695,248,282
Equity			
Perpetual preferred stock	22	300,000,000	300,000,000
Common stock	22	2,370,000,000	2,170,000,000
Other equity reserves		7,310,178	(1,107,468)
Retained earnings		1,579,593,743	1,336,712,365
Total Equity		4,256,903,921	3,805,604,897
		₱45,990,455,246	₱40,500,853,179

See accompanying Notes to Financial Statements.

STERLING BANK OF ASIA INC. (A Savings Bank)

STATEMENTS OF INCOME

	Note	Years Ended December 31	
		2023	2022
INTEREST INCOME ON:			
Loans and receivables	8	₱2,685,241,302	₱1,990,850,609
Investment securities	7	186,237,276	74,177,517
Due from Bangko Sentral ng Pilipinas and other banks		106,644,928	70,910,052
Interbank loans receivable	6	91,674,284	54,647,862
		3,069,797,790	2,190,586,040
INTEREST EXPENSE ON DEPOSIT AND OTHER FINANCIAL LIABILITIES			
	13	1,215,844,867	513,025,086
NET INTEREST INCOME		1,853,952,923	1,677,560,954
OTHER INCOME (CHARGES)			
Service charges, fees and commissions		160,531,049	187,805,158
Net trading and securities gains from investment securities	7	32,393,904	18,511,339
Net losses from assets sold or acquired	9	(13,294,924)	(25,874,331)
Net foreign exchange gains (losses)		1,485,855	(335,163)
Others - net		8,562,535	7,296,057
		189,678,419	187,403,060
PROVISIONS FOR CREDIT AND IMPAIRMENT			
LOSSES ON LOANS AND RECEIVABLES	8	19,303,733	42,137,524
OPERATING EXPENSES	20	1,710,732,991	1,568,806,734
INCOME BEFORE INCOME TAX		313,594,618	254,019,756
PROVISION FOR (BENEFIT FROM) INCOME TAX			
Current	21	74,009,149	53,820,081
Deferred		(3,295,909)	(911,023)
		70,713,240	52,909,058
NET INCOME		₱242,881,378	₱201,110,698

See accompanying Notes to Financial Statements.

STERLING BANK OF ASIA INC. (A Savings Bank)
STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31	
		2023	2022
NET INCOME		₱242,881,378	₱201,110,698
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Items to be reclassified to profit or loss:</i>			
Net unrealized gains (losses) on fair value changes of investment securities	7	17,411,936	(21,713,459)
Translation adjustment		(296,938)	5,680,590
<i>Item not to be reclassified to profit or loss -</i>			
Remeasurement loss on retirement liability, net of deferred tax	19	(8,697,352)	(3,413,013)
		8,417,646	(19,445,882)
TOTAL COMPREHENSIVE INCOME		₱251,299,024	₱181,664,816

See accompanying Notes to Financial Statements.

STERLING BANK OF ASIA INC. (A Savings Bank)
STATEMENTS OF CHANGES IN EQUITY

	Note	Years Ended December 31	
		2023	2022
PERPETUAL PREFERRED STOCK	22	₱300,000,000	₱300,000,000
COMMON STOCK	22		
Balance at beginning of year		2,170,000,000	2,170,000,000
Issuance of shares		200,000,000	-
Balance at end of year		2,370,000,000	2,170,000,000
OTHER EQUITY RESERVES			
Cumulative Unrealized Gains (Losses) on Fair Value Changes of Investment Securities	7		
Balance at beginning of year		(20,803,460)	909,999
Net unrealized gains (losses)		17,411,936	(21,713,459)
Balance at end of year		(3,391,524)	(20,803,460)
Cumulative Remeasurement Gains (Losses) on Retirement Liability	19		
Balance at beginning of year		5,829,574	9,242,587
Net remeasurement loss		(8,697,352)	(3,413,013)
Balance at end of year		(2,867,778)	5,829,574
Cumulative Translation Adjustment			
Balance at beginning of year		13,866,418	8,185,828
Translation adjustment		(296,938)	5,680,590
Balance at end of year		13,569,480	13,866,418
		7,310,178	(1,107,468)
RETAINED EARNINGS			
Balance at beginning of year		1,336,712,365	1,135,601,667
Net income		242,881,378	201,110,698
Balance at end of year		1,579,593,743	1,336,712,365
		₱4,256,903,921	₱3,805,604,897

See accompanying Notes to Financial Statements.

STERLING BANK OF ASIA INC. (A Savings Bank)

STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31	
		2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		₱313,594,618	₱254,019,756
Adjustments for:			
Depreciation and amortization	10	164,012,582	167,556,658
Retirement benefits	19	20,497,018	18,952,575
Net amortization of discount on investment securities	7	19,501,543	16,089,810
Provisions for credit and impairment losses on:			
Loans and receivables	8	19,303,733	42,137,524
Foreclosed assets	9	359,517	—
Interest expense on lease liabilities	18	14,478,078	12,753,544
Net losses from assets sold or acquired	9	13,294,924	25,874,331
Operating income before working capital changes		565,042,013	537,384,198
Changes in operating assets and liabilities:			
Increase in:			
Financial assets at fair value through profit or loss		(17,521)	(97,461)
Loans and receivables		(3,997,548,291)	(578,524,315)
Other assets		(151,820,501)	(1,541,748)
Increase (decrease) in:			
Deposit liabilities		5,057,417,587	(4,606,552,227)
Manager's checks		3,835,701	18,982,782
Accrued interest, taxes and other expenses		94,910,680	15,113,726
Other liabilities		(174,025,658)	(430,633,895)
Net cash generated from (used for) operations		1,397,794,010	(5,045,868,940)
Income taxes paid		(67,301,615)	(68,894,859)
Retirement contributions	19	(10,000,000)	(20,000,000)
Net cash flows provided by (used in) operating activities		1,320,492,395	(5,134,763,799)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment securities	7	(25,881,095,378)	(22,508,452,876)
Property and equipment	10	(72,392,513)	(44,007,603)
Computer software	11	(22,270,919)	(4,777,811)
Proceeds from:			
Maturity of investment securities	7	24,342,773,829	23,646,331,028
Disposal of assets held for sale	9	127,505,495	314,649,946
Sale of property and equipment	10	3,389,274	1,554,595
Net cash flows provided by (used in) investing activities		(1,502,090,212)	1,405,297,279

(Forward)

- 2 -

	Note	Years Ended December 31	
		2023	2022
CASH FLOWS FROM A FINANCING ACTIVITY			
Payments of lease liabilities	18	(₱86,733,450)	(₱92,077,085)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
		(3,966,608)	5,680,590
NET DECREASE IN CASH AND CASH EQUIVALENTS		(272,297,875)	(3,815,863,015)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items		510,101,446	627,826,383
Due from Bangko Sentral ng Pilipinas		2,813,319,000	6,346,319,599
Due from other banks		1,963,318,024	2,598,830,302
Interbank loans receivable		470,374,799	—
		5,757,113,269	9,572,976,284
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
Cash and other cash items		578,568,031	510,101,446
Due from Bangko Sentral ng Pilipinas		2,056,165,929	2,813,319,000
Due from other banks		1,502,080,267	1,963,318,024
Interbank loans receivable		1,348,001,167	470,374,799
		₱5,484,815,394	₱5,757,113,269
OPERATING CASH FLOWS FROM INTEREST			
Interest received		₱2,933,106,003	₱2,190,586,040
Interest paid		1,165,050,167	513,025,086
NONCASH INFORMATION			
Foreclosure of assets	9	₱126,717,155	₱521,736,102
Recognition of right-of-use assets and lease liabilities	10, 18	99,619,083	144,829,063

See accompanying Notes to Financial Statements.

STERLING BANK OF ASIA INC. (A Savings Bank)

NOTES TO FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

1. General Information

Sterling Bank of Asia Inc. (A Savings Bank) (the Bank) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) and the Bangko Sentral ng Pilipinas (BSP). The Bank was formerly known as Far East Savings Bank (FESB) and was originally issued with a Certificate of Incorporation by the SEC on January 20, 1998. The Bank is primarily engaged in the general business of savings and mortgage banking. The Bank offers a wide range of products and services such as deposit products, loans, treasury and trust functions.

The Bank was granted authority to engage in trust operations in 2008 and to issue foreign letters of credit in 2010.

As at December 31, 2023 and 2022, the Bank operates a total of 47 branches.

In 2006, JTKC Equities, Inc. (JEI), Surewell Equities, Inc. (SEI) and Star Equities, Inc. acquired all the outstanding shares of stock of FESB from the Bank of the Philippine Islands. In 2007, the Bank changed its corporate name from FESB to Sterling Bank of Asia Inc. (A Savings Bank) as approved by the BSP and the SEC.

In 2009, the BSP approved the Bank's application to acquire 100% of the shares of stock of Centennial Savings Bank (CSB). In 2010, as approved by the BSP and the SEC, the Bank, as the surviving entity, merged with CSB.

The ultimate parent company of the Bank is JEI, through a direct equity interest of 38.11% and 37.97% as at December 31, 2023 and 2022, respectively, and an indirect equity interest of 25.01% and 24.63% as at December 31, 2023 and 2022, respectively, through Star Equities, Inc., a wholly owned subsidiary of JEI.

The registered office address of the Bank is Sterling Bank Corporate Center, 8004 Ortigas Avenue, Greenhills, 1500, San Juan, Metro Manila.

Approval of the Financial Statements

The financial statements of the Bank as at and for the years ended December 31, 2023 and 2022 have been approved and authorized for issue by the Board of Directors (BOD) on March 26, 2024, as recommended for approval by the Audit Committee on March 19, 2024.

2. Summary of Material Accounting Policy Information

Basis of Preparation and Compliance

The financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial and Sustainability Reporting Standards Council and adopted by the SEC. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC), and the SEC pronouncements.

Measurement Bases

The financial statements have been prepared under the historical cost basis, except for:

- investment securities measured at fair value;
- assets held for sale that are measured at the lower of carrying amount of loans and receivables and fair value less cost-to-sell; and
- retirement liability that is carried at the present value of defined benefit obligation less the fair value of plan assets.

Historical cost is generally based on the fair value of the consideration given in exchange for an asset and the fair value of consideration received in exchange for incurring a liability. 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 transaction date.

The Bank uses market observable data as far as possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 - quoted (unadjusted) market prices in active market 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.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Bank recognizes transfers between levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

Information about the assumptions made in measuring fair values is included in Note 5, *Fair Value Measurement*.

Functional and Presentation Currency

The financial statements of the Bank include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of the RBU and FCDU is the Philippine Peso and United States Dollar (USD), respectively. For financial reporting purposes, the FCDU accounts and foreign currency-denominated accounts in the RBU are translated into Philippine Peso equivalent amounts, which is the functional and presentation currency of the Bank. The financial statements of RBU and FCDU are combined after eliminating inter-unit accounts.

Adoption of Amendments to PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following relevant amendments to PFRS effective January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity’s financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ to accounting policy information.
- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods.
- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity’s right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments.

The adoption of the foregoing amendments to PFRS did not materially affect the financial statements of the Bank. Additional disclosures were included in the financial statements, as applicable.

Amendments to PFRS Issued but Not yet Effective

Relevant amendments to PFRS, which are not yet effective and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PFRS 16 – *Lease Liability in a Sale and Leaseback* – The amendments clarify that the liability that arises from a sale and leaseback transaction, that satisfies the requirements in PFRS 15, *Revenue from Contracts with Customers*, to be accounted for as a sale, is a lease liability to which PFRS 16 applies and give rise to a right-of-use (ROU) asset. For the subsequent measurement, the seller-lessee shall determine ‘lease payments’ or ‘revised lease payments’ in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying this subsequent measurement does not prevent the seller-lessee from recognizing any gain or loss relating to the partial or full termination of a lease. Any gain or loss relating to the partial or full termination of the lease does not relate to the right of use retained but to the right of use terminated. The amendments must be applied retrospectively. Earlier application is permitted.
- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted.

Under prevailing circumstances, the adoption of the foregoing amendments to PFRS is not expected to have any material effect on the financial statements of the Bank. Additional disclosures will be included in the notes to financial statements, as applicable.

Financial Instruments

Date of Recognition. The Bank recognizes a financial asset or liability in the statement of financial position when the Bank becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

“Day 1” Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Bank recognizes the difference between the transaction price and the fair value (a “Day 1” difference) in profit or loss. In cases where there is no observable data on inception, the Bank deems the transaction price as the best estimate of fair value and recognizes “Day 1” difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Bank determines the appropriate method of recognizing the “Day 1” difference.

Financial Assets

Classification. The Bank classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at fair value through other comprehensive income (FVOCI) and (c) financial assets at amortized cost. The classification of a financial asset largely depends on its contractual cash flow characteristics and the Bank's business model for managing them.

Financial Assets at FVPL. Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if these are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless these are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, debt instruments may be designated as FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are measured at fair value at each reporting year, with any fair value gains or losses, including foreign exchange gains or losses, recognized in profit or loss to the extent that these are not part of a designated hedging relationship. Interest income (calculated using the effective interest rate method) is recognized directly in profit or loss.

Certain investments in government securities that are held for trading are included in this category (presented under "Investment securities" account).

Financial Assets at FVOCI. For debt instruments that are not designated at FVPL under the fair value option, the financial assets should be measured at FVOCI if both of the following conditions are met:

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

Debt instruments are initially measured at fair value plus transaction costs. Interest income (calculated using the effective interest rate method) and foreign currency gains or losses on debt instruments measured at FVOCI are recognized directly in profit or loss. After initial recognition, debt instruments are carried at fair value. Unrealized gains or losses from changes in fair values are recognized in other comprehensive income and presented in the equity section of the statements of financial position. When the financial asset is derecognized, the cumulative unrealized gains or losses previously recognized in other comprehensive income are reclassified from equity to profit or loss.

Equity instruments that are not held for trading may be irrevocably designated as a financial asset to be measured at FVOCI on initial recognition. Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. After initial recognition, equity instruments are carried at fair value. Foreign currency gains or losses and unrealized gains or losses

from changes in fair values are recognized in other comprehensive income and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent years.

In limited circumstances, cost may be an appropriate estimate of fair value of equity securities designated as financial asset measured at FVOCI, such as if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

Certain investments in government securities, private bonds and unquoted equity security are included in this category (presented under "Investment securities" account).

Financial Assets at Amortized Cost. Financial assets should be measured at amortized cost if both of the following conditions are met:

- it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process.

Cash and other cash items, due from BSP and other banks, interbank loans receivable, loans and receivables, certain government securities measured at amortized cost (presented under "Investment securities" account), restricted cash, refundable deposits, and returned checks and other cash items (RCOCI) (included under "Other assets" account) are classified under this category.

Reclassification. The Bank reclassifies its financial assets when, and only when, the Bank changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting year following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, the financial asset is reclassified at its fair value at the reclassification date, and the cumulative gain or loss previously recognized in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Equity securities designated to be measured at FVOCI may no longer be reclassified to other category.

Impairment. The Bank recognizes credit and impairment losses based on expected credit loss (ECL) which is the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Bank expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate and adjusted for forward-looking estimates, as appropriate.

The Bank recognizes impairment loss based on either the 12-month or lifetime ECL. The 12-month ECL is the portion of ECL that results from default events on a financial instrument that are possible within 12 months after the reporting year. The Bank measures impairment loss at an amount equivalent to the 12-month ECL for financial assets that are determined to have low credit risk and those financial assets for which credit risk has not increased significantly since initial recognition. Financial instruments for which a 12-month ECL is determined are referred to as "Stage 1 financial assets."

However, when there has been a significant increase in credit risk since initial recognition, the allowance for credit and impairment losses will be based on the lifetime ECL. The lifetime ECL is the ECL that results from all possible default events over the expected life of the financial asset. A financial asset for which a lifetime ECL are determined but which are not credit-impaired are referred to as "Stage 2 financial assets".

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial asset as at the reporting year with the risk of a default occurring on the financial asset as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. The Bank also considers downgrade of credit risk rating or changes in the computed probabilities of default to determine whether significant increase in credit risk has occurred subsequent to initial recognition date. As a backstop indicator, the Bank considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

At each reporting date, the Bank assesses whether the financial assets at amortized cost are credit-impaired (referred to as "Stage 3 financial assets"). A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

ECL for credit-impaired financial assets is based on the difference between the gross carrying amount and present value of estimated future cash flows. The Bank transfers credit exposures from Stage 3 (non-performing) to Stage 1 (performing) when there is sufficient evidence to support their full collection. Such exposures should exhibit both the quantitative and qualitative indicators of probable collection prior to the transfer. The quantitative indicator is characterized by payments made within an observation period. The qualitative indicator pertains to the results of assessment of the borrower's financial capacity. As a general rule, full collection is probable when payments of interest and/or principal are received for at least six periods.

Financial assets at amortized cost are written off when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Modification or Restructuring. The Bank may modify the original terms and conditions of an existing loan, which may include, but not limited to, change in interest rate and terms, principal amount, maturity date and repayment schedule.

If modifications are considered substantial based on the assessment of the Bank, the loan is derecognized. Generally, a modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original asset.

On the other hand, if a loan has been renegotiated or modified without resulting in a derecognition, the Bank records a modification gain or loss, to the extent that an impairment loss has not been already recorded, based on the change in cash flows discounted at the loan's original effective interest rate.

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

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

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

Financial Liabilities

Classification. The Bank classifies its financial liabilities at initial recognition under the following categories: (a) financial liabilities at amortized cost and (b) financial liabilities at FVPL.

The Bank does not have financial liabilities measured at FVPL as at December 31, 2023 and 2022.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

Deposit liabilities, accrued interest and other expenses, manager’s checks, unsecured subordinated debt, lease liabilities, and other liabilities [excluding due to Philippine Deposit Insurance Corporation (PDIC), withholding taxes and statutory obligations] are included under this category.

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

Classification of Financial Instrument between Liability and Equity. A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Bank; or
- 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.

If the Bank does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Offsetting of Financial Assets and Liabilities

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

Foreclosed Assets

Foreclosed assets are composed of assets held for sale, investment properties and other foreclosed assets.

Assets Held for Sale. Foreclosed assets are classified as held for sale if the carrying amount will be recovered principally through a sale transaction rather than continuing use. Assets held for sale are accounted for at the lower of cost and fair value less cost to sell. The cost of foreclosed assets includes the carrying amount of the related loan, less any allowance for credit and impairment losses, at the time of foreclosure. Impairment loss is recognized in profit or loss for any subsequent write-down of the asset to fair value less cost to sell. Gain on any subsequent increase in fair value less costs to sell of an asset is recognized in profit or loss to the extent of the cumulative impairment loss.

Assets held for sale that cease to be classified as such is measured at the lower of (a) carrying amount before the assets were classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the assets not been classified as held for sale, and (b) recoverable amount at the date of the subsequent decision not to sell. Any adjustment on the carrying amount of assets held for sale that cease to be classified as held for sale is recognized in profit or loss.

Investment Properties. Foreclosed assets are classified as investment properties if these are foreclosed real estate properties. The investment property acquired in settlement of loans is initially measured at fair value of the asset acquired unless the fair value of the asset cannot be measured, in which case the investment property acquired is measured at the carrying amount of the settled loan amount. Any difference between the fair value of an investment property acquired and the carrying amount of the loan upon foreclosure is recognized in profit or loss. Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and any impairment in value. Depreciation is computed on a straight-line basis over the ten years. Land that is classified as investment property, is carried at cost and any impairment in value.

An investment property is derecognized when it has been disposed. Any gain or loss on the derecognition of an investment property is recognized in profit or loss in the year of derecognition.

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

Other Foreclosed Assets. Foreclosed assets are classified as other foreclosed assets if these will not be recovered principally through a sale transaction rather than continuing use and are not real estate properties. Other foreclosed assets are initially measured at the fair value of the asset acquired.

Any difference between the fair value and the carrying amount of the loan upon foreclosure is recognized in profit or loss. Subsequent to initial recognition, other foreclosed assets are carried at cost less accumulated depreciation and any impairment in value. Depreciation is computed on a straight-line basis over the three years.

Other foreclosed assets are derecognized upon disposal. Any gain or loss on the derecognition of other foreclosed asset is recognized in profit or loss in the year of derecognition.

Property and Equipment

Land is stated at cost less any impairment in value. Depreciable property and equipment are stated at cost less accumulated depreciation, amortization and any impairment.

The initial cost of property and equipment consists of its purchase price, including import duties, nonrefundable taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to profit or loss in the year when 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 costs of property and equipment.

The cost of replacing a part of the property and equipment is capitalized when that cost is incurred and all the relevant asset recognition criteria are met. The carrying amount of a part of an item of property and equipment that has been replaced is derecognized.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the property and equipment are as follows:

Asset Category	Number of Years
Building and condominium units	30
Right-of-use (ROU) assets	3 to 10 or the related lease term, whichever is shorter
Furniture, fixtures and equipment	5
Leasehold rights and improvements	10 or the related lease term, whichever is shorter

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the years and 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 on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Fully depreciated items are retained as property and equipment until these are no longer being used in the operations.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation, amortization and any impairment loss are removed from the accounts, any resulting gain or loss is recognized in profit or loss.

Intangible Assets

Branch Licenses. Branch licenses are capitalized on the basis of the costs incurred to acquire and of bringing the asset to its use in the operations. Branch licenses are not amortized and deemed to have an indefinite economic life as there is no foreseeable limit to the period over which these are expected to generate net cash inflows for the Bank.

Branch licenses are reviewed annually to determine whether events and circumstances continue to support an indefinite economic life assessment. Any change in assessment from indefinite to finite life will be accounted prospectively.

Computer Software. Computer software is measured on initial recognition at cost. Subsequently, computer software is measured at cost less accumulated amortization and any impairment losses. Internally-generated computer software, excluding capitalized development costs, is not capitalized and expenditures are recognized in profit or loss in the year in which the related expenditures are incurred.

Computer software is amortized using straight-line method over the estimated useful life of five years and assessed for impairment whenever there is an indication that the computer software may be impaired. The amortization period and method used for computer software are reviewed annually. Changes in the estimated useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimate. The amortization on computer software is recognized in profit or loss.

Gains or losses arising from the disposal 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 profit or loss when the asset is derecognized.

Prepaid Expenses

Prepaid expenses are expenses paid in advance and recorded as asset before these are utilized. Prepaid expenses are apportioned over the period covered by the payment and charged to appropriate accounts in profit or loss when incurred.

Impairment of Non-financial Assets

Property and equipment and computer software are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Branch licenses are assessed for impairment annually, either individually or at the cash generating unit (CGU) level, as appropriate. The Bank assesses at the end of the reporting year whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss.

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

Equity

Capital Stock. Capital stock is measured at par value per share issued. Incremental costs directly attributable to the issuance of new shares are recognized as deduction from equity, net of tax.

Perpetual preferred stock is classified as equity if it is non-redeemable, or redeemable only at the Bank’s option, and any dividends thereon are discretionary. Perpetual preferred stock is classified as a liability if this is redeemable on a specific date or at the option of the stockholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.

Retained Earnings. Retained earnings represent the cumulative balance of net income or loss, effects of the changes in accounting policy and other capital adjustments.

Other Equity Reserves. Other equity reserves comprise items of income and expenses that are not recognized in profit or loss. These pertain to cumulative unrealized gains (losses) on fair value changes of investment securities classified as financial assets at FVOCI, cumulative remeasurement gains on retirement liability and cumulative translation adjustment.

Revenue Recognition

Revenue from contracts with customers is recognized when the customer obtains control of the services at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those services. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be measured reliably.

The Bank also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Bank has assessed that it acts as a principal in all of its revenue sources, except for fees and commissions.

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

Interest Income. Interest income is recognized in profit or loss as the interest accrues, taking into account the effective yield of the asset.

When calculating the effective interest rate, the Bank’s FCDU estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective rate, transaction costs and all other premiums or discounts.

For Stage 3 financial assets, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount, provided that the Bank’s FCDU determines that the collection of interest income is reasonably assured.

Service Charges, Fees and Commissions. Service charges and penalties are recognized upon collection or being accrued when there is reasonable degree of certainty as to its collectability. Fees and commissions arising from providing transaction services are recognized upon completion of the transaction. Fees or components of the fees that are linked to a certain performance of a service or a condition are recognized after performing the service or fulfilling the condition.

Gains (Losses) from Assets Sold or Acquired. Income or loss from sale of properties acquired is recognized upon completion of the earning process and the collectability of the sales price is reasonably assured. Gain or loss on foreclosure of properties is determined as the difference between the fair value upon foreclosure and the carrying amount of the loan. Gain or loss on foreclosure of properties is recognized when the risks and rewards of the property have been transferred to the Bank.

Trading and Securities Gains (Losses). Trading and securities gains or losses represent gains and losses from changes in fair value of financial assets at FVPL and sale of investment securities.

Foreign Exchange Gains (Losses). Foreign exchange gains (losses) arising from the settlement of such transactions or from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized when earned.

Costs and Expense Recognition

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Costs and expenses are recognized upon receipt of goods, utilization of services or when the costs and expenses are incurred.

Interest Expense. Interest expense is recognized in profit or loss using the effective interest rate of the financial liabilities to which these relate.

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

Employee Benefits

Short-term Benefits. Short-term employee benefits given by the Bank to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses and non-monetary benefits. The Bank recognizes a liability, net of amounts already paid, and an expense for services rendered by employees during the year.

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits. Retirement benefit costs are actuarially determined using the projected unit credit method, which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees’ projected salaries.

The Bank recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and non-routine settlements, and net interest expense or income in profit or loss. Net interest expense or income is calculated by applying the discount rate to the net retirement liability or asset.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Bank recognizes restructuring-related costs.

Remeasurements comprising of actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit obligation) are recognized immediately in other comprehensive income in the year in which these arise. Remeasurements are not reclassified to profit or loss in subsequent years.

The retirement liability is the difference of the present value of the defined benefit obligation and the fair value of plan assets out of which the obligations are to be settled directly. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting year.

The Bank contributes to the retirement fund based on the actuarial valuation report. The contributions to the retirement plan consist of annual normal cost and amortization of any unfunded past service liability. The Bank is not required to contribute when the fair value of plan assets exceeds the present value of retirement liability.

Leases

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

The Bank as a Lessee

At commencement date of the lease, the Bank recognizes ROU assets and corresponding lease liabilities on the statements of financial position.

ROU Assets. ROU assets are initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before commencement date, plus any initial direct costs incurred, less any incentives received. ROU assets are subsequently amortized using the straight-line method from the commencement date to the end of the lease term. In addition, ROU assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liabilities. The Bank presents the ROU asset as part of "Property and equipment" account in the statements of financial position.

Lease Liabilities. Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of lease liabilities comprise the fixed payments, including in-substance fixed payments, and if applicable:

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

Lease liabilities are measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When lease liabilities are remeasured, a corresponding adjustment is made to the carrying amount of the ROU assets, or is recorded in profit or loss if the carrying amount of the ROU assets has been reduced to zero.

Short-term Leases. The Bank applies the short-term lease recognition exemption to its short-term leases (i.e., lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Income Taxes

Current Tax. Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rate and the tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting year.

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

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

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

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

Deferred tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity as other comprehensive income.

Offsetting. Current tax assets and current tax liabilities are offset, or deferred tax assets and deferred tax liabilities are offset if, and only if, an enforceable right exists to set off the amounts and it can be demonstrated without undue cost or effort that the Bank plans either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Fiduciary Activities

The Bank excludes from these financial statements the assets and income arising from fiduciary activities, together with related undertakings to return such assets to customer, where the Bank acts in a fiduciary capacity such as a nominee, trustee or agent.

Foreign Currency Transactions

RBU. Transactions in currencies other than Philippine Peso are recorded at the rate of exchange prevailing on the date of the transaction. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing on the reporting date. Foreign exchange gains or losses are recognized in profit or loss in the year in which these are incurred.

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

FCDU. As at the reporting date, the assets and liabilities of the FCDU are translated into the Bank’s functional and presentation currency at the Banking Association of the Philippines (BAP) closing rate, and its income and expenses are translated at the BAP weighted average rate for the year. Exchange differences arising from translation to foreign currency are recognized as other comprehensive income under “Cumulative translation adjustment.” Upon disposal of the FCDU or actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized as “Cumulative translation adjustment” in other comprehensive income is recognized in profit or loss.

Related Party Relationship and Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals who, by owning directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Bank; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank and close members of the family of such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

Related party transactions consist of transfer of resources, services or obligations between the Bank and its related parties.

Provisions

Provisions, if any, are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting year, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessment and the risks specific to the obligation. Provisions are reviewed at the end of each reporting year and adjusted to reflect the current best estimate.

Contingencies

Contingent liabilities are not recognized in the financial statements. These 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.

Events after the Reporting Year

Subsequent events that provide additional information about the Bank’s financial position at the reporting year are reflected in the financial statements when material. Subsequent events that are non-adjusting events are disclosed in the notes to financial statements when material.

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the financial statements requires management to exercise judgment, make estimates, and use assumptions that affect amounts of assets, liabilities, income and expenses reported in the financial statements and related disclosures. The judgments, estimates and assumptions used in preparing the financial statements are based upon management’s evaluation of relevant facts and circumstances as at the date of the financial statements. While management believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

Judgments

In the process of applying the Bank’s accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements.

Determining the Classification of Financial Assets. Classification of financial assets depends on the results of the business model test and sole payment of principal and interest test performed by the Bank.

The Bank exercises judgment in determining the business model to be used in managing its financial instruments to achieve their business objectives. The following are the factors considered by the Bank in its business model assessment:

- Specific business objectives in holding the financial assets,
- Whether income that can be generated from the financial assets can cover the cost of deposits,
- Policies in managing the risks of the financial assets,
- Expected frequency, value and timing of sales, and
- Key performance indicators of the financial assets.

The Bank also determines whether the contractual terms of debt instruments classified and measured as financial assets at amortized cost give rise to specified dates to cash flows that are solely payments for principal and interest, with interest representing time value of money and credit risk associated with the outstanding principal amount. Any other contractual term that changes the timing or amount of cash flows does not meet the “solely payments of principal and interest” test.

Determining the Fair Values of Financial Instruments. Certain financial assets and liabilities are carried at fair value and whose fair values are disclosed, which requires extensive use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Bank utilized different valuation methodologies. Any changes in fair value of these financial assets and liabilities would affect profit and loss and equity.

When the fair values of financial assets and liabilities recognized or disclosed in the financial statements cannot be derived from the active market, the fair values are determined using internal valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable market where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

The fair values of the Bank’s financial instruments are disclosed in Note 5.

Determining the Functional Currency. The Bank uses its judgment to determine the functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Bank considers the following:

- the currency that mainly influences sales price for financial instruments and services or the currency in which sales prices for its financial instruments and services are denominated and settled;
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

Based on the foregoing and the economic substance of the underlying circumstances relevant to the Bank, the functional currency of the Bank has been determined to be the Philippine Peso, which is the currency of the primary economic environment in which the Bank operates.

Determining the Classification of Lease Arrangements and Appropriate Lease Term and Discount Rates. The Bank, as a lessee, has existing lease agreements with related parties and third parties for its branches.

The Bank recognizes ROU assets and lease liabilities measured at the present value of lease payments to be made over the lease term using the Bank’s incremental borrowing rate, except for its short-term leases.

The Bank has exercised significant judgment in determining the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or in any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has lease contracts that include extension and termination options. The Bank applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. It considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement, the Bank reassess the lease term if there is a significant event or change in circumstances that is within its control that affects the ability to exercise or not to exercise the option to renew or terminate such as construction of a significant leasehold improvement or significant customization of the leased asset.

The Bank elected not to recognize ROU assets and lease liabilities for short-term leases. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Significant management judgment was likewise exercised by the Bank in determining the discount rate, whether implicit rate, if readily available or incremental rate, to be used in calculating the present value of ROU assets and lease liabilities. The discount rate ranging from 4.84% to 7.78% are incremental borrowing rates based on the Bloomberg Valuation Service (BVAL) rates adjusted by credit spread of the Bank.

Reassessments are made on a continuing basis whether changes should be reflected in the amount of lease liabilities due to circumstances affecting lease payments.

The amounts recognized in the financial statements in relation to the Bank’s lease agreements are disclosed in Notes 10 and 18.

Classifying the Acquired Assets. The Bank classifies its acquired assets as property and equipment if these are properties expected to be used in operations, investment properties if these assets are properties held for currently undetermined future use and is regarded as held for capital appreciation or for sale but the disposal is expected not to materialize within one year, or assets held for sale if the Bank expects that these assets will be recovered through sale rather than use or the Bank remains committed to sell the assets through active marketing and disposal program if the sale will not materialize within one year. Foreclosed assets, other than real estate properties, that Bank expects to sell for a period longer than one year are classified as other foreclosed assets.

Evaluating Contingencies. The Bank is currently involved in some legal proceedings mainly pertaining to collectability of its loans and receivables. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsels handling the Bank’s defense in these matters and is based on an analysis of potential results. Based on the opinion of its legal counsels, the Bank is in a good position to secure a favorable judgment in most of these cases. Management therefore believes that the ultimate outcome of these proceedings will not have a material adverse effect on the Bank’s financial position and performance (see Note 25).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimating the Credit and Impairment Losses on Financial Assets. Credit and impairment losses on financial assets are based on ECL. In assessing the ECL, the Bank uses historical credit loss experience adjusted for forward-looking factors, as appropriate.

The Bank measures impairment loss based on the 12-month ECL for the following:

- Receivables from customers and other financial instruments on which credit risk has not increased significantly since initial recognition.
- Investment securities and other debt instruments that are determined to have credit risk rating equivalent to “investment grade”, and thus, have a low credit risk at the reporting date.

The Bank measures impairment loss based on the lifetime ECL for receivables from customers for which credit risk has increased significantly since initial recognition, or when:

- The account is considered as loans especially mentioned based on the BSP guidelines.
- The account has a missed payment for more than 30 days for consumer loans or seven days for commercial loans.
- The account is downgraded by two risk ratings based on the Bank’s Internal Credit Risk Ratings (ICRR).

In estimating impairment loss of receivables from customers, the Bank estimates the amounts and timing of future cash flows, collateral values and the assessment of a significant increase in credit risk. Below are the components considered in the calculation of ECL.

- Net flow and default rates of receivables from customers based on historical experience of the Bank.
- ICRR and certain qualitative factors in determining whether there has been a significant increase in credit risk to determine when to measure lifetime credit losses.
- Latest fair values of collaterals and historical recovery rates of foreclosed assets for loss given default calculations.
- Segmentation of financial assets for collective assessment of ECL.
- Use of regression analysis in determining macroeconomic factors that affect non-performing status of loan accounts.

Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower.
- A breach of contract, such as a default or past due event.
- The lenders of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower concessions that the lenders would not otherwise consider.
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.
- The disappearance of an active market for that financial asset because of financial difficulties.
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event - instead, the combined effect of several events may have caused financial assets to become credit-impaired.

Loans and Receivables

Provision for credit and impairment losses on loans and receivables amounted ₱19.3 million and ₱42.1 million in 2023 and 2022, respectively (see Note 8).

The carrying amount of loans and receivables, and the related allowance for credit and impairment losses, are disclosed Note 8.

Investment Securities - Debt Instruments not Measured at FVPL

Impairment loss was recognized on the Bank’s investment securities amounting to ₱0.2 million and nil in 2023 and 2022, respectively. The carrying amount of financial assets at FVOCI (excluding unquoted equity security) and investment securities at amortized cost are disclosed in Note 7.

Other Financial Assets at Amortized Cost

No impairment loss was recognized on the Bank’s cash and other cash items, due from BSP and other banks, interbank loans and receivables, refundable deposits, restricted cash and RCOCI because these are placements or receivables with reputable counterparties that possess good ratings. The carrying amount of these financial assets at amortized cost are disclosed in Notes 5 and 12.

Assessing the Impairment of Branch Licenses. Branch license is determined to be an intangible asset with an indefinite economic life because there is no foreseeable limit to the period on which the branch license is expected to generate net cash inflows for the Bank. The branch license is required to be assessed for impairment annually by comparing its carrying amount with its recoverable amount, irrespective of whether there is any indication that it may be impaired.

The branches have been identified as the CGU for purposes of impairment assessment of branch licenses.

When the branch license’s fair value less cost of disposal is lower than its carrying amount, the recoverable amount is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the projection for the next five years and do not include restructuring activities that the Bank is not yet committed to or significant future investments that will enhance the asset base of the branch being tested. The recoverable amount is most sensitive to the discount rate as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

No impairment losses were recognized in 2023 and 2022. The carrying amount of the branch licenses is disclosed in Note 11.

Assessing the Impairment of Foreclosed Assets, Property and Equipment and Computer Software. The Bank assesses impairment of foreclosed assets, property and equipment and computer software whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable.

The relevant factors that the Bank considers whether to perform an asset impairment review include, among others, the following:

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

There is no indication that property and equipment and computer software may be impaired. Accordingly, no impairment losses on property and equipment and computer software were recognized in 2023 and 2022.

Allowance for impairment losses on foreclosed assets amounted to ₱2.6 million and ₱7.7 million as at December 31, 2023 and 2022, respectively (see Note 9).

The carrying amounts of foreclosed assets, property and equipment and computer software are disclosed in Notes 9, 10 and 11.

Estimating the Useful Lives of Property and Equipment, Foreclosed Assets and Computer Software. The Bank estimates the useful lives of property and equipment, investment properties and other foreclosed assets (presented under “Foreclosed assets”), and computer software based on the year over which the assets are expected to be available for use. The estimated useful lives are reviewed annually and changed if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of property and equipment and computer software. However, it is possible that future results of operations could be materially affected by changes in factors mentioned in the foregoing. The amounts and timing of recorded expenses for any year would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the foregoing would increase the recorded expenses and decrease assets.

There was no change in the estimated useful lives of the depreciable property and equipment, investment properties and other foreclosed assets (presented under “Foreclosed assets”), and computer software in 2023 and 2022.

The carrying amounts of the depreciable assets of the Bank are disclosed in Notes 9, 10 and 11.

Determining the Retirement Liability. The determination of the obligation and cost of retirement benefits is dependent on selection of certain assumptions determined by management and used by the actuary in calculating such amounts. These assumptions include, among others, discount rate and salary increase rate. Actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligations in such future years.

In determining the appropriate discount rate, management considers the interest rate of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Further details about the assumptions used are provided in Note 19 to financial statements.

The carrying amount of the retirement liability is disclosed in Note 19.

Assessing the Realizability of Deferred Tax Assets. The Bank reviews the carrying amount of deferred tax assets at each reporting year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting year and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The estimates of future taxable income indicate that deferred tax assets on certain temporary differences may be utilized in the future.

As at December 31, 2023 and 2022, the amounts of recognized deferred tax assets are disclosed in Note 21.

As at December 31, 2023 and 2022, no deferred tax assets were recognized on certain temporary differences (see Note 21). Management assessed that it is not probable that sufficient future taxable profit will be available to allow the deferred tax assets to be utilized.

4. Financial Risk Management Objectives and Policies

The Bank has exposure to the following major risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market and interest rate risk

Risk Governance

The Bank’s BOD has overall responsibility for the oversight of the Bank’s risk management process. The established risk governance framework together with the supporting structure provides for the mechanism to ensure oversight and accountability for risk at various levels in the organization. Various board and management committees, which are responsible for developing, managing and monitoring specific risks that the Bank is exposed to, are as follows.

Board Level:

1. Risk Management Committee (RMC)
2. Audit Committee (AC)
3. Corporate Governance Committee (CorGov)
4. Related Party Transaction (RPT)
5. Loan Committee (LOANCOM)
6. Bids & Awards Committee (BAC)
7. IT Committee (ITCOM)
8. Trust Committee (TRUSTCOM)
9. Executive Committee (EXCOM)

Management Level:

1. Senior Management Committee (SMCOM)
2. Credit Committee (CRECOM)
3. Fraud Committee (FRAUDCOM)
4. Anti-Money Laundering Committee (AMLCOM)
5. Data Protection Committee (DPC)
6. Asset-Liability Committee (ALCO)
7. Senior Management Oversight Committee for Outsourced Services (SMOC)

RMC is responsible for developing the Bank’s risk strategy and the supporting risk management policies, ensuring the soundness of risk management practices in relation to the risks faced by the Bank.

RMC is supported by the Risk Management Group (RMG) in the exercise of its risk oversight functions. RMG, which is independent of the business units and is directly reporting to the RMC, performs daily market risk analyses to measure market risk exposures and ensure compliance with the Bank’s policies, procedures and limit structures, and makes recommendations based on such analyses. RMG, likewise, monitors credit risk exposures and portfolio movements. They also take the lead in the development of the Bank’s credit acceptance policies, risk classification and profiling through the administration of the internal credit rating system and the determination of appropriate levels of allowances for credit losses.

AC is responsible for monitoring the Bank’s compliance with the risk management policies and procedures, and for reviewing the adequacy of risk management framework in relation to the risks being faced by the Bank. AC is assisted by the Internal Audit (IA) Department. IA undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the AC.

CorGov assists the board in fulfilling its corporate governance responsibilities and oversees periodic assessment of board performance, as well as the various Board Committees and Executive Management.

RPT is responsible for screening related party accounts for board approval.

LOANCOM is a Board Committee that acts as the highest approving body for loan and other credit related matters, except for directors, officers, stockholders and related interest (DOSRI) loans. It ensures that the credit approval or endorsement of credit facilities is based on a diligent, sound and prudent evaluation of the risks involved and is aligned with the Bank’s strategic objectives in terms of asset quality.

BAC oversees the Bank’s procurement processes and the implementation of procurement contracts as part of the Bank’s operational risk management, while also ensuring transparency and good governance in the process.

ITCOM oversees the development of the Bank’s information Technology System and Infrastructure. It ensures that systems are embedded with multi-layered controls in order to protect bank information and technical infrastructure.

TRUSTCOM is responsible for overseeing the investment activities of the Bank’s Trust unit.

EXCOM assists the board in the general supervision, administration and management of the Bank’s affairs, and is actively engaged in overseeing the development and execution of the Bank’s business strategies.

SMCOM exercises general supervision, administration and management of the bank’s operations, and as such oversees the operational and strategic risk management.

CRECOM is the management level committee that evaluates and screens all credit proposals that requires the approval of the President, LOANCOM or the BOD, and likewise monitors credit underwriting activities performed at management level. It ensures that credit risk is within the BOD established risk tolerance levels and that proposals comply with the credit underwriting standards as established in the Bank’s policies and procedures.

FRAUDCOM addresses the increasing threat landscape for fraud incidents committed against the Bank and its clients. The primary responsibility of the FRAUDCOM is to determine actions to be taken when a fraud incident is reported and recommend changes in the processes, procedures and policies of the Bank whenever applicable.

AMLCOM was established assists the BOD in fulfilling its oversight responsibility over AML activities to ensure that the Bank complies with the provisions of the Anti-Money Laundering Act (AMLA), as amended, its Implementing Rules and Regulations (IRR), and BSP regulations.

DPC task is to oversee the implementation of the Data Privacy Act (DPA). The Bank adopted a committee approach to DPA compliance with Data Protection officers representing the different areas namely, Compliance Risk, Legal, Information Technology and Security.

ALCO is responsible for ensuring that the Bank maintains adequate liquidity, sufficient capital and the appropriate funding to meet business requirements and comply with regulatory requisites. It is also responsible for building a stable funding structure by managing the Bank’s asset and liability profile. Moreover, it manages the Bank’s financial position and ensures that the Bank’s liquidity, capital and funding structure support the business strategies. It likewise establishes the Bank’s asset-liability pricing policies.

SMOC is tasked to oversee the outsourcing arrangements with third party business partners.

Credit Risk

Credit risk is the risk of financial loss to the Bank when a customer or counterparty fails to meet its contractual obligations. The Bank’s credit risk exposure arises largely from the lending, trade finance and investment activities. The Bank manages credit risk through an established risk control framework that provides for policies and guidelines to the business units together with a system of limits reflective of the Bank’s risk tolerance and capacity. A monitoring mechanism is also in place to ensure that exposures to individual counterparties, related accounts, countries and industries are within BOD established and approved limits and that any credit concentration is within acceptable levels.

While the Credit Risk Control Department of RMG (CRC-RMG) provides for an independent risk monitoring and control of credit exposures, each business unit is responsible for the quality and performance of its credit portfolio. As the first line of defense, business units are responsible for monitoring and controlling the credit risks in its portfolio. The CRC-RMG, meanwhile, provides an independent evaluation of the Bank's credit risk exposure through review of loan proposals and credit processes, borrower risk assessments and credit administration. This is complemented by regular audits of business units and credit processes undertaken by IA that provide for assurance and feedback mechanisms to determine sufficiency and effectiveness of established risk controls.

The Bank extends various types of loans, several on clean/unsecured basis, and others against hard collaterals and other form of securities. Personal and salary loans are generally granted on a clean/unsecured basis. Other consumer lending products are largely asset-backed financing with auto loans secured by chattel mortgage on the vehicles and real estate loans secured by first real estate mortgage on residential or commercial properties. The Bank's commercial/small-medium enterprise loans cover a mix of clean/unsecured (which includes those under personal guarantees) as well as secured credit facilities (i.e., those supported by real estate and chattel mortgages, guarantees and other registered securities). Estimates of fair value are based on the value of the collateral assessed at the time of the borrowing.

All loan applications, covering the different types of loans, undergo strict credit evaluation in accordance with established risk acceptance criteria. The essential elements that the Bank considers for all its credit dealings and account relationships are: favorable credit checking; good credit standing and track record with other counterparties, banks and trade partners alike; financial strength and cash generating capabilities (fund sourcing), which translate into determination of paying capacity that establishes repayment expectations; and acceptable collateral/security, if applicable. Furthermore, credit underwriting is performed within a framework of delegated credit authorities that take into account facility risks and magnitudes of potential exposures.

Management of Credit Risk

The BOD, through RMC and LOANCOM, is assisted in the monitoring and management of credit risk by the CRC-RMG, which continuously implements its risk control programs, in line with its oversight function over the Bank's lending activities. CRC-RMG is principally tasked with identifying, monitoring, reporting and controlling the Bank's credit risk. The specific functions of CRC-RMG are as follows:

- Takes charge of administering the Bank's lending policies, ensuring compliance by those concerned with continuous issuance of updates on policies and process guidelines for bank-wide implementation and compliance.
- Facilitates the activities of the CRECOM, whose main objective is to evaluate and screen loan proposals requiring approvals beyond line management levels.
- Classifies borrowing accounts according to several levels of risk, based on the ICRR system and loan portfolio assessments, to regularly determine loan impairments for the purpose of determining the appropriate loan loss reserves.
- Conducts credit stress testing and regularly evaluates and monitors the quality of the Bank's loan portfolio via the Portfolio Profile Report, as part of the scheme of controlling large concentration and Bank exposures.

	2022				
	Loans and Receivables ¹	Loans and Advances to Banks ²	Investment Securities ³	Others ⁴	Total
Other community, social and personal activities	₱8,873,010,383	₱-	₱-	₱11,524,152	₱8,884,534,535
Financial intermediaries	2,636,944,493	4,776,637,024	1,007,742,354	-	8,421,323,871
Real estate	7,009,752,284	-	-	28,827,069	7,038,579,353
Wholesale and retail trade	5,776,108,891	-	-	12,353,310	5,788,462,201
Manufacturing	3,702,915,827	-	-	-	3,702,915,827
Transportation, storage and communication	1,520,498,090	-	-	-	1,520,498,090
Philippine government	-	470,374,799	1,153,813,685	-	1,624,188,484
Hotel and restaurant	731,897,194	-	-	-	731,897,194
Mining and quarrying	153,000,000	-	-	-	153,000,000
Agricultural, hunting and forestry	3,700,256	-	-	-	3,700,256
Electricity, gas and water supply	2,330,044	-	-	-	2,330,044
Construction	959,724,603	-	-	-	959,724,603
	31,369,882,065	5,247,011,823	2,161,556,039	52,704,531	38,831,154,458
Allowance for credit and impairment losses	967,044,975	-	-	-	967,044,975
	₱30,402,837,090	₱5,247,011,823	₱2,161,556,039	₱52,704,530	₱37,864,109,483

¹Comprised of receivables from customers, gross of unearned discounts and capitalized interests.

²Comprised of due from BSP, due from other banks and interbank loans receivable.

³Comprised of financial assets at FVOCI (excluding unquoted equity security and investment securities at amortized cost).

⁴Comprised of RCOCI, refundable deposits and contingencies relating to outstanding guarantees and domestic letters of credit.

The Bank regularly assesses impairment losses on its financial assets (except those held for trading) based on historical loss experience and adjusted for appropriate forward-looking estimates. The Bank addresses impairment assessment in two areas: individual or specific assessment and collective assessment.

Individual or Specific Assessment. The Bank determines the credit and impairment loss appropriate for each individually significant loan or receivable on an individual account basis. Factors considered in determining the appropriate amounts of impairment loss include an account's age, payment and collection history, short and medium-term prospects in the industry, timing of expected cash flows, realizable value of collateral and forward-looking factors such as inflation and interest rates, and consumer price index.

The Bank establishes criteria for specific loan impairment testing and uses the discounted cash flow method to compute for impairment loss.

Collective Assessment. Collective assessment for loan impairment losses are performed on loans and receivables that are not individually significant. Generally, the Bank applies the probability of loss method in determining the collective impairment loss, where such probability is derived from the product of default rate, and loss rate and adjusted using forward-looking factors such as interest rates, and consumer price index.

Significant Increase in Credit Risk. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information. A significant increase in credit risk can be measured by comparing the probability of default of the borrower from the initial recognition and the result of the current probability of default.

	2022				
	Loans and Receivables ¹	Loans and Advances to Banks ²	Investment Securities ³	Others ⁴	Total
Other community, social and personal activities	₱8,873,010,383	₱-	₱-	₱11,524,152	₱8,884,534,535
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Philippine government	-	470,374,799	1,153,813,685	-	1,624,188,484
Hotel and restaurant	731,897,194	-	-	-	731,897,194
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Electricity, gas and water supply	2,330,044	-	-	-	2,330,044
Construction	959,724,603	-	-	-	959,724,603
	31,369,882,065	5,247,011,823	2,161,556,039	52,704,531	38,831,154,458
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Significant Increase in Credit Risk. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information. A significant increase in credit risk can be measured by comparing the probability of default of the borrower from the initial recognition and the result of the current probability of default.

Other indications may include, among others, indications that a borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in principal and/or interest payments, probability that the borrower will enter bankruptcy or other financial reorganization/restructuring, and other observable data indicating measurable decrease in the estimated future cash flows, such as changes in business or economic conditions that correlate with defaults.

Definition of Default. The Bank considers a financial asset to be in default when a borrower fails to pay the loan in full within 90 days after contractual due date.

Credit Quality per Class of Financial Assets

The Bank has developed and continually reviews and calibrates its internal risk rating system for large exposures aimed at uniformly assessing its credit portfolio in terms of risk profile.

The following table provides the analysis of credit quality of the of the Bank's financial assets (gross of allowance for credit and impairment losses) classified as Stage 1, 2 or 3 as at December 31, 2023 and 2022.

Amounts in Thousands	2023			
	Stage 1	Stage 2	Stage 3	Total
Financial Assets at FVOCI				
Government securities				
High grade	₱3,495,537	₱-	₱-	₱3,495,537
Private bonds				
High grade	62,203	-	-	62,203
Financial Assets at FVPL				
Government securities				
High grade	115	-	-	115
Financial Assets at Amortized Cost				
Due from BSP				
High grade	2,056,166	-	-	2,056,166
Due from other banks				
High grade	1,502,080	-	-	1,502,080
Government securities				
High grade	142,951	-	-	142,951
Interbank loans receivable				
High grade	1,348,001	-	-	1,348,001
Consumer loans				
High grade	6,565,186	-	-	6,565,186
Standard grade	5,590	55,463	1,601	62,654
Past due but not individually impaired	-	86,418	747,322	833,740
Individually impaired	1,675,210	54,464	139,465	1,869,139
Corporate loans				
High grade	4,956,684	-	-	4,956,684
Standard grade	18,188,012	-	-	18,188,012
Individually impaired	-	1,055,545	1,575,136	2,630,681
Bills purchased				
High grade	18,413	-	-	18,413
Individually impaired	-	-	9,980	9,980
Accrued interest income				
High grade	189,898	-	-	189,898
Standard grade	223,575	1,566	26	225,167
Past due but not individually impaired	-	2,588	37,401	39,989
Individually impaired	17,339	64,871	99,494	181,704
Accounts receivable				
High grade	50,424	-	-	50,424
Sales contracts receivables				
High grade	14,246	-	-	14,246
Individually impaired	-	-	11,505	11,505
Other assets*				
High grade	155,595	-	-	155,595
	₱40,667,225	₱1,320,915	₱2,621,930	₱44,610,070

*Includes restricted cash, refundable deposits and RCOCI.

Amounts in Thousands	2022			
	Stage 1	Stage 2	Stage 3	Total
Financial Assets at FVOCI				
Government securities				
High grade	₱1,035,716	₱-	₱-	₱1,035,716
Private bonds				
High grade	1,007,645	-	-	1,007,645
Financial Assets at FVPL				
Government securities				
High grade	97	-	-	97
Financial Assets at Amortized Cost				
Due from BSP				
High grade	2,813,319	-	-	2,813,319
Due from other banks				
High grade	1,963,318	-	-	1,963,318
Government securities				
High grade	121,098	-	-	121,098
Interbank loans receivable				
High grade	470,375	-	-	470,375
Consumer loans				
High grade	4,965,869	-	-	4,965,869
Standard grade	5,480	62,318	1,213	69,011
Past due but not individually impaired	-	97,099	717,668	814,767
Individually impaired	1,512,384	174,028	364,088	2,050,500
Corporate loans				
High grade	3,398,487	-	-	3,398,487
Standard grade	17,553,118	-	-	17,553,118
Individually impaired	-	910,850	1,595,880	2,506,730
Bills purchased				
High grade	1,025	-	-	1,025
Standard grade	396	-	-	396
Individually impaired	-	-	9,980	9,980
Accrued interest income				
High grade	149,898	-	-	149,898
Standard grade	193,575	1,566	18	195,159
Past due but not individually impaired	-	2,588	26,339	28,927
Individually impaired	11,717	39,871	74,494	126,082
Accounts receivable				
High grade	46,918	-	-	46,918
Sales contracts receivables				
High grade	16,434	-	-	16,434
Individually impaired	-	-	11,505	11,505
Other assets*				
High grade	29,460	-	-	29,460
	₱35,296,329	₱1,288,320	₱2,801,185	₱39,385,834

*Includes refundable deposits and RCOCI.

The Bank classifies its neither past due nor impaired financial assets subject to credit risk into the following credit grades:

- High Grade – This pertains to accounts with very low probability of default because of the borrower’s/counterparty’s established ability to tap its liquid resources to fully service its obligations as they become due. The borrower/counterparty has no history of default and uses leverage sparingly.
- Standard Grade – This pertains to accounts with an acceptable probability of default. Nevertheless, the borrower/counterparty has a strong debt service record and has demonstrated the ability to readily service its debts. Collateral cover, if applicable, should be adequate.

- Substandard Grade – Risk of default is higher than normal. The borrower/counterparty is expected to be able to service its debt under normal economic and business conditions. Any prolonged economic or business downturn would however ostensibly create liquidity issues for the borrower/counterparty. The borrower/counterparty may have a history of default but have regularized its debt service performance as at reporting year.

Past due but not impaired pertains to items where contractual payments are past due but the Bank believes that impairment is not appropriate based on the probability of collection of amounts owed to the Bank. Impaired pertains to receivables for which the Bank determines that it is probable that it will not be able to collect all principal and interest due based on the contractual terms and agreements.

The credit quality of trading and investment securities is generally monitored through the external ratings of eligible external credit rating institutions.

Presented below is the mapping of the credit risk rating from external rating agencies with the Bank’s internal risk rating for investment securities:

A. Moody’s Rating

Credit Quality	Rating				
	Long-term				Short-term
High Grade	Aaa	Aa	A	Baa	Prime
Standard Grade	Ba	B			Not Prime
Substandard Grade	Caa	Ca			
Impaired	C				

B. Standard &Poors (S&P) Rating

Credit Quality	Rating				
	Long-term				Short-term
High Grade	AAA	AA	A	BBB	A
Standard Grade	BB	B			B
Substandard Grade	CCC	CC	C		C
Impaired	D				D

C. Fitch Rating

Credit Quality	Rating				
	Long-term				Short-term
High Grade	AAA	AA	A	BBB	A
Standard Grade	BB	B			B
Substandard Grade	CCC				C
Impaired	DDD	DD	D		D

D. Philratings

Credit Quality	Rating				
	Long-term			Short-term	
High Grade	Philippine Rating Service (PRS) Aaa	PRS Aa	PRS A	PRS Baa	PRS 1
					PRS 2
					PRS 3
Standard Grade	PRS Ba	PRS B			PRS 4
Substandard Grade	PRS Caa	PRS Ca			PRS 5
Impaired	PRS C				PRS 6

For debt securities not rated by any rating agency, the Bank performs the credit rating review for the issuers of the debt securities based on quantitative and qualitative analyses, the data of which are provided by the Treasury/Trust Group.

Below is the guidance in evaluation if the investment is impaired or not.

Credit Quality	Rating	Assessment
High Grade	1 and 2	Not Impaired
Standard Grade	3	Not Impaired
Substandard Grade	4	Impaired
Impaired	5	Impaired

For loans, the credit quality is generally monitored using the Bank's internal rating system. It is the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates management to focus on major potential risk and the comparison of credit exposures across all lines of business, demographics and products. The rating system has two parts, namely: the borrower's risk rating and the facility risk rating. It is supported by a variety of financial analytics, combined with an assessment of management and market information to provide the main inputs for the measurement of credit risk.

The Bank uses ICRR to classify the credit quality of its receivables portfolio. This is being upgraded, as needed, to enhance credit evaluation parameters across different market segments and achieve a more sound and robust credit risk assessment.

Descriptions of the loan grades used by the Bank for receivables from customers are as follows:

Risk Rating	Classification	Credit Quality
1	Excellent	High Grade
2	Strong	High Grade
3	Good	High Grade
4	Satisfactory	Standard Grade
5	Acceptable	Standard Grade
6	Weak	Standard Grade
7	Poor	Impaired
8	Substandard	Impaired
9	Doubtful	Impaired
10	Loss	Impaired

Risk Rating 1 – Excellent. The borrower's ability to meet its financial commitments is extremely strong and there is a very low probability that it will default on payments due in the coming year. The borrower has a high degree of stability, substance and diversity.

A borrower in this category has access to substantial amounts of funds through the public capital market at any time. It has a strong debt service capacity and has conservative balance sheet leverage (the industry in which the borrower operates). The track record in profit terms is very good.

The borrower is of the highest quality, operating reliably under virtually any and all economic conditions.

Risk Rating 2 – Strong. The borrower's ability to meet its financial commitments is very strong and there is a low probability that it will default on payments due in the coming year. The borrower normally has a comfortable degree of stability, substance and diversity. Under normal market conditions, borrowers in this category have good access to public capital market to raise funds.

Borrower has a strong market and financial position with a history of successful performance. The overall debt service capacity as measured by cash flow to total debt service is very strong; the critical balance sheet ratios (vis-à-vis applicable industry) are conservative.

These borrowers herein categorized are described as quality corporations or enterprises, which are adequately capitalized and operating profitably.

Risk Rating 3 – Good. The borrower's ability to meet its financial commitments is strong. It may be described as a big or small corporation whose access to public capital market or to alternative financial market is easy, may be limited to periods of favorable economic and/or market conditions.

A borrower in this category usually exhibits characteristics of some degree of stability and substance and the probability of default is still quite low. However, it may still be susceptible to the negative effects of cyclical business changes.

Typical traits include a combination of comfortable asset protection and an acceptable balance sheet structure (vis-à-vis that industry). The debt service capacity as measured by cash flow analysis is strong.

Risk Rating 4 – Satisfactory. The borrower has adequate capacity to meet its financial commitments. Borrower operates in an environment where clear risk elements exist and the probability of default is somewhat greater. This probability is reflected in volatility of earnings and overall performance. A borrower in this category normally has limited access to public financial market. It should be able to withstand normal business cycles, but any prolonged unfavorable economic climate may create gradual deterioration in its financial health.

Typical for this kind of borrower is the combination of reasonably sound asset and cash flow protection. The debt service capacity as measured by cash flow is deemed adequate. The borrower has reported profit for the past fiscal year and is expected to report a profit in the current year.

Risk Rating 5 – Acceptable. The borrower is less vulnerable but faces major ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to its inadequate capacity to meet its financial commitments.

This category represents borrowers who may still be able to withstand normal business cycles. However, any prolonged unfavorable economic and/or market condition would create an immediate deterioration beyond acceptable level.

This category will apply where the risk is still acceptable for the following reasons:

- There is sufficient cash flow either historically or expected for the future, in spite of an economic downturn combined with asset protection; or
- There is a new business or project finance transaction.

Risk Rating 6 – Weak. The borrower is more vulnerable but currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the borrower's capacity or willingness to meet its financial requirements.

This category represents the type of borrower for which unfavorable industry or Bank-specific risk factors represent a concern. Operating performance and financial strength may be marginal and it is uncertain whether the borrower can attract alternative sources of financing. Typically, the borrower will find it very hard to cope with any significant economic downturn and a default in such a case is more than a possibility.

Generally, a borrower in this category incurs net losses for one or more years. Normally, there is an expectation that conditions will improve and the rating may be upgraded. Any deterioration, however, will almost certainly result in an automatic downgrade.

In summary, this category includes those borrowers where the credit exposure is not at risk of loss at the moment, but wherein performance has weakened, and unless present trends are reversed, could lead to losses.

Risk Rating 7 – Poor. The borrower is currently vulnerable and is dependent on favorable business, financial and economic conditions to meet its financial obligations.

A borrower in this category is characterized by some probability of default, manifested by some or all of the following:

- Evidence of weakness in the borrower's financial condition or creditworthiness.
- Unacceptable risk generated by potential or emerging weaknesses as far as asset protection and/or cash flow is concerned. Concerns center on the potential for a continuation of unfavorable economic, market, or borrower specific conditions or trends, which may affect future debt service capacity.
- Indications that the borrower's ability or willingness to service debt are in doubt.
- Necessity or strong likelihood for rescheduling of the loan.
- Decline in values of, or adverse developments on, collaterals securing the loan.

Risk Rating 8 – Substandard. The borrower is currently highly vulnerable and is in a state of default. Substandard loans are loans or portions thereof which appear to involve a substantial and unreasonable degree of risk to the Bank because of unfavorable or unsatisfactory characteristics. These well-defined adverse elements exist in such loans where there is a possibility of future loss to the institution unless given closer supervision. Such may include adverse trends or development of a financial, managerial, economic or political nature or significant weakness in collateral.

Basic characteristics are:

- Past due loan for which there is an imminent possibility of foreclosure or acquisition of the collateral because of failure of all collection efforts;
- Past due loans to borrowers whose properties securing the loan have declined in value materially or have been found with defects as to ownership or other adverse information;
- Current loans to borrowers whose financial statements audited by the SEC-accredited external auditors show impaired/negative net worth, except for startup firms which should be evaluated on a case-to-case basis;
- Renewed loans of borrowers with declining trend in operations, illiquidity, or increasing leverage trend in the borrower's financial statements without at least 20.0% repayment of the principal before renewal or extension;
- Current loans of borrowers with unfavorable results of operations for two consecutive years or with impaired/negative net worth, except for startup firms which should be evaluated on a case-to-case basis;
- Loans under litigation; and
- Past due loans for more than 90 days.

Risk Rating 9 – Doubtful. Borrower is in a state of default, where any of the following factors are present:

- Account is already in "non-performing loan" (NPL) status;
- Any portion of any principal and/or interest repayment is in arrears for more than 90 days;
- The borrower is unable or unwilling to service debt over an extended period of time and near future prospects of orderly debt service is doubtful; and
- Overdue loans wherein the prospects of fully applying the collaterals are impaired due to material declines in market value, or subject of adverse claim.

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

Risk Rating 10 – Loss. Borrower is in a state of default and the prospect for re-establishment of creditworthiness and debt service is remote.

This category also applies where the Bank will take or has taken title to the assets of the borrower and is preparing a foreclosure and/or liquidation of the Bank.

These are loans, or portions thereof, which are considered uncollectible or worthless and of such little value that their continuance as bankable assets is not warranted although the loans may have some recovery or salvage value. The amount of loss is difficult to measure and it is neither practical nor desirable to defer writing off these basically worthless assets even though partial recovery may be obtained in the future.

Basic characteristics are:

- Past due clean loans, the interest of which has remained unpaid for a period of six months;
- Loans payable in installments where amortization applicable to interest is past due for a period of six months, unless the loan is fully secured;
- When the borrower's whereabouts are unknown, or he is insolvent, or his earning power is permanently impaired and his co-makers or guarantors are insolvent or that their guarantee is not financially supported;
- Where the collaterals securing the loans are considered worthless and the borrower and/or his co-makers are insolvent; and
- Loan considered as absolutely uncollectible.

Collateral and Other Credit Risk Mitigation

The amount and type of collateral required depends on an assessment of the credit risk of the obligor. The Bank implements certain requirements regarding the acceptability of types of collateral and valuation.

Collateral comes in the form of financial or nonfinancial assets. The main types of collateral obtained include cash or securities, charges over real estate or chattel properties, inventory and trade receivables and mortgages over residential properties. The Bank also obtains guarantees from parent companies for loans of borrowing entities belonging to a group of companies.

The Bank monitors the market value of collateral, and request for additional collateral in accordance with the underlying agreement.

The following table shows the fair value of collaterals held against the loans and receivables that are neither past due nor impaired:

	2023	2022
Properties	₱19,130,374,439	₱12,180,549,174
Deposits	1,265,296,440	2,066,939,004
	₱20,395,670,879	₱14,247,488,178

It is the Bank's policy to sell foreclosed assets through public bidding (only after the assets are appraised anew to determine current market value, and duly bid based on the approved minimum bid price).

Liquidity Risk

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Bank's inability to meet its obligations when these become due, without incurring unacceptable losses or costs. Specifically, this pertains to events that may necessitate the Bank to enter into transactions that would realize significant losses or costs in order to meet its obligations when these fall due.

ALCO is responsible for formulating the Bank's liquidity risk management policies, whereas the RMG is responsible for monitoring such risks. Liquidity management is among the most important activities conducted within the Bank. The Bank manages its liquidity risk through analyzing net funding requirements under alternative scenarios, diversification of funding sources and contingency planning. The Bank utilizes a diverse range of sources of funds, although short-term deposits made with the Bank's network of domestic branches comprise the majority of such funding.

The Bank's liquidity risk is managed by holding sufficient liquid assets of appropriate quality to ensure short-term funding requirements are met with minimum sacrifice to market price and by maintaining a balanced loan portfolio, which is re-priced on a regular basis. Deposits with banks are made on a short-term basis with almost all being available on demand within three months.

The Bank's Treasury Department uses liquidity forecast models that estimate the Bank's cash flow requirements based on the Bank's actual contractual obligations under normal circumstances and extraordinary circumstances. RMG prepares a monthly maximum cumulative outflow report, which is an analysis of maturity gaps of the Bank's assets and liabilities.

Aging of Financial Assets and Liabilities by Remaining Contractual Maturities

The tables below summarize the maturity profile of the Bank's financial assets and liabilities used for liquidity management based on contractual undiscounted payments and receipts as at December 31, 2023 and 2022:

	2023						Total
	On Demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	
Financial Assets							
Financial assets at FVOCI	₱-	₱2,838,824,873	₱234,790,740	₱272,662,067	₱26,183,779	₱201,351,950	₱3,573,813,409
Financial assets at FVPL	-	114,982	-	-	-	-	114,982
Financial assets at amortized cost:							
Cash and other cash items	578,568,031	-	-	-	-	-	578,568,031
Due from BSP	662,479,460	1,393,686,469	-	-	-	-	2,056,165,929
Due from other banks	-	1,502,080,267	-	-	-	-	1,502,080,267
Interbank loans receivable	-	1,348,001,167	-	-	-	-	1,348,001,167
Government securities	-	55,451,084	-	-	-	87,499,490	142,950,574
Loans and receivables:							
Receivables from customers	-	10,164,277,300	1,892,370,111	11,092,120,225	2,926,103,631	8,169,636,972	34,244,508,239
Accrued interest income	-	636,758,524	-	-	-	-	636,758,524
Accounts receivable	-	50,423,853	-	-	-	-	50,423,853
Sales contracts receivable	-	-	-	-	433,087	25,317,709	25,750,796
Other assets*	-	126,348,445	-	-	-	29,246,619	155,595,064
	₱1,241,047,491	₱18,115,966,964	₱2,127,160,851	₱11,364,782,292	₱2,952,720,497	₱8,513,052,740	₱44,314,730,835
Financial Liabilities							
Deposit liabilities:							
Demand	₱10,269,072,898	₱-	₱-	₱-	₱-	₱-	₱10,269,072,898
Savings	-	18,192,092,428	2,361,110	-	-	-	18,194,453,538
Time	-	5,343,086,938	1,126,323,983	784,386,845	771,024,691	2,205,467,418	10,230,289,875
	10,269,072,898	23,535,179,366	1,128,685,093	784,386,845	771,024,691	2,205,467,418	38,693,816,311
Manager's checks	-	121,010,179	-	-	-	-	121,010,179
Accrued interest and other expenses**	-	253,526,084	-	-	-	-	253,526,084
Unsecured subordinated debt	-	-	-	-	-	1,300,000,000	1,300,000,000
Lease liabilities	-	5,416,554	5,442,510	20,168,686	36,244,215	201,201,073	268,473,038
Other liabilities***	-	923,727,944	-	-	-	-	923,727,944
	₱10,269,072,898	₱24,838,860,127	₱1,134,127,603	₱804,555,531	₱807,268,906	₱3,706,668,491	₱41,560,553,556

*Comprised of restricted cash, refundable deposits and RCOCI.

**Excluding accrued gross receipts tax.

***Excluding due to PDIC, withholding taxes, and statutory obligations.

	2022						Total
	On Demand	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	
Financial Assets							
Financial assets at FVOCI	P-	P802,752,504	P14,909,549	P946,256,248	P136,788,318	P158,727,746	P2,059,434,365
Financial assets at FVPL	-	97,461	-	-	-	-	97,461
Financial assets at amortized cost:							
Cash and other cash items	510,101,446	-	-	-	-	-	510,101,446
Due from BSP	704,319,000	2,109,000,000	-	-	-	-	2,813,319,000
Due from other banks	-	1,963,318,024	-	-	-	-	1,963,318,024
Interbank loans receivable	-	470,374,799	-	-	-	-	470,374,799
Government securities	-	-	-	-	-	121,097,676	121,097,676
Loans and receivables:							
Receivables from customers	-	8,600,030,383	1,807,602,556	8,769,759,236	2,619,607,156	8,604,025,337	30,401,024,668
Accrued interest income	-	500,066,737	-	-	-	-	500,066,737
Accounts receivable	-	45,750,612	152,806	752,637	241,074	20,441	46,917,570
Sales contracts receivable	-	-	-	-	-	27,939,117	27,939,117
Other assets*	-	632,989	-	-	-	28,827,069	29,460,058
	P1,214,420,446	P14,492,023,509	P1,822,664,911	P9,716,768,121	P2,756,636,548	P8,940,637,386	P38,943,150,921

Financial Liabilities							
Deposit liabilities:							
Demand	P9,929,853,938	P-	P-	P-	P-	P-	P9,929,853,938
Savings	-	14,602,643,713	5,624,162	-	-	-	14,608,267,875
Time	-	4,802,124,205	1,126,323,983	784,386,845	771,024,691	1,614,417,187	9,098,276,911
	9,929,853,938	19,404,767,918	1,131,948,145	784,386,845	771,024,691	1,614,417,187	33,636,398,724

(Forward)

Manager's checks	P-	P117,174,478	P-	P-	P-	P-	P117,174,478
Accrued interest and other expenses**	-	154,256,751	-	-	-	-	154,256,751
Unsecured subordinated debt	-	-	-	-	-	1,300,000,000	1,300,000,000
Lease liabilities	-	5,416,554	5,442,510	20,168,686	30,161,183	179,920,394	241,109,327
Other liabilities***	-	1,110,009,246	-	-	-	-	1,110,009,246
	P9,929,853,938	P20,791,624,947	P1,137,390,655	P804,555,531	P801,185,874	P3,094,337,581	P36,558,948,526

*Comprised of refundable deposits and RCOCI.

**Excluding accrued gross receipts tax.

***Comprised of accounts payable, payment orders, bills purchased-contras and marginal deposit and other liabilities.

The Bank manages its short-term negative gap by making available funds sourced from various other financial institutions and taking measures to maintain long-term core deposits from regular clients. The Bank may also dispose its financial assets at FVOCI when the need for liquidity arises.

Minimum Liquidity Ratio (MLR)

Under the BSP Circular No. 996, *Amendments to the Liquidity Coverage Ratio Framework and minimum Prudential Liquidity Requirements*, issued on February 8, 2018, all thrift banks, rural/cooperative banks (RBs and Coop Banks), and quasi-banks (QBs) that are not subsidiaries of universal or commercial banks (UBs/KBs) are required to maintain a prudential Minimum Liquidity Ratio (MLR) of 20% daily to promote short-term resilience to liquidity shocks. MLR is expressed as a percentage of eligible stock of liquid assets to its total qualifying liabilities. The stock of liquid assets is required to be unencumbered and readily liquefiable, while the qualifying liabilities include both on-balance sheet and off-balance sheet commitments.

On April 7, 2020, the BSP reduced MLR down to 16% until December 31, 2020 to help banks cope with the impact of the COVID-19 pandemic. This provision has been extended for an additional one year effective until December 31, 2022 under the BSP Memorandum M-2022-004 dated January 17, 2022. Beginning January 1, 2023, the MLR requirement reverted to 20%.

The Bank is in compliance with the requirement with MLR at 22.72% and 19.88% as at December 31, 2023 and 2022, respectively.

Market Risk

Market risk is the risk of loss of future earnings, fair values or future cash flows as a result of changes in interest rate, foreign exchange rate, commodity prices, equity prices and other market changes. The Bank's market risk originates from its holdings of debt securities.

ALCO, chaired by the Head of Treasury, is the management level committee responsible for review and management of market risk. In managing market risk, the Bank uses a framework of policies and procedures, measurement tools, controls and limits. The Bank's Treasury Group manages asset/liability risks arising from both normal banking operations and from trading operations in financial market. Daily monitoring of compliance with the policies, procedures and limits is performed by the Market Risk Department under RMG. The limits are annually reviewed by the ALCO and RMG and approved by RMC. RMG performs regular reporting to ALCO and to the RMC, which is a sub-committee of the BOD.

Interest Rate Risk

The Bank follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rate, is kept within acceptable limits.

The Bank measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of Earnings-at-Risk (EaR). EaR is a measure of likely earnings volatility for accrual portfolios. It is calculated as the change in income over the next 12 months, given current exposures that will result from one-year standard deviation change in interest rate, updated monthly. EaR is calculated based on 99.00% confidence level. It is accomplished monthly, with quarterly stress test.

The following tables demonstrate the sensitivity to a reasonable possible change in interest rate of the Bank's net interest income and equity with all other variables held constant:

Amounts in Millions	2023				2022			
	Increase (Decrease) in Basis Points				Increase (Decrease) in Basis Points			
	50	50	(50)	(50)	50	50	(50)	(50)
	Net Income	Equity	Net Income	Equity	Net Income	Equity	Net Income	Equity
Changes in net interest income:								
Loans and receivables	P12.43	P24.85	(P12.43)	(P24.85)	P10.54	P21.07	(P10.54)	(P21.07)
Investment securities at amortized cost	1.04	2.09	(1.00)	(1.99)	2.24	3.03	(0.66)	(0.54)
Deposit liabilities	(17.42)	(34.83)	17.42	34.83	(14.02)	(28.03)	14.02	28.03
As a percentage of the net interest income for the year	(0.3%)	(0.5%)	0.3%	0.5%	(0.2%)	(0.4%)	0.2%	0.4%
Changes in equity* -								
Financial assets at FVOCI	(4.54)	(9.23)	5.12	10.09	(109.3)	(128.5)	(69.8)	(49.6)

*The impact on the Bank's equity already excludes the impact of transactions affecting the profit or loss.

Foreign Currency Risk

Foreign currency risk is the risk of an investment's value erosion due to an adverse movement in foreign exchange rate. It arises due to a mismatch in the Bank's foreign currency-denominated assets and liabilities.

Foreign currency-denominated deposits are generally used to fund the Bank's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency-denominated liabilities with the foreign currency-denominated assets held under the FCDU books. In addition, the BSP requires 100% asset coverage for its FCDU liabilities, 30% of which should be in the form of liquid assets. As at December 31, 2023 and 2022, the Bank is in compliance with the said regulation.

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

The following table summarizes the Bank's foreign currency-denominated financial assets and liabilities as at December 31, 2023 and 2022. Included in the table are assets and liabilities at carrying amounts in Philippine Peso equivalent, categorized by currency.

	2023			2022		
	USD	Others*	Total	USD	Others*	Total
Financial Assets						
Cash and other cash items	₱59,539,780	₱169,672	₱59,709,452	₱50,573,604	₱—	₱50,573,604
Due from other banks	1,423,019,041	15,852,195	1,438,871,236	1,874,491,376	33,742,417	1,908,233,793
Investment securities	1,230,185,061	—	1,230,185,061	1,294,742,690	—	1,294,742,690
Loans and receivables	514,941,000	—	514,941,000	555,877,350	—	555,877,350
	3,227,684,882	16,021,867	3,243,706,749	3,775,685,020	33,742,417	3,809,427,437
Financial Liabilities						
Deposit liabilities	3,155,202,912	6,675,363	3,161,878,275	3,677,616,278	25,315,198	3,702,931,476
Net Exposure	₱72,481,970	₱9,346,504	₱81,828,474	₱98,068,742	₱8,427,219	₱106,495,961

*Consist of Euro, United Kingdom Pound, Canadian Dollar, Australian Dollar, Hong Kong Dollar, New Zealand Dollar, Singapore Dollar, Japanese Yen, Swiss Franc and Chinese Yuan.

The following table sets forth the impact of reasonably possible changes in the USD exchange rate on the Bank's net income:

Amounts in Millions	Increase (Decrease) in Currency			
	5.0%	10.0%	(5.0%)	(10.0%)
USD				
2023	₱0.48	₱0.96	(₱0.48)	(₱0.96)
2022	0.70	1.41	(0.70)	(1.41)

The increase in USD exchange rate represents depreciation of Philippine Peso while the decrease in USD exchange rate represents an appreciation of Philippine Peso. The increase or decrease in exchange rate of other currencies is not significant.

There is no other impact in the Bank's equity other than those already affecting the net income.

Market Risk in the Trading Book

The Bank is exposed to the potential loss in its trading portfolio because the value of its trading positions is sensitive to changes in market prices and rate. The trading activities of the Bank include investments in fixed income securities and foreign exchange trading, which exposes the Bank to interest rate and foreign exchange risks. In the trading book, market risk is controlled by a daily analysis of the Value-at-Risk (VaR) of financial instruments under normal market conditions.

Objectives and Limitations of the VaR Methodology

The Bank uses the VaR approach in assessing possible changes in the market value of the trading portfolio based on historical data for a rolling one year period. The Bank employs the use of historical methodology in calculating the VaR. This model assumes that the exact distribution of past returns does not apply during sudden changes in market condition. The use of historical VaR model has limitations and requires a significant amount of risk factor history. It does not capture probabilities that have not yet occurred while it captures irregularities present in the historical database.

The VaR figures are backtested to validate the robustness of the VaR model. The Bank performs the hypothetical and actual backtesting procedures for both RBU and FCDU securities. Likewise, to complement VaR measurement, the Bank performs stress tests wherein the trading portfolios are valued under extreme market scenarios.

VaR Assumptions/Parameters

The VaR that the Bank measures is an estimate that uses actual historical rates and revalues positions for any changes in the market. It is appropriate for all types of instruments, linear and non-linear, with stable risk factors for which there is a rich historical database. Since VaR is an integral part of the Bank's market risk management, VaR limits have been established annually for all financial trading activities and exposures against the limits are monitored on a daily basis. Limits are based on the tolerable risk appetite of the Bank.

The Market Risk Officer of the Bank prepares a daily VaR report containing details on the VaR amount, VaR limit utilization, and VaR limit breaches, if any. This report is submitted to the traders concerned, the Treasury Head, Chief Risk Officer, Treasury Operations Head, and the President. Moreover, the VaR results are discussed and reported in the monthly Risk Management Committee meetings.

The following table provides the VaR summary of the Bank for the years ended December 31, 2023 and 2022:

Amounts in Thousands	2023		2022	
	Foreign Exchange	Fixed Income	Foreign Exchange	Fixed Income
December 28	₱659	₱—	₱986	₱—
Average Daily	629	781	762	47
Highest	2,244	1,903	1,916	1,326
Lowest	0.26	12	1	4

Fixed income VaR includes value-at-risk for investment securities denominated in currencies other than Philippine Peso. VaR, being a measure of risk in the trading book, only includes held for trading portfolio.

The Bank's trading in fixed income securities is exposed to movements in interest rate. The high and low of the total portfolio may not equal to the sum of the individual components as the high and low of the individual portfolios may have occurred on different trading days. The VaR of foreign exchange is the foreign exchange risk throughout the Bank. The Bank, when aggregating the foreign exchange VaR and interest VaR, does not consider the correlation effects between the two risks.

Capital Management

The primary objectives of the Bank's capital management are to ensure that it complies with externally-imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

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

Regulatory Qualifying Capital

Under Appendix 59, *Risk-based Capital Adequacy Framework for the Philippine Banking System*, of the Manual of Regulations for Banks (MORB), the determination of compliance with regulatory requirements and ratios is based on the amount of the “qualifying capital” (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting policies that differ from PFRS in some respects.

The risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10%. Qualifying capital and risk-weighted assets (RWA) are computed based on the BSP regulations. RWA consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letter of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board (MB) of the BSP. RWA is the sum of credit RWA, market RWA, and operational RWA, as defined under Appendix 59 of MORB.

The details of CAR as at December 31, as reported to the BSP are as follows:

<i>Amounts in Thousands</i>	2023	2022
Common Equity Tier 1 (CET1) capital	₱3,566,430	₱3,342,792
Additional Tier 1 (AT1) capital	—	—
Tier 1 capital	3,566,430	3,342,792
Required deductions	336,505	295,586
	3,229,925	3,047,206
Excess from Tier 2 deducted from Tier 1 Capital*	—	—
Net Tier 1 Capital	3,229,925	3,047,206
Tier 2 capital	1,854,939	1,872,219
Required deductions	—	—
	1,854,939	1,872,219
Excess of Tier 2 deducted from Tier 1 Capital*	—	—
Net Tier 2 Capital	1,854,939	1,872,219
Total Qualifying Capital	₱5,084,864	₱4,919,425

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

	2023	2022
Credit RWA	₱34,008,564	₱32,207,564
Market RWA	9,384	18,210
Operational RWA	3,062,645	3,191,878
Total RWA	₱37,080,593	₱35,417,652
CET1/Tier 1 capital ratio	8.71%	8.60%
Total capital ratio	13.71%	13.89%

The Bank’s regulatory qualifying capital consists of Tier 1 (core) capital, which comprises paid-up common stock, surplus including current year profit, and cumulative foreign currency translation less required deductions such as unsecured credit accommodations to DOSRI and deferred tax assets and defined benefits pension. Certain adjustments are made to results and reserves based on PFRS, as prescribed by the BSP. The other component of regulatory capital is Tier 2 (supplementary) capital, which includes paid-up preferred stock, unsecured subordinated debt and general loan loss provision (GLLP).

Standardized credit risk weights were used in the credit assessment of asset exposures. Third party credit assessments were based on the ratings by S&P, Moody’s, Fitch and Philratings on exposures to sovereigns, multilateral development banks, banks, local government units, government corporations and corporates.

The Bank has complied with all externally imposed capital requirements in 2023 and 2022.

Under the existing BSP regulations, the Bank set up GLLP equivalent to 1% of all current loans (after excluding accounts considered as credit risk-free under existing regulations). In cases when the computed allowance for ECL on current loans is less than the 1% GLLP required by the BSP, the difference should be appropriated from the retained earnings using the account “Retained earnings - general provision” for prudential reporting.

Appropriation of retained earnings for the excess of 1% GLLP over ECL amounted to ₱221.4 million and ₱56.4 million as at December 31, 2023 and 2022, respectively.

Leverage Ratio

The BSP also requires the maintenance of leverage ratio of not less than 5.00%, which is designed to act as a supplementary measure to risk-based capital requirements.

The Bank’s leverage ratio, which is computed by dividing the total capital by the total exposure measure, is as follows:

<i>Amounts in Thousands</i>	2023	2022
Total capital	₱3,566,430	₱3,342,792
Total exposure measure	47,283,742	40,685,169
Leverage ratio	7.54%	8.22%

As at December 31, 2023 and 2022, the Bank is compliant with the leverage ratio requirements of the BSP.

5. Fair Value Measurement

The following table presents the carrying amounts and fair values of the Bank's assets measured at fair value and for which fair values are disclosed, and the corresponding hierarchy.

	2023			
	Carrying Amount	Fair Value		
		Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets Measured at Fair Value				
Financial assets at FVOCI:				
Government securities	₱3,495,536,963	₱3,495,536,963	₱--	₱--
Private bonds	62,202,983	62,202,983	--	--
	3,557,739,946	3,557,739,946	--	--
Assets for which Fair Values are Disclosed				
Loans and receivables:				
Receivable from customers:				
Consumer loans	8,910,774,695	--	--	8,995,226,305
Corporate loans	25,443,597,269	--	--	25,075,538,675
Sales contracts receivable	23,640,175	--	--	22,888,083
	34,378,012,139	--	--	34,093,653,063
Foreclosed assets:				
Assets held for sale	15,486,080	--	15,846,080	--
Investment properties	585,342,707	--	624,677,063	--
Refundable deposits	29,246,619	--	29,246,619	--
Total Assets	₱38,565,827,491	₱3,557,739,946	₱669,769,762	₱34,093,653,063
Liabilities for which Fair Values are Disclosed				
Time deposits	₱10,230,289,875	₱--	₱--	₱10,230,289,875
Unsecured subordinated debt	1,300,000,000	--	1,300,000,000	--
Lease liabilities	268,473,038	--	--	268,473,038
Total Liabilities	₱11,798,762,913	₱--	₱1,300,000,000	₱10,498,762,913

	2022			
	Carrying Amount	Fair Value		
		Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets Measured at Fair Value				
Financial assets at FVOCI:				
Government securities	₱1,035,716,009	₱1,035,716,009	₱--	₱--
Private bonds	1,007,644,893	1,007,644,893	--	--
	2,043,360,902	2,043,360,902	--	--
Assets for which Fair Values are Disclosed				
Loans and receivables:				
Receivable from customers:				
Consumer loans	7,335,421,583	--	--	7,335,421,583
Corporate loans	23,056,014,964	--	--	23,056,014,964
Sales contracts receivable	14,973,567	--	--	14,973,567
	30,406,410,114	--	--	30,406,410,114
Foreclosed assets:				
Assets held for sale	78,172,966	--	78,172,966	--
Investment properties	486,354,806	--	644,596,959	--
Refundable deposits	28,827,069	--	28,827,069	--
Total Assets	₱33,043,125,857	₱2,043,360,902	₱751,596,994	₱30,406,410,114
Liabilities for which Fair Values are Disclosed				
Time deposits	₱9,098,276,912	₱--	₱9,098,276,912	₱--
Unsecured subordinated debt	1,300,000,000	--	1,300,000,000	--
Lease liabilities	241,109,327	--	--	241,109,327
Total Liabilities	₱10,639,386,239	₱--	₱10,398,276,912	₱241,109,327

There were no transfers between levels/hierarchies of fair value measurements in 2023 and 2022.

The methods and assumptions used by the Bank in estimating the fair value of the assets and liabilities of the Bank that are carried at fair value and those whose fair values are disclosed are as follows.

Investments in Debt Securities. Fair values are generally based upon quoted market prices, if available. If the market prices are not readily available, fair values are estimated by either using values obtained from adjusted quoted market prices of comparable investments.

Loans and Receivables. Fair values are estimated using the discounted cash flow methodology, using the Bank's current incremental lending rate for similar types of loans.

Significant Unobservable Inputs	Range (weighted average)	
	2023	2022
Transfer pool rate	6.73% - 7.78%	2.50% - 6.96%
Credit spread	0.60% - 1.94%	1.25% - 3.99%

Certain loans are subject to quarterly repricing. Hence, the carrying amounts of these loans approximate fair values.

Sensitivity Analysis. Generally, significant increases (decreases) in rate would result in a significantly (lower) higher fair value measurement. Significant increases (decreases) in effective interest rate would result in a significantly lower (higher) fair value measurement.

Foreclosed Assets. Fair value is based on valuation using the market data approach, as determined by an independent and/or in-house appraiser.

Refundable Deposits. Fair value is based on discounted cash flows using the prevailing credit-adjusted interest rate.

Time Deposits and Unquoted Debt Obligations. Fair values of these instruments are estimated using the discounted cash flow methodology using the Bank's current incremental borrowing rates for similar borrowings with maturities consistent with the remaining liabilities being valued.

Lease Liabilities. Fair values are estimated using the discounted cash flow methodology, using the Bank's incremental borrowing rates upon commencement of leases.

Sensitivity Analysis. Generally, significant increases (decreases) in rate would result in a significantly (lower) higher fair value measurement.

The table below presents the financial assets and liabilities of the Bank, whose carrying amounts approximate fair values due to the short-term nature or demand feature of the transactions:

	2023	2022
Financial Assets		
Cash and other cash items	₱578,568,031	₱510,101,446
Due from BSP	2,056,165,929	2,813,319,000
Due from other banks	1,502,080,267	1,963,318,024
Interbank loans receivable	1,348,001,167	470,374,799
Loans and receivables:		
Bills purchased	18,413,588	1,420,943
Accrued interest income	636,758,524	500,066,737
Accounts receivable	50,423,853	46,917,570
Other assets*	126,348,445	632,989
	₱6,316,759,804	₱6,306,151,508

	2023	2022
Financial Liabilities		
Deposit liabilities		
Demand	₱10,269,072,898	₱9,929,853,938
Savings	18,192,092,428	14,602,643,712
	28,461,165,326	24,532,497,650
Accrued interest expense	83,192,767	46,876,145
Other liabilities**	923,727,944	1,110,009,246
	₱29,468,086,037	₱25,689,383,041

*Comprised of restricted cash and RCOCI.

**Excluding due to PDIC, withholding taxes, and statutory obligations.

6. Interbank Loans Receivable

This account pertains to short-term loans to local and foreign banks maturing up to three months. Interbank loans receivable amounted to ₱1,348.0 million and ₱470.4 million as at December 31, 2023 and 2022, respectively.

Interbank loans receivables bear interest rates as follows:

	2023	2022
Local banks	4.10% to 6.25%	0.20% to 5.50%
Foreign banks	4.03% to 5.02%	0.03% to 4.10%

Interest income on interbank loans receivable amounted to ₱91.7 million and ₱54.6 million in 2023 and 2022, respectively.

7. Investment Securities

This account consists of:

	2023			
	Financial Assets at			Total
	FVPL	FVOCI	Amortized Cost	
Balances at beginning of year	₱97,461	₱2,059,434,365	₱121,097,676	₱2,180,629,502
Additions	5,267,833,642	25,854,180,378	26,915,000	31,148,929,020
Matured investments	-	(24,342,773,829)	-	(24,342,773,829)
Disposals	(5,267,816,121)	-	-	(5,267,816,121)
Amortization of discount	-	(14,439,441)	(5,062,102)	(19,501,543)
Net unrealized fair value gain	-	17,411,936	-	17,411,936
	₱114,982	₱3,573,813,409	₱142,950,574	₱3,716,878,965

	2022			
	Financial Assets at			Total
	FVPL	FVOCI	Amortized Cost	
Balances at beginning of year	₱-	₱3,241,082,024	₱115,228,899	₱3,356,310,923
Additions	13,045,426,806	22,498,843,415	9,512,000	35,553,782,221
Disposals	-	(23,646,331,028)	-	(23,646,331,028)
Matured investments	(13,045,329,345)	-	-	(13,045,329,345)
Net unrealized fair value loss	-	(21,713,459)	-	(21,713,459)
Amortization of discount	-	(12,446,587)	(3,643,223)	(16,089,810)
	₱97,461	₱2,059,434,365	₱121,097,676	₱2,180,629,502

Financial Assets at FVPL

Financial assets at FVPL primarily consist of government securities held by the Bank for trading.

Financial Assets at FVOCI

Financial assets at FVOCI are comprised of the following:

	2023	2022
Government securities	₱3,495,536,963	₱1,035,716,009
Private bonds	62,202,983	1,007,644,893
Unquoted equity security	16,073,463	16,073,463
	₱3,573,813,409	₱2,059,434,365

Financial assets at FVOCI bear annual effective interest rates as follows:

	2023	2022
Philippine Peso-denominated	5.28% to 6.82%	4.00% to 7.28%
Foreign currency-denominated	5.16% to 6.22%	3.26% to 6.58%

Movements in cumulative unrealized gains (losses) on fair value changes of financial assets at FVOCI are as follows:

	2023	2022
Balance at beginning of year	(₱20,803,460)	₱909,999
Net unrealized gains (losses)	17,411,936	(21,713,459)
Balance at end of year	(₱3,391,524)	(₱20,803,460)

The unquoted equity security pertains to the Bank's investment in shares of stock of Bancnet, Inc. (Bancnet), which the Bank intends to hold for long-term.

Financial Assets at Amortized Cost

Financial assets at amortized cost consist of ₱143.0 million and ₱121.1 million government securities, bearing annual effective interest rate ranging from to 4.62% and to 6.22% and 4.31% to 4.84% in 2023 and 2022, respectively.

Interest income on investment securities are as follows:

	2023	2022
Financial assets at:		
FVOCI	₱182,755,875	₱69,891,789
Amortized cost	3,323,214	3,308,482
FVPL	158,187	977,246
	₱186,237,276	₱74,177,517

Net trading and securities gains from investment securities are as follows:

	2023	2022
Financial assets at FVPL -		
Realized trading gains	₱32,393,904	₱18,511,339

8. Loans and Receivables

This account consists of:

	2023	2022
Receivables from customers	₱35,133,361,311	₱31,369,189,539
Accrued interest	636,758,524	500,066,737
Accounts receivable	50,423,853	46,917,570
Sales contracts receivable	25,750,796	27,939,117
	35,846,294,484	31,944,112,963
Allowance for credit and impairment losses	(888,853,072)	(968,164,871)
	₱34,957,441,412	₱30,975,948,092

Receivables from customers consist of:

	Note	2023	2022
Loans and discounts:			
Corporate loans		₱25,775,377,118	₱23,458,335,043
Consumer loans		9,330,719,004	7,900,146,479
Bills purchased	16	28,393,188	11,400,543
		35,134,489,310	31,369,882,065
Unearned discounts and capitalized interest		(1,127,999)	(692,526)
		₱35,133,361,311	₱31,369,189,539

Accounts receivable include receivables relating to a car lease amounting to ₱36.5 million and ₱34.7 million as at December 31, 2023 and 2022, respectively, and withdrawals made by depositors of other banks to the Bank's Automated Teller Machines (ATM).

Sales contracts receivable pertain to receivables from buyers of real properties classified as assets held for sale, bearing 10% nominal interest, with terms of 10 or 15 years.

Details of interest income on loans and receivables are as follows:

	2023	2022
Corporate loans	₱2,020,823,289	₱1,308,837,445
Consumer loans	656,168,306	676,605,974
Bills discounted	5,419,677	4,039,544
Sales contracts receivable	2,830,030	1,367,646
	₱2,685,241,302	₱1,990,850,609

Of the total loans and receivables as at December 31, 2023 and 2022, 90.72% and 87.37%, respectively, are subject to periodic interest repricing. The remaining peso-denominated loans have annual fixed interest ranging from 2.50% to 24.00% in 2023 and 1.40% to 24.00% in 2022.

The movements in the allowance for credit and impairment losses on loans and receivables are as follows:

	2023			
	Consumer Loans	Corporate Loans	Sales Contract Receivable	Total
Balances at beginning of year	₱564,724,896	₱402,320,079	₱1,119,896	₱968,164,871
Write-offs	(75,876,351)	(22,739,181)	–	(98,615,532)
Provision (reversal)	(52,729,474)	71,049,805	983,402	19,303,733
Balances at end of year	₱436,119,071	₱450,630,703	₱2,103,298	₱888,853,072

	2022			
	Consumer Loans	Corporate Loans	Sales Contract Receivable	Total
Balances at beginning of year	₱555,024,800	₱370,305,736	₱696,811	₱926,027,347
Provision	9,700,096	32,014,343	423,085	42,137,524
Balances at end of year	₱564,724,896	₱402,320,079	₱1,119,896	₱968,164,871

Below is the analysis of movements of consumer loans (gross of unearned discounts and capitalized interest):

	2023			
	Stage 1	Stage 2	Stage 3	Total
Gross Amount				
Balances at beginning of year	₱6,483,732,788	₱333,444,635	₱1,082,969,056	₱7,900,146,479
Loan releases	3,931,724,587	20,799,692	6,462,130	3,958,986,409
Payments or reclassifications upon foreclosure	(2,153,832,830)	(134,978,161)	(163,726,542)	(2,452,537,533)
Write-offs	–	–	(75,876,351)	(75,876,351)
Transfers to stage 1	51,974,964	(49,487,624)	(2,487,340)	–
Transfers to stage 2	(46,935,031)	51,123,293	(4,188,262)	–
Transfers to stage 3	(20,678,851)	(24,556,732)	45,235,583	–
Balances at end of year	8,245,985,627	196,345,103	888,388,274	9,330,719,004
Allowance for Credit and Impairment Losses				
Balances at beginning of year	7,173,889	5,157,137	552,393,870	564,724,896
Write-offs	–	–	(75,876,351)	(75,876,351)
Provisions (reversals)	2,853,160	(1,166,387)	(54,416,247)	(52,729,474)
Transfers to stage 1	24,694	(23,848)	(846)	–
Transfers to stage 2	(147,353)	268,257	(120,904)	–
Transfers to stage 3	(3,569,236)	(3,520,619)	7,089,855	–
Balances at end of year	6,335,155	714,539	429,069,377	436,119,071
Carrying Amount	₱8,239,650,473	₱195,630,563	₱459,318,897	₱8,894,599,933

	2022			
	Stage 1	Stage 2	Stage 3	Total
Gross Amount				
Balances at beginning of year	₱7,162,205,302	₱674,884,897	₱1,416,828,373	₱9,253,918,572
Payments or reclassifications upon foreclosure	(3,134,708,065)	(264,103,020)	(354,394,825)	(3,753,205,910)
Loan releases	2,374,515,262	19,964,023	4,954,532	2,399,433,817
Transfers to stage 1	173,138,391	(154,518,993)	(18,619,398)	–
Transfers to stage 2	(64,459,303)	111,380,625	(46,921,322)	–
Transfers to stage 3	(26,958,799)	(54,162,897)	81,121,696	–
Balances at end of year	6,483,732,788	333,444,635	1,082,969,056	7,900,146,479
Allowance for Credit and Impairment Losses				
Balances at beginning of year	8,018,172	7,812,272	539,194,356	555,024,800
Provisions (reversals)	6,628,584	4,563,921	(1,492,409)	9,700,096
Transfers to stage 1	208,635	(196,388)	(12,247)	–
Transfers to stage 2	(458,678)	886,536	(427,858)	–
Transfers to stage 3	(7,222,824)	(7,909,204)	15,132,028	–
Balances at end of year	7,173,889	5,157,137	552,393,870	564,724,896
Carrying Amount	₱6,476,558,899	₱328,287,498	₱530,575,186	₱7,335,421,583

Below is the analysis of corporate loans (gross of unearned discounts and capitalized interest):

	2023			
	Stage 1	Stage 2	Stage 3	Total
Gross Amount				
Balances at beginning of year	₱20,951,605,142	₱910,849,484	₱1,595,880,418	₱23,458,335,044
Loan releases	3,565,318,333	94,262,166	–	3,659,580,499
Payments or reclassifications upon foreclosure	(86,187,092)	(8,805,645)	(1,224,806,507)	(1,319,799,244)
Write-offs	–	–	(22,739,181)	(22,739,181)
Transfers to stage 2	(69,140,000)	69,140,000	–	–
Transfers to stage 3	(1,216,901,084)	(9,900,606)	1,226,801,689	–
Balances at end of year	23,144,695,300	1,055,545,399	1,575,136,419	25,775,377,118
Allowance for Credit and Impairment Losses				
Balances at beginning of year	76,625,041	47,748,072	277,946,967	402,320,079
Provisions (reversals)	(22,071,892)	10,966,978	82,154,718	71,049,805
Write-offs	–	–	(22,739,181)	(22,739,181)
Transfers to stage 2	(1,732,015)	1,732,015	–	–
Transfers to stage 3	(12,546,905)	(1,307,733)	13,854,638	–
Balances at end of year	40,274,229	59,139,332	351,217,142	450,630,703
Carrying Amount	₱23,104,421,071	₱996,406,068	₱1,223,919,276	₱25,324,746,415

	2022			
	Stage 1	Stage 2	Stage 3	Total
Gross Amount				
Balances at beginning of year	₱19,415,320,444	₱829,489,939	₱1,544,191,356	₱21,789,001,739
Loan releases	2,021,262,038	29,306,495	–	2,050,568,533
Payments or reclassifications upon foreclosure	(76,597,316)	(92,674,109)	(211,963,804)	(381,235,229)
Transfers to stage 1	6,341,699	(6,341,699)	–	–
Transfers to stage 2	(333,593,468)	333,593,468	–	–
Transfers to stage 3	(81,128,255)	(182,524,611)	263,652,866	–
Balances at end of year	20,951,605,142	910,849,483	1,595,880,418	23,458,335,043
Allowance for Credit and Impairment Losses				
Balances at beginning of year	106,370,148	97,945,971	165,989,617	370,305,736
Provisions (reversals)	(19,854,173)	(38,115,660)	89,984,176	32,014,343
Transfers to stage 1	109,311	(109,311)	–	–
Transfers to stage 2	(3,736,941)	3,736,941	–	–
Transfers to stage 3	(6,263,304)	(15,709,869)	21,973,173	–
Balances at end of year	76,625,041	47,748,072	277,946,966	402,320,079
Carrying Amount	₱20,874,980,101	₱863,101,411	₱1,317,933,452	₱23,056,014,964

9. Foreclosed Assets

Details for foreclosed assets are as follows:

	2023	2022
Investment properties	₱585,342,707	₱486,354,806
Assets held for sale	10,369,647	78,172,966
Other foreclosed assets	10,018,966	13,690,548
	₱605,731,320	₱578,218,320

In 2023 and 2022, loans with an aggregate carrying amount of ₱126.7 million and ₱521.7 million, respectively, were derecognized in exchange for foreclosed properties.

As at December 31, 2023 and 2022, cumulative unrealized losses on foreclosure amounted to ₱41.7 million and ₱30.7 million, respectively.

Investment Properties

This account, which pertains to foreclosed real estate properties, amounted to ₱585.4 million and ₱486.4 million as at December 31, 2023 and 2022, respectively. In 2023 and 2022, depreciation on investment properties amounted to ₱27.0 million and ₱17.3 million, respectively (see Note 10).

No income was recognized related to the investment properties.

The aggregate fair values of the investment properties amounted to ₱624.7 million and ₱644.6 million as at December 31, 2023 and 2022, respectively. The fair value of the investment properties is determined using the Market Data Approach and is based on recent sale transactions involving properties within the same areas or vicinities taking into account the economic conditions prevailing at the time the valuations were made. The fair value measurement is categorized as Level 2.

Assets Held for Sale

Assets held for sale are initially measured at the lower of carrying amount of loans or fair value less cost to sell at the time of foreclosure.

Proceeds from disposal of assets held for sale amounted to ₱127.5 million and ₱314.6 million in 2023 and 2022, respectively.

Movements of allowance for impairment losses of assets held for sale is as follows:

	Note	2023	2022
Balance at beginning of year		₱4,607,887	₱4,607,887
Provision	20	359,517	–
		₱4,967,404	₱4,607,887

Other Foreclosed Assets

This account, which pertains to foreclosed assets other than real estate properties, amounted to ₱10.0 million and ₱13.7 million as at December 31, 2023 and 2022, respectively. Depreciation on other foreclosed assets amounted to ₱3.7 million and ₱12.3 million in 2023 and 2022, respectively (see Note 10).

Details of net losses from assets sold or acquired are as follows:

	Note	2023	2022
Foreclosed properties:			
Loss on foreclosure		(₱11,017,155)	(₱20,667,648)
Loss on sale		(3,317,418)	(6,709,034)
Gain on sale of property and equipment	10	1,039,649	1,502,351
		(₱13,294,924)	(₱25,874,331)

10. Property and Equipment

Movements in this account are as follows:

	2023					
	Land	Building and Condominium Units	ROU Assets (see Note 18)	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
Cost						
Balances at beginning of year	₱164,344,500	₱249,385,860	₱534,084,048	₱414,482,545	₱286,408,320	₱1,648,705,273
Additions	-	-	99,619,083	67,798,990	4,593,523	172,011,596
Disposals	-	-	-	(19,788,680)	(59,999)	(19,848,679)
Balances at end of year	164,344,500	249,385,860	633,703,131	462,492,855	290,941,844	1,800,868,190
Accumulated Depreciation and Amortization						
Balances at beginning of year	-	133,645,375	312,671,099	339,033,429	280,478,827	1,065,828,730
Depreciation and amortization	-	6,773,441	75,775,555	31,794,585	1,595,297	115,938,878
Disposals	-	-	-	(17,499,054)	-	(17,499,054)
Balances at end of year	-	140,418,816	388,446,654	353,328,960	282,074,124	1,164,268,554
Carrying Amount	₱164,344,500	₱108,967,044	₱245,256,477	₱109,163,895	₱8,867,720	₱636,599,636

	2022					
	Land	Building and Condominium Units	ROU Assets (see Note 18)	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
Cost						
Balances at beginning of year	₱164,344,500	₱249,385,860	389,254,985	₱406,782,064	₱282,168,525	₱1,491,935,934
Additions	-	-	144,829,063	39,735,850	4,271,753	188,836,666
Disposals	-	-	-	(32,035,369)	(31,958)	(32,067,327)
Balances at end of year	164,344,500	249,385,860	534,084,048	414,482,545	286,408,320	1,648,705,273
Accumulated Depreciation and Amortization						
Balances at beginning of year	-	126,871,935	236,333,031	337,173,178	275,961,198	976,339,342
Depreciation and amortization	-	6,773,440	76,338,068	33,875,334	4,517,629	121,504,471
Disposals	-	-	-	(32,015,083)	-	(32,015,083)
Balances at end of year	-	133,645,375	312,671,099	339,033,429	280,478,827	1,065,828,730
Carrying Amount	₱164,344,500	₱115,740,485	₱221,412,949	₱75,449,116	₱5,929,493	₱582,876,543

Additions to property and equipment, excluding ROU assets, amounted to ₱72.4 million and ₱44.0 million in 2023 and 2022, respectively.

Gain on sale of property and equipment included under "Net losses from assets sold or acquired" in the statements of income amounted to ₱1.0 million and ₱1.5 million in 2023 and 2022, respectively (see Note 9). Proceeds from sale amounted to ₱3.4 million and ₱1.6 million as at December 31, 2023 and 2022, respectively.

As at December 31, 2023 and 2022, the cost of fully depreciated assets, which are still being used in the operations, amounted to ₱560.7 million and ₱587.6 million, respectively.

Details of depreciation and amortization are as follows:

	Note	2023	2022
Property and equipment		₱115,938,878	₱117,657,798
Computer software	11	17,365,381	20,354,394
Foreclosed assets:	9		
Investment properties		27,024,658	17,291,144
Other foreclosed assets		3,683,665	12,253,322
	20	₱164,012,582	₱167,556,658

11. Intangible Assets

This account consists of:

	2023	2022
Branch licenses	₱225,390,000	₱225,390,000
Computer software	71,528,747	66,623,209
	₱296,918,747	₱292,013,209

Branch licenses, recognized from business combination, include branch licenses from CSB amounting to ₱128.0 million, and licensing fees incurred in opening additional branches.

Of the total 47 branches of the Bank, 18 branches are in restricted areas, as determined by the BSP.

The impairment test on branch licenses is based on value-in-use calculations determined using a discounted cash flow model. The recoverable amount of the CGU has been determined based on cash flow projections from financial budgets approved by senior management covering a five-year period. The discount rates applied to cash flow projections are 6.05% and 6.47% in 2023 and 2022, respectively, and cash flows beyond the five year-period are extrapolated using a steady growth rate of 10% in 2023 and 2022, which does not exceed the long-term average growth rate for the industry.

The calculation of the value-in-use of the CGU is most sensitive to the following assumptions:

- Discount rate;
- Steady growth rate used to extrapolate cash flows beyond the projection period; and
- Local inflation rate.

The key assumptions are consistent with information from external sources. With regard to the assessment of value-in-use of the CGU, management believes that no reasonably possible change in any of the foregoing key assumptions would cause the carrying amount of the branch licenses to materially exceed its recoverable amount. There were no impairment indicators as at December 31, 2023 and 2022.

Movements in computer software are as follows:

	Note	2023	2022
Cost			
Balance at beginning of year		₱401,418,230	₱396,640,419
Additions		22,270,919	4,777,811
Balance at end of year		423,689,149	401,418,230
Accumulated Amortization			
Balance at beginning of year		334,795,021	314,440,627
Amortization	10	17,365,381	20,354,394
Balance at end of year		352,160,402	334,795,021
Carrying Amount		₱71,528,747	₱66,623,209

12. Other Assets

This account consists of:

	Note	2023	2022
Restricted cash		₱124,768,500	₱-
Prepaid expenses		82,130,644	62,778,226
Refundable deposits	18	29,246,619	28,827,069
Documentary stamp taxes		12,299,571	5,799,001
Deferred lease	18	2,180,680	1,786,029
RCOCI		1,579,945	632,989
Others		11,872,798	12,434,942
		₱264,078,757	₱112,258,256

Restricted cash pertains to funds set aside by the Bank to be used for future short-term investments.

Prepaid expenses include prepaid taxes, rentals, group life insurance and employee benefits related to the car plan for the officers of the Bank (see Note 23).

Others mainly consist of membership fees in Bancnet and Credit Management Association of the Philippines, and deposits with a health care agency for the Bank's employee health plan.

13. Deposit Liabilities

This account consists of:

	2023	2022
Savings	₱18,194,453,538	₱14,608,267,874
Demand	10,269,072,898	9,929,853,938
Time	10,230,289,875	9,098,276,912
	₱38,693,816,311	₱33,636,398,724

In accordance with the BSP requirements, the reserve requirement for Philippine Peso deposit liabilities and deposit substitutes is 3% as at December 31, 2022.

As per BSP Circular No. 1175, *Reduction in Reserve Requirements*, effective on June 30, 2023, the reserve requirement was reduced from 3% to 2% for thrift banks.

As mandated by the BSP, only demand deposit accounts maintained by banks with the BSP are eligible for compliance with reserve requirements, thereby excluding government securities and cash in vault as eligible reserves. Further, demand deposits maintained with the BSP in compliance with the reserve requirements do not earn interest.

As at December 31, 2023 and 2022, the Bank is compliant with the foregoing BSP requirements. The available reserves, which form part of "Due from Bangko Sentral ng Pilipinas", amounted to ₱696.2 million and ₱707.0 million as at December 31, 2023 and 2022, respectively.

As at December 31, 2023 and 2022, 60% and 50% of the total deposit liabilities, respectively, are subject to periodic interest repricing. The remaining deposit liabilities bear annual fixed interest rates as follows:

	2023	2022
Philippine Peso-denominated	0.25% to 6.50%	0.25% to 6.50%
Foreign currency-denominated	0.125% to 0.15%	0.125% to 0.75%

Interest expense recognized in the financial statements arises from:

	Note	2023	2022
Deposit liabilities:			
Savings		₱557,340,331	₱181,699,256
Time		540,153,811	215,595,488
Demand		23,125,902	29,851,104
		1,120,620,044	427,145,848
Unsecured subordinated debt	15	80,500,000	73,125,694
Lease liabilities	18	14,478,078	12,753,544
Others		246,745	-
		₱1,215,844,867	₱513,025,086

14. Accrued Interest, Taxes and Other Expenses

This account consists of:

	2023	2022
Accrued expenses:		
Interest	₱83,192,767	₱46,876,145
Compensation and other benefits	51,322,947	44,662,161
Agri-agra penalties	45,778,158	26,067,423
Security, messengerial and janitorial	16,286,884	9,614,940
Utilities and leased line	4,562,197	2,648,759
ATM related expenses	2,837,796	1,539,667
Others	49,545,335	22,847,656
	253,526,084	154,256,751
Accrued gross receipts tax (GRT)	17,396,726	21,755,379
	₱270,922,810	₱176,012,130

Accrual for other expenses pertains to rent, insurance, publications, repairs and maintenance.

15. Unsecured Subordinated Debt

On January 23, 2020, the MB of the BSP, in its Resolution No. 124, approved the Bank's issuance of unsecured subordinated debt with principal amount aggregating ₱300.0 million, which was issued on December 10, 2020 and bears 4.75% interest per annum, payable quarterly. This unsecured subordinated debt will mature after 10 years and three months from issuance date but may be called by the Bank on any interest payment date after five years and three months from issuance at principal amount plus accrued interest.

On August 25, 2022, the MB of the BSP, in its Resolution No. 1264, approved the Bank's exercise of call option on its outstanding ₱1.0 billion unsecured subordinated debt that was issued July 18, 2017. In the same resolution, the issuance of unsecured subordinated debt with principal amount aggregating ₱1.0 billion was also approved, and was issued on October 18, 2022 and bears 6.625% interest per annum, payable quarterly. This unsecured subordinated debt will mature after 10 years and three months from issuance date but may be called by the Bank on any interest payment date after the fifth year of issuance at principal amount plus accrued interest.

Interest expense on unsecured subordinated debt amounted to ₱80.5 million and ₱73.1 million in 2023 and 2022, respectively (see Note 13).

16. Other Liabilities

This account consists of:

	Note	2023	2022
Accounts payable		₱854,182,583	₱1,066,017,644
Due to Philippine Deposit Insurance Corporation (PDIC)		37,261,145	33,247,423
Withholding taxes		29,517,925	21,946,976
Bills purchased - contra	8	18,413,588	1,420,943
Statutory obligations		4,686,697	4,015,724
Payment orders		4,235,873	2,683,902
Others		46,895,900	39,886,757
		₱995,193,711	₱1,169,219,369

Accounts payable pertain to payables for cash cards, chattel mortgage, insurance and loan service fees, Bancnet and VISA, stale checks, incoming dollar remittances to the Bank for payment to various payees as part of its intermediary services, settlement account for InstaPay transactions and remaining balances on purchases of property and equipment. Accounts payable are noninterest-bearing and normally settled within one year.

Due to PDIC pertains to the Bank's insurance premium on deposit liabilities payable one month after reporting year.

Payment orders refer to inward and outward remittances of funds by telegraphic transfers, demand drafts, or mail transfer orders received by the Bank pending payment/disposition to designated beneficiaries or application/disposition to appropriate accounts.

Others mainly consist of dormant deposit accounts.

17. Classification of Assets and Liabilities

The following tables present the carrying amount of assets and liabilities classified as either current or noncurrent as at December 31:

	Note	2023			2022		
		Current	Noncurrent	Total	Current	Noncurrent	Total
Financial Assets							
Financial assets at FVOCI	7	₱3,372,461,459	₱201,351,950	₱3,573,813,409	₱1,900,706,619	₱158,727,746	₱2,059,434,365
Financial assets at FVPL	7	114,982	—	114,982	97,461	—	97,461
Financial assets at amortized cost:							
Cash and other cash items		578,568,031	—	578,568,031	510,101,446	—	510,101,446
Due from BSP		2,056,165,929	—	2,056,165,929	2,813,319,000	—	2,813,319,000
Due from other banks		1,502,080,267	—	1,502,080,267	1,963,318,024	—	1,963,318,024
Interbank loans receivable	6	1,348,001,167	—	1,348,001,167	470,374,799	—	470,374,799
Government securities	7	55,451,084	87,499,490	142,950,574	—	121,097,676	121,097,676
Loans and receivables - gross	8	26,762,486,731	9,084,935,752	35,847,422,483	24,807,576,944	7,137,228,545	31,944,805,489
Other assets ¹	12	126,348,445	29,246,619	155,595,064	632,989	28,827,069	29,460,058
		35,801,678,095	9,403,033,811	45,204,711,906	32,466,127,282	7,445,881,036	39,912,008,318
Nonfinancial Assets							
Foreclosed assets	9	18,397,581	595,361,673	613,759,254	85,841,383	500,045,354	585,886,737
Property and equipment	10	—	1,800,868,190	1,800,868,190	—	1,648,705,274	1,648,705,274
Intangible assets	11	—	649,079,148	649,079,148	—	626,808,230	626,808,230
Deferred tax assets	21	—	27,991,015	27,991,015	—	21,795,988	21,795,988
Other assets	12	82,130,644	26,353,049	108,483,693	62,778,226	20,019,972	82,798,198
		100,528,225	3,099,653,075	3,200,181,300	148,619,609	2,817,374,818	2,965,994,427
		35,902,206,320	12,502,686,886	48,404,893,206	32,614,746,891	10,263,255,854	42,878,002,745
Less:							
Allowance for credit and impairment losses on:							
Loans and receivables	8	—	888,853,072	888,853,072	—	968,164,871	968,164,871
Foreclosed assets	9	8,027,934	—	8,027,934	7,668,417	—	7,668,417
Accumulated depreciation and amortization of:							
Property and equipment	10	—	1,164,268,554	1,164,268,554	—	1,065,828,731	1,065,828,731
Computer software	11	—	352,160,401	352,160,401	—	334,795,021	334,795,021
Unearned discounts and capitalized interest	8	—	1,127,999	1,127,999	—	692,526	692,526
		8,027,934	2,406,410,026	2,414,437,960	7,668,417	2,369,481,149	2,377,149,566
		₱35,894,178,386	₱10,096,276,860	₱45,990,455,246	₱32,607,078,474	₱7,893,774,705	₱40,500,853,179
Financial Liabilities							
Deposit liabilities	13	₱36,488,348,893	₱2,205,467,418	₱38,693,816,311	₱32,021,981,537	₱1,614,417,187	₱33,636,398,724
Manager's checks		121,010,179	—	121,010,179	117,174,478	—	117,174,478
Accrued interest and other expenses	14	253,526,084	—	253,526,084	154,256,751	—	154,256,751
Unsecured subordinated debt	15	—	1,300,000,000	1,300,000,000	—	1,300,000,000	1,300,000,000
Lease liabilities	18	67,271,965	201,201,073	268,473,038	61,188,933	179,920,394	241,109,327
Other liabilities	16	923,727,944	—	923,727,944	1,110,009,246	—	1,110,009,246
		37,853,885,065	3,706,668,491	41,560,553,556	33,464,610,945	3,094,337,581	36,558,948,526
Nonfinancial Liabilities							
Accrued GRT	14	17,396,726	—	17,396,726	21,755,379	—	21,755,379
Retirement liability	19	—	77,128,693	77,128,693	—	55,035,205	55,035,205
Income tax payable		7,006,583	—	7,006,583	299,049	—	299,049
Other liabilities ²	16	71,465,767	—	71,465,767	59,210,123	—	59,210,123
		95,869,076	77,128,693	172,997,769	81,264,551	55,035,205	136,299,756
		₱37,949,754,141	₱3,783,797,184	₱41,733,551,325	₱33,545,875,496	₱3,149,372,786	₱36,695,248,282

¹Other financial assets pertain to restricted cash, refundable deposits and RCOCI (see Note 12).

²Other non-financial liabilities pertain to due to PDIC, withholding taxes and statutory obligations (see Note 16).

18. Lease Commitments

The Bank has existing non-cancellable lease agreements for the lease of its branch premises for a period of one to ten years, renewable upon mutual agreement of both parties. The rentals are subject to annual escalation rates ranging from 2.0% to 8.0%.

Outstanding rental and security deposits on lease commitments, which are refundable in cash upon termination of lease agreements, amounted to ₱29.7 million and ₱28.8 million as at December 31, 2023 and 2022, respectively (see Note 12).

Deferred lease, which pertains to the difference between the nominal value of the refundable deposit and its fair value at inception of the lease that is amortized as expense on a straight-line basis over the lease term, amounted to ₱2.2 million and ₱1.8 million as at December 31, 2023 and 2022, respectively (see Note 12).

ROU assets, presented as part of "Property and equipment" account, pertain to leased branch premises amounted to ₱245.3 million and ₱221.4 million as at December 31, 2023 and 2022, respectively (see Note 10).

Movements in the lease liabilities are as follows:

	2023	2022
Balance at beginning of year	₱241,109,327	₱175,603,805
Additions	99,619,083	144,829,063
Payments	(86,733,450)	(92,077,085)
Interest expense	14,478,078	12,753,544
	268,473,038	241,109,327
Current portion	67,271,965	61,188,933
Noncurrent portion	₱201,201,073	₱179,920,394

Lease-related expenses recognized in the financial statements consist of:

	Note	2023	2022
Amortization of ROU assets	10	₱75,775,555	₱76,338,068
Rent expense		35,963,973	29,360,323
Interest expense on lease liabilities	13	14,478,078	12,753,544
		₱126,217,606	₱118,451,935

Rent expense, which pertains to short-term leases of branch premises, is presented under "Occupancy" in the statements of income.

Lease commitments are as follows:

	2023	2022
Not later than one year	₱76,766,814	₱69,268,823
Later than one year but not later than five years	198,919,873	142,989,539
Later than five years	18,772,272	56,531,206
	₱294,458,959	₱268,789,568

19. Retirement Plan

The Bank has a funded, noncontributory defined benefit retirement plan covering all of its officers and regular employees. Under the retirement plan, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. An independent actuary, using the projected credit method, conducted an actuarial valuation of the retirement liability as at December 31, 2023. Management assessed that the retirement liability is adequate.

The retirement fund of the Bank is placed under the management of the Bank's Trust Group with oversight from the Bank's Retirement Fund Committee, as appointed by the BOD. The Retirement Plan Trustee, as appointed by the Bank, in the Trust Agreement, is responsible for the general administration of the Retirement Plan and the management of the Retirement Fund.

The retirement benefits recognized in the statements of income follow:

	2023	2022
Current service cost	₱17,748,476	₱15,063,438
Net interest cost	2,748,542	3,889,137
	₱20,497,018	₱18,952,575

Remeasurement loss, net of related deferred tax, amounted to ₱8.7 million and ₱3.4 million in 2023 and 2022, respectively. Cumulative remeasurement gains (losses) on retirement liability recognized in the statements of financial position amounted to (₱2.9 million) and ₱5.8 million as at December 31, 2023 and 2022, respectively.

Net retirement liability is as follows:

	2023	2022
Present value of retirement obligation	₱185,735,988	₱181,244,995
Fair value of plan assets	(108,607,295)	(126,209,790)
	₱77,128,693	₱55,035,205

Movements in the present value of retirement obligation follow:

	2023	2022
Balance at beginning of year	₱181,244,995	₱161,993,298
Remeasurement gain	(23,799,206)	-
Current service cost	17,748,476	15,063,438
Interest cost	12,231,139	10,982,498
Benefits paid	(1,689,416)	(6,794,239)
Balance at end of year	₱185,735,988	₱181,244,995

Movements in the fair value of the plan assets follow:

	2023	2022
Balance at beginning of year	₱126,209,790	₱ 110,461,352
Remeasurement loss (excluding amount included in net interest)	(35,395,676)	(4,550,684)
Contributions made	10,000,000	20,000,000
Interest income	9,482,597	7,093,361
Benefits paid from plan assets	(1,689,416)	(6,794,239)
Balance at end of year	₱108,607,295	₱126,209,790

The plan assets are carried at fair value. All equity, debt instruments and investments of the pooled funds held have quoted prices in active market. The fair value of other assets and liabilities, which include deposits in banks, BSP's special deposit account, accrued interest and other receivables and trust fee payables, approximate carrying amount due to the short-term nature of these accounts.

The plan assets are diversified investments. Those in short-term placements will be further invested depending on the market direction.

The composition of plan assets by class as at December 31, 2023 and 2022 follows:

	2023	2022
Debt instruments:		
Government securities	36%	55%
Private bonds	14%	18%
	50%	73%
Investment in unit investment trust fund	45%	21%
Equity instruments	4%	3%
Investment in savings deposit	1%	2%
Receivables	0%	1%
Fair value of plan assets	100%	100%

The principal actuarial assumptions used in determining the net retirement liability are shown below:

	2023	2022
Discount rate	6.68%	6.78%
Salary increase rate	3.00%	3.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2023, assuming all other assumptions were held constant:

	Basis Points	Amount
Discount rate	7.68% (Actual+1.0%)	₱174,481,444
	6.68% (Actual)	185,735,988
	5.68% (Actual-1.0%)	198,567,222
Salary increase rate	4.00% (Actual+1.0%)	199,678,214
	3.00% (Actual)	185,735,988
	2.00% (Actual-1.0%)	173,340,670
Turn over rate	120% of Actual	180,092,113
	Actual	185,735,988
	80.00% of Actual	192,040,350

The average duration of the defined benefit obligation at the end of the reporting year is 9.61 years.

Shown below is the maturity analysis of the undiscounted benefit payments within the next ten years as at December 31, 2023:

Less than one year	₱47,300,776
One to less than five years	83,783,979
More than five years	588,425,094
	₱719,509,849

20. Operating Expenses

This account consists of:

	Note	2023	2022
Compensation and fringe benefits		₱653,084,464	₱579,074,678
Taxes and licenses		205,486,494	180,621,996
Depreciation and amortization	10	164,012,582	167,556,658
Representation and entertainment		125,329,367	112,908,972
Security, messengerial and janitorial		86,421,321	62,799,011
Repairs and maintenance		74,250,097	70,439,904
Insurance		73,844,730	73,352,212
Fees and commissions		61,374,331	52,109,090
Occupancy		59,524,262	52,861,517
Litigation cost		49,445,160	66,924,039
Postage		49,246,643	47,606,178
Fines and penalties		19,725,535	22,483,769
Appraisal fees		15,172,185	14,542,228
Supervision fees		15,056,231	14,851,231
Management and other professional fees		10,406,666	9,360,794
Stationery and supplies used		9,103,808	8,641,308
Transportation and travel		4,935,154	9,854,176
Promotions and advertising		3,491,469	2,766,246
Provision for impairment loss on assets held for sale	9	359,517	-
Others		30,462,975	20,052,727
		₱1,710,732,991	₱1,568,806,734

Others include office supplies and membership fees and dues.

21. Income and Other Taxes

Current income tax expense consists of:

	2023	2022
RCIT and MCIT	₱16,931,818	₱23,638,117
Final tax	57,077,331	30,181,964
	₱74,009,149	₱53,820,081

Under Philippine tax laws, the Bank is subject to percentage and other taxes, presented as “Taxes and licenses” in the statements of income, as well as income taxes. Percentage and other taxes paid consist principally of GRT and documentary stamp tax.

RA No. 9294, *An Act Restoring the Tax Exemption of Offshore Banking Units (OBUs) and Foreign Currency Deposit Units*, which became effective in May 2004, provides that the income derived by the FCDU from foreign currency transactions with non-residents, offshore banking units (OBUs), and local commercial banks, including branches of foreign banks, is tax-exempt while interest income on foreign currency denominated loans from residents other than OBUs or other depository banks under the expanded system is subject to 10% onshore income tax.

The RBU incurred MCIT and RCIT in 2023 and 2022, respectively, while the FCDU incurred MCIT in 2022.

The reconciliation between the income tax expense at statutory tax rate and income tax expense presented in the statements of income.

	2023	2022
Income tax expense at statutory tax rate	₱78,398,655	₱63,504,939
Tax effects of:		
Nontaxable income	(59,818,678)	(73,263,275)
Nondeductible expenses	48,992,098	92,333,720
Interest income subjected to final tax	(18,934,031)	(37,996,289)
Changes in unrecognized deferred tax assets	22,075,196	8,329,963
	₱70,713,240	₱52,909,058

Net deferred tax assets are recognized as follows:

	2023	2022
Through:		
Profit or loss	₱27,201,472	₱23,905,563
Other comprehensive income	789,543	(2,109,575)
	₱27,991,015	₱21,795,988

Deferred tax benefit is recognized as follows:

	2023	2022
Through:		
Profit or loss	₱3,295,909	₱911,023
Other comprehensive income	2,899,118	1,137,670
	₱6,195,027	₱2,048,693

Deferred tax assets and liabilities consist of:

	2023	2022
Deferred tax assets on:		
Allowance for credit and impairment losses on loans and receivables	₱40,958,333	₱41,386,637
Cumulative unrealized losses on foreclosure of acquired assets	10,432,016	7,677,727
Excess of ROU assets over lease liabilities	5,804,140	4,924,095
Allowance for impairment losses on assets held for sale	2,006,983	1,917,104
Cumulative remeasurement losses on retirement liability	789,543	
	59,991,015	55,905,563
Deferred tax liabilities on:		
Fair value adjustment on branch licenses acquired in business combination	(32,000,000)	(32,000,000)
Cumulative remeasurement gains on retirement liability	-	(2,109,575)
	(32,000,000)	(34,109,575)
Net deferred tax assets	₱27,991,015	₱21,795,988

As at December 31, 2023 and 2022, the Bank has not recognized deferred tax assets relating to the following deductible temporary differences:

	2023	2022
Allowance for credit and impairment losses on loans and receivables	₱725,019,739	₱802,618,322
NOLCO	100,657,227	24,037,444
Retirement liability	73,970,523	63,473,505
Unamortized past service cost	25,516,500	29,891,340
Excess of MCIT over RCIT	17,016,372	84,554
	₱942,180,361	₱920,105,165

Management assessed that it is not probable that sufficient future taxable profit will be available to allow the unrecognized deferred tax assets to be utilized.

Details of NOLCO related to the FCDU are as follows:

Year Incurred	Beginning Balance	Incurred	Ending Balance	Valid Until
2023	₱-	₱46,951,950	₱46,951,950	2026
2022	1,206,709	-	1,206,709	2025
2021	6,074,719	-	6,074,719	2026
2020	16,756,016	-	16,756,016	2025
	₱24,037,444	₱46,951,950	₱70,989,394	

Details of NOLCO related to the RBU are as follows:

Year Incurred	Beginning Balance	Incurred	Ending Balance	Valid Until
2023	₱-	₱29,667,833	₱29,667,833	2026

Pursuant to the RA No. 11494, *Bayanihan Recover as One Act*, and Revenue Regulations No. 25-2020, entities which incurred net operating loss for taxable years 2020 and 2021 shall be allowed to carry over the same as a deduction from gross income for the next five consecutive taxable years immediately following the year of such loss.

Details of excess MCIT over RCIT are as follows:

Year Incurred	Beginning Balance	Incurred	Ending Balance	Valid Until
2023	₱—	₱16,931,818	₱16,931,818	2026
2022	66,171	—	66,171	2025
2021	18,383	—	18,383	2024
	₱84,554	₱16,931,818	₱17,016,372	

Excess MCIT over RCIT incurred in 2023 is related to the RBU.

The Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

Under the CREATE Act, the RCIT of domestic corporations was reduced from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. MCIT was changed from 2% to 1% of gross income for a period of three years up to June 30, 2023. The rate of MCIT reverted to 2% based on gross income starting July 1, 2023. The impact of the revision is accounted for in 2023, if any.

22. Capital Stock

Details and movements in this account are as follows:

	Number of Shares		Amount	
	2023	2022	2023	2022
Authorized - ₱10 par value				
Perpetual preferred stock	100,000,000	100,000,000	₱1,000,000,000	₱1,000,000,000
Common stock	300,000,000	300,000,000	3,000,000,000	3,000,000,000
Issued and outstanding:				
Perpetual preferred stock				
Balance at beginning and end of year	30,000,000	30,000,000	₱300,000,000	₱300,000,000
Common stock				
Balance at beginning of year	217,000,000	217,000,000	₱2,170,000,000	₱2,170,000,000
Issuances	20,000,000	—	200,000,000	—
Balance at end of year	237,000,000	217,000,000	₱2,370,000,000	₱2,170,000,000

The perpetual preferred stock, which has an annual dividend rate of 4.375%, is cumulative and has no voting rights. As at December 31, 2023 and 2022, cumulative preference dividends amounted to ₱125.4 million and ₱112.3 million, respectively.

23. Related Party Transactions and Balances

In the ordinary course of business, the Bank enters into loan and other transactions with its related parties and with certain DOSRI. Under the Bank's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks.

The significant transactions and account balances with respect to related parties that are included in the financial statements follow:

Nature of Transactions	2023		2022	
	Transactions during the Year	Outstanding Balances	Transactions during the Year	Outstanding Balances
Key Management Personnel				
Loans and receivables	₱3,684,137	₱5,617,137	₱500,000	₱2,744,345
Interest income	385,706	38,987	222,677	18,944
Deposit liabilities	113,320,027	59,281,277	84,371,705	42,327,648
Interest expense	522,650	—	153,296	—
Subsidiaries of the Parent Company				
Loans and receivables	1,565,434,000	1,400,000,000	1,794,552,000	1,072,986,828
Interest income	85,316,947	27,990,217	54,421,936	12,212,318
Deposit liabilities	1,285,798,234	39,605,274	2,478,354,897	23,150,234
Interest expense	426,693	—	38,647	—
Unsecured subordinated debt	—	1,300,000,000	—	1,300,000,000
Interest expense	—	80,500,000	—	73,125,694
Trust fee	2,762,754	1,171,538	2,371,531	778,693
Lease liabilities	2,360,526	9,187,308	7,327,640	11,547,833
Interest expense	585,797	—	740,692	—
ROU assets	5,986,330	8,011,278	—	9,427,402
Amortization	7,402,454	—	7,098,063	—
Parent Company				
Deposit liabilities	1,163,861,372	—	745,969,800	—
Interest expense	3,588	—	4,189	—
Stockholders				
Deposit liabilities	173,401,826	46,093,450	194,952,553	24,847,182
Interest expense	790,190	—	223,783	—
Other Related Parties				
Loans and receivables	2,274,288,056	1,614,428,103	1,301,804,582	1,583,588,598
Interest income	118,096,433	22,031,321	67,630,123	36,439,439
Deposit liabilities	770,454,244	11,858,533	45,036,507	12,802,484
Interest expense	77,399	—	5,590	—

Terms and Conditions

Loans and receivables are secured by chattel mortgages, deposits and real estate properties, having terms ranging from one to 18 years, and bearing interests from 5.50% to 10.03% in 2023 and 5.00% to 10.68% in 2022. Allowance for credit and impairment losses on receivables from related parties amounted to ₱6.9 million and ₱12.0 million as at December 31, 2023 and 2022, respectively.

Deposits have interest ranging from 0.13% to 0.50% in 2023 and 0.25% to 0.50% in 2022.

Unsecured subordinated debt is a transaction with the Trust Unit of the Bank, under the supervision of the Trust Committee (see Note 15).

Trust fees pertain to fees charged for trust operations. These are included under "Other expenses" in the statements of income.

Lease liabilities, ROU assets and rent expense pertain to leases of branch premises and ATM.

Compensation of key management personnel included under "Compensation and fringe benefits" in the statements of income follows:

	2023	2022
Short-term employee benefits	₱145,298,508	₱129,256,427
Post-employment retirement benefits	5,227,528	6,789,913
	₱150,526,036	₱136,046,340

Transactions with Retirement Plan

The retirement plan of the Bank is considered as a related party. The retirement plan is in the form of a trust administered by the Trust Unit under the supervision of the Retirement Fund Committee.

The values of the assets of the fund are as follows (see Note 19):

	2023	2022
Debt instruments	₱54,620,728	₱93,066,874
Investments in:		
Unit investment trust fund	49,243,256	26,620,020
Saving deposits	630,311	2,122,515
Equity instruments	4,113,000	4,400,381
	₱108,607,295	₱126,209,790

24. Trust Operations

On May 21, 2008, the Bank was granted a license by the BSP to conduct its trust operations. The Bank started its trust operations on June 2, 2008.

Securities and other resources held by the Bank in fiduciary or agency capacity for its customers are not included in the accompanying statements of financial position since these are not assets of the Bank. Total assets held by the Bank's Trust Group amounted to ₱5,366.9 million and ₱6,280.4 million as at December 31, 2023 and 2022, respectively.

In compliance with current banking regulations relative to the Bank's trust operations, government securities included under financial assets at FVOCI with a total face value of ₱62.0 million and ₱77.0 million as at December 31, 2023 and 2022, respectively, are deposited with the BSP. In addition, 10% of the Bank's net income realized from its trust operations is appropriated to surplus reserve until such reserve for trust operations amounts to 20% of the Bank's regulatory capital.

25. Commitments and Contingencies

In the normal course of the Bank's operations, there are some outstanding commitments and contingencies such as guarantees and commitments to extend credit, which are not reflected in the financial statements. The Bank does not anticipate significant losses as a result of these transactions.

As at December 31, 2023 and 2022, the Bank is involved in legal proceedings relating to uncollected loans and acquired properties. Based on the opinion of its legal counsels, the Bank is in a good position to secure favorable judgment in most of these cases. Management therefore believes that the outcome of these proceedings will not have material adverse effect on the financial position and performance of the Bank.

The following is a summary of the commitments and contingencies at their equivalent contractual amounts:

	2023	2022
Investment management account	₱4,933,902,016	₱5,993,435,885
Spot exchange	1,166,603,091	418,162,500
Trust bank accounts	433,051,483	286,994,767
Derivatives	55,370,000	83,632,500
Outstanding guarantees issued - others	38,983,406	12,285,038
Items held for safekeeping	25,049	28,579
Items held as collateral	12,692	15,831
Sight/usance domestic letters of credit (LC)	-	11,907,575
Inward bills for collection	-	70,129,270
Domestic LC	-	445,735

26. Supplementary Information Required under Section 174 and Appendix 55 of the Manual of Regulations for Banks by the Bangko Sentral ng Pilipinas, Disclosure Requirements to the Audited Financial Statements

A. Financial Performance Indicators

The following basic ratios measure the financial performance of the Bank:

	2023	2022
Return on average equity	6.02%	4.78%
Return on average assets	0.56%	0.41%
Net interest margin on average earning assets	4.52%	3.91%

B. Details of Loans

The following table shows information relating to receivables from customers, gross of unearned discounts and capitalized interests, by collateral.

	2023		2022	
	Amount	%	Amount	%
Secured by:				
Chattel mortgage	₱2,015,702,219	5.74%	₱2,690,481,587	8.58%
Real estate mortgage	10,469,042,011	29.80%	7,639,545,588	24.35%
Deposits	1,394,683,257	3.97%	1,119,616,131	3.57%
Others	30,993,601	0.09%	28,041,592	0.09%
	13,910,421,088	39.59%	11,477,684,898	36.59%
Unsecured	21,224,068,222	60.41%	19,892,197,167	63.41%
	₱35,134,489,310	100.00%	₱31,369,882,065	100.00%

As at December 31, 2023 and 2022, information on the concentration of credit, gross of unearned discounts and capitalized interests, as to industry follows:

	2023		2022	
	Amount	%	Amount	%
Real estate	₱10,779,446,447	30.68%	₱7,009,752,284	22.35%
Other community, social and personal activities	7,534,325,060	21.44%	8,873,010,383	28.29%
Wholesale and retail trade	6,479,520,689	18.44%	5,776,108,891	18.41%
Manufacturing	4,045,034,722	11.51%	3,702,915,827	11.80%
Financial intermediaries	2,643,145,643	7.52%	2,636,944,493	8.41%
Transportation, storage and communication	1,727,601,767	4.92%	1,520,498,090	4.85%
Construction	931,312,679	2.65%	959,724,603	3.06%
Hotel and restaurants	835,490,338	2.38%	731,897,194	2.33%
Mining and quarrying	153,739,077	0.44%	153,000,000	0.49%
Agricultural, hunting and forestry	2,867,966	0.01%	3,700,256	0.01%
Electricity, gas and water supply	2,004,922	0.01%	2,330,044	0.01%
	₱35,134,489,310	100.00%	₱31,369,882,065	100.00%

Loans under real estate, exceeding the 30% concentration limit as at December 31, 2023, as prescribed by the BSP, pertain to loan exposures that do not cover a specific industry.

NPL pertains to loan accounts even without any missed contractual payments, that are (a) deemed impaired under existing applicable accounting standards, (b) classified as doubtful or loss, (c) in litigation, and/or (d) there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, in the case of secured accounts.

All other loan accounts, even if not considered impaired, should be considered non-performing if any contractual principal and/or interest are not paid for more than 90 days after contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

Details of the Bank's gross and net NPL follow:

	2023		2022	
	Amount	%	Amount	%
Gross	₱2,519,467,263	7.17%	₱2,914,513,611	9.29%
Net	1,724,318,463	4.91%	2,077,502,880	6.62%

As at December 31, 2023 and 2022, breakdown of the secured and unsecured NPL follows:

	2023	2022
Secured	₱569,712,816	₱853,733,829
Unsecured	1,949,754,447	2,060,779,782
	₱2,519,467,263	₱2,914,513,611

Status of loans per product as at December 31, 2023 and 2022 are as follows:

	2023		
	Performing	NPL	Total
Corporate loans:			
Term loan	₱23,868,415,771	₱1,366,931,117	₱25,235,346,888
Bills discounted	66,881,606	107,109,228	173,990,834
Trust receipt	271,218,790	58,195,918	329,414,708
Others	32,018,274	32,999,602	65,017,876
	24,238,534,441	1,565,235,865	25,803,770,306
Consumer loans:			
Auto	1,500,700,718	515,001,500	2,015,702,218
Salary	69,668,201	396,176,292	465,844,493
Real estate	4,541,449,754	31,344,663	4,572,794,417
Contract to sell	2,264,668,934	2,215,956	2,266,884,890
Others	–	9,492,986	9,492,986
	8,376,487,607	954,231,397	9,330,719,004
	₱32,615,022,048	₱2,519,467,262	₱35,134,489,310

	2022		
	Performing	NPL	Total
Corporate loans:			
Term loan	₱20,975,953,079	₱1,415,435,506	₱22,391,388,585
Bills discounted	47,963,262	110,182,467	158,145,729
Trust receipt	413,433,806	63,055,915	476,489,721
Others	401,096,399	42,615,152	443,711,551
	<u>21,838,446,546</u>	<u>1,631,289,040</u>	<u>23,469,735,586</u>
Consumer loans:			
Auto	1,997,068,523	693,413,075	2,690,481,598
Salary	79,019,638	441,868,453	520,888,091
Real estate	2,934,783,970	138,450,058	3,073,234,028
Contract to sell	1,571,678,843	—	1,571,678,843
Others	34,370,933	9,492,986	43,863,919
	<u>6,616,921,907</u>	<u>1,283,224,572</u>	<u>7,900,146,479</u>
	<u>₱28,455,368,453</u>	<u>₱2,914,513,612</u>	<u>₱31,369,882,065</u>

Restructured loans, which do not meet the requirements to be treated as performing receivables, are considered as NPL. Restructured loans amounted to ₱729.1 million and ₱790.3 million as at December 31, 2023 and 2022, respectively. Interest income on restructured receivables amounted to ₱34.7 million and ₱36.6 million in 2023 and 2022, respectively.

C. DOSRI/Related Party Loans

The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of their respective unencumbered deposits and book value of their respective paid-in capital contribution in the Bank. These limits do not apply to (a) loans and other credit accommodations secured by assets considered as non-risk as defined in the regulations; (b) loans and other credit accommodations in the form of fringe benefits; and (c) portion of loans and other credit accommodations covered by guarantees of the International Finance Corporation or the Asian Development Bank.

Moreover, the total outstanding loans to DOSRI, of which 70% must be secured, should not exceed 15% of the total loan portfolio of the Bank or 100% of net worth whichever is lower. These limits do not apply to (a) loans and other credit accommodations secured by assets considered as non-risk as defined in the regulations; (b) qualified credit accommodations to a corporate stockholder; (c) credit accommodations to government-owned or controlled corporations where any director, officer or stockholder of the Bank is a representative of the government in the borrowing corporation and not holding any proprietary interest in such corporation; (d) loans and other credit accommodations to officers in the form of fringe benefits granted in accordance with existing regulations; and (e) portion of loans and other credit accommodations covered by guarantees of the International Finance Corporation or the Asian Development Bank.

On the other hand, the outstanding loans, credit accommodations and guarantees to each Bank's subsidiaries and affiliates, of which 95% must be secured, should not exceed 10% of the net worth of the Bank. Additionally, the total outstanding loans, credit accommodations, and guarantees to all Bank's subsidiaries and affiliates should not exceed 20% of the net worth of the Bank. These subsidiaries and affiliates are not related interest of any of the director, officer, and/or stockholder of the Bank.

The following table shows information relating to DOSRI and related party loans:

	DOSRI		Related Parties	
	2023	2022	2023	2022
Total outstanding DOSRI/related party loans	₱1,400,000,000	₱1,072,986,828	₱1,620,045,239	₱1,586,332,942
Percent of DOSRI/related party loans to total loan portfolio	3.99%	3.42%	4.61%	5.06%
Percent of unsecured DOSRI/related party loans to total DOSRI/related party loans	22.50%	26.28%	83.20%	73.46%
Percent of past due DOSRI/related party loans to total DOSRI/related party loans	0.00%	0.00%	1.76%	1.81%
Percent of non-performing DOSRI/related party loans to total DOSRI/related party loans	0.00%	0.00%	1.76%	1.82%

Total interest income on DOSRI accounts amounted to ₱203.4 million and ₱122.1 million in 2023 and 2022, respectively.

The effects of the foregoing transactions are shown under the appropriate accounts in the financial statements.

In 2023 and 2022, the Bank is compliant with the BSP requirements on DOSRI/related party loans.

D. Assets Pledged to Secure Liabilities

No asset is pledged by the Bank to secure outstanding liabilities as at December 31, 2023 and 2022.

Other required information are disclosed in Notes 4, 8, 22 and 25 to the financial statements.

STERLING BANK OF ASIA INC. (A Savings Bank)

FINANCIAL SOUNDNESS INDICATORS

December 31, 2023 and 2022

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Ratio	Formula	2023	2022
Current ratio	Total Current Assets	₱35,902,206,320	₱32,628,874,462
	Divided by: Total Current Liabilities	37,949,754,141	33,545,875,496
	Current ratio	0.95:1	0.97:1
Acid-test ratio	Cash and Other Cash Items, Due from BSP and Other Banks, Loans and receivables, Investment Securities	₱42,811,134,604	₱38,443,316,064
	Divided by: Total Current Liabilities	37,949,754,141	33,545,875,496
	Acid test ratio	1.13:1	1.15:1
Solvency ratio	Net Income	₱242,881,378	₱201,110,698
	Add: Interest, Depreciation and Amortization	1,379,857,449	680,581,744
	Net Income before Interest, Depreciation and Amortization	₱1,622,738,827	₱881,692,442
	Divided by: Total Liabilities	41,734,430,479	36,695,248,282
Solvency ratio	0.04:1	0.02:1	
Debt-to-equity ratio	Total Liabilities	₱41,734,430,479	₱36,695,248,282
	Divided by: Total Equity	4,254,004,804	3,805,604,897
	Debt-to-equity ratio	9.81:1	9.64:1
Asset-to-equity ratio	Total Assets	₱45,988,435,283	₱40,500,853,179
	Divided by: Total Equity	4,254,004,804	3,805,604,897
	Asset-to-equity ratio	10.81:1	10.64:1
Interest rate coverage ratio	Earnings before Interest Expense and Taxes	₱1,529,439,484	₱767,044,842
	Divided by: Interest Expense	1,215,844,867	513,025,086
	Interest rate coverage ratio	1.26:1	1.50:1

Ratio	Formula	2023	2022
Return on average equity	Net Income	₱242,881,378	₱201,110,698
	Divided by: Average Equity	4,029,804,851	3,714,772,489
	Return on equity	0.06:1	0.05:1
Return on average assets	Net Income	₱242,881,378	₱201,110,698
	Divided by: Average Assets	43,244,644,231	42,885,354,051
	Return on assets	0.0056:1	0.0047:1
Net profit margin	Net Income	₱242,881,378	₱201,110,698
	Divided by: Total Interest Income	3,069,797,790	2,190,586,040
	Net profit margin	0.08:1	0.09:1

PRODUCTS AND SERVICES



SAVINGS AND CHECKING ACCOUNTS

Solo Savings Account

A Peso Savings Account that's easy to maintain, takes the complication out of banking. Also available in tiered savings account.

Solo Dollar Savings Account

Opening a dollar savings account is simple and convenient with our Solo Dollar Savings Account.

Solo Yuan Savings Account

With an opening balance requirement of CNY2,500.00 and a minimum ADB requirement of CNY2,500.00, you can start seeing your money grow.

Neo Savings Account

The Neo Savings Account is a special savings deposit account for kids aged 19 and below. Through this account, your children can learn about managing their money at an early age.

Bayani OFW Savings Account

Saving for the future is important for OFWs, making the Bayani OFW Savings Account even more significant as it helps OFWs and their families grow their money.

Solo Basic Savings Account

Enjoy the convenience and security of growing hard-earned savings in the bank. By presenting one valid ID and depositing a minimum of Php100.00, anybody can now have their own Solo Basic Savings Account.

Duo Checking Account

Apart from giving you the earning potential of a savings account, this unique checking account also provides the convenience of a Visa Debit Card. This hassle-free service allows you to encash your checks at any Sterling Bank of Asia branch without additional charges.

SHOPNPAY VISA CARDS

ShopNPay Visa Card – Debit (PHP & USD)

An all-in-one card that allows you to securely access available funds in your bank account to make purchases, pay bills, or withdraw cash at ATMs anytime and anywhere in the world.

ShopNPay Visa Card – Prepaid (PHP & USD)

A reloadable stored-value Visa card where you can load funds that are enough for you to make purchases, pay bills, or withdraw cash at ATMs anytime and anywhere in the world. It offers you the most convenient way to use funds in millions of stores anywhere in the world.

TIME DEPOSITS

Prima Time Deposit

The Prima Time Deposit allows you to maximize your short-term deposit and earn substantial gains at variable terms.

Prima Dollar Time Deposit

This account gives your dollars room to gain maximum potential by earning prima interest.

Maxima 3

This is a fixed-term, three-year time deposit that allows your money to achieve its maximum earning potential.

Maxima 5

The Maxima 5 rewards you with tax-free earnings on a five-year investment of as low as Php25,000.00.

CONSUMER LOANS

Ultima Auto Loan

Ultima Auto Loans offer attractive rates, long repayment terms, and convenient loan processing, making it easy for you to purchase a vehicle, whether brand new or second-hand.

Persona Personal Loan

While money emergencies are part and parcel of life, Persona Personal Loans give you room to finance tuition fees, home improvements, business ventures, and other unexpected spending.

Discovery Home Loan

Be a step closer to living in your dream home! With the Discovery Home Loan, we will help you realize your dream every step of the way.

Avance Salary Loan

If you are a tenured employee with at least a Php9,000 salary, you can advance your financial source through the help of our Avance Salary Loan.

Layag Seafarer's Loan

For a seafarer's family's scheduled or unexpected financial need, our Layag Seafarer's Loan can be the help that will cover that need.

Truck Loan

Expanding your transportation fleet is not going to be an issue with our loans for four- to six-wheeler trucks.

COMMERCIAL LOANS

We have a wide range of loan products to address the changing requirements of your business.

- Trade Check Discounting
- Factoring of Receivables
- Import / Domestic Letter of Credit (LC)
- Trust Receipt (TR)
- Standby Letter of Credit or Bank Guarantee
- Short Term and Long Term Loans
- Domestic Bills Purchase

CONTRACT-TO-SELL (CTS) FINANCING

A credit facility for real estate developers to provide liquidity through the purchase of its receivables coming from installment sales of various buyers in their real estate projects.

OPTIMA BUSINESS BANKING SOLUTIONS

A one-of-a-kind business account, Optima Business Banking Solutions offers cash management facilities to help businesses minimize overhead expenses, streamline operations, and improve the bottom line for free.

The Optima Business Banking Solutions allows you to optimize the management of cash and liquid funds, and oversee the disbursements, collections, and investments of financial resources. This includes:

- Payroll System
- Payroll Crediting System
- Financial System
- Check Writing System
- Check Warehousing
- Point-Of-Sale (POS) System
- Online Banking
- eGov

TREASURY

We will help you prudently manage your investments through our diverse range of treasury products and services, from fixed-income securities to more sophisticated instruments to address your evolving needs.

- Government Securities
 - Treasury Bills
 - Retail Treasury Bonds (RTB)
 - Treasury Bonds
 - Fixed-Rate Treasury Notes (FXTNs)
- Peso Corporate Bonds
- USD Sovereign Bonds
- USD Corporate Bonds
- Foreign Exchange

TRUST

We offer customized wealth management services to address different investment needs.

Unit Investment Trust Funds (UITFs)

- Sterling Money Market Fund (Peso)
- Sterling Multi-Asset Fund (Peso)
- Sterling Bank Philequity Feeder Fund

Personal Wealth Management

- Personal Management Trust
- Investment Management Accounts (IMA)

Corporate Trust

- Employee Benefit Plan
- Investment Management Accounts (IMA)

Auxiliary Trust

- Escrow
- Safekeeping



BRANCH NETWORK AND BUSINESS OFFICES

METRO MANILA

Caloocan-Rizal Avenue

Rizal Ave. Extension
Between 7th and 8th Ave.
Grace Park, 1403 Caloocan City
T: +632 8330-7398; 8330-7399
F: +632 8330-7397

Caloocan-MacArthur Highway

624 MacArthur Highway
Calaanan, 1403 Caloocan City
T: +632 8426-2892; 8426-3707
F: +632 8288-4865

Las Piñas

Alabang-Zapote Road
Pamplona II, 1740 Las Piñas City
T: +632 8846-4473; 8846-4474
F: +632 8846-4317

Makati-Amorsolo

G/F Amorsolo Mansion
Amorsolo cor. Herrera Sts.
Legaspi Village, 1229 Makati City
T: +632 8553-0033 to 34;
8519-5764; 8519-5772;
8519-8158
F: +632 8553-0034

Makati-Ayala Avenue

Tower 3, Alphaland Makati Place
Ayala Ave. Ext. cor. Malugay St.
1209 Makati City
T: +632 8892-1263; 8864-0428;
8864-0429
F: +632 8864-0427

Makati-Gil Puyat Avenue

G/F Morning Star Bldg.
Sen. Gil Puyat Ave.
1220 Makati City
T: +632 8895-5573; 8899-2838
F: +632 8897-4382

Makati-Leviste

G/F Liroville Condominium
Leviste cor. Sedeño Sts.
Salcedo Village, 1227 Makati City
T: +632 8846-4168; 8555-0942
F: +632 8555-0944

Malabon

Francis Market, Gov. Pascual Ave.
cor. M.H. del Pilar St., Tinajeros
1470 Malabon City
T: +632 8351-1007; 8351-1006
F: +632 8351-1002

Mandaluyong-Shaw Boulevard

G/F Shaw Residenza
429 Shaw Boulevard
1550 Mandaluyong City
T: +632 8470-9367; 8470-9405
F: +632 8470-9420

Manila-Divisoria

630 New Divisoria Center
Condominium, Sta. Elena St.
San Nicolas, Divisoria
1006 Manila
T: +632 8241-0179; 8241-0180
F: +632 8241-0181

Manila-Masangkay

Unit 963-965, G/F Masagana Bldg.
G. Masangkay St., Binondo
1006 Manila
T: +632 8243-1342; 8243-1832
F: +632 8243-1446

Manila-Ongpin

Unit-C, G/F 888 Neo Plaza
Sabino Padilla cor. Ongpin Sts.
Binondo, 1006 Manila
T: +632 8736-3113; 8736-3208
F: +632 8735-8321

Manila-Quintin Paredes

550 Quintin Paredes St.
Binondo, 1006 Manila
T: +632 8247-3841; 8247-3992
F: +632 8247-3954

Manila-San Fernando (Binondo)

Unit 493-495, G/F VISCO Bldg.
San Fernando St., Binondo
1006 Manila
T: +632 8242-7849; 8242-8697
F: +632 8243-4144

Manila-U.N. Avenue

G/F Royal Bay Terrace
Condominium
465 U.N. Ave. cor. Cortado St.
Ermita, 1000 Manila
T: +632 8523-6881; 8523-8572
F: +632 8523-7656

Marikina

G/F WRC Bldg.
47 Gil Fernando Ave.
Midtown Subd. II, San Roque
1801 Marikina City
T: +632 8681-2628; 8681-2908
F: +632 8681-4327

Muntinlupa-Alabang

Retail 2, G/F Paz Madrigal Plaza
Industry cor. Finance St.
Madrigal Business Park
Brgy. Ayala Alabang
1780 Muntinlupa
T: +632 8556-3180; 8556-3493
F: +632 8556-3492

Parañaque-BF Homes

President's Ave. cor.
Monserrat St., BF Homes Subd.
1700 Parañaque City
T: +632 8850-9184; 8850-3468
F: +632 8850-8959

Parañaque-Ninoy Aquino Avenue (NAIA)

Unit 707-4, G/F Columbia Complex
P 2B Ninoy Aquino Ave., Sto. Niño
1704 Parañaque City
T: +632 8852-0168; 8853-9485
F: +632 8853-9484

Pasig-Ortigas

G/F Prestige Tower
F. Ortigas Jr. Road
Ortigas Center, 1605 Pasig City
T: +632 8706-3072; 8706-3254
F: +632 8706-3074

Quezon City-Banawe

705 Banawe St., 1114 Quezon City
T: +632 8781-7625; 8781-7650
F: +632 8740-8174

Quezon City-Congressional

Unit 31, G/F Barrington Place Bldg.
Congressional Ave.
1106 Quezon City
T: +632 8928-5168; 8929-8748
F: +632 8929-9506

Quezon City-Quezon Avenue

G/F Ave Maria Bldg.
1517 Quezon Ave.
(near cor. Examiner St.)
West Triangle, 1104 Quezon City
T: +632 8376-6792; 8376-6793
F: +632 8376-6794

Quezon City-Timog

G/F SCT Bldg., 25 Timog Ave.
1103 Quezon City
T: +632 8374-0168; 8441-8155
F: +632 8441-8156

San Juan-Greenhills

G/F Sterling Bank
Corporate Center
Ortigas Ave., Greenhills
1500 San Juan City
T: +632 8727-8752; 8726-6418
F: +632 8727-8752

Taguig-The Fort BGC, 1st Avenue

Unit-J, G/F Kensington Plaza
1st Ave. cor. 29th St.
Crescent Parkwest
Bonifacio Global City
1634 Taguig City
T: +632 8586-5042; 8856-5072
F: +632 8856-5036

Taguig-The Fort BGC, 31st St.

McKinley Park Residences
31st St. cor. 3rd Ave.
Bonifacio Global City
1634 Taguig City
T: +632 8801-6168, 6172, 6170

Valenzuela

JLB Enterprises Inc. Bldg.
54 Km.12, MacArthur Highway
Marulas, 1440 Valenzuela City
T: +632 8294-8301; 8294-8379
F: +632 8294-8466

PROVINCIAL**Bacolod**

31 Lacson St., 6100 Bacolod City
T: +6334 432-1381, 432-1490
F: +6334 432-1641

Baguio

1 Leonard Wood Road
2600 Baguio City
T: +6374 445-2786
F: +6374 445-2788 to 89

Bicol-Legazpi

First CQ Building, B. Imperial St.
4500 Legazpi City
T: +6352 284-3906; 284-3910;
284-3904

Bicol-Naga

Centro Square,
#70 Penafrancia Ave.
cor. Colgante Bridge,
San Francisco
4400 Naga City
T: +6354 871-6168; 871-3770;
880-0545

Boracay

Boracay Tropics, Balabag
Boracay Island, Malay, 5608
Aklan
T: +6336 390-2577; 390-2583
F: +6336 390-2028

Cagayan de Oro (CDO)

G/F The VIP Hotel
A. Velez cor. JR Borja Sts.
9000 Cagayan de Oro City
T: +6388 852-8168 to 72
F: +6388 852-8172

Cavite-Imus

A&M Ramos Bldg.
Emilio Aguinaldo Highway
Bayan Luma IV, Imus, 4103 Cavite
T: +6346 472-3168;
471-0644 to 45
F: +6346 474-0081

Cebu-Fuente Osmeña

Gen. Maxilom Ave. cor.
F. Ramos St.
6000 Cebu City
T: +6332 255-3198; 255-6157
F: +6332 254-0087

Cebu-Magallanes

Magallanes cor. Manalili Sts.
6000 Cebu City
T: +6332 255-1203; 255-7935
F: +6332 256-2659

Dagupan

G/F Lenox Hotel, Rizal St.
Dagupan City, 2400 Pangasinan
T: +6375 523-1168; 522-0491
F: +6375 522-3168

Davao-J.P. Laurel

J. P. Laurel Ave., Bajada
8000 Davao City
T: +6382 221-7168;
222-0357, 58, 09
F: +6382 222-0196

Davao-Monte Verde

Unit 72-74, G/F Sequoia Inn Bldg.
Monte Verde St., 8000 Davao City
T: +6382 222-4140; 224-0542
F: +6382 224-1924

General Santos

J. Catolico Sr. Ave.
9500 General Santos City
T: +6383 553-5168; 5172
F: +6383 553-5171

Iloilo

G/F GST Iloilo, Corporate Center
Quezon St., 5000 Iloilo City
T: +6333 338-3795; 338-3797
F: +6333 338-3796

Laguna-Biñan

National Highway, Brgy. Canlalay
Biñan, 4024 Laguna
T: +6349 307-7595 to 97
F: +6349 307-7594

Laguna-Calamba

National Highway, Brgy. Uno
Crossing, Calamba
4027 Laguna
T: +6349 547-7164, 7166, 7168

La Union

Quezon Ave., San Fernando City
2500 La Union
T: +6372 888-0168;
888-0165 to 66

Palawan-Puerto Princesa

National Highway
Brgy. San Pedro
5300 Puerto Princesa City
T: +6348 244-1476; 244-1497;
244-0660

Pampanga-San Fernando

G/F Queensland
Commercial Plaza
Mc Arthur Highway, Dolores
San Fernando City, 2000
Pampanga
T: +6345 966-9168; 435-4463;
435-4462

BUSINESS OFFICES**Business Development Unit**

G/F Sterling Bank Corporate
Center, Ortigas Ave., Greenhills
1500 San Juan City
T: +632 8535-6168

Commercial Lending 1 & 3

1/F Sterling Bank Corporate
Center, Ortigas Ave., Greenhills
1500 San Juan City
T: +632 8535-6168

Commercial Lending 2

550 Quintin Paredes St.
Binondo, 1006 Manila
T: +632 8247-0293;
8243-0803 to 04

Treasury

3/F Sterling Bank Corporate
Center, Ortigas Ave., Greenhills
1500 San Juan City
T: +632 8535-6168

Trust

3/F Sterling Bank Corporate
Center, Ortigas Ave., Greenhills
1500 San Juan City
T: +632 8535-6168

CONSUMER LENDING OFFICES**Greenhills Head Office**

Sterling Bank Corporate
Center, Ortigas Ave., Greenhills
1500 San Juan City

Auto Loans

T: +632 8535-6168 locs 2674,
2675, 2680, 4022
F: +632 8982-9399

Salary Loan

T: +632 8535-6168 local 2679

Ortigas Lending Center

2/F Prestige Tower
F. Ortigas Jr. Road
Ortigas Center, 1605 Pasig City
F: +632 8914-7038; 8470-9130

Personal Loan

T: +632 8535-6168 locals 2509,
2522, 2523, 4002

Real Estate Loan

T: +632 8535-6168 locals 2498,
2501, 2507, 2512, 2517, 2533,
2593, 2513, 2556, 2424, 2554,
2556, 4004

Cebu Lending Center

2/F Coast Pacific Bldg.
Gen. Maxilom Ave. cor.
F. Ramos St., 6000 Cebu City
T: +6332 239-0025 to 28,
239-0039; +632 8535-6168
locals 2808, 2834, 2809, 2840
F: +6332 254-8291

Davao Lending Center

J.P. Laurel Ave., Bajada
8000 Davao City
T: +6382 222-0357;
+632 8535-6168
local 4004

HEAD OFFICE
Sterling Bank Corporate Center
8004 Ortigas Avenue, Greenhills
1500, San Juan City, Philippines

Customer Service Helplines: +632 8721 6000 or +632 8627 6300
Email: customer.service@sterlingbankasia.com
Website: www.sterlingbankasia.com