Philippine Bank of Communications and Subsidiary

Financial Statements
December 31, 2023 and 2022
and Years Ended December 31, 2023, 2022
and 2021

and

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Philippine Bank of Communications

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of Philippine Bank of Communications and its Subsidiary (the Group) and the parent company financial statements of Philippine Bank of Communications (the Parent Company), which comprise the consolidated and parent company statements of financial position as at December 31, 2023 and 2022, and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to the consolidated and parent company financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2023 and 2022, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2023, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matter

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

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

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

Recognition of expected credit losses (ECL) on loans and receivables

The Group's and the Parent Company's application of the expected credit loss (ECL) model in calculating the allowance for credit losses on loans and receivables is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's and the Parent Company's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset, expected recoveries from defaulted accounts, and impact of any financial support and credit enhancements extended by any party; and incorporating forward-looking information in calculating ECL.

Allowance for credit losses for loans and receivables as of December 31, 2023 for the Group and the Parent Company amounted to ₱2.88 billion. Reversal of credit losses of the Group and the Parent Company in 2023 amounted to ₱27.76 million.

Refer to Notes 3 and 16 of the financial statements for the details of the allowance for credit losses using the ECL model.

Audit response

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

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

Further, we compared the data used in the ECL models by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems.

To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We involved our internal specialist in the performance of the above procedures. We recalculated impairment provisions on a sample basis. We reviewed the completeness of the disclosures made in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the consolidated and parent company financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Reports on the Supplementary Information Required Under Section 174 of the Manual of Regulations for Banks (MORB) and Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Section 174 of MORB in Note 36 and Revenue Regulations No. 15-2010 in Note 37 to the financial statements is presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of Philippine Bank of Communications. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Ray Francis C. Balagtas.

SYCIP GORRES VELAYO & CO.

Ray Francis C. Balagtas

Ray Francis C. Balagtas
Partner
CPA Certificate No. 108795
Tax Identification No. 216-950-288
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-107-2023, September 12, 2023, valid until September 11, 2026
PTR No. 10079900, January 5, 2024, Makati City

April 12, 2024

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
STATEMENTS OF FINANCIAL POSITION

	Consolidated		Parent Company	
	December 31			
	2023	2022	**2023**	2022
	(Amounts in Thousands)			
ASSETS				
Cash and Other Cash Items	**₱1,562,747**	₱1,404,214	**₱1,562,747**	₱1,404,214
Due from Bangko Sentral ng Pilipinas (Notes 17 and 18)	**12,204,980**	11,336,471	**12,204,980**	11,336,471
Due from Other Banks	**485,530**	1,089,190	**485,530**	1,089,190
Interbank Loans Receivable and Securities Purchased under Resale Agreements (Note 8)	**492,353**	2,600,579	**492,353**	2,600,579
Financial Assets at Fair Value through Other Comprehensive Income (Note 9)	**8,415,559**	5,008,596	**8,415,559**	5,008,596
Investment Securities at Amortized Cost (Note 10)	**27,776,391**	21,661,825	**27,776,391**	21,661,825
Loans and Receivables (Note 11)	**91,774,314**	76,923,878	**91,777,147**	76,926,711
Investments in Subsidiary and an Associate (Note 7)	**16,343**	14,715	**22,416**	20,788
Property and Equipment (Note 12)	**814,490**	803,837	**814,490**	803,837
Investment Properties (Note 13)				
Condominium units for lease	**1,603,231**	1,691,796	**1,603,231**	1,691,796
Foreclosed properties	**975,759**	962,112	**975,759**	962,112
Office units for lease	**1,988**	2,338	**1,988**	2,338
Intangible Assets (Note 14)	**525,218**	525,605	**525,218**	525,605
Deferred Tax Assets - Net (Note 29)	**404,323**	390,567	**404,323**	390,567
Other Assets (Note 15)	**424,464**	462,776	**423,158**	461,470
TOTAL ASSETS	**₱147,477,690**	₱124,878,499	**₱147,485,290**	₱124,886,099
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 17 and 30)				
Demand	**₱41,395,954**	₱45,499,687	**₱41,404,856**	₱45,508,590
Savings	**13,314,707**	12,667,907	**13,314,707**	12,667,907
Time	**59,089,567**	38,382,737	**59,089,567**	38,382,737
Long-term negotiable certificates of deposits	**2,900,016**	2,893,897	**2,900,016**	2,893,897
	116,700,244	99,444,228	**116,709,146**	99,453,131
Bills Payable (Note 18)	**9,686,755**	7,594,019	**9,686,755**	7,594,019
Outstanding Acceptances	**105,410**	50,218	**105,410**	50,218
Manager's Checks	**632,058**	221,535	**632,058**	221,535
Accrued Interest, Taxes and Other Expenses (Note 19)	**1,549,139**	864,400	**1,549,053**	864,314
Income Tax Payable	**100,584**	118,813	**100,584**	118,813
Other Liabilities (Note 20)	**1,047,749**	1,019,239	**1,046,533**	1,018,022
TOTAL LIABILITIES	**129,821,939**	109,312,452	**129,829,539**	109,320,052
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Common stock (Note 22)	**12,016,129**	12,016,129	**12,016,129**	12,016,129
Additional paid-in capital	**2,262,246**	2,262,246	**2,262,246**	2,262,246
Surplus reserves (Note 22)	**454,283**	212,838	**454,283**	212,838
Surplus (Notes 2 and 22)	**3,115,836**	1,459,710	**3,115,836**	1,459,710
Unrealized losses on financial assets carried at fair value through other comprehensive income (Note 9)	**(38,155)**	(314,585)	**(38,155)**	(314,585)
Cumulative translation adjustment	**(107,424)**	(106,005)	**(107,424)**	(106,005)
Remeasurement gains (losses) on retirement liability (Note 26)	**(47,164)**	35,714	**(47,164)**	35,714
TOTAL EQUITY	**17,655,751**	15,566,047	**17,655,751**	15,566,047
TOTAL LIABILITIES AND EQUITY	**₱147,477,690**	₱124,878,499	**₱ 147,485,290**	₱124,886,099

See accompanying Notes to Financial Statements.

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
STATEMENTS OF INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
	(Amounts in Thousands, Except Earnings per Share)					
INTEREST INCOME						
Loans and receivables (Note 11)	**₱6,117,020**	₱4,595,114	₱4,109,882	**₱6,117,020**	₱4,595,114	₱4,109,882
Investment securities (Note 25)	**1,608,524**	878,058	472,796	**1,608,524**	878,058	472,796
Interbank loans receivable and securities purchased under resale agreements (Note 8)	**129,839**	67,142	60,069	**129,839**	67,142	60,069
Financial assets at fair value through profit or loss (Note 25)	**40,953**	28,876	40,345	**40,953**	28,876	40,345
Deposits with other banks	**28,849**	29,634	55,686	**28,849**	29,634	55,686
	7,925,185	5,598,824	4,738,778	**7,925,185**	5,598,824	4,738,778
INTEREST AND FINANCE CHARGES						
Deposit liabilities (Notes 19 and 30)	**2,515,619**	599,343	434,899	**2,515,619**	599,343	434,899
Bills payable, borrowings and others (Notes 18 and 20)	**707,325**	188,985	59,099	**707,325**	188,985	59,099
	3,222,944	788,328	493,998	**3,222,944**	788,328	493,998
NET INTEREST INCOME	**4,702,241**	4,810,496	4,244,780	**4,702,241**	4,810,496	4,244,780
Rent income (Notes 13, 27 and 28)	**395,768**	420,007	505,241	**395,768**	420,007	505,241
Service charges, fees and commissions	**427,478**	390,110	331,729	**427,478**	390,110	331,729
Trading and securities gain (loss) – net (Note 25)	**128,776**	(366,327)	(241,598)	**128,776**	(366,327)	(241,598)
Foreign exchange gain – net	**100,974**	97,652	56,831	**100,974**	97,652	56,831
Income from trust operations (Note 24)	**37,349**	31,756	29,231	**37,349**	31,756	29,231
Profit from assets sold (Notes 12, 13 and 15)	**22,260**	61,043	13,567	**22,260**	61,043	13,567
Gain (loss) on assets exchange – net (Note 13)	**11,824**	(3,476)	7,460	**11,824**	(3,476)	7,460
Miscellaneous (Note 28)	**136,524**	121,071	137,346	**136,524**	121,071	137,346
TOTAL OPERATING INCOME	**5,963,194**	5,562,332	5,084,587	**5,963,194**	5,562,332	5,084,587

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
	(Amounts in Thousands, Except Earnings per Share)					
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 13, 26 and 30)	**₱1,208,064**	₱1,115,468	₱1,016,559	**₱1,208,064**	₱1,115,468	₱1,016,559
Taxes and licenses (Notes 15 and 29)	**748,172**	499,414	477,442	**748,172**	499,414	477,432
Depreciation and amortization (Notes 12, 14 and 15)	**342,465**	386,526	387,619	**342,465**	386,526	387,619
Provision for (reversal of) credit and impairment losses – net (Note 16)	**(24,409)**	287,686	322,301	**(24,409)**	287,686	322,301
Insurance	**202,331**	183,804	162,820	**202,331**	183,804	162,820
Entertainment, amusement and recreation	**81,934**	78,224	120,375	**81,934**	78,224	120,375
Occupancy and other equipment-related costs (Notes 13, 27 and 30)	**159,501**	136,133	118,519	**159,501**	136,133	118,519
Management and professional fees	**102,570**	166,313	99,541	**102,570**	166,313	99,497
Security, clerical, messengerial and janitorial services	**130,095**	105,295	88,850	**130,095**	105,295	88,850
Communications	**49,513**	57,147	49,684	**49,513**	57,147	49,684
Miscellaneous (Notes 13 and 28)	**423,510**	389,302	411,474	**423,510**	389,302	411,464
TOTAL OPERATING EXPENSES	**3,423,746**	3,405,312	3,255,184	**3,423,746**	3,405,312	3,255,120
INCOME BEFORE SHARE IN NET INCOME OF SUBSIDIARY AND AN ASSOCIATE	**2,539,448**	2,157,020	1,829,403	**2,539,448**	2,157,020	1,829,467
SHARE IN NET LOSS OF SUBSIDIARY (Note 7)	**-**	–	–	**-**	–	(64)
SHARE IN NET INCOME OF AN ASSOCIATE (Note 7)	**1,628**	313	287	**1,628**	313	287
INCOME BEFORE INCOME TAX	**2,541,076**	2,157,333	1,829,690	**2,541,076**	2,157,333	1,829,690
PROVISION FOR INCOME TAX (Note 29)	**643,505**	525,646	256,626	**643,505**	525,646	256,626
NET INCOME	**₱1,897,571**	₱1,631,687	₱1,573,064	**₱1,897,571**	₱1,631,687	₱1,573,064
Attributable to:						
Equity holders of the Parent Company	**1,897,571**	₱1,631,687	₱1,573,064	–	–	–
Non-controlling interests	**-**	–	–	–	–	–
	₱1,897,571	₱1,631,687	₱1,573,064	–	–	–
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)	**₱3.95**	₱3.39	₱3.27	–	–	–

See accompanying Notes to Financial Statements

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
STATEMENTS OF COMPREHENSIVE INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
	(Amounts in Thousands)					
NET INCOME FOR THE YEAR	**₱1,897,571**	₱1,631,687	₱1,573,064	**₱1,897,571**	₱1,631,687	₱1,573,064
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX						
Items that may be reclassified to profit or loss in subsequent periods:						
Net unrealized gains (losses) on debt securities at fair value through other comprehensive income (Note 9)	**242,678**	(388,577)	(62,055)	**242,678**	(388,577)	(62,055)
Net movement in cumulative translation adjustment	**(1,419)**	131,663	(26,204)	**(1,419)**	131,663	(26,204)
	241,259	(256,914)	(88,259)	**241,259**	(256,914)	(88,259)
Items that may not be reclassified to profit or loss in subsequent periods:						
Unrealized gains on equity securities carried at fair value through other comprehensive income (Note 9)	**33,752**	20,483	15,471	**33,752**	20,483	15,471
Change in remeasurement gains (losses) on retirement liability (Note 26)	**(110,504)**	(6,702)	204,497	**(110,504)**	(6,702)	204,497
Income tax relating to change in remeasurement gains/losses on retirement liability	**27,626**	1,675	(58,633)	**27,626**	1,675	(58,633)
	(49,126)	15,456	161,335	**(49,126)**	15,456	161,335
	192,133	(241,458)	73,076	**192,133**	(241,458)	73,076
TOTAL OTHER COMPREHENSIVE INCOME	**₱2,089,704**	₱1,390,229	₱1,646,140	**₱2,089,704**	₱1,390,229	₱1,646,140
Attributable to:						
Equity holders of the Parent Company	**₱2,089,704**	₱1,390,229	₱1,646,140			
Non-controlling interests	**–**	–	–			
TOTAL COMPREHENSIVE INCOME	**₱2,089,704**	₱1,390,229	₱1,646,140			

See accompanying Notes to Financial Statements.

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
STATEMENTS OF CHANGES IN EQUITY

	Consolidated									
	Years Ended December 31, 2023, 2022 and 2021									
	Equity Attributable to Equity Holders of the Parent Company									
	Common Stock (Note 22)	**Additional Paid-in Capital**	**Surplus Reserves** (Note 22)	**Surplus (Deficit)** (Notes 2 and 22)	**Unrealized Gains (Losses) on Financial Assets Carried at Fair Value Through Other Comprehensive Income** (Note 9)	**Cumulative Translation Adjustment**	**Remeasurement Gains (Losses) on Retirement Liability** (Note 26)	**Total**	**Non-Controlling Interests**	**Total Equity**
	(Amounts in Thousands)									
Balances at January 1, 2023	**₱12,016,129**	**₱2,262,246**	**₱212,838**	**₱1,459,710**	**(₱314,585)**	**(₱106,005)**	**₱35,714**	**₱15,566,047**	**₱–**	**₱15,566,047**
Transfer to surplus reserves	–	–	**280**	**(280)**	-	-	-	-	–	-
Appropriation during the year	–	–	**241,165**	**(241,165)**				-	–	-
Total comprehensive income (loss) for the year	–	–	-	**1,897,571**	**276,430**	**(1,419)**	**(82,878)**	**2,089,704**	–	**2,089,704**
										₱17,655,751
Balances at December 31, 2023	**₱12,016,129**	**₱2,262,246**	**₱454,283**	**₱3,115,836**	**(₱38,155)**	**(₱107,424)**	**(₱47,164)**	**₱17,655,751**	**₱–**	
Balances at January 1, 2022	₱12,016,129	₱2,262,246	₱106,922	(₱66,061)	₱53,509	(₱237,668)	₱40,741	₱14,175,818	₱–	₱14,175,818
Transfer to surplus reserves	–	–	193	(193)	–	–	–	–	–	–
Appropriation during the year	–	–	105,723	(105,723)	–	–	–	–	–	–
Total comprehensive income (loss) for the year	–	–	–	1,631,687	(368,094)	131,663	(5,027)	1,390,229	–	1,390,229
Balances at December 31, 2022	₱12,016,129	₱2,262,246	₱212,838	₱1,459,710	(₱314,585)	(₱106,005)	₱35,714	₱15,566,047	₱–	₱15,566,047
Balances at January 1, 2021	₱12,016,129	₱2,262,246	₱106,418	(₱1,638,621)	₱100,093	(₱211,464)	(₱105,123)	₱12,529,678	₱–	₱12,529,678
Transfer to surplus reserves	–	–	504	(504)	–	–	–	–	–	–
Total comprehensive income (loss) for the year	–	–	–	1,573,064	(46,584)	(26,204)	145,864	1,646,140	–	1,646,140
Balances at December 31, 2021	₱12,016,129	₱2,262,246	₱106,922	(₱66,061)	₱53,509	(₱237,668)	₱40,741	₱14,175,818	₱–	₱14,175,818

Parent Company

Years Ended December 31, 2023, 2022 and 2021

	Common Stock (Note 22)	**Additional Paid-in Capital**	**Surplus Reserves** (Note 22)	**Surplus (Deficit)** (Notes 2 and 22)	**Unrealized Gains (Losses) on Financial Assets Carried at Fair Value Through Other Comprehensive Income** (Note 10)	**Cumulative Translation Adjustment**	**Remeasurement Gains (Losses) on Retirement Liability** (Note 26)	**Total Equity**
				(Amounts in Thousands)				
Balances at January 1, 2023	**₱12,016,129**	**₱2,262,246**	**₱212,838**	**₱1,459,710**	**(₱314,585)**	**(₱106,005)**	**₱35,714**	**₱15,566,047**
Transfer to surplus reserves	**–**	**–**	**280**	**(280)**	**-**	**-**	**-**	**-**
Appropriation during the year	**–**	**–**	**241,165**	**(241,165)**				**-**
Total comprehensive income (loss) for the year	**–**	**–**		**1,897,571**	**276,430**	**(1,419)**	**(82,878)**	**2,089,704**
Balances at December 31, 2023	**₱12,016,129**	**₱2,262,246**	**₱454,283**	**₱3,115,836**	**(₱38,155)**	**(₱107,424)**	**(₱47,164)**	**₱17,655,751**
Balances at January 1, 2022	₱12,016,129	₱2,262,246	₱106,922	(₱66,061)	₱53,509	(₱237,668)	₱40,741	₱14,175,818
Transfer to surplus reserves	–	–	193	(193)	–	–	–	–
Appropriation during the year	–	–	105,723	(105,723)	–	–	–	–
Total comprehensive income (loss) for the year	–	–	–	1,631,687	(368,094)	131,663	(5,027)	1,390,229
Balances at December 31, 2022	₱12,016,129	₱2,262,246	₱212,838	₱1,459,710	(₱314,585)	(₱106,005)	₱35,714	₱15,566,047
Balances at January 1, 2021	₱12,016,129	₱2,262,246	₱106,418	(₱1,638,621)	₱100,093	(₱211,464)	(₱105,123)	₱12,529,678
Transfer to surplus reserves	–	–	504	(504)	–	–	–	–
Total comprehensive income (loss) for the year	–	–	–	1,573,064	(46,584)	(26,204)	145,864	1,646,140
Balances at December 31, 2021	₱12,016,129	₱2,262,246	₱106,922	(₱66,061)	₱53,509	(₱237,668)	₱40,741	₱14,175,818

See accompanying Notes to Financial Statements.

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
STATEMENTS OF CASH FLOWS

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
	(Amounts in Thousands)					
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	**₱2,541,076**	₱2,157,333	₱1,829,690	**₱2,541,076**	₱2,157,333	₱1,829,690
Adjustments to reconcile income before income tax to net cash generated from (used for) operations:						
Depreciation and amortization (Note 12)	**342,465**	386,526	387,619	**342,465**	386,526	387,619
Provision for credit and impairment losses (Note 16)	**(24,409)**	287,686	322,301	**(24,409)**	287,686	322,301
Trading loss (gain) on financial assets at FVOCI (Note 25)	**(39,068)**	440,279	285,542	**(39,068)**	440,279	285,542
Profit from assets sold (Notes 12, 13 and 15)	**(22,260)**	(61,043)	(13,567)	**(22,260)**	(61,043)	(13,567)
Accretion of interest on unquoted debt securities (Note 11)	**(40,325)**	(57,928)	(66,038)	**(40,325)**	(57,928)	(66,038)
Amortization of premium (discount) on investment securities	**337,540**	262,715	(69,351)	**337,540**	262,715	(69,351)
Unrealized foreign exchange losses (gains) on investment securities, bills and acceptables payable	**25,076**	**(343,517)**	**82,759**	**25,076**	**(343,517)**	**82,759**
Accretion of interest on lease liability (Note 20)	**12,458**	12,256	14,528	**12,458**	12,256	14,528
Loss (gain) on assets exchange (Note 13)	**(11,824)**	3,476	(7,460)	**(11,824)**	3,476	(7,460)
Share in net income of subsidiary and an associate (Note 7)	**(1,628)**	(313)	(287)	**(1,628)**	(313)	(223)
Unrealized losses (gains) on financial assets at fair value through profit or loss	–	–	9,794	–	–	9,794
Changes in operating assets and liabilities:						
Decrease (increase) in the amounts of:						
Loans and receivables (Note 32)	**(14,872,267)**	(12,639,333)	(6,464,055)	**(14,872,267)**	(12,639,333)	(6,464,174)
Financial assets at fair value through profit or loss	**-**	886,291	(177,791)	**-**	886,291	(177,791)
Other assets	**(58,183)**	102,102	373,809	**(68,417)**	102,158	373,663
Increase (decrease) in the amounts of:						
Deposit liabilities	**17,256,016**	12,498,323	3,164,493	**17,256,015**	12,498,267	3,164,591
Manager's checks	**410,523**	49,288	(15,853)	**410,523**	49,288	(15,853)
Accrued interest, taxes and other expenses	**684,739**	183,666	(122,051)	**684,739**	183,666	(121,989)
Other liabilities	**16,177**	(47,651)	230,593	**16,178**	(47,651)	230,634
Net cash provided by (used in) operations	**6,556,106**	4,120,156	(235,325)	**6,545,872**	4,120,156	(235,325)
Income taxes paid	**(651,614)**	(539,759)	(551,454)	**(641,380)**	(539,759)	(551,454)
Net cash provided by (used in) operating activities	**5,904,492**	3,580,397	(786,779)	**5,904,492**	3,580,397	(786,779)
CASH FLOWS FROM INVESTING ACTIVITIES						
Decrease (increase) in interbank loans receivable	**2,565,680**	905,209	432,063	**2,565,680**	905,209	432,063
Acquisitions of:						
Financial assets at FVTOCI	**(85,997,169)**	(38,846,620)	(86,497,255)	**(85,997,169)**	(38,846,620)	(86,497,255)
Investment securities at amortized cost	**(6,633,315)**	(5,636,058)	(13,263,211)	**(6,633,315)**	(5,636,058)	(13,263,211)
Property and equipment (Note 12)	**(72,283)**	(52,149)	(195,531)	**(72,283)**	(52,149)	(195,531)
Software costs (Note 14)	**(39,012)**	(80,152)	(8,971)	**(39,012)**	(80,152)	(8,971)

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
	(Amounts in Thousands)					
Proceeds from disposals of:						
Financial assets at FVTOCI	**₱78,698,766**	₱39,309,597	₱84,804,597	**₱78,698,766**	₱39,309,597	₱84,804,597
Investment properties (Note 13)	**41,234**	124,324	62,581	**41,234**	124,324	62,581
Property and equipment (Note 12)	**6,264**	4,182	3,475	**6,264**	4,182	3,475
Chattel mortgage	**11,813**	22,544	24,118	**11,813**	22,544	24,118
Proceeds from maturity of investment securities	**4,470,812**	75,000	10,000	**4,470,812**	75,000	10,000
Net cash used in investing activities	**(6,947,210)**	(4,174,123)	(14,628,134)	**(6,947,210)**	(4,174,123)	(14,628,134)
CASH FLOWS FROM FINANCING ACTIVITIES						
Availments of:						
Bills payable	**326,755,150**	242,380,414	111,742,108	**326,755,150**	242,380,414	111,742,108
Outstanding acceptances	**2,644,361**	1,096,307	595,094	**2,644,361**	1,096,307	595,094
Marginal deposits	**9,855**	60,687	32,857	**9,855**	60,687	32,857
Settlements of:						
Bills payable	**(324,771,977)**	(241,070,236)	(107,981,483)	**(324,771,977)**	(241,070,236)	(107,981,483)
Outstanding acceptances	**(2,583,597)**	(1,132,364)	(1,036,538)	**(2,583,597)**	(1,132,364)	(1,036,538)
Marginal deposits	**-**	(60,687)	(39,630)	**-**	(60,687)	(39,630)
Lease liabilities (Note 20)	**(128,819)**	(118,234)	(124,868)	**(128,819)**	(118,234)	(124,868)
Net cash used in financing activities	**1,924,973**	1,155,887	3,187,540	**1,924,973**	1,155,887	3,187,540
EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENT	**(1,419)**	131,663	(26,204)	**(1,419)**	131,663	(26,204)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**880,836**	693,824	(12,253,577)	**880,836**	693,824	(12,253,577)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**1,404,214**	1,515,914	1,179,672	**1,404,214**	1,515,914	1,179,672
Due from Bangko Sentral ng Pilipinas	**11,336,471**	10,271,486	20,597,868	**11,336,471**	10,271,486	20,597,868
Due from other banks	**1,089,190**	658,593	1,495,485	**1,089,190**	658,593	1,495,485
Interbank loans receivable (Note 32)	**34,899**	724,957	2,151,502	**34,899**	724,957	2,151,502
	13,864,774	13,170,950	25,424,527	**13,864,774**	13,170,950	25,424,527
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**1,562,747**	1,404,214	1,515,914	**1,562,747**	1,404,214	1,515,914
Due from Bangko Sentral ng Pilipinas	**12,204,980**	11,336,471	10,271,486	**12,204,980**	11,336,471	10,271,486
Due from other banks	**485,530**	1,089,190	658,593	**485,530**	1,089,190	658,593
Interbank loans receivable (Note 32)	**492,353**	34,899	724,957	**492,353**	34,899	724,957
	₱14,745,610	₱13,864,774	₱13,170,950	**₱14,745,610**	₱13,864,774	₱13,170,950

OPERATIONAL CASH FLOWS FROM INTEREST

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
	(Amounts in Thousands)					
Interest paid	**₱2,654,298**	₱654,329	₱525,620	**₱2,654,298**	₱700,480	₱525,620
Interest received	**7,673,706**	5,455,107	4,581,514	**7,673,706**	5,455,107	4,581,514

See accompanying Notes to Financial Statements.

1. Corporate Information

Philippine Bank of Communications (the Parent Company) is a publicly listed domestic universal bank organized in the Philippines, primarily to engage in commercial banking services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury, foreign exchange and trust services.

The Parent Company's principal place of business is at the PBCOM Tower, 6795 Ayala Avenue corner V. A. Rufino Street, Makati City. It has a network of 91 regular branches and 4 branch-lite units, to serve its customers, as at December 31, 2023 and 2022.

The Parent Company's original Certificate of Incorporation was issued by the Securities and Exchange Commission (SEC) on August 23, 1939.

The Parent Company acquired a license to operate as an expanded commercial bank from the Bangko Sentral ng Pilipinas (BSP) on December 24, 1993. On March 31, 2000, the BSP's Monetary Board approved the amendment of the Parent Company's license to a regular commercial banking.

The Monetary Board, in its Resolution No. 96 dated 20 January 2022, approved the grant of a universal banking license to Parent Company, subject to compliance with certain regulatory requirements including the amendment of the Bank's charter documents. On March 15, 2022, the Bank held a special stockholders' meeting to approve the changes to the Bank's Articles of Incorporation to reflect the upgrade of its banking license.

On December 1, 2022, the BSP issued the Bank with its Certificate of Authority to operate as a universal bank, after all regulatory conditions were complied with. The Bank capitalized the cost of its universal bank license amounting to ₱25.00 million as intangible asset (Note 14).

The Parent Company's subsidiary and associate (collectively referred to as the Group) are engaged in the following businesses:

Entity	Effective Percentage of Ownership		Principal Place of Business and Country of Incorporation	Line of Business
	2023	2022		
Subsidiary				
PBCom Insurance Services Agency, Inc. (PISAI)	**100.00%**	100.00%	Philippines	Insurance Agent
Associate				
PBCom Finance Corporation (PBCom Finance)	**40.00%**	40.00%	Philippines	Financing Company

Retirement of Business Operations of PISAI
On January 11, 2021, the BOD of the Parent Company approved the dissolution and retirement of business of PISAI. PISAI, which has been inactive for the past three years, has continuously remained inactive but continued to incur operating expenses. The Parent Company does not see any need for the subsidiary and has decided to retire the business operations.

PISAI has received clearances from the Insurance Commission and Business permit from the Makati Local Government last May 26, 2021, and September 30, 2021, respectively. On July 2022, the Board approved the extension of the effectivity of the retirement of business of the company until March 31, 2023. On February 22, 2023, the board further extended the period until December 31, 2024. On April 19, 2023, the Certificate of No outstanding tax liability was issued by the Bureau of Internal Revenue. On September 27, 2023, the board approved the new effectivity of the date of dissolution until April 2024 amending the previous resolution. As of December 31, 2023, the Company is preparing the requirements to secure the approval from Securities and Exchange Commission.

2. Material Accounting Policy Information

Basis of Presentation
The financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVTOCI) and derivatives that are measured at fair value. The financial statements are presented in Philippine peso (PHP or ₱) and all values are rounded to the nearest thousand, unless otherwise stated.

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

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the Parent Company's subsidiary is the PHP.

Statement of Compliance
The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Presentation of Financial Statements
The Group and the Parent Company present its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 21.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary. The consolidated financial statements of the Group are prepared for the same reporting year as the Parent Company using consistent accounting policies. The subsidiary is consolidated from the date on which control is transferred to the Parent Company. The Parent Company controls an investee if, and only if, the Parent Company has:

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

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

When necessary, adjustments are made to the financial statements of subsidiary to align their accounting policies with the Parent Company's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities in the Group are eliminated in full on consolidation.

New Standards, Interpretations and Amendments

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Group.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance.

- Amendments to PAS 8, *Definition of Accounting Estimates*

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

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

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

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

- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*

  The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

  The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as ‘Pillar Two legislation’ and ‘Pillar Two income taxes’, respectively.

  The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

  Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023.

Foreign Currency Translation

RBU
As of the statement of financial position date, foreign currency-denominated monetary assets and monetary liabilities of the RBU are translated into PHP based on the Bankers Association of the Philippines (BAP) closing rate prevailing at the statement of financial position date and foreign currency-denominated income and expenses, based on the spot rate at date of transactions. Foreign exchange differences arising from the restatement of foreign currency-denominated monetary assets and liabilities in the RBU are credited to or charged against the statement of income in the year in which the rates change. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

FCDU
As of the statement of financial position date, the FCDU's assets and liabilities are translated into PHP, the Parent Company's presentation currency, at the BAP closing rate prevailing at the statement of financial position date, and income and expenses are translated at BAP weighted average rate. Exchange differences arising on translation are taken directly to the statement of comprehensive income as 'Cumulative translation adjustment'. Upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in the statement of comprehensive income is recognized in the statement of income.

<u>Fair Value Measurement</u>
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

External and internal valuers are involved for the valuation of investment properties. Selection criteria include market knowledge, reputation, independence, relevant accreditation, and whether professional standards are maintained.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset and liability, and fair value hierarchy as explained above.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amounts due from BSP and other banks, and interbank loans receivable and securities purchased under resale agreements (SPURA) with original maturities of three months or less from dates of placements and that are subject to insignificant risks of changes in value. Due from BSP includes the statutory reserves required by the BSP which the Group considers as cash equivalents since withdrawals can be made to meet the Group's cash requirements as allowed by the BSP. The components of cash and cash equivalents are shown in the statement of cash flows. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

SPURA

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

Financial Instruments - Date of Recognition

The Group recognizes financial instruments when, and only when, it becomes a party to the contractual terms of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Settlement date accounting refers to:

a. The recognition of an asset on the day it is received by the Group; and
b. The derecognition of an asset and recognition of any gain or loss on disposal on the day that such asset is delivered by the Group.

Any change in fair value of unrecognized financial asset is recognized in the statement of income or in equity, depending on the classification of the financial asset. Loans and receivables are recognized when cash is advanced to the borrowers while financial liabilities are recognized when cash is received by the Group.

Classification, Measurement and Reclassification of Financial Assets

Classification and measurement of financial assets

For purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under PAS 32, *Financial Instruments: Presentation*). All other non-derivative financial instruments are 'debt instruments'.

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVTOCI, and FVTPL. The classification depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

In order for a financial asset to be classified and measured at amortized cost or FVTOCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel
- The risks that affect the performance of the business model and the financial assets held within that business model and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment

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

SPPI test
As a second step of its classification process, the Group assesses the contractual terms of financial instruments to identify whether they meet the SPPI test.

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

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

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

a. Financial Assets at Amortized Cost
   Financial assets are measured at amortized cost if both of the following conditions are met:
   - The asset is held within a business model with the objective to hold assets in order to collect contractual cash flows; and
   - The contractual terms of the instrument give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for credit losses, with the interest calculated recognized as ‘Interest income’ in the statement of income. Gains and losses are recognized in the statement of income when the financial assets are derecognized and impaired, as well as through the amortization process. The expected credit losses (ECL) are recognized in the statement of income under Provision for impairment and credit losses - net. The effects of revaluation of foreign currency denominated investments are recognized in statement of income. Gains or losses arising from disposals of these instruments are included in Gain on sale of financial assets at amortized cost in the statement of income.

The Group classified ‘Cash and other cash items’, ‘Due from BSP’, ‘Due from other banks’, ‘Interbank loans receivable and SPURA’, ‘Loans and receivables’, ‘Investment securities at amortized cost’ and certain financial assets under ‘Other assets’ as financial assets at amortized cost.

The Group may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. As of December 31, 2023 and 2022, the Group has not made such designation.

b. Financial Assets at FVTOCI
Financial assets at FVTOCI include debt and equity securities.

Debt Instruments at FVTOCI
The Group applies the category of debt instruments measured at FVTOCI when both the following conditions are met:

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

The initial measurement of these financial instruments includes transaction costs. Subsequently, these are measured at fair value with gains or losses arising due to changes in fair value recognized in OCI under ‘Unrealized gain on financial assets carried at FVTOCI’. Interest income and foreign exchange gains and losses are recognized in the statement of income in the same manner as for financial assets measured at amortized cost. When the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. On derecognition, cumulative gains or losses recognized in OCI are reclassified from OCI to the statement of income.

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

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, these are measured at fair value, with no deduction for sale or disposal costs. Gains and losses arising from changes in fair value are recognized in OCI and accumulated in ‘Unrealized gain on financial assets carried at FVTOCI’ in the statement of financial position. When the asset is disposed of, the cumulative gain or loss previously recognized in ‘Unrealized gain on financial assets carried at fair value through other comprehensive income’ is not reclassified to the statement of income, but is reclassified to ‘Surplus (Deficit)’.

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

c. Financial Assets at FVTPL
Debt instruments that do not meet the amortized cost or FVTOCI criteria, or that meet the criteria but the Group has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL.

Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity instrument that is not held for trading as at FVTOCI at initial recognition.

The Group's financial assets at FVTPL include government securities held for trading purposes.

As of December 31, 2023 and 2022, the Group has not designated any debt instrument that meets the amortized cost or FVTOCI criteria as at FVTPL.

Financial assets at FVTPL are carried at fair value, with net changes in fair value recognized as 'Trading and securities gain (loss) - net' in the statement of income. Interest earned on these investments is reported as 'Interest income' in the statement of income.

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the BAP closing rate prevailing at the statement of financial position date. The foreign exchange component forms part of its fair value gain or loss.

d. Derivative Instruments
Derivative instruments are initially recorded at fair value and carried as financial assets when their fair value is positive and as financial liabilities when their fair value is negative.

Any gains or losses arising from changes in fair value of derivative instruments that do not qualify for hedge accounting are taken directly to the statement of income.

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument. The Group assesses the existence of an embedded derivative on the date it first becomes a party to the contract, and performs re-assessment only when there is a change to the contract that significantly modifies the contractual cash flows.

Reclassification of financial assets
The Group can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Group is required to reclassify as follows:
- From amortized cost or FVTOCI to FVTPL, if the objective of the business model changes so that the amortized cost or FVTOCI criteria are no longer met;

- From FVTPL to amortized cost or FVTOCI, if the objective of the business model changes so that the amortized cost or FVTOCI criteria start to be met and the characteristics of the instrument's contractual cash flows are SPPI; and
- From amortized cost to FVTOCI if the business model changes so that the objective becomes both to collect contractual cash flows and to sell or from FVTOCI to amortized cost if the business model becomes solely for the collection of contractual cash flows.

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

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

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

Both the 12-month ECL and lifetime ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the instrument. Based on this process, the Group categorizes its credit exposures into Stage 1, Stage 2 and Stage 3, as described below:

- Stage 1: When loans are first recognized, the Group recognizes an allowance based on the 12-month ECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a SICR since origination, the Group records an allowance for lifetime ECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered as credit-impaired or non-performing. The Group records an allowance for lifetime ECL.

The major portfolios of financial assets identified upon initial analysis of the Group's credit exposures are loan receivables and treasury accounts. Loan receivables are availed by corporations or specific individuals. Hence, this portfolio is further segmented to corporate and consumer portfolios.

Write-offs
Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery.

Classification and Measurement of Financial Liabilities
Financial liabilities are classified, at initial recognition, either as financial liabilities at FVTPL or other financial liabilities at amortized cost.

Financial liabilities at amortized cost
These liabilities are classified as such when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

These financial liabilities are measured initially at fair value, net of directly attributable transaction costs. After initial measurement, these liabilities are subsequently measured at amortized cost using the effective interest method.

Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

This accounting policy relates to the statement of financial position captions ‘Deposit liabilities’, ‘Bills payable’, ‘Outstanding acceptances’, ‘Manager’s checks’, and certain financial liabilities under ‘Accrued interest, taxes and other expenses’ and ‘Other liabilities’ which are not designated at FVTPL.

Financial Guarantees, Letters of Credit and Undrawn Loan Commitments
The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognized in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group’s liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the statement of income, and an ECL provision.

The premium received is recognized in the statement of income in ‘Service charges, fees andtot commissions’ on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position.

Derecognition of Financial Assets and Financial Liabilities

Derecognition due to substantial modification of terms and conditions
The Group derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit impaired.

When assessing whether or not to derecognize a loan to a customer, amongst others, the Group considers the following factors:

- Change in the currency of the loan;
- Introduction of an equity feature;
- Change in counterparty; or
- If the modification is such that the instrument would no longer meet the SPPI criterion.

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

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

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

Derecognition other than substantial modification

<u>*Financial Asset*</u>
A financial asset (or, when applicable, a part of a financial asset or part of a group of financial assets) is derecognized (that is, removed from the statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Financial Liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or 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 the derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in the statement of income.

Exchange or modification of financial liabilities
The Group considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

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

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

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

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

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a

future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Investments in Subsidiary and an Associate in the Parent Company Financial Statements

Subsidiary

A subsidiary is an entity in which the Parent Company holds more than half of the issued share capital or controls more than 50% of the voting power, or exercises control over the operations and management of the subsidiary.

Associate

An associate is an entity in which the Parent Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but does not have control or joint control over those policies.

The Parent Company's investments in its subsidiary and an associate and the Group's investment in an associate are accounted for using the equity method. Under the equity method, the investments in subsidiary and an associate are initially recognized at cost. The carrying amount of the investments in subsidiary and an associate are adjusted to recognize changes in the Parent Company's share in the net assets of the subsidiary and an associate since the acquisition date. Goodwill relating to the subsidiary and an associate are included in the carrying value of the investments and is not amortized.

The statement of income reflects the Group's and the Parent Company's share of the results of operations of the subsidiary and an associate. Any change in OCI of the investee is presented as part of the Group's and the Parent Company's OCI. In addition, when there has been a change recognized directly in the equity of the subsidiary or associate, the Group and the Parent Company recognize their share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the subsidiaries and associate are eliminated to the extent of the interest in the subsidiaries and associate. The aggregate of the Group's share in net income (loss) of subsidiary and associate is shown in the statement of income and represents profit or loss after tax and non-controlling interests in the subsidiary and associate.

If the Parent Company's share of losses in a subsidiary or an associate equals or exceeds its interest in the subsidiary or associate, the Parent Company discontinues recognizing its share in further losses.

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

Dividends received are treated as a reduction to the carrying amount of the investments.

Post-acquisition changes in the share of net assets of the subsidiaries include the share in the:

a. Income or losses; and
b. Remeasurement losses or gains on retirement liability.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value, except land, which is carried at cost less impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are charged against the statement of income in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

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

	EUL
Condominium properties	50 years
Buildings and improvements	25 years
Furniture, fixtures and equipment	5
Leasehold improvements	Shorter of 10 years or related lease terms

The residual values, EULs and methods of depreciation and amortization of property and equipment are reviewed at each reporting date and adjusted prospectively, if appropriate.

Fully depreciated property and equipment are retained in the accounts until these are no longer used and no further depreciation and amortization is charged to the statement of income.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Upon derecognition, the cost and the related accumulated depreciation and amortization and any impairment in value of the asset are removed from the accounts, and any resulting gain or loss (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is reflected as income or loss in the statement of income.

Investment Properties

Investment properties include condominium and office units for lease and foreclosed properties in settlement of loan receivables.

Condominium and office units for lease

Condominium and office units for lease are carried at cost, less accumulated depreciation and impairment in value. All costs that are directly attributable to the acquisition and development of property are capitalized, including borrowing costs incurred to finance the property development. Depreciation is computed on a straight-line basis over 25 to 50 years.

Foreclosed properties

Foreclosed properties consist of land, building and improvements.

Land is carried at cost less impairment in value. Building and improvements are carried at cost, which is the fair value at acquisition date, less accumulated depreciation and accumulated impairment losses. Transaction costs, which include nonrefundable capital gains tax and documentary stamp tax, incurred in connection with foreclosure are capitalized as part of the carrying values of the foreclosed properties.

Foreclosed properties are recorded as 'Investment properties' upon:

a. Entry of judgment in case of judicial foreclosure;
b. Execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
c. Notarization of the Deed of Dacion in case of dation in payment (dacion en pago).

The Group applies the cost model in accounting for foreclosed properties. Depreciation is computed on a straight-line basis over the EUL of 10 years for buildings and improvements.

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

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

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

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

Intangible Assets

Intangible assets consist of branch and bank licenses and software costs.

Branch and bank licenses

The cost of branch and bank licenses acquired in a business combination is its fair value at the date of acquisition.

Following initial recognition, branch and bank licenses are measured at cost less any accumulated impairment losses.

Branch and bank licenses have an indefinite useful life as there is no foreseeable limit to the period over which these assets are expected to generate net cash inflows. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Software costs

Software costs, which are purchased by the Group separately for use in its operations, are measured on initial recognition at cost. Following initial recognition, software costs are carried at cost less accumulated amortization and any accumulated impairment losses.

Software costs are amortized over the economic useful life of 2 to 5 years. The amortization period and method for software costs are reviewed at least at each statement of financial position date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in this asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on software costs is recognized in the statement of income.

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

Impairment of Non-financial Assets

Investments in subsidiary and an associate, property and equipment (including right-of-use assets) and software costs

At each statement of financial position date, the Group assesses whether there is any indication that its non-financial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of the recoverable amount.

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

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

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

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

Branch and bank licenses

Branch and bank licenses are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for branch and bank licenses by assessing the recoverable amount of the CGU (or group of CGUs) to which the branch and bank licenses relate. When the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which branch and bank licenses have been allocated, an impairment loss is recognized immediately in the statement of income. For branch and bank licenses, a previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of this asset, but not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized for this asset in prior years.

Common Stock and Additional Paid-in Capital

Common stocks are recorded at par. Proceeds in excess of par value are recognized under equity as 'Additional-paid-in capital' in the statement of financial position. Incremental costs incurred which are directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Revenue Recognition
Under PFRS 15, revenue from contracts with customers is recognized when control of the services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. The Group exercises judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the five-step model to contracts with customers.

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

Revenue within the scope of PFRS 15

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

b. Gains (Loss) on Sale of Assets
   Gain (loss) from sale of assets such as
   properties and property and equipment is recognized when the control over the properties has been transferred to the buyer and collection of proceeds from sale is probable.

Revenue outside the scope of PFRS 15

a. Interest Income
   Interest on interest-bearing financial assets at FVTPL are recognized based on contractual rate. Interest on financial instruments measured at amortized cost and debt instruments classified as FVTOCI is recognized based on the EIR method.

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

   The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

   When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3 (as discussed under 'Impairment of financial assets' above), the Group calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

b. Trading and Securities Gain (Loss) - Net
   Trading and securities gain (loss) - net represents results arising from trading activities, including gains and losses from changes in fair value of financial assets and liabilities at FVTPL. This also represents results arising from sale of debt financial assets at FVOCI.

c. Fees and Commissions
   Loan fees that are directly related to the acquisition and origination of loans are included in the initial carrying amount of the loan and are amortized using the effective interest method over the term of the loan. Loan commitment fees are recognized as earned over the term of the credit lines granted to each borrower. Loan syndication fees are recognized upon completion of all syndication activities and where the Group does not have further obligation to perform under the syndication agreement.

d. Dividends
Dividends are recognized when the Group's right to receive the payments is established.

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

Expense Recognition
Expenses are recognized at the same time as the initial recognition of a liability, or an increase in the carrying amount of a liability, or the derecognition of an asset, or a decrease in the carrying amount of an asset. Expenses are recognized in the statement of income:

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

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

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

Retirement Benefits
Defined benefit plans
The Parent Company maintains defined benefit plans covering all of their respective officers and regular employees.

The net retirement liability is the aggregate of the present value of defined benefit obligation at the statement of financial position date reduced by the fair value of plan assets and adjusted for any effect of limiting a net retirement asset to the asset ceiling. The defined benefit obligation is calculated annually by an independent actuary. The present value of defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on government bonds that have terms to maturity approximating the terms of the related net retirement. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Retirement costs comprise of service costs and net interest on the net retirement liability.

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

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

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

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

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

Defined contribution plans
The Parent Company also contributes to its contributory, defined-contribution type staff provident plan based on a fixed percentage of the employees' salaries as defined in the plan.

Payments to the defined contribution plans are recognized as expenses when employees have rendered service in exchange for these contributions.

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

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

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

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

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

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

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

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

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

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

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

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

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions.

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

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

Provisions
Provisions are recognized when an obligation (legal or constructive) is incurred as a result of a past event and when it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement.

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

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

Earnings Per Share (EPS)
Basic EPS is computed by dividing the net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any.

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

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from equity when approved by the BOD of the Parent Company. Dividends for the year that are approved after the statement of financial position date are dealt with as an event after the statement of financial position date.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6. No geographical segment information is presented as all of the Group's operations are in the Philippines.

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

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

3. Summary of Accounting Judgments and Estimates

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

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

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

Fair value of financial instruments
Where the fair values of financial instruments cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these valuation models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

The carrying values and corresponding fair values of financial instruments, as well as the manner in which fair values were determined, are discussed in more detail in Note 4.

Contingencies
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsels handling the Group's defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on its financial position. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 23).

Classification of Condominium units between Property and Equipment and Investment properties
The Group determines the portion of the Conduminium units that are used for operations as an office space and are presented under 'Property and equipment' and the portion that are for lease and are presented under 'Investment properties'. The allocation is determined by estimating the usable area that is held for lease and that is used for operations. In 2023, the Bank reclassified certain units of the PBCom Tower from investment property to property and equipment. The reclassification effects the change in use of the certain condominium units from leased out assets to owned used properties (see Note 13).

The carrying values of Condiminium units presented under 'Property and equipment' and under 'Investment properties' are disclosed in Notes 12 and 13, respectively.

Estimates and Assumptions
ECLs on loans and other receivables
The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

Elements of the ECL models that are considered significant accounting judgments and estimates include:
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- The definition of default;
- The Group's internal grading model, which impacts the PDs assigned to the exposures;
- The Group's criteria for assessing if there has been a SICR and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and economic inputs, such as GDP growth rates, inflation rates, unemployment rates, import growth rates, export growth rates, and bank average lending rates, and the effect on PDs;
- Selection of forward-looking macroeconomic scenario variables; and
- Calculation of expected recoveries from defaulted accounts.

In 2021, as a response to the COVID-19 pandemic, the Group conducted a re-assessment of all corporate accounts by re-scoring the Borrower Risk Ratings (BRR) using a stressed scenario in order to account for the ongoing and future effects of the pandemic on the borrowers' operations and earnings. Specific impairment was likewise assessed for corporate borrowers with large exposures especially those that were severely affected by the pandemic.

On the other hand, for consumer loans, expert judgment was incorporated by the Group to determine the possible deterioration in the flow rates from one bucket to the next (i.e. current to 1-30 days past due, 1-30 days past due to 31-60 days past due, etc. up to more than 90 days past due bucket). Forecasted figures were assessed with the required additional allowance for credit loss.

The Group also revisited weight distribution on Macroeconomic Variables (MEVs) to reflect management's view of the overall business environment. The Group also revisited stages of borrowers that were affected by the pandemic and are expected to remain unable to pay regular amortization.

These exercises and calibrations, considering current and future outlook, resulted to changes in account staging and loan loss provisioning.

The carrying value of loans and receivables and allowance for credit losses on loans and receivables are disclosed in Notes 11 and 16, respectively.

Realizability of deferred tax assets
Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on assumptions that are affected by expected future market or economic conditions and the expected performance of the Group. These assumptions include management's expectations on growth of the Group's loans and deposit portfolios and future operating costs and expenses.

The recognized and unrecognized deferred tax assets are disclosed in Note 29.

Impairment of branch licenses
The Group determines whether branch licenses are impaired at least on an annual basis. Branch licenses are written down for impairment where the net present value of the forecasted future cash flows from the relevant CGU is insufficient to support its carrying value.

The recoverable amount of the CGU has been determined based on a VIU calculation using the CGU's cash flow projections from the five-year plan approved by the Board. Key assumptions in the VIU calculations are most sensitive to the following assumptions:
- Discount rate, which is based on the cost of equity by reference to comparable entities using the capital asset pricing model;
- Loan and deposit portfolios growth rates; and
- Growth rate to project cash flows beyond the budget period.

The carrying values of branch licenses and details of the VIU calculations are disclosed in Note 14.

Present value of defined benefit obligation
The cost of defined benefit plans, as well as the present value of defined benefit obligation, is determined using an actuarial valuation. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, salary increase rates, mortality rates and employee turnover rates. Due to the complexity of the actuarial valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each statement of financial position date.

In determining the appropriate discount rate, the Group considers the interest rates of Philippine 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.

Salary increase rates are based on historical annual merit, market and promotional increase and future inflation rates.

Other assumptions, such as mortality rates and employee turnover rates, are based on publicly available mortality tables and the Group's historical experience.

The present value of defined benefit obligation as of December 31, 2023 and 2022 are disclosed in Note 26.

Classification of Condominium units between Property and Equipment and Investment properties
The Group determines the portion of the Conduminium units that are used for operations as an office space and are presented under 'Property and equipment' and the portion that are for lease and are presented under 'Investment properties'. The allocation is determined by estimating the usable area that is held for lease and that is used for operations. In 2023, the Bank reclassified certain units of the PBCom Tower from investment property to property and equipment. The reclassification effects the change in use of the certain condominium units from lease out assets to owned used properties (see Note 13).

The carrying values of Condiminium units presented under 'Property and equipment' and under 'Investment properties' are disclosed in Notes 12 and 13, respectively.

4. Fair Value Measurement

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

	Consolidated and Parent Company				
	2023				
		Fair Value			
	Carrying Value	Total	Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value					
Currency Forwards *	**₱125**	**₱125**	**₱–**	**₱125**	**₱–**
Financial assets at FVTOCI:					
Debt securities:					
Government securities	**7,298,910**	**7,298,910**	**7,298,910**	**–**	**–**
Private bonds	**928,952**	**928,952**	**928,952**	**–**	**–**
Equity securities	**187,697**	**187,697**	**–**	**153,667**	**34,030**
	8,415,684	**8,415,684**	**8,227,862**	**153,792**	**34,030**
Assets for which fair values are disclosed					
Investment securities at amortized cost:					
Government securities	**27,205,670**	**27,212,447**	**27,212,447**	**–**	**–**
Sovereign bonds	**570,721**	**595,848**	**595,848**	**–**	**–**
Loans and receivables:					
Receivables from customers:					
Corporate loans	**85,840,916**	**84,761,313**	**–**	**–**	**84,761,313**
Auto loans	**436,850**	**434,745**	**–**	**–**	**434,745**
Home loans	**2,788,280**	**2,262,220**	**–**	**–**	**2,262,220**
Personal loans	**28,483**	**39,747**	**–**	**–**	**39,747**
Unquoted debt securities	**366,737**	**379,442**	**–**	**–**	**379,442**
	117,237,657	**115,685,762**	**27,808,295**	**–**	**87,877,467**
Investment properties:					
Condominium units for lease	**1,603,231**	**8,064,781**	**–**	**–**	**8,064,781**
Foreclosed properties	**975,759**	**4,269,282**	**–**	**–**	**4,269,282**
Office units for lease	**1,988**	**29,123**	**–**	**–**	**29,123**
	2,580,978	**12,363,186**	**–**	**–**	**12,363,186**
	₱128,234,319	**₱136,464,632**	**₱36,036,157**	**₱153,792**	**₱100,274,683**

(Forward)

	Consolidated and Parent Company				
	2023				
		Fair Value			
	Carrying Value	**Total**	**Quoted Prices in Active Market (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Liabilities for which fair value is disclosed					
Financial liabilities at amortized cost:					
Time deposits	**₱59,089,567**	**₱59,160,967**	**₱–**	**₱–**	**59,160,967**
LTNCD	**2,900,016**	**2,905,860**	**–**	**2,905,860**	**–**
Bills payable	**9,686,755**	**9,687,278**	**–**	**–**	**9,687,278**
	₱71,676,338	**₱71,754,105**	**₱–**	**₱2,905,860**	**₱68,848,245**

** Included in 'Other assets'*

	Consolidated and Parent Company				
	2022				
		Fair Value			
	Carrying Value	Total	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 FVTOCI:					
Debt securities:					
Government securities	₱4,161,400	₱4,161,400	₱4,161,400	₱–	₱–
Private bonds	311,799	311,799	311,799	–	–
Sovereign bonds	385,203	385,203	385,203	–	–
Equity securities	150,194	150,194	–	123,146	27,048
	5,008,596	5,008,596	4,858,402	123,146	27,048
Assets for which fair values are disclosed					
Investment securities at amortized cost:					
Government securities	21,434,865	19,647,983	19,647,983	–	–
Sovereign bonds	236,959	234,763	234,763	–	–
Loans and receivables:					
Receivables from customers:					
Corporate loans	71,060,966	70,213,953	–	–	70,213,953
Auto loans	405,142	400,806	–	–	400,806
Home loans	3,074,755	2,648,326	–	–	2,648,326
Personal loans	38,316	34,877	–	–	34,877
Unquoted debt securities	649,370	642,616	–	–	642,616
	96,900,373	93,823,324	19,882,746	–	73,940,578
Investment properties:					
Condominium units for lease	1,691,796	7,310,658	–	–	7,310,658
Foreclosed properties	962,112	3,813,942	–	–	3,813,942
Office units for lease	2,338	151,956	–	–	151,956
	2,656,246	11,276,556	–	–	11,276,556
	₱104,565,215	₱110,108,476	₱24,741,148	₱123,146	₱85,244,182
Liability measured at fair value					
Currency forwards *	₱2,911	₱2,911	₱–	₱2,911	₱–
Liabilities for which fair value is disclosed					
Financial liabilities at amortized cost:					
Time deposits	38,382,737	38,331,804	–	–	38,331,804
LTNCD	2,893,897	2,869,322	–	2,869,322	–
Bills payable	7,594,019	7,593,027	–	–	7,593,027
	₱48,873,564	₱48,797,064	₱–	₱2,872,233	₱45,924,831

* *Included in 'Other liabilities'*

Movements in the fair value measurement of 'Financial assets at FVTOCI' categorized within Level 3 pertain only to the changes in fair value of unquoted equity securities. No additions and disposals were made in 2023 and 2022.

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers out of Level 3 fair value measurements in 2023 and 2022.

The methods and assumptions used by the Group in estimating the fair value of its assets and liabilities are as follows:

Investment Securities

Debt securities

Fair values are generally based on quoted market prices. If the market prices are not readily available, fair values are estimated using consensus prices obtained from Bloomberg.

Equity securities - club shares

Fair values of club shares are based on prices published in GG&A Club Shares and G&W Club Shares. GG&A Club Shares and G&W Club Shares are involved in trading and leasing proprietary and non-proprietary club shares.

Unquoted equity securities

Fair values of unquoted equity securities are estimated using the guideline publicly-traded company method, which utilizes publicly available information from publicly-traded comparable companies that are the same or similar to the unlisted company being valued. Unquoted equity security holdings of the Group are not significant to the financial statements.

Loans and Receivables

Cash and other cash items, amounts due from BSP and other banks, interbank loans receivable and SPURA

Carrying amounts approximate fair values considering that these accounts consist mostly of overnight deposits.

Receivables from customers

Fair values of receivables from customers are estimated using the discounted cash flow methodology that makes use of the Group's current incremental lending rates for similar types of loans and receivables.

Unquoted debt securities

Fair values are estimated based on the discounted cash flow methodology that makes use of interpolated risk-free rates plus spread.

Accrued interest receivable and returned checks and other cash items (RCOCI)

Carrying amounts approximate fair values due to the short-term nature of the accounts, with some items that are due and demandable.

Accounts receivable, sales contracts receivable and refundable security deposits

Quoted market prices are not available for these assets. These are not reported at fair value and are not significant in relation to the Group's total portfolio of financial instruments.

Derivative Assets/Liabilities

Currency forwards under Other Assets/Liabilities

Fair values are calculated by reference to the prevailing interest differential and spot exchange rate as of the statement of financial position date, taking into account the remaining term to maturity of the derivative assets/liabilities.

Financial Liabilities at Amortized Cost

Deposit liabilities (excluding LTNCD)

Fair values of time deposits are estimated based on the discounted cash flow methodology that makes use of the current incremental borrowing rates for similar types of borrowings. The carrying amount of demand and savings deposit liabilities approximate fair value considering that these are due and demandable.

LTNCD

Fair values of LTNCD are determined based on the market yield rate of the Parent Company's LTNCD as provided by the Philippine Dealing and Exchange Corporation (PDEx).

Bills payable

The fair value is estimated using the discounted cash flow methodology that makes use of the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. Where the instrument has a relatively short maturity, carrying amounts approximate fair values.

Outstanding acceptances, manager's checks, accrued interest payable, accrued other expenses, accounts payable, refundable security deposits and due to the Treasurer of the Philippines

Carrying amounts approximate fair values due to the short-term nature of these accounts, with some items that are due and demandable.

Investment Properties

Fair values of investment properties are determined based on valuations made by professionally qualified appraisers accredited by the BSP and SEC and internal appraisers. The fair values of foreclosed assets were derived based on market sales comparison approach. Under this approach, recent transactions for similar properties in the same areas as the investment properties were considered, taking into account the economic conditions prevailing at the time the valuations were made. Prices of recent transactions are adjusted to account for differences in a property's size, shape, location, marketability and bargaining allowances. For depreciable properties, other inputs considered in the valuations are the age and remaining life of the buildings.

On the other hand, the fair values of the condominium and office units for lease were determined using the income capitalization approach model. The income capitalization approach model is used since the properties generate revenue from rental income. Income capitalization approach is a method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step – either by dividing the income estimate by an appropriate income rate or by multiplying the income estimate by an appropriate income factor. The rate of interest calculated represents the relationship between income and value observed in the market and is derived through comparable sales analysis. The income from a property, usually the annual net operating income or pre-tax cash flow, is divided by its sale or equity price to obtain the income rate.

The valuation, therefore, is based on the following critical assumptions:

- Rental rates;
- Capitalization rate (income rate), which is based on market rent for similar properties;
- Vacancy rates, which are based on vacancy rates for comparable properties within the area where the Group's properties are located; and
- The floor areas, which are based on the total leasable area.

Significant Unobservable Inputs
Quantitative information about the Group's and the Parent Company's fair value measurements using significant unobservable inputs (Level 3) on unquoted equity securities follows:

Year	**Fair Value at December 31**	**Valuation Technique(s)**	**Unobservable Input(s)**	**Range**	**Reasonably Possible Alternative Assumption**	**Sensitivity of the Fair Value to the Input**
2023	**₱34,030**	**Guideline publicly-traded company method**	**Price to book ratio**	**0.68:1 -0.86:1**	**0.1**	**₱58**
					-0.1	**(58)**
			Discount for lack of marketability	**30%**	**+0.1**	**39**
					-0.1	**(39)**

Year	Fair Value at December 31	Valuation Technique(s)	Unobservable Input(s)	Range	Reasonably Possible Alternative Assumption	Sensitivity of the Fair Value to the Input
2022	₱27,048	Guideline publicly-traded company method	Price to book ratio	0.60:1 -0.66:1	0.1	₱115
					-0.1	(115)
			Discount for lack of marketability	30%	+0.10	72
					-0.10	(72)

The Parent Company estimates the fair value of the unquoted equity securities using the 'benchmark multiples' of comparable publicly-traded companies. The identification of comparable companies considers the similarities between the subject company being valued and the guideline companies in terms of industry, market, product line or service type, growth, etc. The Parent Company also determines an appropriate discount adjustment for the lack of marketability of these unquoted equity securities based on empirical evidence gathered from available public market research.

The use of reasonably possible alternative assumptions in the significant unobservable inputs will affect the fair value of the unquoted equity securities and the OCI (before tax) as presented above.

There has been no change in the valuation techniques used from 2022 to 2023.

Description of Significant Unobservable Input to Valuation
The significant unobservable input used in the fair value measurement of financial instruments carried at amortized cost that are categorized within Level 3 of the fair value hierarchy:

Loans and receivables at amortized cost
Fair values of loans and receivables are estimated using the discounted cash flow methodology, using the Group's current incremental lending rates for similar types of loans. The significant increase (decrease) in the current increment lending rate would result to a lower (higher) fair value measurement.

Liabilities
The carrying amount of liabilities approximates fair value in view of their relatively short-term maturity except for time deposits whose fair values are estimated using the discounted cash flow methodology using the Bank's incremental borrowing rates for similar borrowings with maturities consistent with those for the liability being valued.

5. Financial Risk Management Objectives and Policies

Introduction

Risk is inherent in the Group's activities but is managed through a continuing and pro-active process of identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The Group is significantly exposed to the following risks from its financial instruments:

a. Credit risk
b. Liquidity risk
c. Market risk
   i. Interest rate risk
   ii. Foreign currency risk

Risk management structure

The Group's risk management environment is characterized by a well-defined risk organizational structure, flow of risk information, risk-based audit coverage, and an established compliance system.

BOD

The BOD of the Parent Company is responsible for establishing and maintaining a sound risk management system and is ultimately accountable for identifying and controlling risks; there are, however, separate independent bodies responsible for managing and monitoring risks.

Risk Oversight Committee (ROC)

The ROC has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits.

Enterprise Risk Management Group (ERMG)

The ERMG is an independent unit within the Parent Company that directly reports to the ROC. It is the responsibility of the ERMG to identify, analyze and measure risks from the Parent Company's trading, lending, borrowing and other transactional activities. It also recommends control policies and procedures to mitigate risk in identified risk areas in Treasury, Credit, Trust and other areas of operations.

Together with other risk control functions such as Operations Group, it performs the important day-to-day monitoring of risk exposures of the Parent Company against approved limits and reporting of such exposures, and implementation of policies and control procedures.

Treasury segment

The Treasury Segment is responsible for managing the Parent Company's assets and liabilities. It is also primarily responsible for the management of the funding and liquidity risks of the Parent Company.

Compliance Group

Through the Group's Compliance Group, relevant Philippine laws and regulations, as well as pertinent BSP circulars governing the operations of rural banks, are continuously identified for guidelines on implementation. The Compliance Group is also responsible for the systematic and effective communications systems to keep management always conscious of their obligations and legal responsibility as trustee of public funds. It ensures the Group's adherence to the rules and regulations and the provisions of the Manual of Regulations for Banks (MORB) prescribed by the BSP.

Internal Audit Group (IAG)
Risk management processes throughout the Group are audited by the IAG which examines both the adequacy of the procedures and the Group's compliance thereto. The IAG discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Risk measurement and reporting systems
The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Group adjusted existing models to take into account the probable effects of the COVID 19 pandemic. This resulted in increased loan provisions anticipated because of the pandemic.

The Group also performed worst case scenarios that would arise in the event that extreme events which are unlikely to occur, happen.

Monitoring and controlling risks are primarily performed based on limits established by the Group. These limits reflect both the business strategy and market environment of the Group, as well as the level of risk that the Group is willing to accept. In addition, the Group monitors and measures the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities. In response to the pandemic, the Group implemented stricter approval policies particularly for consumer loans. All consumer loans need to go through a pre-clearance process from the Executive Committee Chair and minimum approval required is from the President & CEO.

Information gathered from all the businesses is evaluated and processed in order to analyze, identify and control and identify risks early. All significant information is presented to the BOD, the ROC, and the head of each business division. The report includes credit exposure to groups and industries, Value-at-Risk (VaR), liquidity ratios and risk profile changes. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis for prudential and financial reporting.

<u>Credit Risk and Concentration of Assets and Liabilities and Off-Balance Sheet Items</u>
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit risk arises from its lending and trading of and investments in securities and foreign exchange activities. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual borrowers and groups of borrowers, as well as limits on large lines and industry concentrations. The ERMG monitors exposures in relation to these limits.

The Group obtains security where appropriate, enters into collateral arrangements with counterparties, and limits the duration of exposures. The Group's credit risk management process is guided by policies and procedures established by Corporate & Commercial Banking Group (CCBG), Consumer Finance Group and ERMG and approved by the BOD.

For the corporate loan portfolio, the Group has an internal credit risk rating system (ICRRS) for the purpose of measuring credit risk for every exposure in a consistent manner that is as accurate as possible and uses the risk information for business and financial decision making. The ICRRS shall cover all companies regardless of asset size, except those whose facilities are purely 1:1 which will be given a default Borrower Risk Rating of 1. The system has two components, namely: (a) Borrower Risk Rating (BRR) System, which provides an assessment of creditworthiness of a borrower risk without considering the type of facility or its security arrangements, and (b) Composite Risk Rating

(CRR), which is an account rating taking into account the collateral and other credit risk mitigants and the credit facility granted to the borrower. The Borrower Risk Rating consists of 14 grades, ten of which fall under unclassified accounts and the remaining four are classified accounts according to regulatory provisioning guidelines.

For consumer loans, the Bank uses Minimum Risk Acceptance Criteria (MRAC) as basis for approval of loan application. The MRAC is based on the basic characteristics of a loan borrower to make a sound credit decision and prudent judgment. Risks are mitigated by focusing on the accounts with a low PD while exercising prudent judgment on accounts whose risks are higher than normal but remains within the Group's risk appetite.

The Group also has a post approval loan portfolio quality and credit process review in place that allows the Group to continuously identify and assess the risks on credit exposures and take corrective actions. This function is carried out by the Group's Credit Policy and Review Division.

Impairment of Financial Assets
The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the instrument.

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

b. Definition of 'default' and 'cure'

Loan receivables
The Group defines a financial instrument as in default based on the following:
- Loans and receivables which are past due for more than 90 days;
- There is a breach of any key covenants/agreements that will adversely affect the borrower's capacity to pay;
- Weak financial condition and results of operations that leads to the borrower's inability to generate sufficient cash flow for debt servicing; or
- Restructuring of principal and interest or any concession granted by the Group relating to the borrower's difficulty.

A financial instrument is considered to be no longer in default (that is, to have cured) when it no longer meets any of the default criteria and has exhibited a satisfactory track record.

Treasury exposures
Treasury exposures are considered in default upon occurrence of a credit event, such as but not limited to bankruptcy, failure of meeting its obligations to depositors and non-deposit obligations, becoming critically undercapitalized, restructuring of obligations, or request for moratorium.

c. SICR
The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a 30-day backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's internal credit risk assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit

weaknesses. For exposures without internal grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

For other credit risk exposures such as cash in banks, interbank loans and receivables, and debt securities at amortized cost and at FVTOCI, the Group applies the low credit risk simplification. The Group considers a debt financial asset to have low risk when its credit rating is equivalent to the definition of investment grade. The Group evaluates whether the debt financial asset, on an individual basis, is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort.

In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL:

- For corporate loans, an account under Stage 3 may be reverted back to Stage 2 if it shows collection history of at least six consecutive payments. If an account continuous to shows collection history of another 6 consecutive payments, and other qualitative indicators representing substantial increase in credit risk has abated, the account will be further reverted back to Stage 1.
- For consumer loans, an account under Stage 3 may be reverted back to Stage 2 if at least six consecutive payments are received and days past due bucket improves to 31 to 90. If the status of an account further improves to current, it will be reverted back to Stage 1.
- For treasury exposures, the transfer from Stage 3 to Stage 2 must be evident with payments of interest and/or principal for at least six months. The Group shall transfer credit exposures from Stage 2 to Stage 1 if the rating upgrades and the resulting rating falls under investment grade rating bands.

d. Restructuring

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

e. ECL parameters and methodologies

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

The PD represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual type of instrument is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Group segmented its loan-related credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each loan portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio. On the other hand, PD for cash and cash equivalents, interbank loans receivables and SPURA, debt securities at amortized cost and debt securities at FVTOCI are assessed on an individual basis using publicly available information.

EAD is modelled on historical data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. Two modelling approaches were employed during EAD estimation. A Balance-Based model for on-balance sheet accounts and a Credit Conversion Factor (CCF)-Based model for off-balance sheet accounts.

LGD is the amount that may not be recovered in the event of default and is modelled based on historical cash flow recovery and reasonable and supportable information about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held. During LGD estimation, the discounted amounts of potential payments and expected recoveries from sale of the collateral are compared to the discounted amounts of corresponding direct expenses related with obtaining and selling of assets.

f. Economic overlays

The Group incorporates economic overlays into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of economic overlays is considered as economic inputs, such as gross domestic product (GDP) growth rates, inflation rates, unemployment rates, import growth rates, export growth rates and bank average lending rates. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect these, quantitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

g. Debt instruments measured at FVTOCI

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

h. Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, if possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at the inception and re-assessed annually.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on the data provided by internal and external appraisers.

i. Undrawn loan commitments

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

Maximum exposure to credit risk
The tables below provide the analysis of the maximum exposure of the Group's and the Parent Company's financial instruments to credit risk, excluding those where the carrying values as reflected in the statements of financial position and related notes already represent the financial instrument's maximum exposure to credit risk, before and after taking into account collateral held or other credit enhancements:

	Consolidated and Parent Company					
	2023			2022		
	Gross Maximum Exposure*	**Net Exposure**	**Financial Effect of Collateral or Credit Enhancement**	Gross Maximum Exposure*	Net Exposure	Financial Effect of Collateral or Credit Enhancement
Receivables from customers:						
Corporate loans	**₱85,840,916**	**₱41,943,978**	**₱44,354,825**	₱71,060,966	₱37,160,345	₱34,221,645
Consumer loans	**3,253,613**	**351,561**	**2,912,800**	3,518,213	383,501	3,145,107
Credit exposure	**₱89,094,529**	**₱42,295,539**	**₱47,267,625**	₱74,579,179	₱37,543,846	₱37,366,752

** Net of allowance for credit losses and unearned discount*

For sales contracts receivable, the fair value of collaterals and their corresponding financial effect on credit exposure are no longer disclosed since the system does not regularly monitor such information. The carrying value of these sales contracts receivable are disclosed in Note 11.

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

Group exposures and risk concentrations to industries are monitored and reported in accordance with the Group's policies on group lending/inter-corporate earmarking and managing large exposure and credit risk concentrations.

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

The industry sector analysis of the maximum exposure of the Group to credit risk concentration follows (amounts in millions):

	Consolidated									
	2023					2022				
	Loans and Receivables	**Loans and Advances to Banks***	**Debt Investment Securities**	**Others****	**Total**	Loans and Receivables	Loans and Advances to Banks*	Debt Investment Securities	Others**	Total
Government	**₱852**	**₱12,205**	**₱35,088**	**₱1**	**₱48,146**	₱1,017	₱13,902	₱26,223	₱1	₱41,143
Construction and real estate	**23,148**	–	–	**240**	**23,388**	22,474	–	–	88	22,562
Wholesale and retail trade	**21,107**	–	–	**812**	**21,919**	19,748	–	–	1,049	20,797
Manufacturing	**13,988**	–	–	**1,926**	**15,914**	14,352	–	–	1,982	16,334
Banks and financial institutions	**4,532**	**978**	–	**17**	**5,527**	3,913	1,124	–	–	5,037
Electricity, gas and water supply	**4,635**	–	–	**6**	**4,641**	4,226	–	–	460	4,686
Transportation, storage, communication	**5,458**	–	–	**5**	**5,463**	3,110	–	–	35	3,145
Agriculture, hunting and forestry	**1,318**	–	–	**1**	**1,319**	1,379	–	–	1	1,380
Mining and quarrying	**108**	–	–	–	**108**	120	–	–	–	120
Others	**19,507**	–	**929**	**18**	**20,454**	9,532	–	304	19	9,855
	94,653	**13,183**	**36,017**	**3,026**	**146,879**	79,871	15,026	26,527	3,635	125,059
Less allowance for ECL	**2,879**	–	**13**	**8**	**2,900**	2,947	–	14	–	2,961
	₱91,774	**₱13,183**	**₱36,004**	**₱3,018**	**₱143,979**	₱76,924	₱15,026	₱26,513	₱3,635	₱122,098

* *Consist of due from BSP, due from other banks, and interbank loans receivable and SPURA*
** *Consist of RCOCI, refundable deposits, and credit-related commitments(i.e., standby LC, usance LC outstanding, outstanding shipping guarantees, sight LC outstanding)*

	Parent Company									
	2023					2022				
	Loans and Receivables	**Loans and Advances to Banks***	**Debt Investment Securities**	**Others****	**Total**	Loans and Receivables	Loans and Advances to Banks*	Debt Investment Securities	Others**	Total
Government	**₱852**	**₱12,205**	**₱35,088**	**₱1**	**₱48,146**	₱1,017	₱13,902	₱26,223	₱1	₱41,143
Construction and real estate	**23,148**	–	–	**240**	**23,388**	22,474	–	–	88	22,562
Wholesale and retail trade	**21,107**	–	–	**812**	**21,919**	19,748	–	–	1,049	20,797
Manufacturing	**13,988**	–	–	**1,926**	**15,914**	14,352	–	–	1,982	16,334
Banks and financial institutions	**4,532**	**978**	–	**17**	**5,527**	3,913	1,124	–	–	5,037
Electricity, gas and water supply	**4,635**	–	–	**6**	**4,641**	4,226	–	–	460	4,686
Transportation, storage, communication	**5,458**	–	–	**5**	**5,463**	3,110	–	–	35	3,145
Agriculture, hunting and forestry	**1,318**	–	–	**1**	**1,319**	1,379	–	–	1	1,380
Mining and quarrying	**108**	–	–	**-**	**108**	120	–	–	–	120
Others	**19,510**	–	**929**	**18**	**20,457**	9,535	–	304	19	9,858
	94,656	**13,183**	**36,017**	**3,026**	**146,882**	79,874	15,026	26,527	3,635	125,062
Less allowance for ECL	**2,879**	**-**	**13**	**8**	**2,900**	2,947	–	14	–	2,961
	₱91,777	**₱13,183**	**₱36,004**	**₱3,018**	**₱143,982**	₱76,927	₱15,026	₱26,513	₱3,635	₱122,101

* *Consist of due from BSP, due from other banks, and interbank loans receivable and SPURA*
** *Consist of RCOCI, refundable deposits, and credit-related commitments(i.e., standby LC, usance LC outstanding, outstanding shipping guarantees, sight LC outstanding)*

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

The main types of collateral obtained are as follows:
- For securities lending and reverse repurchase transactions: cash or securities
- For commercial lending: deposit hold-out, mortgages over real estate properties, machineries, inventories and trade receivables
- For retail lending: mortgages over residential properties and motor vehicles

It is the Group's policy to dispose repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use.

Collaterals obtained by the Group and the Parent Company from settlement of loans and receivables which remain outstanding as of December 31, 2023 and 2022 amounted to ₱98.03 million and ₱261.62 million, respectively (see Notes 13 and 15).

The Group does not hold collateral on financial assets which it may sell or repledge in the absence of default by the owner of the collateral.

Credit quality per class of financial assets
In compliance with MORB Sec. 143, the Group has developed and continuously reviews and calibrates its internal risk rating system for credit exposures aimed at uniformly assessing its credit portfolio in terms of risk profile. Where appropriate, it obtains security, enters into master netting agreements, and limits the duration of exposures to maintain and even further enhance the quality of the Group's credit exposures.

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

a. Loans and Receivables

<u>*Receivables from customers*</u>
The Parent Company employs specific scorecards for each segment of the portfolio and uses specific scorecards for different classes of financial intermediaries.

The description and definition of the loan grades or ICRRS used by the Group for corporate loans follow:

BRR Grade	Description	Definition
1	Excellent	Excellent capacity to meet its financial commitments with minimal credit risk
2	Strong	Strong capacity to meet its financial commitments with very low credit risk
3	Good	Good capacity to meet its financial commitments with low credit risk.

BRR Grade	Description	Definition
4	Fairly Good	An obligor rated 4 differs from rated 3 obligor only to a small degree and has a fairly good capacity to meet its financial commitments with low credit risk.
5	Satisfactory	Satisfactory capacity to meet its financial commitments with moderate credit risk
6	Fairly Satisfactory	Fairly satisfactory capacity to meet its financial commitments with moderate credit risk
7	Acceptable	Acceptable capacity to meet its financial commitments with substantial credit risk
8	Acceptable with Care	A credit, though acceptable, needs care in granting facilities. However, the borrower is still creditworthy.
9	Acceptable with Caution	A credit, though acceptable, needs significant caution to be exercised while granting facilities to the borrower. The borrower is still creditworthy but has problems that need to be addressed.
10	Watch List	An obligor rated 10 is judged to be of poor credit standing and is subject to high default risk.
11	Especially Mentioned	These are loans that have potential weaknesses that deserve management's close attention. If left uncorrected, said weaknesses may affect the repayment of the loan.
12	Substandard	Loans that have well-defined weaknesses that may jeopardize repayment/liquidation in full, either in respect of the business, cash flow, or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower.
13	Doubtful	Loans that exhibit more sever weaknesses than those under "Substandard", whose characteristics on the basis of currently known facts, conditions, and values make collection or liquidation highly improbable, however, the exact amount remains undeterminable as yet.
14	Loss	Loans which are considered uncollectible or worthless and of such little value that their continuance as bankable assets is not warranted.

The credit quality of the Group's corporate loans under receivables from customers, which is based on the BRR grade, is grouped as follows:

High Grade (BRR 1 to 7)
Under this category, the borrower has the apparent ability to satisfy its obligations in full and therefore, no loss in ultimate collection is anticipated. These loans or portions thereof are secured by hold-outs on deposits/deposit substitute, margin deposits or government-supported securities, other readily marketable collateral or are supported by sufficient credit and financial information of favorable nature to assure repayment as agreed.

Standard Grade (BRR 8 to 10)
Under this category are accounts not considered adversely classified but require close supervision/monitoring due to some warning signals such as start-up business, substantial changes in the business affecting operation or management, three continuous years of substantial decline in income (exclusive of extraordinary income/losses).

Substandard Grade or Past-Due (BRR 11 to 14)
Under this category are loans which exhibit unfavorable record or unsatisfactory characteristics, or where existing facts, conditions and values, make collection or liquidation in full improbable.

The credit quality of the Group's consumer loans under receivables from customers, which is based on the age and status of delinquency of receivables and the credit standing of the counterparties, is grouped as follows:

High Grade
This category is comprised of current receivables with no history of defaults and delayed payments and other financial assets with counterparties that have the apparent ability to satisfy their obligations in full. This rating includes amounts due from the BSP and due from other banks.

Standard Grade
This category is comprised of receivables that are technically past due, with period of default of 1 to 30 days, but are still regarded as good credit quality since the counterparties have the apparent ability to satisfy their obligations in full.

Past Due but not Impaired
These are accounts which are classified as delinquent, with period of default of 31 to 90 days.

Past Due and Impaired
This comprised of receivables and other financial assets which are classified as non-performing, with period of default of more than 90 days.

Positive and vigorous management action is required to avert or minimize loss.

As of December 31, 2023, the credit quality of receivables from customers, net of unearned discount and capitalized interest of the Group and Parent Company follows:

Consolidated and Parent Company		**2023**		
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Corporate loans:				
High grade	**₱78,269,820**	**₱–**	**₱–**	**₱78,269,820**
Standard grade	–	**2,789,509**	–	**2,789,509**
Substandard grade	–	–	–	–
Past due but not impaired	–	**6,077**	–	**6,077**
Past due and impaired	–	–	**7,402,295**	**7,402,295**
	78,269,820	**2,795,586**	**7,402,295**	**88,467,701**
Consumer loans:				
Auto loans:				
High grade	**432,429**	–	–	**432,429**
Standard grade	–	–	–	–
Past due but not impaired	–	–	**2,665**	**2,665**
Past due and impaired	–	–	**19,044**	**19,044**
	432,429	–	**21,709**	**454,138**

(Forward)

Consolidated and Parent Company		**2023**		
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Home loans:				
High grade	**₱2,504,711**	**₱–**	**₱–**	**₱2,504,711**
Standard grade	**–**	**–**	–	**–**
Past due but not impaired	**–**	**72,291**	**50,780**	**123,071**
Past due and impaired	**–**	–	**299,238**	**299,238**
	2,504,711	**72,291**	**350,018**	**2,927,020**
Personal loans:				
High grade	**28,961**	**–**	**–**	**28,961**
Standard grade	**–**	**15**	**–**	**15**
Past due but not impaired	**–**	**–**	**360**	**360**
Past due and impaired	**–**	**–**	**11,476**	**11,476**
	28,961	**15**	**11,836**	**40,812**
Total consumer loans:				
High grade	**2,966,101**	**–**	**–**	**2,966,101**
Standard grade	**–**	**15**	**–**	**15**
Past due but not impaired	**–**	**72,291**	**53,805**	**126,096**
Past due and impaired	**–**	**–**	**329,758**	**329,758**
	2,966,101	**72,306**	**383,563**	**3,421,970**
Total receivables from customers:				
High grade	**81,235,921**	**–**	**–**	**81,235,921**
Standard grade	**–**	**2,789,524**	**–**	**2,789,524**
Substandard grade	**–**	**–**	**–**	**–**
Past due but not impaired	**–**	**78,368**	**53,805**	**132,173**
Past due and impaired	**–**	**–**	**7,732,053**	**7,732,053**
	₱81,235,921	**₱2,867,892**	**₱7,785,858**	**₱91,889,671**

Consolidated and Parent Company		2022		
	Stage 1	Stage 2	Stage 3	Total
Corporate loans:				
High grade	₱60,813,497	₱–	₱–	₱60,813,497
Standard grade	–	10,375,931	–	10,375,931
Substandard grade	–	234,764	–	234,764
Past due but not impaired	–	137,368	–	137,368
Past due and impaired	–	–	2,109,855	2,109,855
	60,813,497	10,748,063	2,109,855	73,671,415
Consumer loans:				
Auto loans:				
High grade	392,624	–	–	392,624
Standard grade	–	1,964	–	1,964
Past due but not impaired	–	3,303	–	3,303
Past due and impaired	–	–	62,526	62,526
	392,624	5,267	62,526	460,417
Home loans:				
High grade	2,784,776	–	–	2,784,776
Standard grade		44,441	–	44,441
Past due but not impaired	–	23,250	–	23,250
Past due and impaired	–	–	391,965	391,965
	2,784,776	67,691	391,965	3,244,432
Personal loans:				
High grade	38,618	–	–	38,618
Standard grade	–	1,991	–	1,991
Past due but not impaired	–	587	–	587
Past due and impaired	–	–	26,206	26,206
	38,618	2,578	26,206	67,402

(Forward)

Consolidated and Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
Total consumer loans:				
High grade	₱3,216,018	₱–	₱–	₱3,216,018
Standard grade	–	48,396	–	48,396
Past due but not impaired	–	27,140	–	27,140
Past due and impaired	–	–	480,697	480,697
	3,216,018	75,536	480,697	3,772,251
Total receivables from customers:				
High grade	64,029,515	–	–	64,029,515
Standard grade	–	10,424,327	–	10,424,327
Substandard grade	–	234,764	–	234,764
Past due but not impaired	–	164,508	–	164,508
Past due and impaired	–	–	2,590,552	2,590,552
	₱64,029,515	₱10,823,599	₱2,590,552	₱77,443,666

Movements during 2023 and 2022 for receivables from customers follows:

Consolidated and Parent Company	**2023**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Corporate loans:				
Balance at January 1, 2023	**₱60,813,498**	**₱10,748,062**	**₱2,109,855**	**₱73,671,415**
New assets originated or purchased	**23,165,581**	**-**	**-**	**23,165,581**
Assets derecognized or repaid	**(6,996,993)**	**(1,339,789)**	**(32,513)**	**(8,369,295)**
Transfers to Stage 1	**3,714,637**	**(3,674,530)**	**(40,107)**	–
Transfers to Stage 2	**(2,310,624)**	**2,310,624**	–	–
Transfers to Stage 3	**(116,279)**	**(5,248,781)**	**5,365,060**	–
Balance at December 31, 2023	**78,269,820**	**2,795,586**	**7,402,295**	**88,467,701**
Consumer loans:				
Auto loans:				
Balance at January 1, 2023	**392,624**	**5,267**	**62,526**	**460,417**
New assets originated or purchased	**179,990**	**-**	**-**	**179,990**
Assets derecognized or repaid	**(140,202)**	**(2,786)**	**(18,416)**	**(161,404)**
Transfers to Stage 1	**679**	**(644)**	**(35)**	**-**
Transfers to Stage 2	**-**	**-**	**-**	**-**
Transfers to Stage 3	**(662)**	**(1,837)**	**2,499**	**-**
Accounts written-off	–	–	**(24,865)**	**(24,865)**
Balance at December 31, 2023	**432,429**	–	**21,709**	**454,138**
Home loans:				
Balance at January 1, 2023	**2,784,776**	**67,691**	**391,965**	**3,244,432**
New assets originated or purchased	**207,409**	–	–	**207,409**
Assets derecognized or repaid	**(443,447)**	**(6,769)**	**(74,605)**	**(524,821)**
Transfers to Stage 1	**41,324**	**(35,798)**	**(5,526)**	**-**
Transfers to Stage 2	**(35,008)**	**67,944**	**(32,936)**	**-**
Transfers to Stage 3	**(50,343)**	**(20,777)**	**71,120**	**-**
Balance at December 31, 2023	**2,504,711**	**72,291**	**350,018**	**2,927,020**
Personal loans:				
Balance at January 1, 2023	**38,618**	**2,578**	**26,206**	**67,402**
New assets originated or purchased	**1,463**	–	–	**1,463**
Assets derecognized or repaid	**(10,504)**	**(1,145)**	**(3,548)**	**(15,197)**
Transfers to Stage 1	**480**	**(427)**	**(53)**	**-**
Transfers to Stage 2		**15**	**(15)**	**-**
Transfers to Stage 3	**(1,096)**	**(1,006)**	**2,102**	**-**
Accounts written-off	–	–	**(12,856)**	**(12,856)**
Balance at December 31, 2023	**28,961**	**15**	**11,836**	**40,812**

(Forward)

Consolidated and Parent Company	**2023**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Total consumer loans:				
Balance at January 1, 2023	**₱3,216,018**	**₱75,536**	**₱480,697**	**₱3,772,251**
New assets originated or purchased	**388,862**	**-**	**-**	**388,862**
Assets derecognized or repaid	**(594,153)**	**(10,700)**	**(96,569)**	**(701,422)**
Transfers to Stage 1	**42,483**	**(36,869)**	**(5,614)**	**-**
Transfers to Stage 2	**(35,008)**	**67,959**	**(32,951)**	**-**
Transfers to Stage 3	**(52,101)**	**(23,620)**	**75,721**	**-**
Accounts written-off	**-**	**-**	**(37,721)**	**(37,721)**
Balance at December 31, 2023	**2,966,101**	**72,306**	**383,563**	**3,421,970**
Total receivables from customers:				
Balance at January 1, 2023	**64,029,516**	**10,823,598**	**2,590,552**	**77,443,666**
New assets originated or purchased	**23,554,443**	**-**	**-**	**23,554,443**
Assets derecognized or repaid	**(7,591,146)**	**(1,350,489)**	**(129,082)**	**(9,070,717)**
Transfers to Stage 1	**3,757,120**	**(3,711,399)**	**(45,721)**	**-**
Transfers to Stage 2	**(2,345,632)**	**2,378,583**	**(32,951)**	**-**
Transfers to Stage 3	**(168,380)**	**(5,272,401)**	**5,440,781**	**-**
Accounts written-off	**-**	**-**	**(37,721)**	**(37,721)**
	₱81,235,921	**₱2,867,892**	**₱7,785,858**	**₱91,889,671**

Consolidated and Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans:				
Balance at January 1, 2022	₱49,723,948	₱7,897,571	₱2,611,532	₱60,233,051
New assets originated or purchased	26,992,686	–	–	26,992,686
Assets derecognized or repaid	(11,532,982)	(1,365,045)	(656,295)	(13,554,322)
Transfers to Stage 1	1,861,233	(1,861,233)	–	–
Transfers to Stage 2	(6,124,925)	6,171,833	(46,908)	–
Transfers to Stage 3	(106,463)	(95,063)	201,526	–
Balance at December 31, 2022	60,813,497	10,748,063	2,109,855	73,671,415
Consumer loans:				
Auto loans:				
Balance at January 1, 2022	452,291	18,702	127,113	598,106
New assets originated or purchased	146,221	–	–	146,221
Assets derecognized or repaid	(194,516)	(14,934)	(65,546)	(274,996)
Transfers to Stage 1	2,262	(2,262)	–	–
Transfers to Stage 2	(6,736)	8,624	(1,888)	–
Transfers to Stage 3	(6,898)	(4,863)	11,761	–
Accounts written-off	–	–	(8,914)	(8,914)
Balance at December 31, 2022	392,624	5,267	62,526	460,417
Home loans:				
Balance at January 1, 2022	2,995,384	82,052	559,166	3,636,602
New assets originated or Purchased	299,248	–	–	299,248
Assets derecognized or repaid	(528,238)	(9,021)	(154,159)	(691,418)
Transfers to Stage 1	98,886	(36,458)	(62,428)	–
Transfers to Stage 2	(15,959)	58,878	(42,919)	–
Transfers to Stage 3	(64,545)	(27,760)	92,305	–
Balance at December 31, 2022	2,784,776	67,691	391,965	3,244,432
Personal loans:				
Balance at January 1, 2022	109,400	5,579	98,172	213,151
New assets originated or Purchased	26,155	–	–	26,155
Assets derecognized or repaid	(92,062)	(3,679)	(10,893)	(106,634)
Transfers to Stage 1	3,935	(421)	(3,514)	–
Transfers to Stage 2	(2,204)	4,130	(1,926)	–
Transfers to Stage 3	(6,606)	(3,031)	9,637	–
Accounts written-off	–	–	(65,270)	(65,270)
Balance at December 31, 2022	38,618	2,578	26,206	67,402

(Forward)

Consolidated and Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
Total consumer loans:				
Balance at January 1, 2022	₱3,557,075	₱106,333	₱784,451	₱4,447,859
New assets originated or Purchased	471,624	–	–	471,624
Assets derecognized or repaid	(814,816)	(27,634)	(230,598)	(1,073,048)
Transfers to Stage 1	105,083	(39,141)	(65,942)	–
Transfers to Stage 2	(24,899)	71,632	(46,733)	–
Transfers to Stage 3	(78049)	(35,654)	113,703	–
Accounts written-off	–	–	(74,184)	(74,184)
Balance at December 31, 2022	3,216,018	75,536	480,697	3,772,251
Total receivables from customers:				
Balance at January 1, 2023	53,281,023	8,003,904	3,395,983	64,680,910
New assets originated or purchased	27,464,310	–	–	27,464,310
Assets derecognized or repaid	(12,347,798)	(1,392,679)	(886,893)	(14,627,370)
Transfers to Stage 1	1,966,316	(1,900,374)	(65,942)	–
Transfers to Stage 2	(6,149,824)	6,243,465	(93,641)	–
Transfers to Stage 3	(184,512)	(130,717)	315,229	–
Accounts written-off	–	–	(74,184)	(74,184)
	₱64,029,515	₱10,823,599	₱2,590,552	₱77,443,666

As of December 31, 2023 and the credit quality of other receivables, gross of allowance for credit losses follows:

Consolidated	**2023**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Unquoted debt securities:				
High grade	**₱366,900**	**₱–**	**₱–**	**₱366,900**
Accrued interest receivable:				
High grade	**885,294**	**–**	**–**	**885,294**
Standard grade	**-**	**15,782**	**–**	**15,782**
Substandard grade	**-**	**–**	**–**	**–**
Past due but not impaired	**-**	**258**	**229**	**487**
Past due and impaired	**-**	**-**	**70,641**	**70,641**
	885,294	**16,040**	**70,870**	**972,204**
Accounts receivable:				
High grade	**1,290,523**	**–**	**–**	**1,290,523**
Standard grade	**8,602**	**–**	**–**	**8,602**
Substandard grade	**–**	**4,999**	**–**	**4,999**
Past due but not impaired	**–**	**6,940**	**–**	**6,940**
Past due and impaired	**–**	**–**	**49,640**	**49,640**
	1,299,125	**11,939**	**49,640**	**1,360,704**
Sales contracts receivable:				
High grade	**45,711**	**–**	**–**	**45,711**
Standard grade	**–**	**–**	**–**	**–**
Past due but not impaired	**–**	**–**	**–**	**–**
Past due and impaired	**–**	**–**	**17,856**	**17,856**
	45,711	**–**	**17,856**	**63,567**
Total other receivables:				
High grade	**2,588,428**	**-**	**-**	**2,588,428**
Standard grade	**8,602**	**15,782**	**-**	**24,384**
Substandard grade	**–**	**4,999**	**-**	**4,999**
Past due but not impaired	**–**	**7,198**	**229**	**7,427**
Past due and impaired	**–**	**-**	**138,137**	**138,137**
	₱2,597,030	**₱27,979**	**₱138,366**	**₱2,763,375**

Parent Company	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Unquoted debt securities:				
High grade	**₱366,900**	**₱ -**	**₱ -**	**₱366,900**
Accrued interest receivable:				
High grade	**885,294**	**-**	**-**	**885,294**
Standard grade	**-**	**15,782**	**-**	**15,782**
Substandard grade	**-**	**-**	**-**	**-**
Past due but not impaired	**-**	**258**	**229**	**487**
Past due and impaired	**-**	**-**	**70,641**	**70,641**
	885,294	**16,040**	**70,870**	**972,204**
Accounts receivable:				
High grade	**1,293,356**	**-**	**-**	**1,293,356**
Standard grade	**8,602**	**-**	**-**	**8,602**
Substandard grade	**-**	**4,999**	**-**	**4,999**
Past due but not impaired	**-**	**6,940**	**-**	**6,940**
Past due and impaired	**-**	**-**	**49,640**	**49,640**
	1,301,958	**11,939**	**49,640**	**1,363,537**
Sales contracts receivable:				
High grade	**45,711**	**-**	**-**	**45,711**
Standard grade	**-**	**-**	**-**	**-**
Past due but not impaired	**-**	**-**	**-**	**-**
Past due and impaired	**-**	**-**	**17,856**	**17,856**
	45,711	**-**	**17,856**	**63,567**
Total other receivables:				
High grade	**2,591,261**	**-**	**-**	**2,591,261**
Standard grade	**8,602**	**15,782**	**-**	**24,384**
Substandard grade	**-**	**4,999**	**-**	**4,999**
Past due but not impaired	**-**	**7,198**	**229**	**7,427**
Past due and impaired	**-**	**-**	**138,137**	**138,137**
	₱2,599,863	**₱27,979**	**₱138,366**	**₱2,766,208**

	2022			
Unquoted debt securities:				
High grade	₱649,995	₱–	₱–	₱649,995
Accrued interest receivable:				
High grade	604,181	–	–	604,181
Standard grade	–	97,589	–	97,589
Substandard grade	–	1,215	–	1,215
Past due but not impaired	–	125	–	125
Past due and impaired	–	–	9,798	9,798
	604,181	98,929	9,798	712,908
Accounts receivable:				
High grade	924,020	–	–	924,020
Standard grade	11,719	–	–	11,719
Substandard grade	–	6,583	–	6,583
Past due but not impaired	–	6,700	–	6,700
Past due and impaired	–	–	51,535	51,535
	935,739	13,283	51,535	1,000,557
Sales contracts receivable:				
High grade	42,165	–	–	42,165
Standard grade	–	19,025	–	19,025
Past due but not impaired	–	–	–	-
Past due and impaired	–	–	2,525	2,525
	42,165	19,025	2,525	63,715
Total other receivables:				
High grade	2,220,362	–	–	2,220,362
Standard grade	11,719	116,614	–	128,333
Substandard grade	–	7,798	–	7,798
Past due but not impaired	–	6,825	–	6,825
Past due and impaired	–	–	63,858	63,857
	₱2,232,081	₱131,237	₱63,858	₱2,427,175

Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
Unquoted debt securities:				
High grade	₱649,995	₱–	₱–	₱649,995
Accrued interest receivable:				
High grade	604,181	–	–	604,181
Standard grade	–	97,589	–	97,589
Substandard grade	–	1,215	–	1,215
Past due but not impaired	–	125	–	125
Past due and impaired	–	–	9,798	9,798
	604,181	98,929	9,798	712,908
Accounts receivable:				
High grade	924,020		–	924,020
Standard grade	14,552	–	–	14,552
Substandard grade	–	6,583	–	6,583
Past due but not impaired	–	6,700	–	6,700
Past due and impaired	–	–	51,535	51,535
	938,572	13,283	51,535	1,003,390
Sales contracts receivable:				
High grade	42,165	–	–	42,165
Standard grade	–	19,025	–	19,025
Past due but not impaired	–	–	–	-
Past due and impaired	–	–	2,525	2,525
	42,165	19,025	2,525	63,715
Total other receivables:				
High grade	2,220,362	–	–	2,220,362
Standard grade	14,552	116,614	–	131,166
Substandard grade	–	7,798	–	7,798
Past due but not impaired	–	6,825	–	6,825
Past due and impaired	–	–	63,858	63,858
	₱2,234,914	₱131,237	₱63,858	₱2,430,009

Movements during 2023 and 2022 for other receivables follows:

Consolidated	**2023**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Unquoted debt securities:				
Balance at January 1, 2023	**₱649,995**	**₱–**	**₱–**	**₱649,995**
Assets derecognized or repaid	**(283,095)**	**–**	**–**	**(283,095)**
Balance at December 31, 2023	**366,900**	**–**	**–**	**366,900**
Accrued interest receivable:				
Balance at January 1, 2023	**604,181**	**98,929**	**9,798**	**712,908**
New assets originated or purchased	**374,211**	**–**	**–**	**374,211**
Assets derecognized or repaid	**(93,112)**	**(20,062)**	**(1,310)**	**(114,484)**
Transfers to Stage 1	**17,127**	**(16,915)**	**(212)**	**–**
Transfers to Stage 2	**(11,640)**	**11,779**	**(139)**	**–**
Transfers to Stage 3	**(5,473)**	**(57,691)**	**63,164**	**–**
Accounts written-off	**-**	**-**	**(431)**	**(431)**
Balance at December 31, 2023	**885,294**	**16,040**	**70,870**	**972,204**
Accounts receivable:				
Balance at January 1, 2023	**935,739**	**13,283**	**51,535**	**1,000,557**
New assets originated or Purchased	**6,095,640**	**–**	**–**	**6,095,640**
Assets derecognized or repaid	**(5,727,268)**	**(1,035)**	**(6,913)**	**(5,735,216)**
Transfers to Stage 1	**(4,986)**	**(309)**	**5,295**	**–**
Transfers to Stage 2	**–**	**–**	**–**	**–**
Transfers to Stage 3	**–**	**–**	**–**	**–**
Accounts written-off	**–**	**–**	**(277)**	**(277)**
Balance at December 31, 2023	**1,299,125**	**11,939**	**49,640**	**1,360,704**

(Forward)

Consolidated	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Sales contract receivable:				
Balance at January 1, 2023	**₱42,166**	**₱19,025**	**₱2,524**	**₱63,715**
New assets originated or Purchased	**21,226**	**-**	**236**	**21,462**
Assets derecognized or repaid	**(10,879)**	**(8,495)**	**(2,236)**	**(21,610)**
Transfers to Stage 1	**1,405**	**(1,402)**	**(3)**	**–**
Transfers to Stage 2	**–**	**–**	**–**	**–**
Transfers to Stage 3	**(8,207)**	**(9,128)**	**17,335**	**–**
Balance at December 31, 2023	**45,711**	**–**	**17,856**	**63,567**
Total other receivables:				
Balance at January 1, 2023	**2,232,081**	**131,237**	**63,857**	**2,427,175**
New assets originated or purchased	**6,491,077**	**–**	**236**	**6,491,313**
Assets derecognized or repaid	**(6,114,354)**	**(29,592)**	**(10,459)**	**(6,154,405)**
Transfers to Stage 1	**13,546**	**(18,626)**	**5,080**	**-**
Transfers to Stage 2	**(11,640)**	**11,779**	**(139)**	**-**
Transfers to Stage 3	**(13,680)**	**(66,819)**	**80,499**	**-**
Accounts written-off	**–**	**–**	**(708)**	**(708)**
	₱2,597,030	**₱ 27,979**	**₱138,366**	**₱ 2,763,375**

Parent Company	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Unquoted debt securities:				
Balance at January 1, 2023	**₱649,995**	**₱–**	**₱–**	**649,995**
Assets derecognized or repaid	**(283,095)**	**–**	**–**	**(283,095)**
Balance at December 31, 2023	**366,900**	**–**	**–**	**366,900**
Accrued interest receivable:				
Balance at January 1, 2023	**603,075**	**98,928**	**9,798**	**711,801**
New assets originated or Purchased	**398,791**	**–**	**–**	**398,791**
Assets derecognized or repaid	**(116,586)**	**(20,061)**	**(1,310)**	**(137,957)**
Transfers to Stage 1	**17,127**	**(16,915)**	**(212)**	**–**
Transfers to Stage 2	**(11,640)**	**11,779**	**(139)**	**–**
Transfers to Stage 3	**(5,473)**	**(57,691)**	**63,164**	**–**
Accounts written-off	**-**	**-**	**(431)**	**(431)**
Balance at December 31, 2023	**885,294**	**16,040**	**70,870**	**972,204**
Accounts receivable:				
Balance at January 1, 2023	**938,572**	**13,283**	**51,535**	**1,003,390**
New assets originated or Purchased	**6,095,640**	**–**	**–**	**6,095,640**
Assets derecognized or repaid	**(5,727,268)**	**(1,035)**	**(6,913)**	**(5,735,216)**
Transfers to Stage 1	**(4,986)**	**(309)**	**5,295**	**–**
Transfers to Stage 2	**–**	**–**	**–**	**–**
Transfers to Stage 3	**–**	**–**	**–**	**–**
Accounts written-off	**–**	**–**	**(277)**	**(277)**
Balance at December 31, 2023	**1,301,958**	**11,939**	**49,640**	**1,363,537**
Sales contract receivable:				
Balance at January 1, 2023	**42,166**	**19,025**	**2,524**	**63,715**
New assets originated or Purchased	**21,226**	**-**	**236**	**21,462**
Assets derecognized or repaid	**(10,879)**	**(8,495)**	**(2,236)**	**(21,610)**
Transfers to Stage 1	**1,405**	**(1,402)**	**(3)**	**–**
Transfers to Stage 2	**–**	**–**	**–**	**–**
Transfers to Stage 3	**(8,207)**	**(9,128)**	**17,335**	**–**
Balance at December 31, 2023	**45,711**	**–**	**17,856**	**63,567**
Total other receivables:				
Balance at January 1, 2023	**2,233,808**	**131,236**	**63,857**	**2,428,901**
New assets originated or Purchased	**6,515,656**	**–**	**236**	**6,515,892**
Assets derecognized or repaid	**(6,137,827)**	**(29,591)**	**(10,459)**	**(6,177,877)**
Transfers to Stage 1	**13,546**	**(18,626)**	**5,080**	
Transfers to Stage 2	**(11,640)**	**11,779**	**(139)**	**–**
Transfers to Stage 3	**(13,680)**	**(66,819)**	**80,499**	**–**
Accounts written-off	**-**	**-**	**(708)**	**(708)**
	₱2,599,863	**₱27,979**	**₱138,366**	**₱2,766,208**

Consolidated	2022			
	Stage 1	Stage 2	Stage 3	Total
Unquoted debt securities:				
Balance at January 1, 2022	₱678,557	₱–	₱–	₱678,557
Assets derecognized or repaid	(28,562)	–	–	(28,562)
Balance at December 31, 2022	649,995	–	–	649,995
Accrued interest receivable:				
Balance at January 1, 2022	436,241	109,066	14,463	559,770
New assets originated or purchased	314,082	-	-	314,082
Assets derecognized or repaid	(113,991)	(40,661)	(4,436)	(159,088)
Transfers to Stage 1	4,556	(4,250)	(306)	-
Transfers to Stage 2	(34,453)	34,484	(31)	-
Transfers to Stage 3	(2,254)	290	1,964	-
Accounts written-off	-	-	(1,856)	(1,856)
Balance at December 31, 2022	604,181	98,929	9,798	712,908
Accounts receivable:				
Balance at January 1, 2022	1,488,250	35,119	29,844	1,553,213
New assets originated or Purchased	4,408,787	–	–	4,408,787
Assets derecognized or repaid	(4,958,956)	(5,997)	5,602	(4,959,351)
Transfers to Stage 1	(2,342)	(15,839)	18,181	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Accounts written-off	–	–	(2,092)	(2,092)
Balance at December 31, 2022	935,739	13,283	51,535	1,000,557
Sales contract receivable:				
Balance at January 1, 2022	37,562	126	7,467	45,155
New assets originated or Purchased	31,021	–	–	31,021
Assets derecognized or repaid	(5,306)	(6,586)	(569)	(12,461)
Transfers to Stage 1	3,647	(63)	(3,584)	–
Transfers to Stage 2	(24,694)	25,548	(854)	–
Transfers to Stage 3	(64)	–	64	–
Balance at December 31, 2022	42,166	19,025	2,524	63,715
Total other receivables:				
Balance at January 1, 2022	2,640,610	144,311	51,774	2,836,695
New assets originated or purchased	4,753,890	-	-	4,753,890
Assets derecognized or repaid	(5,106,815)	(53,244)	597	(5,159,462)
Transfers to Stage 1	5,861	(20,152)	14,291	-
Transfers to Stage 2	(59,147)	60,032	(885)	-
Transfers to Stage 3	(2,318)	290	2,028	-
Accounts written-off	-	-	(3,948)	(3,948)
	2,232,081	131,237	63,857	2,427,175

Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
Unquoted debt securities:				
Balance at January 1, 2022	678,557	–	–	678,557
Assets derecognized or repaid	(28,562)	–	–	(28,562)
Balance at December 31, 2022	649,995	–	–	649,995
Accrued interest receivable:				
Balance at January 1, 2022	436,241	109,066	14,463	559,770
New assets originated or Purchased	314,082	-	-	314,082
Assets derecognized or repaid	(113,991)	(40,661)	(4,436)	(159,088)
Transfers to Stage 1	4,556	(4,250)	(306)	-
Transfers to Stage 2	(34,453)	34,484	(31)	-
Transfers to Stage 3	(2,254)	290	1,964	-
Accounts written-off	-	-	(1,856)	(1,856)
Balance at December 31, 2022	604,181	98,929	9,798	712,908

(Forward)

Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
Accounts receivable:				
Balance at January 1, 2022	₱1,491,083	₱35,119	₱29,844	₱1,556,046
New assets originated or Purchased	4,408,787	-	-	4,408,787
Assets derecognized or repaid	(4,958,956)	(5,997)	5,602	(4,959,351)
Transfers to Stage 1	(2,342)	(15,839)	18,181	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Accounts written-off	-	-	(2,092)	(2,092)
Balance at December 31, 2022	938,572	13,283	51,535	1,003,390
Sales contract receivable:				
Balance at January 1, 2022	37,562	126	7,467	45,155
New assets originated or Purchased	31,021	–	–	31,021
Assets derecognized or repaid	(5,306)	(6,586)	(569)	(12,461)
Transfers to Stage 1	3,647	(63)	(3,584)	–
Transfers to Stage 2	(24,694)	25,548	(854)	–
Transfers to Stage 3	(64)	-	64	–
Balance at December 31, 2022	42,166	19,025	2,524	63,715
Total other receivables:				
Balance at January 1, 2022	2,643,443	144,311	51,774	2,839,528
New assets originated or Purchased	4,753,890	–	–	4,753,890
Assets derecognized or repaid	(5,106,815)	(53,244)	597	(5,159,462)
Transfers to Stage 1	5,861	(20,152)	14,291	–
Transfers to Stage 2	(59,147)	60,032	(885)	–
Transfers to Stage 3	(2,318)	290	2,028	–
Accounts written-off	–	–	(3,948)	(3,948)
	₱2,234,914	₱131,237	₱63,857	₱2,430,008

As of December 31, 2023 and 2022, the credit quality of other financial assets (RCOCI and refundable security deposits) are as follows:

Consolidated and Parent Company	**2023**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
High grade	**₱41,463**	**₱–**	**₱–**	**₱41,463**
Standard grade	**1,311**	**–**	**–**	**1,311**
Past due and impaired	**–**	**–**	**1,564**	**1,564**
	₱42,774	**₱–**	**₱1,564**	**₱44,338**

Consolidated and Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
High grade	₱35,561	₱–	₱–	₱35,561
Standard grade	44	–	–	44
Past due and impaired	–	–	1,564	1,564
	₱35,605	₱–	₱1,564	₱37,169

Movements during 2023 and 2022 for other financial assets follows:

Consolidated and Parent Company	**2023**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at January 1	**₱35,605**	**₱–**	**₱1,564**	**₱37,169**
New assets originated or purchased	**7,169**	**–**	**–**	**7,169**
Assets derecognized or repaid	**–**	**–**	**–**	**–**
Balance at December 31	**₱42,774**	**₱–**	**₱1,564**	**₱44,338**

Consolidated and Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
Balance at January 1	₱33,969	₱–	₱1,564	₱35,533
New assets originated or purchased	8,664	–	–	8,664
Assets derecognized or repaid	(7,028)	–	–	(7,028)
Balance at December 31	₱35,605	₱–	₱1,564	₱37,169

As of December 31, 2023 and 2022, the credit quality of the Group's and the Parent Company's financial guarantees, letters of credit and loan commitments follows:

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
High grade	**₱2,981,611**	₱–	₱–	**₱2,981,611**
Standard grade	–	–	–	–
	₱2,981,611	**₱–**	**₱**	**₱2,981,611**

	2022			
	Stage 1	Stage 2	Stage 3	Total
High grade	₱3,557,039	₱–	₱–	₱3,557,039
Standard grade	–	40,903	–	40,903
	₱3,557,039	₱40,903	₱	₱3,597,942

Movements during 2023 and 2022 for the Group's and the Parent Company's financial guarantees, letters of credit and loan commitments follows:

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at January 1	**₱3,557,039**	**₱40,903**	**₱-**	**₱3,597,942**
New assets originated or purchased	**1,286,883**	**-**	**-**	**1,286,883**
Assets derecognized or repaid	**(1,862,311)**	**(40,903)**		**(1,903,214)**
Balance at December 31	**₱2,981,611**	**₱-**	**₱-**	**₱2,981,611**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balance at January 1	₱2,437,869	₱237,928	₱–	₱2,675,797
New assets originated or purchased	2,198,227	-	–	2,198,227
Transfers	(39,903)	39,903	–	-
Assets derecognized or repaid	(1,039,154)	(236,928)	–	(1,276,082)
Balance at December 31	₱3,557,039	₱40,903	₱–	₱3,597,942

As of December 31, 2023 and 2022, restructured loans by the Group and the Parent Company which are neither past due nor impaired are as follow:

	2023	2022
Receivables from customers:		
Corporate	**₱515,473**	₱852,809
Consumer	**145,557**	148,668

a. Due from Banks, Interbank Loans Receivables, Government Securities and Corporate Investments

The Group follows an internally developed risk rating system for local banks and external risk ratings [that is, Standard and Poor's (S&P)] for foreign banks, government securities and corporate investments.

A description of the rating systems for local banks follows:

High Grade (Tier 1)
Tier 1 - Banks categorized under this tier are capable of withstanding very difficult market conditions for 2-3 years without deteriorating to a substandard credit classification by virtue of their size, reputation and ranking in the industry.

Standard Grade (Tier 2 to Tier 3)
These are accounts that have potential weaknesses that deserve management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the financial instrument, thus, increase credit risk to the Group.A

Tier 2 - Banks categorized under this tier may deteriorate to substandard within 1-2 years under very difficult market conditions.

Tier 3 - Banks categorized under this tier may deteriorate to substandard within one year under very difficult market conditions. These are banks, which fall short relative to size, in view of perceived concern of uncertainty about their portfolio, earnings, or market condition. Banks with total net worth of ₱3.00 billion to less than ₱4.50 billion and net income of ₱200.00 million to less than ₱400.00 million are included in this category.

Substandard Grade (Tier 4)
Tier 4 - These are banks, which fall short relative to size, in view of perceived concern of uncertainty about their portfolio, earnings, or market condition. Banks with total net worth of ₱1.50 billion to less than ₱3.00 billion and net income of ₱70.00 million to less than ₱200.00 million are included in this category.

The following is the credit rating scale applicable for foreign banks, government securities, and corporate investment outlets (aligned with S&P ratings):

AAA - Obligor's capacity to meet its financial commitment is extremely strong.

AA - Obligor's capacity to meet its financial commitment is very strong. It differs from the highest-rated obligors at a minimal degree.

A - Obligor has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors rated in higher-rated categories.

BBB and below:

BBB - Obligation rated 'BBB' has adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

BB - Obligation is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

B - Obligation rated 'B' is more vulnerable to nonpayment than obligations rated 'BB', but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation.

CCC - Obligation is currently vulnerable to nonpayment, and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation.

CC - Obligation is currently highly vulnerable to nonpayment.

C - Obligation is currently highly vulnerable to nonpayment, payment arrearages allowed by the terms of the documents, and subject of a bankruptcy petition or similar action which have not experienced a payment default.

Among others, the 'C' rating may be assigned to subordinated debt, preferred stock or other obligations on which cash payments have been suspended in accordance with the instrument's terms or when preferred stock is the subject of a distressed exchange offer, whereby some or all of the issue is either repurchased for an amount of cash or replaced by other instruments having a total value that is less than par.

D - Obligation is in payment default. Payments on an obligation are not made on the due date even if the applicable grace period has not expired. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of similar action if payments on an obligation are jeopardized. An obligation's rating is lowered to 'D' upon completion of a distressed exchange offer, whereby some or all of the issue is either repurchased for an amount of cash or replaced by other instruments having a total value that is less than par.

As of December 31, 2023 and 2022, the credit quality of loans and advances to banks and investment securities, gross of allowance for ECL follows:

Consolidated and Parent Company	**2023**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Due from BSP:				
High grade	**₱12,204,980**	**₱-**	**₱-**	**₱12,204,980**
Due from other banks:				
High grade	**172,147**	**-**	**-**	**172,147**
Standard grade	**312,655**	**-**	**-**	**312,655**
Unrated	**728**	**-**	**-**	**728**
	485,530	**-**	**-**	**485,530**
Interbank loans receivable and SPURA:				
High grade	**492,353**	**-**	**-**	**492,353**
Total loans and advances to banks:				
High grade	**12,869,480**	**-**	**-**	**12,869,480**
Standard grade	**312,655**	**-**	**-**	**312,655**
Unrated	**728**	**-**	**-**	**728**
	₱13,182,863	**₱-**	**₱-**	**₱13,182,863**

(Forward)

Consolidated and Parent Company	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Debt securities at FVTOCI:				
High grade	**₱8,227,862**	**₱–**	**₱–**	**₱8,227,862**
Investment securities at amortized cost:				
High grade	**27,789,193**	**-**	**-**	**27,789,193**
Total debt investment securities				
High grade	**36,017,055**	**-**	**-**	**36,017,055**
Standard grade	**–**	**–**	**–**	**-**
	₱36,017,055	**₱–**	**₱–**	**₱36,017,055**

Consolidated and Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
Due from BSP:				
High grade	₱11,336,471	₱–	₱–	₱11,336,471
Due from other banks:				
High grade	1,038,193	–	–	1,038,193
Standard grade	50,997	–	–	50,997
Unrated	–	–	–	–
	1,089,190	–	–	1,089,190
Interbank loans receivable and SPURA:				
High grade	2,600,579	–	–	2,600,579
Total loans and advances to banks:				
High grade	14,975,243	–	–	14,975,243
Standard grade	50,997	–	–	50,997
Unrated	–	–	–	–
	₱15,026,240	₱–	₱–	₱15,026,240
Debt securities at FVTOCI:				
High grade	₱4,858,402	₱–	₱–	₱4,858,402
Investment securities at amortized cost:				
High grade	21,676,147	–	–	21,676,147
Total debt investment securities				
High grade	26,534,549	–	–	26,534,549
Standard grade	–	–	–	–
	₱26,534,549	₱–	₱–	₱26,534,549

Total credit risk exposure

The tables below show the different credit risk exposures of the Group and of the Parent Company by risk weight applied in accordance with MORB Section 125 and Appendix 59 as reported to the BSP:

Consolidated and Parent Company

	2023						
	Net Exposures[(a)]	**Risk Weights[(b)]** 0%	**20%**	**50%**	**75%**	**100%**	**150%**
On-balance sheet assets[(c)]	**₱148,634**	**₱38,736**	**₱6**	**₱14,249**	**₱–**	**₱94,171**	**₱1,471**
Credit risk weighted on-balance sheet assets (d = b x c)	**103,504**	**–**	**1**	**7,125**	**–**	**94,171**	**2,207**
Off-balance sheet assets[(e)]	**18.381**	**15,400**	**2,040**	**–**	**–**	**942**	**–**
Credit risk weighted off-balance sheet assets (f = b x e)	**1,350**	**–**	**408**	**–**	**–**	**942**	**–**
Banking Book[(g)]							
Counter party risk-weighted assets in Banking Books (h = b x g)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total Credit Risk Weighted Assets[(d + f + h)]	**₱104,854**	**₱–**	**₱409**	**₱7,125**	**₱–**	**₱95,113**	**₱2,207**

(a) *Net of specific provisions*

Consolidated and Parent Company

	2022						
	Net Exposures[(a)]	Risk Weights[(b)] 0%	20%	50%	75%	100%	150%
On-balance sheet assets[(c)]	₱124,487	₱31,095	₱66	₱13,506	₱–	₱78,281	₱1,539
Credit risk weighted on-balance sheet assets (d = b x c)	87,355	–	13	6,753	–	78,281	2,308
Off-balance sheet assets[(e)]	15,572	11,973	2,628	–	–	971	–
Credit risk weighted off-balance sheet assets (f = b x e)	1,497	–	526	–	–	971	–
Banking Book[(g)]							
Counter party risk-weighted assets in Banking Books (h = b x g)	–	–	–	–	–	–	–
Total Credit Risk Weighted Assets[(d + f + h)]	₱88,852	₱–	₱539	₱6,753	₱–	₱79,252	₱2,308

Liquidity Risk and Funding Management

Liquidity risk is the risk that the Parent Company will be unable to meet its payment obligations when they fall due under normal and stressful conditions. To mitigate this risk, management diversifies its funding while it strengthens its core deposit base and actively, monitors future cash flows and liquidity position on a daily basis.

This incorporates an assessment of expected cash flows and the amount of secured funding that can be tapped from its holdings of high quality securities as well as unsecured funding. The Parent Company measures liquidity risk using the Maximum Cumulative Outflow (MCO) metric. Utilization against the Board-approved MCO limit is monitored on a monthly basis and is reported to the ALCO and ROC. The ALCO meets weekly to discuss, among others, the liquidity state of the Parent Company.

The Parent Company maintains a portfolio of highly marketable securities that can be easily monetized in the event of an unforeseen interruption of cash flows. The Parent Company also ensures that it complies with LCR and NSFR regulatory liquidity risk limits. This includes an assessment of the liquidity characteristics of its portfolio of assets that will provide necessary liquidity support during periods of liquidity stress as required by MORB Section 145.

In managing Intraday liquidity, the Parent Company performs its Intraday Liquidity Monitoring in accordance with MORB Section 145. It monitors the levels and trends of intraday liquidity risk exposures vis-a-vis the ability of the Parent Company to meet immediate payment and settlement obligations on a timely basis. Apart from monitoring compliance with regulatory ratios, the Parent Company also utilizes internal Liquidity Ratios that allows the it to easily gauge its readily available liquidity based on its holdings of high quality liquid assets as well as estimated unsecured funding, against deposit liabilities on a daily basis. These ratios also aid in the management of substantial liability outflows and funding for new loans.

Collectively, these allow the Parent Company to readily support its new business strategies and direction and management of liquidity risk.

Analysis of financial instruments by remaining contractual maturities
The tables below summarize the maturity profile of the Group's and the Parent Company's financial instruments as of December 31, 2023 and 2022, based on undiscounted contractual payments, except for financial assets at FVTPL. Repayments which are subject to notice are treated as if notices are to be given immediately. However, the Group and the Parent Company expect that many customers will not request repayment on the earliest date the Group and the Parent Company could be required to pay and the tables do not reflect the expected cash flows indicated by the Group's and the Parent Company's deposit retention history (amounts in millions):

Consolidated and Parent Company			2023			
	On Demand	Less than 3 Months	3-12 Months	1-2 Years	Beyond 2 Years*	Total
Financial assets						
Financial assets at FVTOCI	₱-	₱180	₱236	₱434	₱7,989	₱8,839
Investment securities at amortized cost:						
Government securities	-	416	799	1,135	25,640	27,990
Sovereign bonds	-	211	211	423	381	1,226
Loans and receivables:						
Due from BSP	12,205	-	-	-	-	12,205
Due from other banks	-	486	-	-	-	486
Interbank loans receivable	-	492	-	-	-	492
Receivables from customers:						
Corporate	2,711	33,022	13,748	7,412	43,325	100,218
Consumer	393	71	257	372	4,439	5,532
Unquoted debt securities	-	-	-	367		367
Accrued interest receivable	-	602	370	-	-	972
Accounts receivable	1,300	2	7	-	55	1,364
Sales contracts receivable	-	19	1	-	44	64
Refundable deposit	-	-	-	-	43	43
RCOCI	1	-	-	-	-	1
	16,610	35,501	15,629	10,143	81,916	159,799

(Forward)

Consolidated and Parent Company	2023					
	On Demand	Less than 3 Months	3-12 Months	1-2 Years	Beyond 2 Years*	Total
Financial liabilities						
Deposit liabilities:						
Demand	₱41,396	₱–	₱–	₱–	₱–	41,396
Savings	13,315	–	–	–	–	13,315
Time	-	47,240	10,854	878	890	59,862
LTNCD	-	41	2,865		-	2,906
Bills payable:						-
Private firms and individuals	-	7,862	818		-	8,680
Banks and other financial institutions	-	1,159	-	-	-	1,159
Outstanding acceptances	105	-	-	-	-	105
Manager's checks	632	-	-	-	-	632
Accrued interest payable	-	710	52	-	-	762
Accrued other expenses	-	646	-	-	-	646
Other liabilities:						-
Accounts payable	315	-	-	-	-	315
Refundable security deposits	-	15	44	44	7	110
Miscelllaneous liabilities	31	-	-	-	-	31
	₱55,794	₱57,673	₱14,633	₱922	₱897	₱129,919

**Including non-performing loans and receivables*

Consolidated and Parent Company	2022					
	On Demand	Less than 3 Months	3-12 Months	1-2 Years	Beyond 2 Years*	Total
Financial assets						
Financial assets at FVTOCI	₱–	₱66	₱190	₱267	₱5,708	₱6,231
Investment securities at amortized cost:						
Government securities	–	393	653	1,049	21,433	23,528
Sovereign bonds	–	–	238		–	238
Loans and receivables:						
Due from BSP	11,336	–	–	–	–	11,336
Due from other banks	–	1,089	–	–	–	1,089
Interbank loans receivable	–	2,601	–	–	–	2,601
Receivables from customers:						
Corporate	1,765	1,247	3,519	42,864	40,363	89,758
Consumer	533	66	180	383	5,117	6,279
Unquoted debt securities	–	–	–	–	650	650
Accrued interest receivable	–	472	32	22	187	713
Accounts receivable	875	69	4	3	52	1,003
Sales contracts receivable	–	12	4	4	44	64
Refundable deposit	–	–	–	–	37	37
RCOCI	–	–	–	–	–	–
	₱14,509	₱6,015	₱4,820	₱44,592	₱73,591	₱143,527
Financial liabilities						
Deposit liabilities:						
Demand	₱45,500	₱–	₱–	₱–	₱–	45,500
Savings	12,668	–	–	–	–	12,668
Time	–	28,482	7,583	1,293	1,477	38,835
LTNCD	–	41	122	2,947	–	3,110
Bills payable:						
Private firms and individuals	–	3,571	1,469	–	–	5,040
Banks and other financial institutions	–	2,395	217	–	–	2,612
Outstanding acceptances	50	–	–	–	–	50
Manager's checks	221	–	–	–	–	221
Accrued interest payable	–	151	42	–	–	193
Accrued other expenses	–	589	–	–	–	589
Other liabilities:						
Accounts payable	277	–	–	–	–	277
Refundable security deposits	–	44	18	56	14	132
Miscellaneous Liabilities	31	–	–	–	–	31
	₱58,747	₱35,273	₱9,451	₱4,296	₱1,491	₱109,258

**Including non-performing loans and receivables*

The tables below show the contractual expiry of the Group's and the Parent Company's commitments and contingent liabilities as of December 31, 2023 and 2022 (amounts in millions):

	2023				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**Beyond 1 Year**	**Total**
Unused Commercial LC:					
Standby LC	**₱65**	**₱133**	**₱697**	**₱47**	**₱942**
Sight LC outstanding	**–**	**121**	**473**	**–**	**594**
Usance LC outstanding	**–**	**3**	**–**	**–**	**3**
Outstanding shipping guarantees	**1,316**	**–**	**127**	**-**	**1,443**
Spot exchange:					
Sold	**2,175**	**–**	**–**	**–**	**2,175**
Bought	**594**	**–**	**–**	**–**	**594**
Currency forwards:					
Sold	**–**	**50**	**–**	**–**	**50**
Bought	**–**	**1**	**–**	**–**	**1**
	₱4,150	**₱308**	**₱1,297**	**₱47**	**₱5,802**

	2022				
	On Demand	Less than 3 Months	3 to 12 Months	Beyond 1 Year	Total
Unused Commercial LC:					
Standby LC	₱81	₱130	₱707	₱52	₱970
Sight LC outstanding	14	18	315	–	347
Usance LC outstanding	5	-	591	–	596
Outstanding shipping guarantees	445	123	1,116	–	1,684
Spot exchange:					
Sold	561	–	–	–	561
Bought	252	–	–	–	252
Currency forwards:					
Sold	–	75	–	–	75
Bought	–	1	–	–	1
	₱1,358	₱347	₱2,729	₱52	₱4,486

Liquidity Position and Leverage

Liquidity Coverage Ratio

Pursuant to MORB Section 145 which aims to promote short-term resilience of banks' liquidity risk profile to withstand significant liquidity shocks that may last over 30 calendar days, the Group is required to hold and maintain an adequate level of unencumbered high-quality liquid assets (HQLA) that are sufficient to meet its estimated total cash outflows over a 30-calendar day horizon of liquidity stress. The LCR is the ratio of HQLAs to total net cash outflows which should be no lower than 100% on a daily basis. HQLA represents the Group's stock of liquid assets that qualify for inclusion in the LCR which consists mainly of cash, regulatory reserves and unencumbered high-quality liquid securities. HQLAs therefore, serve as defense against potential stress events.

As of December 31, 2023 and 2022, LCR of the Parent Company is shown in the table below (amounts, except ratios, are expressed in millions):

	2023	2022
Total Stock of High-Quality Liquid Assets	**₱38,867**	₱32,014
Total Net Cash Outflows	**23,507**	15,150
LCR	**165.34%**	211.31%

Net Stable Funding Ratio
Pursuant to MORB Section 145, the Group is required to compute its Net Stable Funding Ratio (NSFR). The NSFR is aimed at strengthening the Group's long-term resilience by maintaining a stable funding in relation to its assets and off-balance sheet items. The NSFR is expressed as the ratio of available stable funding and the required stable funding and complements the LCR as it takes a longer view of the Group's liquidity risk profile.

As of December 31, 2023 and 2022, NSFR of the Parent Company is shown in the table below (amounts, except ratios, are expressed in millions):

	2023	2022
Available stable funding	**₱100,231**	₱87,749
Required stable funding	**76,597**	65,584
NSFR	**130.85%**	133.80%

Both LCR and NSFR should be maintained no lower than 100.00% on a daily basis under normal situations.

Market Risk Management
Market risk is the risk of loss to future earnings, fair values or future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes. The Parent Company's market risk originates from the Parent Company's holdings of foreign exchange instruments, debt securities, equity securities and derivatives.

Value-at-Risk (VaR)
VaR is a statistical estimate of potential loss given prevailing market price trends, correlations and volatilities. VaR estimates the potential decline in the value of a portfolio, under normal market conditions, a given "confidence level" over a specified time horizon. VaR is used to alert senior management whenever the potential for losses in the Parent Company's portfolios exceeds the VaR limit. This allows management to react quickly and adjust its portfolio strategies in different market conditions in accordance with the Parent Company's risk philosophy and appetite.

In 2023 and 2022, Parent Company uses Historical VaR Model using 99% confidence level, and a 1-day defeasance period.

The Market & Asset-Liability Risk Management Team runs VaR on a daily basis, monitors the VaR against the BOD approved VaR limit and submits Daily VaR Reports to concerned division/group/segment heads.

To verify the validity of the VaR model used, the Treasury Operations Division performs quarterly back testing to examine how frequently actual daily losses exceeds the daily VaR. Backtesting results are reviewed by the head of Treasury Operations Division. Exceptions, if any, are reported to the ROC and the BOD.

A summary of the VaR position of USD fixed income exposures of the Parent Company to changes in market conditions is as follows:

	Market Price and Interest Rate	
	USD Bonds from January to December 2023 (in ₱ millions)	USD Bonds from January to December 2022 (in ₱ millions)
31 December	**22**	41
Average Daily	**77**	43
Highest	**144**	68
Lowest	**19**	32

A summary of the VaR position of PHP fixed income exposures of the Parent Company to changes in market conditions is as follows:

	Interest Rate	
	Peso Bonds 2023 (in ₱ millions)	Peso Bonds 2022 (in ₱ millions)
31 December	**44**	19
Average Daily	**32**	19
Highest	**72**	37
Lowest	**2**	8

A summary of the VaR position of FX exposures of the Parent Company to changes in market conditions is as follows

	Foreign Exchange	
	FX Open position 2023 (in ₱ millions)	FX Open position 2022 (in ₱ millions)
31 December	1.93	4.00
Average Daily	3.99	3.10
Highest	11.35	6.69
Lowest	0.13	0.07

Stress testing
Since VaR is designed to describe risk in normal market conditions (that is, 99.00% of the time), it may not capture potential losses in the extreme that occur following movements outside the prevailing market trend. Stress testing is done to address extreme market conditions.

The Parent Company performs stress testing on its foreign currency trading position and on its outstanding investment portfolios. Stress testing is a technique used to determine the impact on earnings of above position/portfolios from conditions or scenarios deemed “extreme” but plausible. Stress testing is used to inform senior management as to where vulnerabilities in the Parent Company’s portfolio actually lie.

This helps the Parent Company to evaluate its tolerance for risks and understand the combinations of risks that can produce large losses.

Unlike VaR, which reflects price behavior in everyday markets, stress tests simulate portfolio performance during abnormal market periods. Accordingly, these provide information about risks falling outside those typically captured by the VaR framework. Hence, losses resulting from stress tests are larger than the losses predicted by the VaR model.

The Parent Company performs the stress testing of its Bond portfolios and open FX position using internally developed stress test assumptions as well as the uniform set of market stress shocks as prescribed by the BSP under their Uniform Stress Testing Program for Banks. The stress testing using internal assumptions are conducted monthly while BSP uniform stress testing are conducted semiannually. Results of the stress tests are reported to the ALCO, ROC and BOD.

Interest Rate Risk Management

Interest rate risk arises from the possibility that changes in the interest rates will affect future cash flows or the fair value of financial instruments. The Parent Company follows a prudent policy on managing its assets and liabilities so as to ensure that the exposure to fluctuations in interest rates is kept within acceptable limits.

As of December 31, 2023 and 2022, 85.03% and 81.78%, respectively, of the Bank's total loan portfolio comprised floating rate loans which are repriced periodically by reference to the transfer pool rate that reflects the Bank's internal cost of funds. As a result of these factors, the Bank's exposure to interest rate fluctuations, and other market risks, is significantly reduced.

The Bank, in keeping with banking industry practice, aims to achieve stability and lengthen the term structure of its deposit base, while providing adequate liquidity to cover transactional banking requirements of customers. Interest is paid on substantial portion of demand accounts which constituted 35.47% and 45.76% respectively, of total deposits of the Parent Company as of December 31, 2023 and 2022, respectively, and pays a variable interest rate of 0.10% to 0.11%. Rates on savings accounts and time deposit accounts, which constituted 11.41% and 53.12%, respectively, of total deposits as of December 31, 2023 and 12.74% and 41.50%, respectively, of total deposits as of December 31, 2022, are set by different criteria. Savings account rates are set by reference to prevailing market rates, while rates on time deposits and special savings accounts are usually priced by reference to rates applicable to prevailing rates on Philippine Treasury Bills and other money market instruments or, in the case of foreign currency deposits, Singapore Interbank Offer Rate and other benchmark dollar deposit rates in the Asian and international money markets with similar maturities.

The following tables provide for the average EIR by period of maturity or repricing of the Group and the Parent Company as of December 31, 2023 and 2022:

	Consolidated and Parent Company					
	2023			2022		
	Less than 3 Months	**3 Months to 1 Year**	**Greater than 1 Year**	Less than 3 Months	3 Months to 1 Year	Greater than 1 Year
Peso-denominated assets						
Due from banks	**0.05%**	–	–	0.04%	–	–
Interbank loans	–	–	–	–	–	–
Loans and receivables	**7.92%**	**8.02%**	**8.28%**	6.72%	6.92%	7.47%
Peso-denominated liabilities						
Deposit liabilities	**0.58%**	**5.60%**	**4.80%**	0.61%	3.32%	2.48%
Bills payable	**6.13%**	**6.23%**	**-**	3.02%	4.10%	-
Foreign currency-denominated assets						
Due from banks	**0.12%**	–	–	0.60%	–	–
Interbank loans	–	–	–	–	–	–
Loans and receivables	**6.24%**	**7.02%**	**6.85%**	4.36%	5.78%	4.90%
Foreign currency-denominated liability						
Deposit liabilities	**0.43%**	**4.98%**	**4.35%**	0.61%	3.80%	3.43%
Bills payable	**5.87%**	–	–	4.93%	4.13%	–

The Parent Company also monitors its exposure to fluctuations in interest rates by measuring the impact of interest rate movements on its interest income. This is done by modeling the impact of various changes in interest rates to the Parent Company's interest-related income and expenses.

The method by which the Parent Company measures the sensitivity of its assets and liabilities to interest rate fluctuations is by way of interest rate analysis. This analysis provides the Parent Company with a measure of the impact of changes in interest rates on the actual portfolio, that is, the risk exposure of future accounting income. The repricing gap is calculated by distributing the financial assets and financial liabilities into tenor buckets according to the time remaining to maturity or next repricing date and then obtaining the difference between the total of the repricing (interest rate sensitive) assets and repricing (interest rate sensitive) liabilities.

A gap is considered negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities. Accordingly, during a period of rising interest rates, a bank with a positive gap would be better positioned than one with a negative gap to invest in or hold higher yielding assets more quickly than it would need to refinance its interest-bearing liabilities. During a period of falling interest rates, a bank with a positive gap would tend to see its assets repricing at a faster rate than one with a negative gap, which may restrain the growth of its net income or result in a decline in net interest income.

The following tables set forth the asset-liability gap position of the Group and the Parent Company as of December 31, 2023 and 2022 (amounts in millions):

	Consolidated					
	2023					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 to 12 Months	More than 1 Year but less than 2 Years	Beyond 2 Years	Total
Assets						
Due from other banks	₱486	₱–	₱–	₱–	₱–	₱486
Interbank loans receivable	492	–	–	–	–	492
Financial assets at FVTPL	-	–	–	–	–	-
Financial assets at FVTOCI	552	–	–	–	7,676	8,228
Investment securities at amortized cost	443	4,997	461	788	21,087	27,776
Loans and receivables	3,243	31,246	16,148	4,900	36,237	91,774
	5,216	36,243	16,609	5,688	65,000	128,756
Liabilities						
Deposit liabilities	19,494	27,243	13,545	865	843	61,990
Bills payable	7,041	1,848	798	-	-	9,687
	26,535	29,091	14,343	865	843	71,677
Asset-liability gap	(₱21,319)	₱7,152	₱2,266	₱4,823	₱64,157	₱57,079

	Consolidated					
	2022					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 to 12 Months	More than 1 Year but less than 2 Years	Beyond 2 Years	Total
Assets						
Due from other banks	₱1,089	₱–	₱–	₱–	₱–	₱1,089
Interbank loans receivable	2,601	–	–	–	–	2,601
Financial assets at FVTOCI	–	–	–	-	4,859	4,859
Investment securities at amortized cost	–	–	242	5,931	15,489	21,662
Loans and receivables	2,196	26,493	12,937	4,977	30,321	76,924
	5,886	26,493	13,179	10,908	50,669	107,135
Liabilities						
Deposit liabilities	13,301	14,958	7,452	4,157	1,409	41,277
Bills payable	5,923	1,671	-	-	-	7,594
	19,224	16,629	7,452	4,157	1,409	48,871
Asset-liability gap	(₱13,338)	₱9,864	₱5,727	₱6,751	₱49,260	₱58,264

	Parent Company					
	2023					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 to 12 Months**	**More than 1 Year but less than 2 Years**	**Beyond 2 Years**	**Total**
Assets						
Due from other banks	**₱486**	**₱–**	**₱–**	**₱–**	**₱–**	**₱486**
Interbank loans receivable	**492**	**–**	**–**	**–**	**–**	**492**
Financial assets at FVTPL	**–**	**–**	**–**	**–**	**–**	**-**
Financial assets at FVTOCI	**552**	**–**	**–**	**–**	**7,676**	**8,228**
Investment securities at amortized cost	**443**	**4,997**	**461**	**788**	**21,087**	**27,776**
Loans and receivables	**3,246**	**31,246**	**16,148**	**4,900**	**36,237**	**91,777**
	5,219	**36,243**	**16,609**	**5,688**	**65,000**	**128,759**
Liabilities						
Deposit liabilities	**19,494**	**27,243**	**13,545**	**865**	**843**	**61,990**
Bills payable	**7,041**	**1,848**	**798**	**-**	**-**	**9,687**
	26,535	**29,091**	**14,343**	**865**	**843**	**71,677**
Asset-liability gap	**(₱21,316)**	**₱7,152**	**₱2,266**	**₱4,823**	**₱64,157**	**₱57,082**

	Parent Company					
	2022					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 to 12 Months	More than 1 Year but less than 2 Years	Beyond 2 Years	Total
Assets						
Due from other banks	₱1,089	₱–	₱–	₱–	₱–	₱1,089
Interbank loans receivable	2,601	–	–	–	–	2,601
Financial assets at FVTPL	–	–	–	–	–	–
Financial assets at FVTOCI	–	–	–	–	4,859	4,859
Investment securities at amortized cost	–	–	242	5,931	15,489	21,662
Loans and receivables	2,199	26,493	12,937	4,977	30,321	76,927
	5,889	26,493	13,179	10,908	50,669	107,138
Liabilities						
Deposit liabilities	13,301	14,958	7,452	4,157	1,409	41,277
Bills payable	5,923	1,671	–	–	–	7,594
	19,224	16,629	7,452	4,157	1,409	48,871
Asset-liability gap	(₱13,335)	₱9,864	₱5,727	₱6,751	₱49,260	₱58,267

The following tables demonstrate the sensitivity of the cumulative net position of risk-sensitive assets and risk-sensitive liabilities to a reasonable change in interest rates, with all other variables held constant (amounts in millions):

	2023			
	Changes in Interest Rates (in Basis Points)			
Changes in interest rates (in basis points)	**50**	**-50**	**100**	**-100**
Change in annualized net interest income	**₱171.35**	**(₱171.35)**	**₱342.70**	**(₱342.70)**

	2022			
	Changes in Interest Rates (in Basis Points)			
Changes in interest rates (in basis points)	+50	-50	+100	-100
Change in annualized net interest income	₱172.14	(₱172.14)	₱344.28	(₱344.28)

The table below shows the Group's and the Parent Company's different market risk-weighted assets, as reported to BSP, using the standardized approach in accordance with MORB Section 125 and Appendix 59:

Type of Market Risk Exposure	**2023**	2022
Interest rate exposures	**₱-**	₱-
Foreign exchange exposures	**152,745**	305,309
	₱152,745	₱305,309

Foreign Currency Risk Management

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency liabilities generally consist of foreign currency-deposits in the Parent Company's FCDU account made in the Philippines or which are generated from remittances to the Philippines by Filipino expatriates and overseas Filipino workers who retain for their own benefit or for the benefit of a third party, foreign currency deposit accounts with the Parent Company and foreign currency-denominated borrowings appearing in the regular books of the Parent Company.

Foreign currency deposits are generally used to fund the Parent Company's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency assets with the foreign currency liabilities held through FCDUs. In addition, the BSP requires a 30.00% liquidity reserve on all foreign currency liabilities held through FCDUs.

The Parent Company's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Parent Company believes that its profile of foreign currency exposure on its assets and liabilities is within limits for a financial institution engaged in the type of business in which the Parent Company is engaged in.

The ERMG uses VaR, Foreign Exchange Sensitivity Testing, and Foreign Exchange Stress Testing to measure risk inherent to the Parent Company's foreign currency net exposures. In assessing the foreign currency risk, the Parent Company employs a pre-defined key risk indicator under Market Risk Assessment Matrix to determine the level of risk (for example, Low Risk, Moderate Risk, High Risk) the results of which are reported to the ROC on a quarterly basis.

The table summarizes the Group's and the Parent Company's exposure to foreign exchange risk as of December 31, 2023 and 2022. Included in the table are the Group's and the Parent Company's assets and liabilities at carrying amounts, categorized by currency (amounts in '000s):

	2023			2022		
	USD	**Others***	**Total**	USD	Others*	Total
Assets						
Cash on hand	**₱–**	**₱–**	**₱–**	₱288	₱89	₱377
Due from other banks	**5,792**	**117,997**	**123,789**	77,310	514,488	591,798
Interbank loans receivable	**202,255**	–	**202,255**	11,905	–	11,905
Financial assets at amortized cost	–	–	–	–	236,997	236,997
Loans and receivables:						
Corporate loans	**1,384,361**	–	**1,384,361**	71,147	–	71,147
Accrued interest receivable	**5,003**	–	**5,003**	78	3439	3,517
Other assets	**–**	**132**	**132**	-	128	128
	1,597,411	**118,129**	**1,715,540**	160,728	755,141	915,869
Liabilities						
Deposit liabilities	**₱–**	**₱114,905**	**₱114,905**	₱–	₱530,482	₱530,482
Bills payable	**–**	**–**	**–**	–	216,377	216,377
Outstanding acceptances	**105,410**	**–**	**105,410**	50,218	–	50,218
Other liabilities:						
Others	**57,475**	**52**	**57,527**	91,950	177	92,127
	162,885	**114,957**	**277,842**	142,168	747,036	889,204
Net exposure	**₱1,434,526**	**₱3,172**	**₱1,437,698**	₱18,559	₱8,105	₱26,664

**Includes Euro, Australian Dollar, Japanese Yen, Swiss Franc, Canadian Dollar, Singapore Dollar*

The tables below indicate the exposure of the Group (excluding the Parent Company's FCDU) to USD on its non-trading monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the base currency rate against the USD, with all other variables held constant, on the statement of income and statement of comprehensive income. A negative amount in the tables reflects a potential net reduction in income, while a positive amount reflects a potential net increase.

	2023			
	Changes in Foreign Exchange Rates			
Changes in foreign exchange rates	**+3.00%**	**-3.00%**	**+4.00%**	**-4.00%**
Change in annualized net income	₱4,582	(₱4,582)	₱6,110	(₱6,110)

	2022			
	Changes in Foreign Exchange Rates			
Changes in foreign exchange rates	+3.00%	-3.00%	+4.00%	-4.00%
Change in annualized net income	₱9,159	(₱9,159)	₱12,212	(₱12,212)

Operational Risk

The Parent Company uses the Basic Indicator Approach in computing Operational Risk in accordance with MORB Section 125 and Appendix 59 as reported to the BSP (amounts in millions):

	2023	2022
Average Gross Income (Previous 3 Years)	**₱5,553**	₱5,132
Capital Charge (Average Gross Income times 18.75%[(a)])	**1,041**	962
Risk Weighted Asset (Capital Charge times 10)	**₱10,411**	₱9,622

(a) Equivalent to adjusted capital charge of 15% of 125% to be consistent with required minimum Capital Adequacy Ratio of 10%

6. **Segment Information**

The Group's operating businesses are organized and managed separately according to the nature of services provided and the different markets served with each segment representing a strategic business unit. The Group's business segments are as follow:

Branch Banking Group – handles the individual customers' deposits, and provides overdrafts and fund transfer facilities;

Corporate Banking Group – manages the relationship with the corporate and institutional clients of the Parent Company with loans and credit facilities as the primary product;

Treasury Segment – is responsible for the management of the Group's balance sheet and liquidity position. It also handles the Group's investments in securities, both local and abroad, as well as placements and acceptances with other banks;

Consumer Finance Segment – provides the retail client's credit requirements for the purchase of auto, home and personal loan requirements; and

Trust and Wealth Management Segment – is the segment that functions as the Trustee or Investment Manager for both individual and corporate accounts.

Segment's resources, both assets and liability are those operating resources that are employed by a segment in its operating activities and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Revenue is reported net of interest expense as management primarily relies on net interest revenue as a performance measure, not the gross interest income and expense. Revenue also includes trading gains from dealing of securities.

No revenue from transactions with a single external customer or counterparty amounted to 10.00% or more of the Group's total revenue for 2023, 2022 and 2021.

The Group's revenue-producing assets are located in one geographical location, which is the Philippines, therefore, geographical segment information is no longer presented. Revenue from third party includes trading gains.

The following tables present income and profit and certain asset and liability information regarding the Group's operating segments as of and for the years ended December 31, 2023, 2022 and 2021:

	Consolidated						
	2023						
	Branch Banking Group	Corporate Banking Group	Treasury Segment	Consumer Finance Segment	Trust and Wealth Management Segment	Head office and Rental	Total
Revenue							
Revenue, net of interest expense							
Third party	(2,549,990)	5,762,452	1,321,129	288,405	2,973	6,048	4,831,017
Intersegment	4,006,110	(3,340,902)	(1,184,451)	(150,985)	(6,541)	676,769	-
	1,456,120	2,421,550	136,678	137,420	(3,568)	682,817	4,831,017
Other operating income	122,897	342,129	78,718	52,851	37,349	498,233	1,132,177
Total operating income	1,579,017	2,763,679	215,396	190,271	33,781	1,181,050	5,963,194

(Forward)

	Consolidated						
	2023						
	Branch Banking Group	Corporate Banking Group	Treasury Segment	Consumer Finance Segment	Trust and Wealth Management Segment	Head office and Rental	Total
Compensation and fringe benefits	₱684,274	₱261,350	₱87,455	₱75,075	₱37,376	₱62,534	₱1,208,064
Taxes and licenses	297,284	271,798	137,535	10,212	3,019	28,324	748,172
Depreciation and amortization	171,360	51,474	14,681	34,811	4,400	65,739	342,465
Provision for (reversal of) credit and impairment losses	-	5,394	-	(25,975)	-	(3,828)	(24,409)
Occupancy and other equipment-related costs	129,147	11,603	3,022	5,387	1,332	9,010	159,501
Other operating expenses	578,112	176,743	103,089	65,740	13,680	52,589	989,953
Net operating income (loss) before income tax	(281,160)	1,985,317	(130,386)	25,021	(26,026)	966,682	2,539,448
Segment results							
Net interest income	1,456,120	2,421,550	7,902	137,420	(3,568)	682,817	4,702,241
Rent income	-	-	-	-	-	395,768	395,768
Service charges, fees, and commissions	95,657	282,981	2,294	25,756	-	20,790	427,478
Trading and securities gain (loss) - net	-	-	128,776	-	-	-	128,776
Foreign exchange gain - net	18,185	7,267	75,522	-	-	-	100,974
Profit (loss) from assets sold	-	-	-	-	-	22,260	22,260
Income from trust operations	-	-	-	-	37,349	-	37,349
Loss on assets exchange - net	-	-	-	-	-	11,824	11,824
Miscellaneous	9,055	51,881	902	27,095	-	47,591	136,524
Total operating income	1,579,017	2,763,679	215,396	190,271	33,781	1,181,050	5,963,194
Compensation and fringe benefits	684,274	261,350	87,455	75,075	37,376	62,534	1,208,064
Taxes and licenses	297,284	271,798	137,535	10,212	3,019	28,324	748,172
Depreciation and amortization	171,360	51,474	14,681	34,811	4,400	65,739	342,465
Provision for (reversal of) credit and impairment losses	-	5,394	-	(25,975)	-	(3,828)	(24,409)
Occupancy and other equipment-related costs	129,147	11,603	3,022	5,387	1,332	9,010	159,501
Other operating expenses	578,112	176,743	103,089	65,740	13,680	52,589	989,953
Total operating expenses	1,860,177	778,362	345,782	165,250	59,807	214,368	3,423,746
Segment profit (loss)	(281,160)	1,985,317	(130,386)	25,021	(26,026)	966,682	2,539,448
Provision for income tax	-	(250,650)	(281,616)	-	-	(111,239)	(643,505)
Share in net income of associate	-	-	-	-	-	1,628	1,628
Net income	(₱281,160)	₱ 1,734,667	(₱412,002)	₱25,021	(₱26,026)	₱857,071	₱1,897,571
Segment assets							
Property and equipment	390,317	-	-	-	-	424,173	814,490
Investment properties	-	-	-	-	-	2,580,978	2,580,978
Other allocated assets	11,854,345	86,361,907	40,483,546	3,245,374	133,733	2,003,317	144,082,222
Total segment assets	₱12,244,662	₱86,361,907	₱40,483,546	₱3,245,374	₱133,733	₱5,008,468	₱147,477,690
Total segment liabilities	₱116,896,282	₱430,255	₱11,195,470	₱17,862	₱150	₱1,281,920	₱129,821,939

	Consolidated						
	2022						
	Branch Banking Group	Corporate Banking Group	Treasury Segment	Consumer Finance Segment	Trust and Wealth Management Segment	Head office and Rental	Total
Revenue							
Revenue, net of interest expense							
Third party	(₱521,120)	₱4,151,978	₱457,283	₱346,563	₱2,605	₱6,860	₱4,444,169
Intersegment	2,550,041	(2,296,275)	(491,105)	(82,157)	(3,736)	323,232	–
	2,028,921	1,855,703	(33,822)	264,406	(1,131)	330,092	₱4,444,169
Other operating income	118,182	281,454	80,868	38,211	31,756	567,691	1,118,163
Total operating income	2,147,103	2,137,157	47,047	302,617	30,625	897,783	5,562,332
Compensation and fringe benefits	623,286	237,083	87,581	74,140	32,747	60,631	1,115,468
Taxes and licenses	186,719	199,568	50,652	13,948	2,598	45,929	499,414
Depreciation and amortization	219,361	44,492	15,521	25,456	5,344	76,352	386,526
Provision for credit and impairment losses	–	357,688	–	(75,103)	–	5,101	287,686
Occupancy and other equipment-related costs	106,698	8,952	2,997	4,930	1,037	11,519	136,133
Other operating expenses	543,131	189,603	93,570	64,131	15,822	73,828	980,085
Net operating income (loss) before income tax	₱467,908	₱1,099,771	(₱203,274)	₱195,115	(₱26,923)	₱624,423	₱2,157,020

(Forward)

	Consolidated						
	2022						
	Branch Banking Group	Corporate Banking Group	Treasury Segment	Consumer Finance Segment	Trust and Wealth Management Segment	Head office and Rental	Total
Segment results							
Net interest income	₱2,028,921	₱1,855,703	₱332,504	₱264,406	(₱1,131)	₱330,093	₱4,810,496
Rent income	–	–	–	–	–	420,007	420,007
Service charges, fees, and commissions	92,754	248,226	2,033	22,711	–	24,386	390,110
Trading and securities gain (loss) - net	–	–	(366,327)	–	–	–	(366,327)
Foreign exchange gain - net	14,862	6,632	76,158	–	–	–	97,652
Income from trust operations	–	–	–	–	31,756	–	31,756
Profit (loss) from assets sold	–	–	–	–	–	61,043	61,043
Loss on assets exchange - net	–	–	–	–	–	(3,476)	(3,476)
Miscellaneous	10,566	26,596	2,679	15,499	–	65,731	121,071
Total operating income	2,147,103	2,137,157	47,047	302,616	30,625	897,784	5,562,332
Compensation and fringe benefits	623,286	237,083	87,581	74,140	32,747	60,631	1,115,468
Taxes and licenses	186,719	199,568	50,652	13,948	2,598	45,929	499,414
Depreciation and amortization	219,361	44,492	15,521	25,456	5,344	76,352	386,526
Provision for credit and impairment losses	–	357,688	–	(75,103)	–	5,101	287,686
Occupancy and other equipment-related costs	106,698	8,952	2,997	4,930	1,037	11,519	136,133
Other operating expenses	543,131	189,603	93,570	64,131	15,822	73,828	980,085
Total operating expenses	1,679,195	1,037,386	250,321	107,502	57,548	273,360	3,405,312
Segment profit (loss)	467,908	1,099,771	(203,274)	195,114	(26,923)	624,424	2,157,020
Provision for income tax	(63,391)	(192,460)	(168,259)	(16,259)	–	(85,330)	(525,646)
Share in net income of associate	–	–	–	–	–	313	313
Net income (loss)	₱404,517	₱907,311	(₱371,533)	₱178,855	(₱26,923)	₱539,407	₱1,631,687
Segment assets							
Property and equipment	390,562	–	–	–	–	413,275	803,837
Investment properties	–	–	–	–	–	2,656,246	2,656,246
Other allocated assets	11,935,299	71,423,651	32,402,041	3,507,619	123,158	2,026,648	121,418,416
Total segment assets	₱12,325,861	₱71,423,651	₱32,402,041	₱3,507,619	₱123,158	₱5,096,169	₱124,878,499
Total segment liabilities	₱99,616,697	₱95,728	₱8,484,630	₱22,535	₱648	₱1,092,214	₱109,312,452

	Consolidated						
	2021						
	Branch Banking Group	Corporate Banking Group	Treasury Segment	Consumer Finance Segment	Trust and Wealth Management Segment	Head office and Rental	Total
Revenue							
Revenue, net of interest expense							
Third party	(₱299,081)	₱3,597,205	₱295,673	₱398,050	₱3,393	₱7,942	₱4,003,182
Intersegment	1,495,942	(1,278,380)	(362,503)	(74,865)	(3,244)	223,050	–
	1,196,861	2,318,825	(66,830)	323,185	149	230,992	4,003,182
Other operating income	107,595	241,522	48,234	6,700	29,230	648,124	1,081,405
Total operating income	1,304,456	2,560,347	(18,596)	329,885	29,379	879,116	5,084,587
Compensation and fringe benefits	595,498	194,653	68,926	109,400	21,779	26,303	1,016,559
Taxes and licenses	185,418	168,124	45,797	20,479	627	56,997	477,442
Depreciation and amortization	211,715	51,273	17,031	28,577	5,003	74,020	387,619
Provision for credit and impairment losses	–	282,124	6,135	28,279	–	5,763	322,301
Occupancy and other equipment-related costs	91,881	9,880	2,765	12,518	705	770	118,519
Other operating expenses	508,012	155,937	126,681	75,223	9,029	57,862	932,744
Net operating income (loss) before income tax	(₱288,068)	₱1,698,356	(₱285,931)	₱55,409	(₱7,764)	₱657,401	₱1,829,403
Segment results							
Net interest income (loss)	₱1,196,861	₱2,318,825	₱174,768	₱323,185	₱150	₱230,991	₱4,244,780
Rent income	–	–	–	–	–	505,241	505,241
Trading and securities gain (loss) - net	–	–	(241,598)	–	–	–	(241,598)
Service charges, fees, and commissions	88,604	212,836	–	6,752	–	23,537	331,729
Foreign exchange gain - net	9,009	7,314	40,508	–	–	–	56,831
Income from trust operations	2	–	–	–	29,229	–	29,231
Profit from assets sold	–	–	–		–	13,567	13,567
Gain on assets exchange - net	–	–	–	–	–	7,460	7,460
Miscellaneous	9,980	21,372	7,726	(52)	–	98,320	137,346
Total operating income	1,304,456	2,560,347	(18,596)	329,885	29,379	879,116	5,084,587
Compensation and fringe benefits	595,498	194,653	68,926	109,400	21,779	26,303	1,016,559
Taxes and licenses	185,418	168,124	45,797	20,479	627	56,997	477,442
Depreciation and amortization	211,715	51,273	17,031	28,577	5,003	74,020	387,619
Provision for credit and impairment losses	–	282,124	6,135	28,279	–	5,763	322,301
Occupancy and other equipment-related costs	91,881	9,880	2,765	12,518	705	770	118,519
Other operating expenses	508,012	155,937	126,681	75,223	9,029	57,862	932,744
Total operating expenses	1,592,524	861,991	267,335	274,476	37,143	221,715	3,255,184

(Forward)

	Consolidated						
	2021						
	Branch Banking Group	Corporate Banking Group	Treasury Segment	Consumer Finance Segment	Trust and Wealth Management Segment	Head office and Rental	Total
Segment profit (loss)	(₱288,068)	₱1,698,356	(₱285,931)	₱55,409	(₱7,764)	₱657,401	₱1,829,403
Provision for income tax	–	(2,139)	(106,660)	–	–	(147,827)	(256,626)
Share in net income of associate	–	–	–	–	–	287	287
Net income	(₱288,068)	₱1,696,217	(₱392,591)	₱55,409	(₱7,764)	₱509,861	₱1,573,064
Segment assets							
Property and equipment	₱218,683	₱–	₱–	₱–	₱–	₱663,534	₱882,217
Investment properties	–	–	–	–	–	2,577,169	2,577,169
Other allocated assets	10,087,192	58,301,076	29,726,452	4,031,789	109,365	3,514,060	105,769,934
Total segment assets	₱10,305,875	₱58,301,076	₱29,726,452	4,031,789	₱109,365	₱6,754,763	₱109,229,320
Total segment liabilities	₱87,223,697	₱111,302	₱6,236,132	₱20,832	₱498	₱1,461,041	₱95,053,502

7. Investments in Subsidiary and an Associate

This account consists of investments in:

	% of Ownership			Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021	**2023**	2022	2021
Subsidiary:									
Cost:									
PISAI	**100.00**	100.00	100.00	**₱–**	₱–	₱–	**₱10,000**	₱10,000	₱10,000
Accumulated share in net income									
Balance at January 1				**–**	–	–	**(3,927)**	(3,927)	(3,863)
Share in net income				**–**	–	–	**–**	–	(64)
Balance at December 31				**–**	–	–	**(3,927)**	(3,927)	(3,927)
				–	–	–	**6,073**	6,073	6,073
Associate - PBCom Finance									
Acquisition cost				**2,000**	2,000	2,000	**2,000**	2,000	2,000
Accumulated equity in net income									
Balance at January 1				**12,715**	12,402	12,114	**12,715**	12,402	12,115
Share in net income				**1,628**	313	287	**1,628**	313	287
Balance at December 31				**14,343**	12,715	12,401	**14,343**	12,715	12,402
				16,343	14,715	14,401	**16,343**	14,715	14,402
				₱16,343	₱14,715	₱14,401	**₱22,416**	₱20,788	₱20,475

PISAI

The investment cost of ₱10.00 million represents the initial equity investment as approved by the BSP on May 2, 2014.

On January 11, 2021, the BOD of the Parent Company approved the dissolution and retirement of business of PISAI. PISAI, which has been inactive for the past 3 years, has continuously remained inactive but continued to incur operating expenses. The Parent Company does not see any need for the subsidiary and has decided to retire the business operations.

The Company has received clearances from the Insurance Commission and Business permit from the Makati Local Government last May 26, 2021, and September 30, 2021, respectively. On July 2022, the Board approved the extension of the effectivity of the retirement of business of the company until March 31, 2023. On February 22, 2023, the board further extended the period until December 31, 2024. On April 19, 2023, the Certificate of No outstanding tax liability was issued by the Bureau of Internal Revenue. On September 27, 2023, the board approved the new effectivity of the date of dissolution until April 2024 amending the previous resolution. As of December 31, 2023, the Company is preparing the requirements to secure the approval from Securities and Exchange Commission.

The following table presents the financial information of PBCom Finance:

	PBCom Finance		
	2023	2022	2021
Total assets	**₱40,779**	₱35,764	₱35,367
Total liabilities	**1,882**	629	1,007
Equity	**38,897**	35,135	34,329
Gross income	**7,278**	3,525	3,492
Operating income (loss)	**4,217**	1,001	705
Profit (loss) after tax	**4,071**	806	513
Total comprehensive income (loss)	**4,071**	806	513

8. Interbank Loans Receivable and Securities Purchased under Resale Agreements (SPURA)

Interbank loans receivable of the Group and the Parent Company is comprised of USD-denominated loans of ₱492.35 million ($8.89 million) and ₱34.90 million ($0.63 million) as of December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, outstanding SPURA is nil and ₱2.57 billion, respectively.

Interest income on the Group's and the Parent Company's interbank loans receivable and SPURA follows:

	2023	2022	2021
SPURA	**₱115,451**	₱65,567	₱59,969
Interbank loans receivable	**14,388**	1,575	100
	₱129,839	₱67,142	₱60,069

Interbank loans receivable bears nominal annual interest rates ranging from 4.80% to 6.44% in 2023, 1.84% to 1.88% in 2022, and 0.07% to 0.25% in 2021, while SPURA bears nominal annual interest rates from 5.50% to 6.40% in 2023 and ranging from 2.00% to 5.5% in 2022, and 2.00% in 2021.

The Parent Company is not permitted to sell or repledge the related collateral on SPURA in the absence of default by the counterparty.

9. Financial Assets at Fair Value Through Other Comprehensive Income (FVTOCI)

As of December 31, 2023 and 2022, the Group's and the Parent Company's financial assets at FVTOCI consist of the following:

	2023	2022
Debt securities:		
Government	**₱7,298,910**	₱4,161,400
Corporate	**928,952**	311,799
Sovereign bonds	–	385,203
	8,227,862	4,858,402
Equity securities:		
Quoted	**153,667**	123,146
Unquoted	**34,030**	27,048
	187,697	150,194
	₱8,415,559	₱5,008,596

The Parent Company has designated the above equity investments as at FVTOCI as these are held for long-term strategic purpose rather than for trading. There were no dividends declared on these equity investments and no cumulative gain or loss was transferred within equity in 2023, 2022, and 2021.

The movements in net unrealized losses on debt and equity securities recognized in OCI follow:

	2023	2022
Balance at January 1	**(₱314,585)**	₱53,509
Items that may be reclassified to profit or loss in subsequent periods		
Fair value changes during the year on debt securities	**280,232**	(821,558)
Losses (gains) taken to profit or loss upon sale of FVTOCI debt securities (Note 25)	**(39,068)**	440,279
Provision for (reversal of) credit losses (Note 16)	**1,514**	(7,298)
Items that may not be reclassified to profit or loss in subsequent periods		
Fair value changes during the year on equity securities	**37,503**	23,308
Income tax effect	**(3,751)**	(2,825)
Balance at December 31	**(₱38,155)**	(₱314,585)

Reclassification of Financial Assets

On January 1, 2018, the Parent Company reclassified debt securities with aggregate face amount of ₱1,623.47 million from the hold-to-collect portfolio to the FVTOCI portfolio. The reclassification of these debt securities resulted in recognition of unrealized gain of ₱56.90 million.

10. **Investment Securities at Amortized Cost**

As of December 31, 2023 and 2022, the Group's and the Parent Company's investment securities at amortized cost consist of the following:

	2023	2022
Government securities (Notes 18 and 24)	**₱27,217,801**	₱21,441,394
Sovereign bonds	**571,392**	234,753
Less: Allowance for ECL (Note 16)	**(12,802)**	(14,322)
	₱27,776,391	₱21,661,825

As of December 31, 2023, investment securities at amortized cost are comprised of the Parent Company's investment in peso-denominated securities amounting to ₱18.57 billion and investment in foreign currency-denominated securities amounting to ₱9.22 billion ($166.51 million). Investments in Euro-denominated securities amounting to ₱237.80 million (€3.99 million) matured in 2023.

As of December 31, 2022, investment securities at amortized cost are comprised of the Parent Company's investment in peso-denominated securities amounting to ₱13.91 billion and investment in foreign currency-denominated securities amounting to ₱7.76 billion ($134.87 million and €3.99 million).

11. **Loans and Receivables**

This account consists of:

	Consolidated		Parent Company	
	December 31			
	2023	2022	**2023**	2022
Receivables from customers:				
Corporate loans	**₱88,529,696**	₱73,725,593	**₱88,529,696**	₱73,725,593
Consumer loans:				
Home loans	**2,927,020**	3,244,432	**2,927,020**	3,244,432
Auto loans	**454,138**	460,417	**454,138**	460,417
Personal loans	**40,812**	67,402	**40,812**	67,402
	91,951,666	77,497,844	**91,951,666**	77,497,844
Unearned discounts and capitalized interest	**(61,995)**	(54,178)	**(61,995)**	(54,178)
	91,889,671	77,443,666	**91,889,671**	77,443,666
Unquoted debt securities	**366,900**	649,995	**366,900**	649,995
Accrued interest receivable	**972,204**	712,908	**972,204**	712,908
Accounts receivable	**1,360,704**	1,000,557	**1,363,537**	1,003,391
Sales contracts receivable	**63,567**	63,715	**63,567**	63,715
	94,653,046	79,870,841	**94,655,879**	79,873,674
Less Allowance for ECL (Note 16)	**(2,878,732)**	(2,946,963)	**(2,878,732)**	(2,946,963)
	₱91,774,314	₱76,923,878	**₱91,777,147**	₱76,926,711

Unquoted Debt Securities

As of December 31, 2023 and 2022, unquoted debt securities of the Group and the Parent Company consist of Metro Rail Transit (MRT) bonds with the gross amount of ₱366.9 million and ₱650.0 million, respectively, and an allowance for credit losses amounting to ₱0.16 million and ₱0.62 million in 2023 and 2022, respectively.

The accretion of interest on unquoted debt securities amounted to ₱40.33 million, ₱57.93 million, and ₱66.04 million in 2023, 2022 and 2021, respectively, which is included under 'Interest income - Loans and receivables' in the statements of income.

Accounts receivable

As of December 31, 2023 and 2022, accounts receivables include cash amounting to ₱1.11 billion and ₱731.24 million, respectively, held under custody by cash security and armored transport service companies that will be delivered to the Parent Bank's cash center units by the next banking day.

Interest Income

Interest income on loans and receivables consists of interest income on:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Receivables from customers:						
Corporate	**₱5,705,185**	₱4,107,919	₱3,555,476	**₱5,705,185**	₱4,107,919	₱3,555,476
Consumer	**347,569**	394,785	443,857	**347,569**	394,785	443,857
Unquoted debt securities	**59,360**	88,138	104,306	**59,360**	88,138	104,306
Others	**4,906**	4,272	6,243	**4,906**	4,272	6,243
	₱6,117,020	₱4,595,114	₱4,109,882	**₱6,117,020**	₱4,595,114	₱4,109,882

Of the total receivables from customers of the Group as of December 31, 2023, 2022 and 2021, 85.03%, 81.78% and 56.72%, respectively, are subject to periodic interest repricing. The remaining peso-denominated receivables from customers earn annual fixed interest rates ranging from 3.00% to 44.36% in 2023, 1.50% to 42.00% in 2022, 1.50% to 42.00% in 2021 while foreign currency-denominated receivables from customers earn annual fixed interest rates ranging from 4.00% to 9.82% in 2023, 3.00% to 9.82%in 2022 and 3.00% to 7.25% in 2021.

Unquoted debt securities have EIRs of 11.90% in 2023 and 2022. Sales contracts receivable bears interest rates ranging from 7.00% to 12.00% in 2023 and 2022.

12. Property and Equipment

The composition of and movements in property and equipment of the Group and the Parent Company follow:

	Consolidated and Parent Company						
	2023						
	Land	**Condominium Properties**	**Buildings and Improvements**	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Right of Use Assets (Office Premises)** (Note 27)	**Total**
Cost							
Balance at January 1	**₱117,678**	**₱517,634**	**₱388,306**	**₱958,827**	**₱450,131**	**₱424,482**	**₱2,857,058**
Additions		**-**	**30,356**	**38,488**	**3,439**	**91,402**	**163,685**
Disposals	**-**	**-**	**-**	**(27,582)**	**-**	**(71,874)**	**(99,456)**
Transfers (Notes 13 and 15)	**-**	**75,931**	**(28,744)**	**9,821**	**16,249**	**-**	**73,257**
Balance at December 31	**117,678**	**593,565**	**389,918**	**979,554**	**469,819**	**444,010**	**2,994,544**
Accumulated depreciation and amortization							
Balance at January 1	**-**	**211,546**	**342,635**	**855,628**	**417,333**	**226,079**	**2,053,221**
Depreciation	**-**	**14,567**	**14,415**	**40,910**	**16,186**	**101,982**	**188,060**
Disposal	**-**	**-**	**-**	**(24,491)**	**-**	**(68,793)**	**(93,284)**
Transfers (Notes 13 and 15)	**-**	**23,030**	**-**	**9,027**		**-**	**32,057**
Balance at December 31		**249,143**	**357,050**	**881,074**	**433,519**	**259,268**	**2,180,054**
Net book value	**₱117,678**	**₱344,422**	**₱32,868**	**₱98,480**	**₱36,300**	**₱184,742**	**₱814,490**

	Consolidated and Parent Company						
	2022						
	Land	Condominium Properties	Buildings and Improvements	Furniture, Fixtures and Equipment	Leasehold Improvements	Right of Use Assets (Office Premises) (Note 27)	Total
Cost							
Balance at January 1	₱117,678	₱516,509	₱381,435	₱937,853	₱436,120	₱435,509	₱2,825,104
Additions	–	1,125	20,882	30,142	–	67,672	119,821
Disposals	–	–	–	(20,514)	–	(71,685)	(92,199)
Transfers (Notes 15)	–	–	(14,011)	11,346	14,011	(7,014)	4,332
Balance at December 31	117,678	517,634	388,306	958,827	450,131	424,482	2,857,058
Accumulated depreciation and amortization							
Balance at January 1	–	198,051	328,256	820,646	401,067	194,867	1,942,887
Depreciation	–	13,495	14,379	44,461	16,266	102,897	191,498
Disposal	–	–	–	(16,332)	–	(71,685)	(88,017)
Transfers	–	–	–	6,853	–	–	6,853
Balance at December 31		211,546	342,635	855,628	417,333	226,079	2,053,221
Net book value	₱117,678	₱306,088	₱45,671	₱103,199	₱32,798	₱198,403	₱803,837

The Group and Parent Company recognized gain (loss) on disposal of furniture, fixtures, and equipment, which is included under 'Profit (loss) from assets sold' in the statements of income, amounting to ₱0.09 million in 2023 and nil in 2022 and 2021.

Depreciation and Amortization
Details of this account are as follows:

	Consolidated and Parent Company		
	2023	2022	2021
Property and equipment	**₱86,078**	₱88,601	₱87,188
Right-of-use assets	**101,982**	102,897	99,444
Investment properties (Note 13)			
Foreclosed properties	**56,261**	47,883	42,079
Office units for lease	**350**	351	350
Condominium Units for Lease	**47,913**	48,381	48,382
Software costs (Note 14)	**39,399**	82,050	94,994
Chattel mortgage (Note 15)	**10,482**	16,363	15,182
	₱342,465	₱386,526	₱387,619

As of December 31, 2023 and 2022, the cost of fully depreciated furniture, fixtures and equipment still in use by the Group and Parent Company amounted to ₱775.56 million and ₱710.15 million, respectively.

13. Investment Properties

The composition of and movements in this account follow:

	Consolidated and Parent Company				
	2023				
	Foreclosed Properties				
	Land	**Building and Improvements**	**Total**	**Office Units for Lease**	**Condominium Units for Lease**
Cost					
Balance at January 1	**₱675,420**	**₱594,407**	**₱1,269,827**	**₱39,390**	**₱2,644,075**
Additions	**28,608**	**60,512**	**89,120**	–	–
Disposals	**(13,924)**	**(14,407)**	**(28,331)**	–	–
Transfer (Note 12)	–	–	–	–	**(63,681)**
Balance at December 31	**690,104**	**640,512**	**1,330,616**	**39,390**	**2,580,394**
Accumulated depreciation and amortization					
Balance at January 1	–	**251,949**	**251,949**	**37,052**	**952,279**
Depreciation	–	**56,261**	**56,261**	**350**	**47,913**
Disposals	–	**(6,748)**	**(6,748)**	–	–
Transfer (Note 12)	–	–	–	–	**(23,029)**
Balance at December 31	–	**301,462**	**301,462**	**37,402**	**977,163**
Accumulated impairment losses					
Balance at January 1	**26,039**	**29,727**	**55,766**	–	–
Reversal of impairment losses (Note 16)	**(1,303)**	**(1,068)**	**(2,371)**	–	–
Balance at December 31	**24,736**	**28,659**	**53,395**	–	–
Net book value	**₱665,368**	**₱310,391**	**₱975,759**	**₱1,988**	**₱1,603,231**

	Consolidated and Parent Company				
	2022				
	Foreclosed Properties				
	Land	Building and Improvements	Total	Office Units for Lease	Condominium Units for Lease
Cost					
Balance at January 1	₱610,512	₱500,842	₱1,111,354	₱39,390	₱2,644,075
Additions	120,498	111,041	231,539	–	–
Disposals	(55,590)	(17,476)	(73,066)	–	–
Balance at December 31	675,420	594,407	1,269,827	39,390	2,644,075
Accumulated depreciation and amortization					
Balance at January 1	–	211,817	211,817	36,701	903,898
Depreciation	–	47,883	47,883	351	48,381
Disposals	–	(7,751)	(7,751)	–	–
Balance at December 31	–	251,949	251,949	37,052	952,279

(Forward)

	Consolidated and Parent Company				
	2022				
	Foreclosed Properties				
	Land	Building and Improvements	Total	Office Units for Lease	Condominium Units for Lease
Accumulated impairment losses					
Balance at January 1	₱29,671	₱35,563	₱65,234	₱–	₱–
Reversal of impairment losses	(3,632)	(5,836)	(9,468)	–	–
Balance at December 31	26,039	29,727	55,766	–	–
Net book value	₱649,381	₱312,731	₱962,112	₱2,338	₱1,691,796

Condominium units for lease represents the contributed cost of developing the Parent Company's Ayala Avenue property, originally consisting of land and fully depreciated building, into a 52-storey building (the PBCom Tower) under a joint development agreement with Filinvest Asia Corporation (Filinvest Asia).

The agreement provided for equal sharing of the cost of the project and, correspondingly, of the net usable area of the building, which was converted into a condominium property. Under the agreement, the Parent Company's share in such cost included its land along Ayala Avenue, which was given an appraised value of ₱900.00 million in 1995. The related appraisal increment was closed to surplus, net of applicable deferred tax liability, upon completion of the project in 2000.

In November 2007, by virtue of condominiumization, various condominium certificates of title under the name of the Parent Company were derived from transfer certificate of title (TCT) No. 134599, where the declaration of restrictions and scope of coverage were annotated on October 23, 2007.

In May 2019, the 4th floor of Parent Company's PBCOM tower building was converted from bank premises to Condominium units for lease.

In October 2023, the 4th floor of Parent Company's PBCOM tower building was converted from Condominium units for lease to Bank Premises.

As of December 31, 2023 and 2022, about 84.93% and 87.12%, respectively of the usable area that the Parent Company acquired from the PBCOM Tower project is held for lease, with the balance used for the Parent Company's operations. Accordingly, the cost allocable to the areas available for lease is carried as investment properties, while the remaining balance is carried as condominium properties and included in 'Property and equipment' (see Note 12).

As of December 31, 2023 and 2022, the aggregate fair value of investment properties amounted to ₱12.36 billion and ₱11.28 billion, respectively, for the Group and Parent Company, which has been determined based on valuations made by professionally qualified appraisers accredited by the BSP and SEC.

The Parent Company recognized rental income (included under 'Rent income' in the statements of income) amounting to ₱381.08 million, ₱401.55 million , and ₱484.93 million in 2023, 2022 and 2021, respectively, on condominium properties leased out under operating leases. In 2023, 2022 and 2021, the Parent Company also recognized rental income from office units for lease amounting to ₱6.01 million, ₱8.10 million and ₱8.11 million , respectively.

The Group and Parent recorded gain (loss) from foreclosure of loan collaterals amounting to ₱11.82 million, (₱3.48 million),and ₱7.46 million in 2023, 2022, and 2021, respectively. This is presented as 'Gain (loss) on assets exchange - net' in the statements of income.

The Group and Parent recorded gain (loss) on disposal of certain foreclosed properties amounting to ₱19.65 million, ₱63.07 million, and ₱15.08 million in 2023, 2022, and 2021, respectively. This is included under 'Profit (loss) from assets sold' in the statements of income.

Direct operating expenses (included under 'Compensation and fringe benefits', 'Occupancy and other equipment-related costs', 'Taxes and licenses', 'Depreciation and Amortization' and 'Miscellaneous') arising from investment properties that generated rental income amounted to ₱121.99 million, ₱113.72 million, and ₱111.41 million in 2023, 2022, and 2021, respectively.

Direct operating expenses (included under 'Compensation and fringe benefits', 'Occupancy and other equipment-related costs', 'Taxes and licenses', Depreciation and Amortization' and 'Miscellaneous') arising from investment properties that did not generate rental income amounted to ₱96.87 million, ₱88.23 million, and ₱125.82 million in 2023, 2022, and 2021, respectively.

14. Intangible Assets

Intangible Assets

This account consists of:

	2023	2022
Branch licenses	**₱364,700**	₱364,700
Bank license	**25,000**	25,000
Software costs	**135,518**	135,905
	₱525,218	₱525,605

Bank license

This refers to the universal bank license paid by the Parent Company in 2022.

Branch licenses

Branch licenses of the Group arose from the acquisitions of Consumer Savings Bank (CSB) and PRBI. As of December 31, 2023 and 2022, details of branch licenses follow:

Branch licenses from the acquisition of:	
PRBI	₱262,600
CSB	102,100
	₱364,700

The branch license incentives given to the Parent Company for its acquisition of Rural Bank of Nagcarlan, Inc. (RBNI), which was eventually merged with PRBI, was measured at fair value on September 1, 2014, the acquisition date, consistent with the requirements of PFRS 3, *Business Combination*. PFRS 3 requires that the identifiable assets and liabilities arising from a business combination be measured at fair value. The fair value of the branch licenses was based on the provisions of the Manual of Regulations for Banks (MORB) that was in effect at that time, which sets a licensing fee and processing fee per branch of ₱20.00 million and ₱200.00 thousand, respectively.

On July 25, 2019, the BSP approved the sale of 100 percent voting shares of PRBI to Producers Savings Bank Corporation (PROSBI) to consolidate the efforts and resources to the Parent Company. Accordingly, branch licenses from RBNI acquisition were reclassified from the investment account to intangible assets in the Parent Company's separate financial statements upon sale of PRBI. No new asset was recognized because the branch licenses have always been recognized as an asset of the Parent Company since its acquisition of RBNI.

As of December 31, 2023 and 2022, the individual branches were identified as the CGU for purposes of impairment testing on the branch licenses for CSB. For the impairment testing on the branch licenses arising from the acquisition of RBNI, the Parent Company's branch banking group was identified as the CGU as the branch banking group would benefit from the synergies of the additional branches in obtaining fresh funds from depositors for deployment.

In 2023, 2022 and 2021, the Parent Company's impairment assessment indicates no impairment.

Key assumptions used in the VIU calculations
As of December 31, 2023 and 2022, the recoverable amounts of the CGUs have been determined based on VIU calculations that use cash flow projections based on financial budgets approved by management covering a 5-year period. The significant assumptions used in computing for the recoverable amount for PRBI and CSB branches in 2023 and 2022 as follows:

Significant Assumptions	**2023**	2022
Deposit growth rates	**12.10%**	12.24%
Discount rate	**10.12%**	12.58%
Terminal value growth rate	**5.20%**	5.20%

Deposit growth rates were based on experiences and strategies developed by the Parent Company. The discount rate used for the computation of the present value of the projected cash flows is the cost of equity and was determined by reference to comparable entities. The terminal value growth rate has been determined to reflect the long-term view on the CGU's business.

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

Software
The movements of software costs follow:

	Consolidated and Parent Company	
	2023	2022
Balance at January 1	**₱135,905**	₱162,803
Additions	**39,012**	55,152
	174,917	217,955
Amortization (Note 12)	**(39,399)**	(82,050)
Balance at December 31	**₱135,518**	₱135,905

15. **Other Assets**

Other assets consist of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Financial				
Refundable security deposits	**₱43,027**	₱37,125	**₱43,027**	₱37,125
RCOCI	**1,311**	44	**1,311**	44
	44,338	37,169	**44,338**	37,169
Non-financial				
Advances to BIR	**119,524**	22,699	**119,524**	22,699
Prepaid expenses	**103,021**	135,176	**102,858**	135,014
Documentary stamp taxes (DST)	**49,514**	74,084	**49,514**	74,084
Stationery and supplies	**24,677**	15,243	**24,677**	15,243
Advance rentals	**19,048**	19,989	**19,048**	19,989
Chattel mortgage	**7,364**	20,966	**7,365**	20,966
Receivables from BIR	**5,528**	5,528	**5,528**	5,528
Tax credits	**1,448**	20,768	**1,304**	20,624
Retirement asset (Note 26)	**-**	88,791	**-**	88,791
Others (Note 24)	**55,574**	23,927	**54,574**	22,927
	385,698	427,171	**384,392**	425,865
	430,036	464,340	**428,730**	463,034
Less allowance for ECL and impairment losses (Note 16)	**(5,572)**	(1,564)	**(5,572)**	(1,564)
	₱424,464	₱462,776	**₱423,158**	₱461,470

Receivables from BIR

This account includes receivables related to tax refund cases that are still pending SC decision. As of December 31, 2023 and 2022, there is no balance of allowance for impairment losses on receivable from BIR.

Chattel Mortgage

The movements in chattel mortgage of the Group and the Parent Company follow:

	2023	2022
Cost		
Balance at January 1	**₱49,961**	₱52,756
Additions	**12,617**	26,606
Disposals	**(12,002)**	(25,069)
Transfers (Note 12)	**(9,576)**	(4,332)
Balance at December 31	**41,000**	49,961
Accumulated depreciation and amortization		
Balance at January 1	**28,995**	17,769
Depreciation	**10,482**	16,363
Disposals	**(2,706)**	(4,559)
Transfers (Note 12)	**(3,135)**	(578)
Balance at December 31	**33,636**	28,995
Net book value	**₱7,364**	₱20,966

In 2023, 2022 and 2021, gain (loss) recognized by the Group and the Parent Company from the disposal of certain chattel mortgage amounted to ₱2.52 million, (₱2.03 million), and (₱2.03 million), respectively. This is included under ‘Profit (loss) from assets sold’ in the statements of income

Others
"Others" of the Group and the Parent Company include trust fee receivables, shortages, derivatives, interoffice floats and other investments.

16. Allowance for Credit and Impairment Losses

As of December 31, 2023 and 2022, the analyses of changes in the allowance for ECL follow:

Investment securities at FVTOCI

Consolidated and Parent Company	2023			
	Stage 1	Stage 2	Stage 3	Total
Allowance for ECL, January 1, 2023	**₱8,336**	**₱–**	**₱–**	**₱8,336**
New investment originated or purchased	**8,079**	–	–	**8,079**
Asset derecognized during the period	**(6,565)**	–	–	**(6,565)**
Others	**(59)**	–	–	**(59)**
Allowance for ECL, December 31, 2023	**₱9,791**	**₱–**	**₱–**	**₱9,791**

Investment securities at amortized cost

Consolidated and Parent Company	2023			
	Stage 1	Stage 2	Stage 3	Total
Allowance for ECL, January 1, 2023	**₱14,322**	**₱–**	**₱–**	**₱14,322**
New investment originated or purchased	**6,051**	–	–	**6,051**
Asset derecognized during the period	**(7,565)**	–	–	**(7,565)**
Others	**(6)**	–	–	**(6)**
Allowance for ECL, December 31, 2023	**₱12,802**	**₱–**	**₱–**	**₱12,802**

Receivables from customers

Consolidated and Parent Company	2023			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans:				
Allowance for ECL, January 1, 2023	**₱779,727**	**₱435,522**	**₱1,391,200**	**₱2,606,449**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**414,271**	–	–	**414,271**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	-	**66,584**	**383,196**	**449,780**
Effect of collections and other movements	**(659,337)**	**(168,540)**	**(124,571)**	**(952,448)**
Transfers to Stage 1	**5,298**	**(5,298)**	–	–
Transfers to Stage 2	**(11,607)**	**11,607**	–	–
Transfers to Stage 3	**(301)**	**(220,852)**	**221,153**	–
Impact on ECL of exposures transferred between stages		**16,658**	**6,630**	**23,288**
Impact on ECL of exposures that did not transfer between stages	–	**2,822**	**82,623**	**85,445**
Allowance for ECL, December 31, 2023	**528,051**	**138,503**	**1,960,231**	**2,626,785**
Consumer loans:				
Auto loans				
Allowance for ECL, January 1, 2023	**11,534**	**697**	**43,043**	**55,274**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**329**	–	–	**329**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	-	-	**836**	**836**
Effect of collections and other Movements (excluding write-offs and transfers to ROPA)	**(11,169)**	**(597)**	**(11,167)**	**(22,933)**

(Forward)

Consolidated and Parent Company	2023			
	Stage 1	Stage 2	Stage 3	Total
Transfers to Stage 1	₱1	(₱1)	₱–	₱–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	(41)	(99)	140	–
Impact on ECL of exposures transferred between stages	–	–	204	204
Impact on ECL of exposures that did not transfer between stages	–	–	3,990	3,990
Accounts written-off	–	–	(20,412)	(20,412)
Allowance for ECL, December 31, 2023	654	-	16,634	17,288
Home Loans				
Allowance for ECL, January 1, 2023	26,859	6,298	136,520	169,677
Newly originated assets that remained in Stage 1 as at December 31, 2023	2,655	–	–	2,655
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	-	1,777	8,726	10,503
Effect of collections and other movements	(18,401)	(3,164)	(45,762)	(67,327)
Transfers to Stage 1	101	(100)	(1)	–
Transfers to Stage 2	(580)	920	(340)	–
Transfers to Stage 3	(1,607)	(1,858)	3,465	–
Impact on ECL of exposures transferred between stages	–	6,025	14,079	20,104
Impact on ECL of exposures that did not transfer between stages	–	28	3,100	3,128
Allowance for ECL, December 31, 2023	9,027	9,926	119,787	138,740
Personal Loans				
Allowance for ECL, January 1, 2023	2,490	681	25,916	29,086
Newly originated assets that remained in Stage 1 as at December 31, 2023	563	–	–	563
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	-	-	912	912
Effect of collections and other Movements (excluding write-offs and transfers to ROPA)	(2,295)	(212)	(3,628)	(6,134)
Transfers to Stage 1	9	(8)	(1)	—
Transfers to Stage 2	(142)	142	—	—
Transfers to Stage 3	–	(492)	492	—
Impact on ECL of exposures transferred between stages	–	–	802	802
Impact on ECL of exposures that did not transfer between stages	–	–	13	13
Accounts written-off	–	(111)	(12,802)	(12,913)
Allowance for ECL, December 31, 2023	625	—	11,704	12,329
Total receivables from customers:				
Allowance for ECL, January 1, 2023	820,608	443,225	1,600,654	2,864,487
Newly originated assets that remained in Stage 1 as at December 31, 2023	417,818	–	–	417,818
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023		68,361	393,670	462,031
Effect of collections and other Movements (excluding write-offs and transfers to ROPA)	(691,200)	(172,540)	(189,103)	(1,052,842)
Transfers to Stage 1	5,308	(5,307)	(1)	—
Transfers to Stage 2	(11,749)	11,749	—	—
Transfers to Stage 3	(342)	(221,443)	221,785	—
Impact on ECL of exposures transferred between stages	-	22,683	21,715	44,398
Impact on ECL of exposures that did not transfer between stages	-	2,850	89,726	92,575
Accounts written-off	-	(111)	(33,214)	(33,325)
Allowance for ECL, December 31, 2023	₱540,443	₱149,467	₱2,105,232	₱2,795,142

Other receivables

Consolidated and Parent Company	**2023**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Unquoted debt securities:				
Allowance for ECL, January 1, 2023	**₱625**	**₱-**	**₱-**	**₱625**
Effect of collections	**(462)**	**–**	**–**	**(462)**
Allowance for ECL, December 31, 2023	**163**	**–**	**–**	**163**
Accrued interest receivable:				
Allowance for ECL, January 1, 2023	**2,879**	**5,200**	**5,595**	**13,674**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**2,263**	**–**	**–**	**2,263**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	**–**	**–**	**–**	**–**
Effect of collections and other movements	**(1,429)**	**6,147**	**(1,898)**	**2,820**
Transfers to Stage 1	**362**	**(341)**	**(21)**	**–**
Transfers to Stage 2	**(496)**	**498**	**(2)**	**–**
Transfers to Stage 3	**(1,225)**	**(10,912)**	**12,137**	**–**
Accounts written-off	**–**	**–**	**(425)**	**(425)**
Foreign exchange adjustments	**–**	**–**	**–**	**–**
Allowance for ECL, December 31, 2023	**2,354**	**592**	**15,386**	**18,332**
Accounts receivable:				
Allowance for ECL, January 1, 2023	**650**	**5,748**	**51,534**	**57,932**
Newly originated assets	**648**	**–**	**–**	**648**
Effect of collections and other movements	**815**	**9,554**	**(11,835)**	**(1,466)**
Transfers to Stage 3	**(1,951)**	**(8,267)**	**10,218**	**–**
Accounts written-off	**–**	**–**	**(277)**	**(277)**
Allowance for ECL, December 31, 2023	**162**	**7,035**	**49,640**	**56,837**
Sales contracts receivable				
Allowance for ECL, January 1, 2023	**6,569**	**3,286**	**390**	**10,245**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**20**			**20**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	**6,786**	**-**	**-**	**6,786**
Effect of collections and other movements (excluding write-offs and transfers to ROPA)	**(5,565)**	**(2,924)**	**(304)**	**(8,793)**
Transfers to Stage 1	**2**	**(2)**		**-**
Transfers to Stage 2				**-**
Transfers to Stage 3	**(7,762)**	**(360)**	**8,122**	**-**
Allowance for ECL, December 31, 2023	**50**	**-**	**8,208**	**8,258**
Total other receivables				
Allowance for ECL, January 1, 2023	**10,723**	**14,234**	**57,519**	**82,476**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**2,931**	**-**	**-**	**2,931**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	**6,786**	**-**	**-**	**6,786**
Effect of collections and other movements	**(6,641)**	**12,777**	**(14,037)**	**(7,901)**
Transfers to Stage 1	**364**	**(343)**	**(21)**	**-**
Transfers to Stage 2	**(496)**	**498**	**(2)**	**-**
Transfers to Stage 3	**(10,938)**	**(19,539)**	**30,477**	**-**
Accounts written-off	**-**	**-**	**(702)**	**(702)**
Allowance for ECL, December 31, 2023	**₱2,729**	**₱7,627**	**₱73,234**	**₱83,590**

In 2023, the Group and the Parent Company recorded an allowance for ECL amounting to ₱5.72 million on the credit-related commitments.

Investment securities at FVTOCI

Consolidated and Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
Allowance for ECL, January 1, 2022	₱15,634	₱–	₱–	₱15,634
New investment originated or purchased	16,132	–	–	16,132
Asset derecognized during the period	(23,430)	–	–	(23,430)
Allowance for ECL, December 31, 2022	₱8,336	₱–	₱–	₱8,336

Investment securities at amortized cost

Consolidated and Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
Allowance for ECL, January 1, 2022	₱6,911	₱–	₱–	₱6,911
Impact of change in PD	2,973	–	–	2,973
New investment originated or purchased	4,438	–	–	4,438
Allowance for ECL, December 31, 2022	₱14,322	₱–	₱–	₱14,322

Receivables from customers

Consolidated and Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans:				
Allowance for ECL, January 1, 2022	₱430,128	₱249,399	₱1,567,716	₱2,247,243
Newly originated assets that remained in Stage 1 as at December 31, 2022	653,538	–	–	653,538
Effect of collections and other movements	(301,348)	(53,374)	(305,567)	(660,289)
Transfers to Stage 1	10,770	(10,770)	–	
Transfers to Stage 2	(3,661)	3,661	–	–
Transfers to Stage 3	(306)	(11,360)	11,666	–
Impact on ECL of exposures transferred between stages	(4,343)	28,501	59,237	83,395
Impact on ECL of exposures that did not transfer between stages	–	229,491	62,122	291,613
Foreign exchange adjustment	(5,051)			(5,051)
Allowance for ECL, December 31, 2022	779,727	435,548	1,395,174	2,610,449
Consumer loans:				
Auto loans				
Allowance for ECL, January 1, 2022	9,098	7,676	60,532	77,306
Newly originated assets that remained in Stage 1 as at December 31, 2022	5,789	–	–	5,789
Effect of collections and other movements	(3,017)	(5,996)	(30,168)	(39,181)
Transfers to Stage 1	394	(394)	–	–
Transfers to Stage 2	(156)	861	(705)	–
Transfers to Stage 3	(243)	(1,785)	2,028	–
Impact on ECL of exposures transferred between stages	(330)	304	1,776	1,750
Impact on ECL of exposures that did not transfer between stages	–	31	18,611	18,642
Accounts written-off	–	–	(9,031)	(9,031)
Allowance for ECL, December 31, 2022	11,535	697	43,043	55,275
Home loans:				
Allowance for ECL, January 1, 2022	20,283	11,119	200,467	231,869
Newly originated assets that remained in Stage 1 as at December 31, 2022	13,245	–	–	13,245
Effect of collections and other movements	(7,473)	(2,454)	(95,972)	(105,899)
Transfers to Stage 1	26,866	(5,699)	(21,167)	–
Transfers to Stage 2	(114)	6,443	(6,329)	–
Transfers to Stage 3	(780)	(7,523)	8,303	–
Impact on ECL of exposures transferred between stages	(25,170)	2,893	18,912	(3,365)
Impact on ECL of exposures that did not transfer between stages	–	1,520	32,307	33,827
Allowance for ECL, December 31, 2022	26,857	6,299	136,521	169,677

(Forward)

Consolidated and Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
Personal loans:				
Allowance for ECL, January 1, 2022	₱8,909	₱2,963	₱95,341	₱107,213
Newly originated assets that remained in Stage 1 as at December 31, 2022	1,599	–	–	1,599
Effect of collections and other movements	(7,328)	(1,512)	(10,102)	(18,942)
Transfers to Stage 1	3,379	(205)	(3,174)	–
Transfers to Stage 2	(327)	67	(1,340)	–
Transfers to Stage 3	(546)	(2,492)	3,038	–
Impact on ECL of exposures transferred between stages	(3,197)	145	3,085	33
Impact on ECL of exposures that did not transfer between stages	–	115	4,338	4,453
Accounts written-off	–	–	(65,270)	(65,270)
Allowance for ECL, December 31, 2022	2,489	681	25,916	29,086
Total receivables from customers:				
Allowance for ECL, January 1, 2022	468,418	271,157	1,924,056	2,663,631
Newly originated assets that remained in Stage 1 as at December 31, 2022	674,171	–	–	674,171
Effect of collections and other movements	(319,166)	(63,336)	(441,809)	(824,311)
Transfers to Stage 1	41,409	(17,068)	(24,341)	–
Transfers to Stage 2	(4,258)	12,632	(8,374)	–
Transfers to Stage 3	(1,875)	(23,160)	25,035	–
Impact on ECL of exposures transferred between stages	(33,040)	31,843	83,010	81,813
Impact on ECL of exposures that did not transfer between stages	–	231,157	117,378	348,535
Accounts written-off	–	–	(74,301)	(74,301)
Foreign exchange adjustments	(5,051)			(5,051)
Allowance for ECL, December 31, 2022	₱820,608	₱443,225	₱1,600,654	₱2,864,487

Other receivables

Consolidated and Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
Unquoted debt securities:				
Allowance for ECL, January 1, 2022	₱571	₱–	₱–	₱571
Effect of collections	54	–	–	54
Allowance for ECL, December 31, 2022	625	–	–	625
Accrued interest receivable:				
Allowance for ECL, January 1, 2022	1,474	2,448	8,685	12,607
Newly originated assets that remained in Stage 1 as at December 31, 2022	8,424	–	–	8,424
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	–	–	–	–
Effect of collections and other movements	(1,023)	(615)	(3,863)	(5,501)
Transfers to Stage 1	148	(24)	(124)	–
Transfers to Stage 2	(3,451)	3,480	(29)	–
Transfers to Stage 3	(2,693)	(89)	2,782	–
Accounts written-off	–	–	(1,856)	(1,856)
Foreign exchange adjustments	–	–	-	-
Allowance for ECL, December 31, 2022	2,879	5,200	5,595	13,674

(Forward)

Consolidated and Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
Accounts receivable:				
Allowance for ECL, January 1, 2022	₱782	₱15,539	₱28,838	₱45,159
Newly originated assets	650	–	–	650
Effect of collections and other movements	(84)	(6,447)	20,746	14,215
Transfers to Stage 3	(698)	(3,344)	4,042	-
Accounts written-off	–	-	(2,092)	(2,092)
Allowance for ECL, December 31, 2022	650	5,748	51,534	57,932
Sales contracts receivable				
Allowance for ECL, January 1, 2022	181	2,688	7,376	10,245
Newly originated assets that remained in Stage 1 as at December 31, 2022	7,104	–	–	7,104
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	–	–	–	–
Effect of collections and other movements (excluding write-offs and transfers to ROPA)	(3,230)	(1,387)	(2,487)	(7,104)
Transfer to ROPA				
Transfers to Stage 1	5,146	(1,553)	(3,593)	–
Transfers to Stage 2	(2,632)	3,546	(914)	–
Transfers to Stage 3	–	(8)	8	–
Allowance for ECL, December 31, 2022	6,569	3,286	390	10,245
Total other receivables				
Allowance for ECL, January 1, 2022	3,008	20,675	44,899	68,582
Newly originated assets that remained in Stage 1 as at December 31, 2022	16,178	–	–	16,178
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	–	–	–	–
Effect of collections and other movements	(4,283)	(8,449)	14,396	1,664
Transfers to Stage 1	5,294	(1,577)	(3,717)	–
Transfers to Stage 2	(6,083)	7,026	(943)	–
Transfers to Stage 3	(3,391)	(3,441)	6,832	–
Impact on ECL of exposures transferred between stages	–	–	–	–
Accounts written-off	–	–	(3,948)	(3,948)
Allowance for ECL, December 31, 2022	₱10,723	₱14,234	₱57,519	₱82,476

As of December 31, 2023 and 2022, changes in the allowance for credit and impairment losses of the Group and the Parent Company follow:

	Consolidated and Parent Company	
	2023	2022
Balances at January 1		
Loans and receivables (Note 11)	**₱2,946,963**	₱2,732,213
Investment securities at FVTOCI	**8,336**	15,634
Investment securities at amortized cost	**14,322**	6,911
Investment properties (Note 13)	**55,766**	65,234
Other assets (Note 15)	**1,564**	2,573
	3,026,951	2,822,565
Provision for credit and impairment losses	**(24,409)**	287,686
Accounts written-off, revaluation, and others	**(36,530)**	(83,300)
	(60,939)	204,386

(Forward)

	Consolidated and Parent Company	
	2023	2022
Balance at December 31:		
Loans and receivables (Note 11)	**₱2,878,732**	₱2,946,963
Investment securities at FVTOCI	**9,791**	8,336
Investment securities at amortized cost	**12,802**	14,322
Investment properties (Note 13)	**53,395**	55,766
Other assets (Note 15)	**5,572**	1,564
Commitment and Guarantees	**5,720**	–
	₱2,966,012	₱3,026,951

Below is the breakdown of provisions for (reversals of) credit and impairment losses:

	Consolidated and Parent Company		
	2023	2022	2021
Financial assets and other credit-related exposures:			
Loans and receivables	**(₱27,758)**	₱298,050	₱317,662
Investment securities at FVTOCI (Note 8)	**1,514**	(7,298)	10,089
Investment securities at amortized cost	**(1,514)**	7,411	(3,605)
	(27,758)	298,163	324,146
Non-financial assets:			
Investment properties (Note 12)	**(2,371)**	(9,468)	(1,845)
Other assets (Note 15)	**–**	(1,009)	–
	(2,371)	(10,477)	(1,845)
Commitment and guarantees	**5,720**	–	–
	(₱24,409)	₱287,686	₱322,301

While the Group recognizes through the statement of income the movements in the expected credit losses computed using the models, the Group also complies with BSP's regulatory requirement to appropriate a portion of its earnings at an amount necessary to bring to at least 1% the allowance for credit losses on loans (Note 22).

	2023	2022	2021
Provision for credit and impairment losses	**(₱24,409)**	₱287,799	₱322,301
Appropriation from current net income	**241,165**	53,483	52,240
Total	**₱216,756**	₱341,282	₱374,541

17. **Deposit Liabilities**

Deposit liabilities and deposit substitute liabilities are subject to required reserves. On June 23, 2023, BSP Circular No. 1175 were issued reducing the reserve requirement from 12.0%to 9.5% for universal and commercial banks effective reserve week June 30, 2023.

Long-term negotiable certificates of deposits (LTNCDs) remain subject to required reserves at 4.00%. MORB Sec 252, Composition of Reserves, provides a reference that includes the use of eligible loans to MSME and large enterprises as alternative compliance to required reserves for deposit liabilities.

As of December 31, 2023 and 2022, Due from BSP amounting to ₱9.27 billion and ₱9.75 billion, respectively, were set aside as reserves for deposit liabilities. As of December 31, 2023 and 2022, the Group is in compliance with the above regulations.

On July 26, 2018, the Monetary Board of the BSP, in its Resolution No. 1220, approved the Parent Company's issuance of LTNCDs of up to ₱5.00 billion in one or more tranches over the course of one year, with minimum tenor of 5 years and 1 day to a maximum of 7 years. The purpose of the issuance is specifically for long-term funding.

On October 8, 2018, the Parent Company issued ₱2.90 billion worth of LTNCDs with a tenor of 5 years and 6 months. The LTNCDs will mature on April 8, 2024 and have fixed interest rate of 5.625% per annum, payable quarterly in arrears on October 8, January 8, April 8 and July 8 of each year, commencing on January 8, 2019. The LTNCDs are listed in the trading platform of the Philippine Dealing & Exchange Corp. for secondary market trading.

Interest expense on deposit liabilities consists of:

	Consolidated and Parent Company		
	2023	2022	2021
Demand	**₱44,606**	₱49,113	₱44,004
Savings	**11,903**	13,229	10,683
Time	**2,289,712**	368,942	211,486
LTNCD	**169,398**	168,059	168,726
	₱2,515,619	₱599,343	₱434,899

Peso-denominated deposit liabilities earn annual fixed interest rates ranging from 0.10% to 4.50% in 2023, 0.10% to 3.00% in 2022 and 2021, while foreign currency-denominated deposit liabilities earn annual fixed interest rates ranging from 0.10% to 4.25%, 0.09% to 2.75%, and 0.09% to 1.50% in 2023, 2022 and 2021, respectively.

18. Bills Payable

This account consists of the Group's and the Parent Company's borrowings from:

	2023	2022
Private firms and individuals	**₱8,530,857**	₱4,992,538
Banks and other financial institutions	**1,155,898**	2,601,481
	₱9,686,755	₱7,594,019

As of December 31, 2023, ₱9.41 billion of the bills payable are collateralized by investment in government securities. Details of the securities pledged are as follows:

	2023		
	Face value	**Carrying amount**	**Fair value**
Investment securities at amortized cost	**₱9,401,539**	**₱9,410,004**	**₱9,691,448**

As of December 31, 2022, ₱7.58 billion of the bills payable is collateralized by investment in government securities. Details of the securities pledged are as follows:

	2022		
	Face value	Carrying amount	Fair value
Investment securities at amortized cost	₱7,840,683	₱7,951,682	₱7,680,925

The Group has no dollar interbank borrowings as of December 31, 2023 and 2022.

The Group also did not avail of peso and dollar rediscounting facilities in 2023 and 2022.

Interest expense on bills payable and other borrowings consists of:

	Consolidated			**Parent Company**		
	2023	2022	2021	**2023**	2022	2021
Borrowed funds	**₱694,867**	₱176,729	₱40,211	**₱694,867**	₱176,729	₱40,211
Lease liability (Note 22)	**12,458**	12,256	14,528	**12,458**	12,256	14,528
Net interest cost on retirement liability (Note 26)	**-**	–	4,360	**-**	–	4,360
	₱707,325	₱188,985	₱59,099	**₱707,325**	₱188,985	₱59,099

The net interest income on retirement liability of ₱6.48 million in 2023 and ₱4.87 million in 2022 is presented as part of miscellaneous income.

Borrowings from private firms and individuals represent deposit substitutes with maturities of 1 to 181 days in 2023 and 2022, respectively. These borrowings bear annual interest rates ranging from 1.00% to 6.75%, 0.30% to 5.00%%, and 0.25% to 1.13%, in 2023, 2022 and 2021, respectively.

As of December 31, 2023 and 2022, Due from BSP amounting to ₱856.82 million and ₱651.98 million, respectively, were set aside as reserves for deposit substitutes.

19. Accrued Interest, Taxes and Other Expenses

This account consists of:

	Consolidated		**Parent Company**	
	2023	2022	**2023**	2022
Financial liabilities				
Accrued interest payable	**₱761,833**	₱193,187	**₱761,833**	₱193,187
Accrued other expenses	**645,790**	589,209	**645,704**	589,123
	1,407,623	782,396	**1,407,537**	782,310
Non-financial liabilities				
Retirement liability (Note 26)	**21,713**	–	**21,713**	-
Accrued taxes and licenses	**119,803**	82,004	**119,803**	82,004
	141,516	82,004	**141,516**	82,004
	₱1,549,139	₱864,400	**₱1,549,053**	₱864,314

Accrued other expenses includes accrual for various operating expenses.

20. Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Financial liabilities				
Accounts payable	**₱314,711**	₱276,651	**₱314,703**	₱276,643
Refundable security deposits	**109,864**	131,651	**109,864**	131,651
Miscellaneous (Note 23)	**31,528**	30,955	**31,528**	30,955
	456,103	439,257	**456,095**	439,249
Non-financial liabilities				
Lease liability (Note 27)	**189,236**	214,195	**189,236**	214,195
Deferred credits	**156,978**	184,918	**156,978**	184,918
Withholding taxes payable	**76,801**	33,428	**76,801**	33,428
Due to the Treasurer of the Philippines	**56,832**	47,194	**56,832**	47,194
Miscellaneous	**111,799**	100,247	**110,591**	99,038
	591,646	579,982	**590,438**	578,773
	₱1,047,749	₱1,019,239	**₱1,046,533**	₱1,018,022

Miscellaneous liabilities of the Group and the Parent Company include marginal deposits, cash letters of credit deposit liabilities classified as dormant and allowance for ECL on off-balance sheet exposures.

Shown below is the movement of lease liability of the Group and Parent Company:

	2023	2022
Balance at January 1	**₱214,195**	₱252,501
Additions	**91,402**	67,672
Lease payments	**(128,819)**	(118,234)
Interest expense (Note 18)	**12,458**	12,256
Balance at December 31	**₱189,236**	₱214,195

21. Maturity Analysis of Assets and Liabilities

The tables below show an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled:

	Consolidated					
	2023			2022		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Financial assets - at gross						
Cash and other cash items	**₱1,562,747**	–	**₱1,562,747**	₱1,404,214	₱-	₱1,404,214
Due from BSP	**12,204,980**	–	**12,204,980**	11,336,471	–	11,336,471
Due from other banks	**485,530**	–	**485,530**	1,089,190	–	1,089,190
Interbank loans receivable and SPURA (Note 8)	**492,353**	–	**492,353**	2,600,579	–	2,600,579
Financial assets at FVTOCI (Note 9)	**552,415**	**7,863,144**	**8,415,559**	–	5,008,596	5,008,596
Investment securities at amortized cost (Note 10)	**5,904,237**	**21,884,956**	**27,789,193**	242,769	21,433,377	21,676,146
Loans and receivables (Note 11):						
Receivables from Customers	**50,910,461**	**41,041,206**	**91,951,667**	42,353,574	35,144,270	77,497,844
Unquoted debt securities	**-**	**366,900**	**366,900**	–	649,995	649,995
Accrued interest receivable	**972,204**	**-**	**972,204**	712,908	–	712,908

(Forward)

	Consolidated					
	2023			2022		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Accounts receivable	**₱1,350,169**	**₱10,535**	**₱1,360,704**	₱945,426	₱55,132	₱1,000,558
Sales contracts receivable	**19,587**	**43,980**	**63,567**	27,188	36,527	63,715
Other assets (Note 15):			**-**			
Refundable security deposits	**18,404**	**24,623**	**43,027**	–	37,125	37,125
RCOCI	**1,311**	**-**	**1,311**	44	–	44
	74,474,398	**71,235,344**	**145,709,742**	60,712,363	62,365,022	123,077,385
Non-financial assets - at gross						
Investments in subsidiary and an associate (Note 7)	**-**	**16,343**	**16,343**	–	14,715	14,715
Property and equipment (Note 12)	**-**	**2,994,544**	**2,994,544**	–	2,857,058	2,857,058
Investment properties (Note 13):	**-**		**-**			
Condominium units for Lease	**-**	**2,580,394**	**2,580,394**	–	2,644,075	2,644,075
Foreclosed properties	**-**	**1,330,616**	**1,330,616**	–	1,269,827	1,269,827
Office units for lease	**-**	**39,390**	**39,390**	–	39,390	39,390
Intangible assets (Note 14)	**-**	**525,218**	**525,218**	–	525,605	525,605
Deferred tax assets (Note 29)	**-**	**404,323**	**404,323**	–	390,567	390,567
Other assets (Note 15)	**281,488**	**137,847**	**419,335**	276,269	179,897	456,166
	281,488	**8,028,675**	**8,310,163**	276,269	7,921,134	8,197,403
	74,755,886	**79,264,019**	**154,019,905**	60,988,632	70,286,151	131,274,788
Less:						
Unearned interest and discounts (Note 11)	**(61,995)**		**(61,995)**	(54,025)	(153)	(54,178)
Accumulated depreciation and amortization (Notes 12, 13 and 15)	**(139,831)**	**(3,389,886)**	**(3,529,717)**	(58,395)	(3,265,101)	(3,323,496)
Allowance for credit and impairment losses (Notes 10, 11, 13, 15 and 16)	**(2,255,955)**	**(694,548)**	**(2,950,503)**	(2,151,371)	(867,244)	(3,018,615)
Total	**₱72,298,105**	**₱75,179,585**	**₱147,477,690**	₱58,791,046	₱66,087,453	₱124,878,499
Financial liabilities						
Deposit liabilities:						
Demand	**₱41,395,954**	**₱-**	**₱41,395,954**	₱45,499,687	₱–	₱45,499,687
Savings	**13,314,707**	**-**	**13,314,707**	12,667,907	–	12,667,907
Time	**57,381,112**	**1,708,455**	**59,089,567**	35,709,697	2,673,040	38,382,737
LTNCD	**2,900,016**	**-**	**2,900,016**	–	2,893,897	2,893,897
Bills payable (Note 18)	**9,686,755**	**-**	**9,686,755**	7,594,019	–	7,594,019
Outstanding acceptances	**105,410**	**-**	**105,410**	50,218	–	50,218
Manager's checks	**632,058**	**-**	**632,058**	221,535	–	221,535
Accrued interest payable (Note 19)	**761,833**	**-**	**761,833**	193,187	–	193,187
Accrued other expenses (Note 19)	**645,790**	**-**	**645,790**	589,209	–	589,209
Other liabilities (Note 20):		**-**	**-**		–	
Accounts payable	**314,711**		**314,711**	276,651	–	276,651
Refundable security deposits	**73,533**	**36,331**	**109,864**	43,023	88,628	131,651
Miscellaneous	**31,528**	**-**	**31,528**	30,955	–	30,955
	127,243,407	**1,744,786**	**128,988,193**	102,876,088	5,655,565	108,531,653
Non-financial liabilities						
Accrued taxes and licenses (Note 19)	**119,802**	**-**	**119,802**	82,004	–	82,004
Income tax payable	**100,584**	**-**	**100,584**	116,594	–	116,594
Other liabilities (Note 20):			**-**			
Deferred credits	**123,100**	**33,878**	**156,978**	110,762	74,156	184,918
Lease liability	**67,426**	**121,810**	**189,236**	91,490	122,705	214,195
Withholding taxes payable	**76,801**	**-**	**76,801**	34,513	–	34,513
Allowance for ECL on off-balance sheet exposures	**–**	**5,720**	**5,720**	—	—	—
Due to the Treasurer of the Philippines	**56,832**	**-**	**56,832**	47,194	–	47,194
Miscellaneous	**39,362**	**88,431**	**127,793**	31,682	69,699	101,381
	583,907	**249,839**	**833,746**	514,239	266,560	780,799
	₱127,827,314	**₱1,994,625**	**₱129,821,939**	₱103,390,327	₱5,922,125	₱109,312,452

	Parent Company					
	2023			2022		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Financial assets - at gross						
Cash and other cash items	**₱1,562,747**	**-**	**₱1,562,747**	₱1,404,214	₱-	₱1,404,214
Due from BSP	**12,204,980**	**-**	**12,204,980**	11,336,471	–	11,336,471
Due from other banks	**485,530**	**-**	**485,530**	1,089,190	–	1,089,190
Interbank loans receivable and SPURA (Note 8)	**492,353**	**-**	**492,353**	2,600,579	–	2,600,579
Financial assets at FVTPL	**-**	**-**	**-**			
Financial assets at FVTOCI (Note 9)	**552,415**	**7,863,144**	**8,415,559**	–	5,008,596	5,008,596
Investment securities at amortized cost (Note 10)	**5,904,237**	**21,884,956**	**27,789,193**	242,769	21,433,377	21,676,146
Loans and receivables (Note 11):			**-**			
Receivables from customers	**50,910,461**	**41,041,206**	**91,951,667**	42,353,574	35,144,270	77,497,844
Unquoted debt securities	**-**	**366,900**	**366,900**	–	649,995	649,995
Accrued interest receivable	**972,204**	**-**	**972,204**	712,908	–	712,908
Accounts receivable	**1,308,276**	**55,262**	1,363,538	948,259	55,132	1,003,391
Sales contracts receivable	**19,587**	**43,980**	**63,567**	27,188	36,527	63,715
Other assets (Note 15):			**-**			
Refundable security deposits	**18,404**	**24,623**	**43,027**	–	37,125	37,125
RCOCI	**1,311**	**-**	**1,311**	44	–	44
	74,432,505	**71,280,071**	**145,712,576**	60,715,196	62,365,022	123,080,218
Non-financial assets - at gross						
Investments in subsidiary and an associate (Note 7)	**6,073**	**16,343**	**22,416**	–	20,788	20,788
Property and equipment (Note 12)	**154,500**	**2,840,044**	**2,994,544**	66,205	2,790,853	2,857,058
Investment properties (Note 13):			**-**			
Condominium units for lease	**-**	**2,580,394**	**2,580,394**	–	2,644,075	2,644,075
Foreclosed assets	**-**	**1,330,616**	**1,330,616**	–	1,269,827	1,269,827
Office units for lease	**-**	**39,390**	**39,390**	–	39,390	39,390
Intangible assets (Note 14)	**-**	**525,218**	**525,218**	–	525,605	525,605
Deferred tax assets (Note 29)	**-**	**404,323**	**404,323**	–	390,567	390,567
Other assets (Note 15)	**280,181**	**137,847**	**418,028**	274,963	179,897	454,860
	440,754	**7,874,175**	**8,314,929**	341,168	7,861,002	8,202,170
	74,873,259	**79,154,246**	**154,027,505**	61,056,364	70,226,024	131,282,388
Less:						
Unearned interest and discounts (Note 11)	**(61,995)**		**(61,995)**	(54,025)	(153)	(54,178)
Accumulated depreciation and amortization (Notes 12, 13 and 15)	**(139,831)**	**(3,389,886)**	**(3,529,717)**	–	(3,323,496)	(3,323,496)
Allowance for credit and impairment losses (Notes 10, 11, 13, 15 and 16)	**(2,255,955)**	**(694,548)**	**(2,950,503)**	(2,151,371)	(867,244)	(3,018,615)
Total	**₱72,415,478**	**₱75,069,812**	**₱147,485,290**	₱58,850,968	₱66,035,131	₱124,886,099
Financial liabilities						
Deposit liabilities:						
Demand	**₱41,404,856**	**₱–**	**₱41,404,856**	₱45,508,590	₱–	₱45,508,590
Savings	**13,314,707**	**-**	**13,314,707**	12,667,907	–	12,667,907
Time	**57,381,112**	**1,708,455**	**59,089,567**	35,709,697	2,673,040	38,382,737
LTNCD	**2,900,016**	**-**	**2,900,016**	–	2,893,897	2,893,897
Bills payable (Note 18)	**9,686,755**	**-**	**9,686,755**	7,594,019	–	7,594,019
Outstanding acceptances	**105,410**	**-**	**105,410**	50,218	–	50,218
Manager’s checks	**632,058**	**-**	**632,058**	221,535	–	221,535
Accrued interest payable (Note 19)	**761,833**	**-**	**761,833**	193,187	–	193,187
Accrued other expenses (Note 19)	**645,704**	**-**	**645,704**	589,123	–	589,123

(Forward)

	Parent Company					
	2023			2022		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Other liabilities (Note 20):						
Accounts payable	**₱314,703**	**₱–**	**₱314,703**	₱276,643	₱–	₱276,643
Refundable security deposits	**73,533**	**36,331**	**109,864**	43,023	88,628	131,651
Miscellaneous	**31,528**	**-**	**31,528**	30,955	–	30,955
	127,252,215	**1,744,786**	**128,997,001**	102,884,897	5,655,565	108,540,462
Non-financial liabilities						
Deferred tax liabilities (Note 29)	–	–	–	–	–	–
Retirement liability (Notes 19 and 26)	–	–	–	–	–	–
Accrued taxes and licenses (Note 19)	**119,802**	**-**	**119,802**	82,004	–	82,004
Income tax payable	**100,584**	**-**	**100,584**	116,594	–	116,594
Other liabilities (Note 20):			**-**			
Deferred credits	**123,100**	**33,878**	**156,978**	110,762	74,156	184,918
Lease liability	**67,426**	**121,810**	**189,236**	91,490	122,705	214,195
Withholding taxes payable	**76,801**	**-**	**76,801**	34,513	–	34,513
Provision for commitment	**-**	**5,720**	**5,720**			
Due to the Treasurer of the Philippines	**56,832**	**-**	**56,832**	47,194	–	47,194
Miscellaneous	**38,154**	**88,431**	**126,585**	31,682	68,490	100,172
	582,699	**249,839**	**832,538**	514,239	265,351	779,590
	₱127,834,914	**₱1,994,625**	**₱129,829,539**	₱103,399,136	₱5,920,916	₱109,320,052

22. Equity

Common Stock

Details and movements of common stock follow:

	Shares	Amount
Common - ₱25 par value		
Authorized	760,000	₱19,000,000
Issued and outstanding		
Balance at December 31	480,645	₱12,016,129

The Parent Company became listed in the PSE on May 12, 1988. After its listing in the PSE, there was no succeeding offer/selling to the public of the Parent Company's shares.

The summarized information on the Parent Company's registration of securities under the Securities Regulation Code follows:

Date of SEC Approval	Type/Class	Authorized Shares	Par Value
November 23, 1988	Common Class A	7,000,000	100
	Common Class B	3,000,000	100
June 3, 1993	Common Class A	14,000,000	100
	Common Class B	6,000,000	100
September 11, 1997	Common	65,000,000	100
April 6, 2001	Common	145,000,000	100
March 31, 2006	Common	145,000,000	100
	Preferred	120,000,000	25
March 11, 2013	Common	760,000,000	25

As reported by the Parent Company's transfer agent, AB Stock Transfers Corporation, the total number of shareholders is 397 and 398 as of December 31, 2023 and 2022, respectively.

Surplus Reserves

In compliance with BSP regulations and RA No. 337, *The General Banking Act*, 10.00% of the Parent Company's profit from trust business is appropriated to surplus reserves. This annual appropriation is required until the surplus reserves for trust business equals 20.00% of the Parent Company's authorized capital stock. Surplus reserve for self-insurance represents the amount set aside to cover for losses due to fire, defalcation by and other unlawful acts of the Parent Company's personnel or third parties.

Upon adoption of PFRS 9, BSP requires appropriation of a portion of the Group's Surplus at an amount necessary to bring to at least 1% the allowance for credit losses on loans (Note 16). The Bank appropriated ₱241.17 million in 2023 and ₱105.7 million in 2022, respectively to meet prudential requirements on 1% general loan loss provisioning.

Surplus

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 differs to a certain extent from the computation following BSP Guidelines.

In the consolidated financial statements, accumulated net earnings of the subsidiary and an associate amounting to ₱14.34 million and ₱12.71 million as of December 31, 2023 and 2022, respectively, that were closed out to 'Surplus' is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon declaration and receipt of cash dividends from the investees.

Capital Management

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

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

The Parent Company maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Parent Company's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("Bank for International Settlements rules/ratios") and adopted by the BSP as discussed below. The Parent Company has complied in full with all its regulatory capital requirements.

BSP approvals

On December 14, 2012, the BSP, in its Resolution No. 2088, approved the request of the Parent Company to include the ₱1.92 billion appraisal increment resulting from the revaluation of PBCom Tower as part of unimpaired and qualifying capital in computing for net worth and capital adequacy ratio. Effective January 1, 2018, the Group and the Parent Company changed their method of accounting for Investment Properties and Land from the fair value model and revaluation model, respectively, to the cost model, and restated the comparative information in its audited financial statements. As approved by the BSP, however, the Parent Company continues to include the above revaluation increment for purposes of regulatory unimpaired and qualifying capital in its computation of net worth and capital adequacy ratio. As of December 31, 2023 and 2022, the revaluation increment pertaining to PBCOM Tower amounted to ₱1.76 billion and ₱1.75 billion, respectively.

Regulatory Qualifying Capital
Under existing BSP regulations, the determination of the Parent Company's compliance with regulatory requirements and ratios is based on the amount of the Group's "qualifying capital" (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting policies which may differ from PFRS in some respects.

The BSP, under Section 125 and Appendix 59 of the MORB, prescribes guidelines in implementing the revised risk-based capital adequacy framework for universal and commercial banks to conform with Base III standards.

Under the MORB, the quality capital a bank must maintain to cover its risks. These include:
- Tier One capital - comprises the Group's and the Parent Company's core capital resources that are immediately available to sustain the financial stability of the group. Components of tier one capital include:
  - Core-Equity Tier One or CET-1 includes paid-in shares of common stock, retained earnings and accumulated OCI. CET-1 must be the predominant form of Tier One Capital. CET-1 absorbs all deductions to capital mandated by regulation. These deductions include capital invested in affiliates, net deferred tax assets and intangible assets items.
  - Alternative Tier One or AT-1 includes other equity type claims on a bank's statement of financial position that are sufficiently subordinate to the claims of depositors and senior creditors and whose cash flow distributions are not committed and cancellable at the option of the bank.
- Tier Two capital - includes auxiliary items, such as the general loan loss provision and appraisal increment reserves on investment property, that supplement Tier One Capital in sustaining the financial stability of the bank.

Banks must maintain CET-1 capital equivalent to 6.00%, Total Tier One capital equivalent to 7.5% and Total capital equivalent to 10% of regulatory risk weighted assets at all times.

Below is a summary of risk weights and selected exposure types:

Risk Weight	Exposure/Asset Type*
0.00%	Cash on hand; claims collateralized by securities issued by the national government, BSP; loans covered by the Trade and Investment Development Corporation of the Philippines; real estate mortgages covered by the Home Guarantee Corporation
20.00%	Cash and other cash items, claims guaranteed by Philippine incorporated banks/quasi-banks with the highest credit quality; claims guaranteed by foreign incorporated banks with the highest credit quality; loans to exporters to the extent guaranteed by Small Business Guarantee and Finance Corporation
50.00%	Housing loans fully secured by first mortgage on residential property; Local Government Unit (LGU) bonds which are covered by Deed of Assignment of Internal Revenue allotment of the LGU and guaranteed by the LGU Guarantee Corporation

Risk Weight	Exposure/Asset Type*
75.00%	Direct loans of defined Small Medium Enterprise and microfinance loans portfolio; non-performing housing loans fully secured by first mortgage
100.00%	All other assets (for example, real estate assets) excluding those deducted from capital (for example, deferred income tax)
150.00%	All non-performing loans (except non-performing housing loans fully secured by first mortgage) and all non-performing debt securities

*Not all inclusive

As of December 31, 2023 and 2022, the Group and the Parent Company reported ratios in excess of the regulatory requirements.

Presented below are the composition of qualifying capital and the related disclosures as reported to the BSP (amounts in millions):

	2023	2022
CET-1 Capital	**₱17,160**	₱15,084
Less: Regulatory Adjustments to CET-1	**(610)**	(639)
	16,550	14,445
Additional Tier 1 Capital	–	–
Less: Regulatory Adjustments to AT-1	–	–
	–	–
Total Tier 1 Capital	**16,550**	14,445
Tier 2 Capital	**2,553**	2,413
Less: Regulatory Adjustments to Tier 2 Capital	–	–
Total Tier 2 Capital	**2,553**	2,413
Total Qualifying Capital	**₱19,103**	₱16,858

The Group's and the Parent Company's RBCAR as reported to the BSP as of December 31, 2023 and 2022 are shown in the table below (amounts in millions):

	2023	2022
CET-1 Capital:		
Paid-up common stock	**₱12,016**	₱12,016
Additional paid-in capital	**2,262**	2,262
Surplus (Deficit)	**2,915**	1,073
Net unrealized gains or losses on FVTOCI	**(70)**	(308)
Cumulative foreign currency translation	**1**	–
Cumulative actuarial losses	**36**	41
	17,160	15,084
Less: Regulatory Adjustments to CET-1		
Other intangible assets	**499**	523
Defined benefit pension fund assets	**89**	95
Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies	**6**	6
Significant minority investments	**16**	15
	610	639

(Forward)

	2023	2022
Tier 1 Capital		
Additional Tier 1 Capital	**₱–**	₱–
Total Tier 1 Capital	**16,550**	14,445
Appraisal increment reserve	**1,761**	1,749
General loan loss provision	**792**	664
	2,553	2,413
Less: Regulatory Adjustments to Tier 2 Capital	**-**	–
Total Tier 2 Capital	**2,553**	2,413
Total Qualifying Capital	**₱19,103**	₱16,858
Credit risk-weighted assets	**₱104,854**	88,852
Market risk-weighted assets	**153**	305
Operational risk-weighted assets	**10,411**	9,622
Total Risk Weighted Assets	**₱115,418**	₱98,779
CET 1 Capital Ratio	**14.34%**	14.62%
Tier 1 Capital Ratio	**14.34%**	14.62%
Total Capital Ratio	**16.55%**	17.07%

Leverage ratio

BSP also requires the Basel III Leverage Ratio (BLR), which is designed to act as a supplementary measure to the risk-based capital requirements. BLR intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes, which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based “backstop” measure.

Exposure measure is the sum of on-balance sheet exposures, derivative exposures, and off-balance sheet items. Items that are deducted completely from capital (regulatory deductions) do not contribute to leverage, hence, deducted from the exposure measure. BLR is computed as the capital measure (Tier 1 capital) divided by the total exposure measure and should not be less than 5.00%.

As of December 31, 2023 and 2022, BLR of the Parent Company, as reported to the BSP, is shown in the table below (amounts, except ratios, are expressed in millions):

	2023	2022
Tier 1 capital	**₱16,550**	₱14,445
Total exposure measure	**151,644**	131,322
BLR	**10.91%**	11.00%

Internal Capital Adequacy Assessment Process (ICAAP)

The Internal Capital Adequacy Assessment Process (ICAAP) at PBCOM is formulated within the stringent parameters set by the Bangko Sentral ng Pilipinas (BSP), aligning with international standards such as the Basel Committee on Banking Supervision's Basel III framework. This regulatory basis ensures that PBCOM not only adheres to local mandates but also aligns with global best practices in banking operations. The objective is clear: to establish a comprehensive and proactive approach to capital management that anticipates potential risks and allocates capital efficiently to mitigate those risks.

PBCOM's ICAAP serves a dual purpose: to demonstrate to regulators that the bank holds sufficient capital to cover its risks and to integrate risk management with strategic business planning. This process fosters an environment where every decision, from product development to market expansion, is made with a clear understanding of its implications on the bank's capital adequacy and risk profile.

Salient Points of the 2023 ICAAP Report:

1. PBCOM's ICAAP methodology is based on the minimum regulatory capital requirement based on MORB Section 130. The Bank's total Qualifying Capital for December 31, 2023, fully covers the required capital for both Pillars 1 and 2 risks.
2. PBCOM's operating environment and risk requirements from 2023 to 2028 are guided by the Capital Development and Sustainability Plan. PBCOM meticulously calculates its RBCAR to ensure it not only meets but exceeds the regulatory minimum requirements, providing a buffer against unexpected losses. The Bank's 5-year projection integrates rigorous quantitative assessments with forward-looking qualitative analyses, further fortifying the Bank's capital base, positioning it well above the statutory requirements.
3. PBCOM employs stress testing methodologies to simulate various adverse scenarios. This process enables the bank to estimate potential impacts on its capital adequacy and liquidity, crafting strategies to counteract these hypothetical stress conditions effectively.

In conclusion, PBCOM's ICAAP is a testament to the bank's unwavering commitment to financial stability and prudent risk management. By rigorously adhering to the regulatory framework, purposefully addressing the myriad facets of risk, and strategically planning its capital allocation, PBCOM reaffirms its dedication to serving its stakeholders with integrity and foresight.

23. Commitments and Contingent Liabilities

In the normal course of operations, the Group has various outstanding commitments and contingent liabilities such as guarantees, forward exchange contracts, and commitments to extend credit, which are not presented in the accompanying financial statements. The Group does not anticipate any material losses as a result of these transactions.

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

The Group is a defendant in legal actions arising from its normal business activities. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the consolidated and parent company financial statements.

Allowance for expected credit losses on the loan commitments for the years ended December 31, 2023 and 2022 is ₱5.72 million and nil, respectively, included under 'Other liabilities' account (see Note 20).

The following is a summary of contingencies and commitments of the Group and the Parent Company with the equivalent peso contractual amounts:

	2023	2022
Trust department accounts	**₱12,009,189**	₱10,814,414
Standby LC	**941,632**	970,552
Spot exchange:		
Bought	**594,332**	251,584
Sold	**2,175,019**	561,113
Usance LC outstanding	**3,207**	596,009
Outstanding shipping guarantees	**1,442,970**	1,684,193
Sight LC outstanding	**593,802**	347,188
Outward bills for collection	**60,661**	61,043
Currency forwards:		
Bought	**781**	808
Sold	**50,122**	75,420
Inward bills for collection	**501,739**	196,173
Items held for safekeeping	**15**	16
Items held as collateral	**7**	7
Other contingencies	**7,738**	13,223

Derivative Financial Instruments

As of December 31, 2023, the Parent Company has outstanding buy US dollar currency forwards with aggregate notional amount of US$0.92 million, terms of 187 days, and weighted average forward rate of ₱55.52. As of December 31, 2023, derivative asset amounting to ₱0.12 million is presented under miscellaneous asset.

As of December 31, 2022, the Parent Company has outstanding buy US dollar currency forwards with aggregate notional amount of US$1.37 million, terms of 365 days, and weighted average forward rate of ₱53.66. As of December 31, 2022, derivative liability amounting to ₱2.91 million is presented under miscellaneous liability.

In 2023, 2022 and 2021, total gain (loss) on currency forwards included under 'Trading and securities gain (loss) - others' in the statements of income amounted to ₱3.04 million, ₱3.13 million, and (₱16.64 million), respectively (see Note 25).

24. **Trust Operations**

Securities and other properties (other than deposits) held by the Parent Company for its customers in its fiduciary or agency capacity are not included in the statements of financial position since these are not assets of the Parent Company. Total assets held by the Parent Company's trust department amounted to ₱12.01 billion and ₱10.81 billion as of December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, government securities (included under 'Investment securities at amortized cost') owned by the Parent Company with total face value of ₱130.00 million and ₱120.00 million, respectively, are deposited with the BSP in compliance with the requirements of RA No. 337 relative to the Parent Company's trust functions.

Income from the Group's and the Parent Company's trust operations shown under 'Income from trust operations' in the statements of income amounted to ₱37.35 million, ₱31.76 million, and ₱29.23 million in 2023, 2022 and 2021, respectively.

25. **Income on Investment Securities**

Interest income on investment securities follows:

	2023	2022	2021
Investment securities at amortized cost	**₱1,209,449**	₱658,690	₱222,525
Financial assets at FVOCI	**399,075**	219,368	250,271
Investment securities	**1,608,524**	878,058	472,796
Financial assets at FVTPL	**40,953**	28,876	40,345
	₱1,649,477	₱906,934	₱513,141

The Parent Company's peso-denominated investment securities earned annual interest rates ranging from 2.38% to 9.25% in 2023, 2.38% to 9.25% in 2022, and 2.38% to 6.25% in, while dollar-denominated investment securities earned annual interest rates ranging from 1.38% to 10.63%, 1.38% to 10.63%, and 1.13% to 10.63%, in 2023, 2022 and 2021, respectively and euro-denominated investment securities earned an annual interest rate of 2.63% in 2023 and 2022.

As of December 31, 2023 and 2022, the Group and the Parent Company, has no financial assets at FVTPL.

The Group's and the Parent Company's trading and securities gain (loss) - net follows:

	2023	2022	2021
Financial assets at FVTPL	**₱86,673**	₱70,821	₱60,585
Financial assets at FVTOCI	**39,068**	(440,279)	(285,542)
Derivatives (Note 23)	**3,035**	3,131	(16,641)
	₱128,776	(₱366,327)	(₱241,598)

26. **Employee Benefits**

The existing regulatory framework, RA No. 7641, *The Retirement Pay Law*, requires companies with at least ten employees to pay retirement benefits to qualified private sector employees in the absence of any retirement plan in the entity, provided however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

<u>Defined Benefit Plans</u>

Parent Company

The Parent Company has a funded, noncontributory defined benefit retirement plan covering substantially all of its officers and regular employees. The Parent Company's annual contribution to the retirement plan consists of a payment covering the current service cost and unfunded actuarial accrued liability. The retirement plan provides a retirement benefit based on applicable percentage of salary (100% - 150%) depending on the number of years of service (minimum of five years), a fraction of a month being considered as one whole month. The Parent Company's retirement plan is in the form of a trust administered by the Parent Company's Trust and Wealth Management Group (TWMG) under the supervision of the Retirement Board.

The latest actuarial valuation studies of the defined benefit retirement plans of the Group were made as of December 31, 2023. The amounts relating to the defined benefit retirement plans of the Group and Parent Company are presented as'Retirement liability' under 'Other liabilities' and as 'Retirement Asset' under 'Other assets' in the statements of financial position as of December 31, 2023 and 2022, respectively.

The following table shows the actuarial valuation results for the Group and the Parent Company as of December 31, 2023 and 2022:

	2023			2022		
	Fair Value of Plan Assets	**Present Value of Obligation**	**Net Retirement Liability**	Fair Value of Plan Assets	Present Value of Obligation	Net Plan Assets
Consolidated and Parent Company	**₱570,198**	**₱591,911**	**(₱21,713)**	₱542,142	₱453,351	₱88,791

The amounts relating to the defined benefit retirement plans of the Group and Parent Company are presented in the statements of financial position as follows:

	2023	2022
Retirement asset* (Note 15)	**₱-**	₱88,791
Retirement liability** (Note 19)	**21,713**	-
Net retirement asset (liability)	**₱21,713**	₱88,791

** Included in 'Other assets'*
*** Included in 'Accrued interest, taxes and other expenses'*

Changes in the present value of the defined benefit obligations of the Group and the Parent as of December 31, 2023 and 2022 are as follows:

	Consolidated	
	2023	2022
Balance at January 1	**₱453,351**	₱461,546
Current service cost	**46,439**	47,836
Interest cost	**33,095**	23,539
Remeasurement losses (gains):		
Actuarial losses arising from deviations of experience from assumptions	**1,820**	65,812
Actuarial gains arising from changes in financial assumptions	**102,768**	(100,386)
Benefits paid	**(45,562)**	(44,996)
Balance at December 31	**₱591,911**	₱453,351

Changes in the fair value of the plan assets of the Group and Parent Company as of December 31, 2023 and 2022 are as follows:

	2023	2022
Balance at January 1	**₱542,142**	₱557,039
Contributions	**39,958**	42,966
Interest income	**39,576**	28,409
Return on plan assets (excluding interest income)	**(5,916)**	(41,276)
Benefits paid	**(45,562)**	(44,996)
Balance at December 31	**₱570,198**	₱542,142

The fair values of plan assets by class of the Group and Parent Company as of December 31, 2023 and 2022 are as follows:

	2023	2022
Cash and cash equivalents	**₱28,850**	₱69,353
Debt instruments:		
Philippine government	**181,970**	160,472
Real estate	**73,769**	95,424
Industrial	**41,800**	72,396
Holding firms	**72,970**	26,160
Power, electricity and water distribution	**12,420**	12,284
Financial intermediaries	**6,011**	1,942
Equity instruments:		
Real estate	**27,427**	36,524
Holding firms	**15,816**	21,176
Financial intermediaries	**14,018**	12,457
Wholesale and retail trade	**10,182**	7,914
Transport, storage and communication	**7,989**	7,956
Power, electricity and water distribution	**5,845**	4,531
Manufacturing	**3,187**	2,740
Others	**6,060**	2,233
Agricultural	**28,500**	
Other assets and liabilities	**33,384**	8,580
	₱570,198	₱542,142

The Group's plan assets are carried at fair value. All equity and debt instruments have quoted prices in an active market. The fair values of other assets and liabilities, which include amounts due from other banks, accrued interest and other receivables and trust fee payables, approximate their carrying amount due to the short-term nature of these accounts.

The plan assets are diversified investments and are not exposed to concentration risk.

The Group expects to contribute ₱68.52 million to the defined retirement benefit plans in 2024.

The cost of defined benefit retirement plans, as well as the present value of the benefit obligations, are determined using actuarial valuations, which involve making various assumptions. The principal assumptions used are shown below:

	Parent Company	
	2023	2022
Discount rate:		
At January 1	**7.30%**	5.10%
At December 31	**6.10%**	7.30%
Salary increase rate	**6.00%**	5.00%
Average remaining working life	**13**	13

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption of the Group and Parent Company as of December 31, 2023 and 2022, assuming all other assumptions were held constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

	Increase (Decrease) in Defined Benefit Obligation	
	2023	2022
Increase in discount rate of 1.00%	**(₱30,198)**	(₱124,692)
Decrease in discount rate of 1.00%	**82,357**	47,287
Increase in salary increase rate of 1.00%	**77,949**	49,760
Decrease in salary increase rate of 1.00%	**(₱27,444)**	(₱123,152)

The amounts of defined benefit cost included in the statements of other comprehensive income as 'Remeasurement of retirement liability', gross of tax, follow:

	Consolidated and Parent Company		
	2023	2022	2021
Actuarial gain (loss) on benefit obligation	**(₱104,588)**	₱34,574	₱218,797
Return on plan assets (excluding interest income)	**(5,916)**	(41,276)	(14,300)
Remeasurement gains (loss) in OCI	**(₱110,504)**	(₱6,702)	₱204,497

The amounts of retirement cost included in the statements of income follow:

	Consolidated and Parent Company		
	2023	2022	2021
Current service cost*	**₱46,439**	₱47,836	₱72,798
Net interest expense (income) (Note 18)	**(6,482)**	(4,870)	4,360
Retirement cost	**₱39,957**	₱42,966	₱77,158

**Included under 'Compensation and fringe benefits' in the statements of income*

Shown below is the maturity profile of the undiscounted benefit payments of the Group and the Parent Company as of December 31, 2023 and 2022:

Plan Year	**2023**	2022
Less than five years	**₱259,681**	₱223,371
More than five to ten years	**384,360**	358,584
Ten years and above	**3,629,495**	2,564,452
	₱4,273,536	₱3,146,407

Collective Bargaining Agreement (CBA)
All of the Parent Company's rank and file employees are covered by a CBA, the most recent negotiation having been signed on April 28, 2023, with an effectivity period from January 1, 2023 until December 31, 2025. There had been neither dispute nor occurrence of employees' strike for the past years.

Defined Contribution Plans
Parent Company
The Parent Company employs a provident fund scheme where the Parent Company and its covered employees shall contribute 11% and 5% of the employees' basic monthly salary, respectively. Contributions are maintained under the Provident Fund account administered by the Parent Company's TWMG under the supervision of the Retirement/Provident Fund Board. As approved by

the Parent Company's BOD on November 27, 2013, new officers hired after December 31, 2013, except those whose terms of employment have been negotiated prior to December 1, 2013, are no longer eligible for inclusion in the Parent Company's provident fund. The Parent Company's BOD, in its meeting held on January 27, 2016, approved a change in vesting for the retirement fund from 5 to 10 years effective for all new hires who sign up starting February 1, 2016.

Contributions paid and accrued by the Parent Company for both the Staff Provident Fund and the Retirement Fund recognized under 'Compensation and fringe benefits' in the statements of income amounted to ₱66.10 million, ₱69.44 million, and ₱103.84 million in 2023, 2022 and 2021, respectively.

27. **Long-term Leases**

Group as a Lessee

As of December 31, 2023 and 2022, 84.21% of the Parent Company's branch sites are under lease arrangements. The lease contracts are for periods ranging from one to five years and some are renewable at the Group's option under certain terms and conditions. Various lease contracts include escalation clauses, which bear an annual rent increase of 3.00% to 7.00%. As of December 31, 2023 and 2022, the Group has no contingent rent payable.

As of December 31, 2023 and 2022, the carrying amount of lease liabilities (included in 'Other Liabilities' in Note 20) is ₱189.24 million and ₱214.19 million, respectively.

The Group and the Parent Company recognized interest expense on lease liabilities and rent expense from short-term leases and lease of low value's and the Parent Company's future minimum rentals payable under noncancellable assets operating leases are as follows:

	2023	2022	2021
Depreciation expense – right of use asset (Note 12)	**₱101,982**	₱102,897	₱99,444
Interest expense – lease liability (Note 20)*	**12,458**	12,256	14,528
Rent expense – short-term lease	**43,095**	45,078	41,580
	₱157,535	₱160,231	₱155,552

**Included under 'interest on bills payable and other borrowings' in the statements of income*

The Group's and the Parent Company's future minimum rentals payable under noncancellable operating leases are as follows:

	2023	2022
Within one year	**₱142,591**	₱143,937
Beyond one year but not more than five years	**204,014**	197,463
	₱346,605	₱341,400

Group as a Lessor

The Parent Company has also entered into commercial property leases on its investment properties. These noncancellable leases have remaining noncancellable lease terms of between one to five years. The Parent Company recognized rent income, included under 'Rent income' in the statements of income, amounting to ₱387.09 million, ₱409.65 million, and ₱493.04 million, in 2023, 2022 and 2021, respectively.

The Group's and the Parent Company's future minimum rentals receivable under noncancellable operating leases follow:

	2023	2022
Within one year	**₱311,258**	₱378,223
Beyond one year but not more than five years	**383,937**	318,477
	₱695,195	₱696,700

28. Miscellaneous Income and Expenses

Miscellaneous income

Details of this account are as follows:

	Consolidated and Parent Company		
	2023	2022	2021
Rental charges	**₱50,224**	₱64,765	₱70,299
Penalties	**51,892**	26,914	21,676
Dividend income	**1,612**	1,612	3,344
Others	**32,796**	27,780	42,027
	₱136,524	₱121,071	₱137,346

Miscellaneous expenses

Details of this account are as follows:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Information technology	**₱105,717**	₱96,155	₱77,757	**₱105,717**	₱96,155	₱77,757
Transaction dues	**55,033**	47,959	44,996	**55,033**	47,959	44,996
Fines, penalties and other charges	**43,993**	51,331	48,748	**43,993**	51,331	48,748
Litigation and assets acquired – related expenses	**43,559**	45,700	85,949	**43,559**	45,700	85,949
Brokerage fees	**27,005**	17,455	27,979	**27,005**	17,455	27,979
Fuel and lubricants	**16,219**	11,925	11,199	**16,219**	11,925	11,199
Travel	**13,684**	1,944	10,093	**13,684**	1,944	10,093
Freight	**8,423**	6,597	9,767	**8,423**	6,597	9,767
Stationery and supplies	**6,281**	13,020	18,153	**6,281**	13,020	18,153
Advertising	**3,153**	2,410	1,221	**3,153**	2,410	1,221
Others	**100,443**	94,806	75,612	**100,443**	94,806	75,602
	₱423,510	₱389,302	₱411,474	**₱423,510**	₱389,302	₱411,464

Others include account maintenance charges, contractual services, and Philippine Dealing Exchange Corp. transaction fees.

29. Income and Other Taxes

Under Philippine tax laws, the RBU of the Parent Company and its subsidiary are subject to percentage and other taxes (presented as 'Taxes and licenses' in the statements of income), as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and DST. Income taxes include corporate income tax, as discussed below, and final taxes paid, which represents final withholding tax on gross interest income from government securities and other deposit substitutes and income from FCDU transactions. These income taxes, as well as the deferred tax benefits and provisions, are presented as 'Provision for income tax' in the statements of income.

RA No. 9397, *An Act Amending National Internal Revenue Code*, provides that the RCIT rate shall be 30.00% and the interest expense allowed as a deductible expense shall be reduced by 33.00% of interest income subjected to final tax.

An MCIT of 2.00% of modified gross income is computed and compared with the RCIT. Any excess of MCIT over the RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, NOLCO is allowed as a deduction from taxable income in the next three years from the period of incurrence.

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law and introduced reforms to the corporate income tax and incentives systems. It became effective on April 11, 2021, 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation.

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

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations.

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

- Income tax arbitrage rate reduced from 33% to 20% of interest income subject to final tax effective July 1, 2020

Applying the provisions of the CREATE Act, the Group would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020. Based on the provisions of Revenue Memorandum Circular No. 50-2021 dated April 5, 2021 issued by the BIR, the prorated RCIT rate of the Group for 2020 is 27.50%.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2011 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 were computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

The impact of CREATE, which reduced 2020 current income tax by ₱27.25 million and deferred tax assets by ₱30.08 million were recognized in the 2021 financial statements.

Further, the BIR clarified on Revenue Memorandum Circular No. 36-2024 dated March 11, 2024 that the MCIT rate shall be 1.5% to those corporations with calendar year ended December 31, 2023, as a result of MCIT rate increasing to 2%

Provision for (benefit from) income tax consists of:

	Consolidated and Parent Company		
	2023	2022	2021
Current:			
RCIT	**₱331,099**	₱413,945	₱364,041
Final	**302,286**	177,804	107,370
	633,385	591,749	471,411
Deferred	**10,120**	(66,103)	(214,785)
	₱643,505	₱525,646	₱256,626

The Group's and Parent Company's components of deferred tax assets and liabilities follow:

	2023	2022
Deferred tax assets:		
Allowance for ECL and impairment losses	**₱719,878**	₱729,241
Retirement liability	**5,427**	-
Accumulated depreciation on investment properties	**72,453**	60,076
Lease liability	**47,309**	53,559
Advance rental	**38,868**	45,850
Unamortized past service cost	**6,126**	7,683
	₱890,061	₱896,409
Deferred tax liabilities:		
Revaluation increment credited to surplus free	**₱333,316**	₱333,316
Branch licenses acquired from business combinations	**65,650**	65,650
Right-of-use assets	**46,186**	49,610
Retirement asset	**-**	22,199
Unrealized gain on equity securities carried at FVTOCI	**17,591**	13,841
Gain on foreclosure of foreclosed of properties	**20,486**	17,927
Unrealized foreign exchange gain	**2,509**	3,299
	485,738	505,842
Net deferred tax assets	**₱404,323**	₱390,567

Provision for (benefit from) income tax directly charged to OCI by the Group and Parent Company in 2023, 2022 and 2021 amounted to ₱23.88 million, (₱1.15 million), and ₱59.78 million, respectively.

The ultimate realization of deferred tax assets is dependent on the generation of future taxable income. In assessing the realizability of its deferred tax assets, the Group considers projected future taxable income, reversal of temporary differences, and tax planning strategies. The Group and Parent Company assessed that deferred tax assets will be realized in the future.

A reconciliation between the statutory income tax and the effective income tax follows:

	Consolidated and Parent Company		
	2023	2022	2021
Statutory income tax	**₱635,269**	₱539,333	₱457,422
Tax effects of:			
Nondeductible expenses and others	**144,399**	137,866	38,148
FCDU income (loss) before income tax	**25,668**	19,780	(39,400)
Interest income subjected to final tax	**(66,299)**	(42,558)	(26,651)
Nontaxable income	**(95,532)**	(59,312)	(83,659)
Changes in unrecognized deferred tax assets	**-**	(69,463)	(89,234)
Effective income tax	**₱643,505**	₱525,646	₱256,626

30. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Parent Company's related parties include key management personnel, close family members of key management personnel, affiliates (that is, entities which are controlled, significantly influenced by or for which significant voting power is held by the Parent Company or key management personnel or their close family members and retirement plan for the benefit of the Group's employees).

The Parent Company has business relationships with certain related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.

Retirement Plans

Under PFRS, certain post-employment benefit plans are considered as related parties. The Parent Company has a business relationship with its defined benefit and contribution plans, as it provides trust and management services to the plans. Any investments made in the retirement plans are approved by the Parent Company's Retirement Board. The Parent Company's Retirement Board is comprised of senior officers of the Parent Company. Income earned by the Parent Company (presented as part of 'Income from trust operations' in the statements of income) from such services amounted to ₱5.00 million in 2023, ₱4.99 million in 2022, and ₱4.98 million in 2021, Total deposits maintained by the related party retirement plans with the Parent Company amounted to ₱37.69 million and ₱68.4 million as of December 31, 2023 and 2022, respectively.

Key Management Personnel

Key management personnel are those persons with authority and responsibility for planning, directing and controlling the activities of the Parent Company, directly or indirectly. The Parent Company considers the members of the Senior Management Team to constitute key management personnel for purposes of PAS 24.

Total remunerations of key management personnel are as follows:

	2023	2022	2021
Short-term benefits	**₱151,673**	₱150,513	₱141,574
Post-employment benefits	**5,600**	6,339	8,282
	₱157,273	₱156,852	₱149,856

The remuneration of Parent's Board of Directors, presented under 'Compensation and fringe benefits' in the statements of income, such as per diem and other fees amounted to ₱12.26 million, ₱12.91 million, and ₱13.6 million, as of December 31, 2023, 2022 and 2021, respectively.

Details on significant related party transactions of the Parent Company follow:

	2023		
Category	**Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Significant investors:			
Deposit liabilities	**(₱2,344,552)**	**8,931,717**	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 4.25%.
Interest expense	**14,696**		
Depreciation expense	**25,725**		Branch and office space leased for five years ending in various years, with 5.00% annual escalation
Lease liability	**31,983**		
Interest expense	**3,078**		
Rent income	**1,008**		5-year lease of branches, subject to pre-termination, with escalation rate of 5%.
Loans and receivables	**(114,602)**	**349,924**	Loans with annual interest rates from 7.00% to 8.25%
Affiliate:			
Deposit liabilities	**5,392**	**23,381**	Demand, savings and time deposit accounts with annual interest rates ranging from 0.10% to 4.50%.
Interest expense	**495**		
Rent income	**175**		5-year lease expiring in July 2028 with 5.00% annual escalation.
Subsidiary:			
Deposit liabilities	–	**8,902**	Non-interest demand deposit account.
Key management personnel:			
Deposit liabilities	**14,186**	**55,402**	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 4.25%.
Interest expense	**332**		
Provident fund:			
Deposit liabilities	**(6,975)**	**18,845**	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 5.1%.
Interest expense	**1,559**		A certain percentage of the monthly ending market value of the fund depending on agreement.
Trust fee	**2,246**		
Retirement fund:			
Deposit liabilities	**(23,734)**	**18,848**	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 5.1%
Interest expense	**1,774**		A certain percentage of the monthly ending market value of the fund depending on agreement.
Trust fee	**2,752**		

	2022		
Category	Volume	Outstanding Balance	Nature, Terms and Conditions
Significant investors:			
Deposit liabilities	₱5,595,275	₱11,276,269	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 3.00%.
Interest expense	34,983		
Depreciation expense	25,014		Branch and office space leased for five years ending in various years, with 5.00% annual escalation.
Lease liability	55,316		
Interest expense	3,274		
Rent income	3,946		5-year lease of branches, subject to pre-termination, with escalation rate of 5%.
Loans and receivables	394,892	464,526	Loans with annual interest rates from 6.50% to 7.25%
Affiliate:			
Deposit liabilities	(241)	17,989	Demand, savings and time deposit accounts with annual interest rates ranging from 0.10% to 2.50%.
Interest expense	59	–	
Rent income	149	–	5-year lease expiring in July 2023 with 5.00% annual escalation.
Subsidiary:			
Deposit liabilities	(43)	8,902	Non-interest demand deposit account.
Key management personnel:			
Deposit liabilities	3,593	41,216	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 4.60%.
Interest expense	51		
Provident fund:			
Deposit liabilities	(16,204)	25,820	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 4.25%.
Interest expense	164		A certain percentage of the monthly ending market value of the fund depending on agreement.
Trust fee	2,248		
Retirement fund:			
Deposit liabilities	46	42,582	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 4.25%
Interest expense	307	–	A certain percentage of the monthly ending market value of the fund depending on agreement.
Trust fee	2,743	–	

	2021		
Category	Volume	Outstanding Balance	Nature, Terms and Conditions
Significant investors:			
Deposit liabilities	₱1,698,617	₱5,680,994	Savings and time deposit accounts with annual interest rates ranging from 0.06% to 3.37%.
Interest expense	15,635	–	
Depreciation expense	24,366	–	Branch and office space leased for five years ending in various years, with 5.00% annual escalation.
Lease liability	58,402	–	
Interest expense	4,278		
Rent income	2,046	–	5-year lease of branches, subject to pre-termination, with escalation rate of 5%.
Loans and receivables	(22,998)	69,634	Loans with annual interest rates of 5.50%
Affiliate:			
Deposit liabilities	681	18,229	Demand, savings and time deposit accounts with annual interest rates ranging from 0.10% to 0.27%.
Interest expense	15	–	
Rent income	153	–	5-year lease expiring in July 2023 with 5.00% annual escalation.
Subsidiary:			
Deposit liabilities	(26)	8,945	Non-interest demand deposit account.
Key management personnel:			
Deposit liabilities	12,844	37,623	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 0.25%.
Interest expense	25	–	
Provident fund:			
Deposit liabilities	(83,876)	42,024	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 0.13%.A
Interest expense	120	–	
			A certain percentage of the monthly ending market value of the fund depending on agreement.
Trust fee	2,325	–	

Category	Volume	2021 Outstanding Balance	Nature, Terms and Conditions
Retirement fund:			
Deposit liabilities	(₱97,499)	₱41,000	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 0.50%
Interest expense	138	–	
			A certain percentage of the monthly ending market value of the fund depending on agreement.
Trust fee	2,652	–	A certain percentage of the monthly ending market value of the fund depending on agreement.

31. Earnings Per Share

Basic EPS amounts are calculated by dividing the net income for the year by the weighted average number of common shares outstanding during the year.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2023	2022	2021
Net income attributable to equity holders of the Parent Company	**₱1,897,571**	₱1,631,687	₱1,573,064
Weighted average number of common shares outstanding	**480,645**	480,645	480,645
Basic/diluted earnings per share	**₱3.95**	₱3.39	₱3.27

As of December 31, 2023, 2022 and 2021, there are no outstanding potential dilutive common shares.

32. Notes to Statements of Cash Flows

The amounts of interbank loans receivable and SPURA considered as cash and cash equivalents of the Group and Parent as of December 31, 2023, 2022 and 2021 follow:

	2023	**2022**	2021
Interbank loans receivable and SPURA shown under statements of cash flows	**₱492,353**	₱34,899	₱724,957
Interbank loans receivable and SPURA not considered as cash and cash equivalents	–	2,565,681	3,470,889
	₱492,353	₱2,600,580	₱4,195,846

The following is a summary of noncash activities:

	2023	2022	2021
Noncash operating activities:			
Additions to investment properties from settlement of loans (Note 13)	**₱89,120**	**₱231,539**	₱313,804
Additions to chattel mortgage from settlement of loans (Note 15)	**12,617**	**26,606**	33,970
Noncash investing activities:			
Transfer to property and equipment from other assets (Notes 12 and 15)	**6,441**	**3,754**	3,171
Transfer to other assets from property and equipment (Notes 12 and 15)	**(6,441)**	**(3,754)**	(3,171)
Unrealized gain (loss) on financial assets at FVOCI	**276,430**	**(368,094)**	(46,584)
Additions to right-of-use assets (Note 12)	**91,402**	**67,672**	123,024
Additions to lease liability (Note 20)	**(91,402)**	**(67,672)**	(123,024)

The changes in liabilities arising from the financing activities of the Group and Parent Company in 2023, 2022 and 2021 are as follows:

	January 1, 2023	Cash Flows	Non-cash activities*	Foreign Exchange Movement	December 31, 2023
Bills payable (Note 18)	**₱7,594,019**	**₱1,983,173**	**₱–**	**₱109,563**	**₱9,686,755**
Outstanding acceptances	**50,218**	**60,764**	**–**	**(5,572)**	**105,410**
Marginal deposits **	**–**	**9,855**	**–**	**(52)**	**9,803**
Lease liability	**214,195**	**(128,819)**	**103,860**	**–**	**189,236**
Total liabilities from financing activities	**₱7,858,432**	**₱1,924,973**	**₱103,860**	**₱103,939**	**₱9,991,204**

** Non-cash activities include new lease arrangements and accretion of interest on lease liability*
*** Inlcuded in 'Other liabilities'*

	January 1, 2022	Cash Flows	Non-cash activities*	Foreign Exchange Movement	December 31, 2022
Bills payable (Note 18)	₱6,010,988	₱1,310,178	₱–	₱272,853	₱7,594,019
Outstanding acceptances	71,609	(36,057)	–	14,666	50,218
Lease liability	252,501	(118,234)	79,928	–	214,195
Total liabilities from financing activities	₱6,335,098	₱1,155,887	₱79,928	₱287,519	₱7,858,432

** Non-cash activities include new lease arrangements and accretion of interest on lease liability*

	January 1, 2021	Cash Flows	Non-cash activities*	Foreign Exchange Movement	December 31, 2021
Bills payable (Note 18)	₱2,182,844	₱3,760,625	₱–	₱67,519	₱6,010,988
Outstanding acceptances	497,813	(441,444)	–	15,240	71,609
Marginal deposits **	6,773	(6,773)	–	–	–
Lease liability	239,817	(124,868)	137,552	–	252,501
Total liabilities from financing activities	₱2,927,247	₱3,187,540	₱137,552	₱82,759	₱6,335,098

** Non-cash activities include new lease arrangements and accretion of interest on lease liability*
*** Inlcuded in 'Other liabilities'*

33. **Offsetting of Financial Assets and Liabilities**

The Group discloses information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the succeeding table (amounts in thousands).

December 31, 2023

Financial instruments recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a–b]**	**Effects of remaining rights of set–off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria**		**Net exposure [c–d]**
				Fair value of financial instruments	**Fair value of other financial collateral**	
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Financial liabilities						
Bills payable	**₱9,409,905**	**₱–**	**₱9,409,905**	**₱9,691,448**	**₱–**	**₱–**

December 31, 2022

Financial instruments recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a–b]	Effects of remaining rights of set–off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c–d]
				Fair value of financial instruments	Fair value of other financial collateral	
	[a]	[b]	[c]	[d]		[e]
Financial liabilities						
Bills payable	₱7,594,019	₱–	₱7,594,019	₱7,951,682	₱–	₱–

The amounts disclosed in column (d) include those rights to set – off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. These include amounts related to financial collateral both received and pledged, whether cash or non – cash collateral, excluding the extent of over - collateralization.

34. Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2024
- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

Effective beginning on or after January 1, 2025
- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of exchangeability*

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

35. Approval for Release of the Financial Statements

The financial statements were authorized for issue by the BOD of the Parent Company on April 12, 2024.

36. Report on the Supplementary Information Required Under BSP Circular No. 1074

Under Section 174 of the MORB, banks are required to disclose the following supplementary information in the financial statements:

Basic quantitative indicators of financial performance
The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			**Parent Company**		
	2023	**2022**	2021	**2023**	**2022**	2021
Return on average equity (a/b)	**11.42%**	10.97%	11.78%	**11.42%**	10.97%	11.78%
a) Net income	**₱1,897,571**	₱1,631,687	₱1,573,064	**₱1,897,571**	₱1,631,687	₱1,573,064
b) Average total equity	**16,610,899**	14,870,932	13,352,748	**16,610,899**	14,870,932	13,352,748
Return on average assets (a/c)	**1.39%**	1.39%	1.49%	**1.39%**	1.39%	1.49%
c) Average total assets	**136,178,093**	117,053,909	105,229,769	**136,185,694**	117,061,537	105,237,325
Net interest margin (d/e)	**3.96%**	4.80%	4.83%	**3.96%**	4.80%	4.83%
d) Net interest income	**4,702,241**	4,810,496	4,244,780	**4,702,241**	4,810,496	4,244,780
e) Average interest earning assets	**118,776,297**	100,159,878	87,820,774	**118,762,735**	100,162,711	87,823,602

Description of Capital Instruments Issued
As of December 31, 2023 and 2022, the Parent Company has outstanding capital stock shown below:

	Shares		Amount	
	2023	2022	**2023**	2022
Common - ₱25 par value				
Authorized	**760,000**	760,000		
Issued and outstanding	**480,645**	480,645	**₱12,016,129**	₱12,016,129

Significant Credit Exposures as to Industry Sector
The information of the Group and Parent Company on the concentration of credit as to industry before taking into account the allowance for ECL follows:

	2023		2022	
	Amount	**%**	Amount	%
Wholesale and retail trade, repair of motor vehicles, motorcycles	**₱20,988,322**	**22.84**	₱19,654,028	25.38
Real estate activities	**16,320,087**	**17.76**	17,365,606	22.42
Manufacturing	**13,940,456**	**15.17**	14,300,797	18.47
Accommodation and food service activities	**8,483,286**	**9.23**	4,431,192	5.72
Other service activities	**6,995,824**	**7.61**	2,691,754	3.48
Construction	**6,693,140**	**7.28**	4,989,487	6.44
Transportation and storage	**5,449,476**	**5.93**	3,104,517	4.01
Electric, gas, steam and air-conditioning supply	**4,593,527**	**5.00**	4,182,143	5.40
Financial and insurance activities	**4,424,364**	**4.81**	2,995,333	3.87
Agriculture, forestry and fishing	**1,310,108**	**1.43**	1,372,749	1.77
Human health and social work activities	**1,297,628**	**1.41**	1,246,041	1.61
Loans to individuals Primarily for Personal Use purposes	**300,679**	**0.33**	430,888	0.56
Mining and quarrying	**107,519**	**0.12**	119,897	0.15
Activities of households as employers and undifferentiated goods and services-producing activities of households for own use	**103,977**	**0.11**	197,100	0.25
Education	**78,941**	**0.09**	54,558	0.07
Others	**802,337**	**0.88**	307,576	0.40
	₱91,889,671	**100.00**	₱77,443,666	100.00

Breakdown of Total Loans as to Security

The information (gross of unearned discounts and capitalized interest) of the Group and Parent Company relating to receivables from customers as to secured and unsecured and as to collateral follows:

	2023		2022	
	Amount	**%**	Amount	%
Loans secured by:				
Real estate	**₱37,837,308**	**41.15**	₱30,026,966	38.75
Chattel	**1,565,470**	**1.70**	1,334,263	1.72
Deposit hold-out	**1,321,244**	**1.44**	1,785,051	2.30
Securities and others	**53,277**	**0.06**	496,461	0.64
Secured	**40,777,299**	**44.35**	33,642,741	43.41
Unsecured loans	**51,174,367**	**55.65**	43,855,102	56.59
	₱91,951,666	**100.00**	₱77,497,843	100.00

Breakdown of Total Loans as to Status

The table below shows the status of the Group and the Parent Company's loans (gross of unearned discounts and capitalized interest) as to performing and non-performing loans (NPL) per product line as adjusted:

		2023			2022	
	Performing	**NPL**	**Total**	Performing	NPL	Total
Corporate loans	**₱86,322,172**	**₱2,207,524**	**₱88,529,696**	₱71,621,444	₱2,104,149	₱73,725,593
Consumer loans						
Home	**2,627,782**	**299,238**	**2,927,020**	2,852,467	391,965	3,244,432
Auto	**435,095**	**19,043**	**454,138**	397,891	62,526	460,417
Personal	**29,336**	**11,476**	**40,812**	41,196	26,206	67,402
	₱89,414,385	**₱2,537,281**	**₱91,951,666**	₱74,912,998	₱2,584,846	₱77,497,844

In accordance with MORB Section 304, *Amendments to the Regulations on Past Due and Non-Performing Loans*, loans, investments, receivables, or any financial asset shall be considered non-performing, even without any missed contractual payments, if it satisfies the following conditions:

a. It is considered impaired under existing accounting standards;
b. It is classified as doubtful or loss;
c. It is under litigation; and
d. There is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any.

All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

Non-performing loans, investments, receivables, or any financial asset (and/or any replacement loan) shall remain classified as such until:

a. There is sufficient evidence to support that full collection of principal and interests is probable and at least six consecutive payments of the required amortization of principal and/or interest are received; or
b. Written-off.

As of December 31, 2023 and 2022, based on the definition of NPLs under MORB Section X304, NPLs amounted to ₱2.54 billion and ₱2.58 billion as of December 31, 2023 and 2022, respectively, which are gross of specific allowance amounted to ₱1.69 billion and ₱1.74 billion for the same reporting period. Gross and net NPL ratios (inclusive of RRP) of the Group are 2.77% and 0.93% in 2023 and 3.23% and 1.06% for 2022, respectively.

Information on Related Party Loans
As required by the BSP, the Parent Company discloses loan transactions with its associates, affiliates and with certain directors, officers, stockholders and related interests (DOSRI). Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the Parent Company. In the aggregate, loans to DOSRI generally should not exceed total equity or 15.00% of total loan portfolio, whichever is lower.

The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under Section 342 of MORB:

	DOSRI		**Related Party**	
	2023	2022	**2023**	2022
Total outstanding DOSRI/Related Party loans	**₱8,257**	₱6,193	**₱349,924**	₱464,526
Percent of DOSRI/Related Party loans to total loans	**0.01%**	0.01%	**0.38%**	0.58%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	**50.57%**	86.58%	**98.83%**	99.82%
Percent of past due DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	0.00%	**0.00%**	0.00%
Percent of nonperforming DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	0.00%	**0.00%**	0.00%

The amounts of loans and receivables disclosed for related parties above differ with the amounts disclosed for key management personnel since the composition of DOSRI is more expansive than that of key management personnel. As of December 31, 2023 and 2022, the DOSRI amount pertains to loans under BSP-approved fringed benefit program.

MORB Section 342 provides that the total outstanding loans, other credit accommodation and guarantees to each of the bank's/quasi−bank's subsidiaries and affiliates shall not exceed 10.00% of the net worth of the lending bank/quasi−bank, provided that the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/quasi−bank; and the subsidiaries and affiliates of the lending bank/quasi−bank are not related interest of any director, officer and/or stockholder of the lending institution. As of December 31, 2023 and 2022, the Parent Company is in compliance with these requirements.

Aggregate Amount of Secured Liabilities and Assets Pledged as Security
As of December 31, 2023, 'Bills payable' amounting to ₱9.41billion, are secured by a pledge of certain 'Investment securities at amortized cost' amounting to ₱9.41 billion.

As of December 31, 2022, ‘Bills payable’ amounting to ₱7.58 billion, are secured by a pledge of certain ‘Investment securities at amortized cost’ amounting to ₱7.95 billion.

Commitments and contingencies
The following is a summary of contingencies and commitments of the Group and the Parent Company with the equivalent peso contractual amounts:

	2023	2022
Trust department accounts	**₱12,009,189**	₱10,814,414
Standby LC	**941,632**	970,552
Spot exchange:		
Bought	**594,332**	251,584
Sold	**2,175,019**	561,113
Usance LC outstanding	**3,207**	596,009
Outstanding shipping guarantees	**1,442,970**	1,684,193
Sight LC outstanding	**593,802**	347,188
Outward bills for collection	**60,661**	61,043
Currency forwards:		
Bought	**781**	808
Sold	**50,122**	75,420
Inward bills for collection	**501,739**	196,173
Items held for safekeeping	**15**	16
Items held as collateral	**7**	7
Other contingencies	**₱7,738**	₱13,223

37. **Supplementary Information Under Revenue Regulations No. 15-2010**

In compliance with the requirements set forth by RR No. 15-2010 hereunder are the details of percentage and other taxes paid or accrued by the Parent Company in 2023:

GRT	₱417,888
DST	284,617
Local taxes	22,173
Fringe benefit taxes	3,175
Others	20,319
	₱748,172

Withholding Taxes
Details of total remittances in 2023 and outstanding balance of withholding taxes as of December 31, 2023 follow:

	Total Remittances	Balance as of December 31
Final withholding taxes	₱501,926	₱61,839
Withholding taxes on compensation and benefits	134,149	8,930
Expanded withholding taxes	32,962	2,772
	₱669,037	₱73,541

Tax Assessments and Cases

As of December 31, 2023, the Group has outstanding cases filed in courts for various claims for tax refund amounting to P5.5 million reported as 'Receivable from BIR' under 'Other assets' in the statement of financial position.