Metrobank

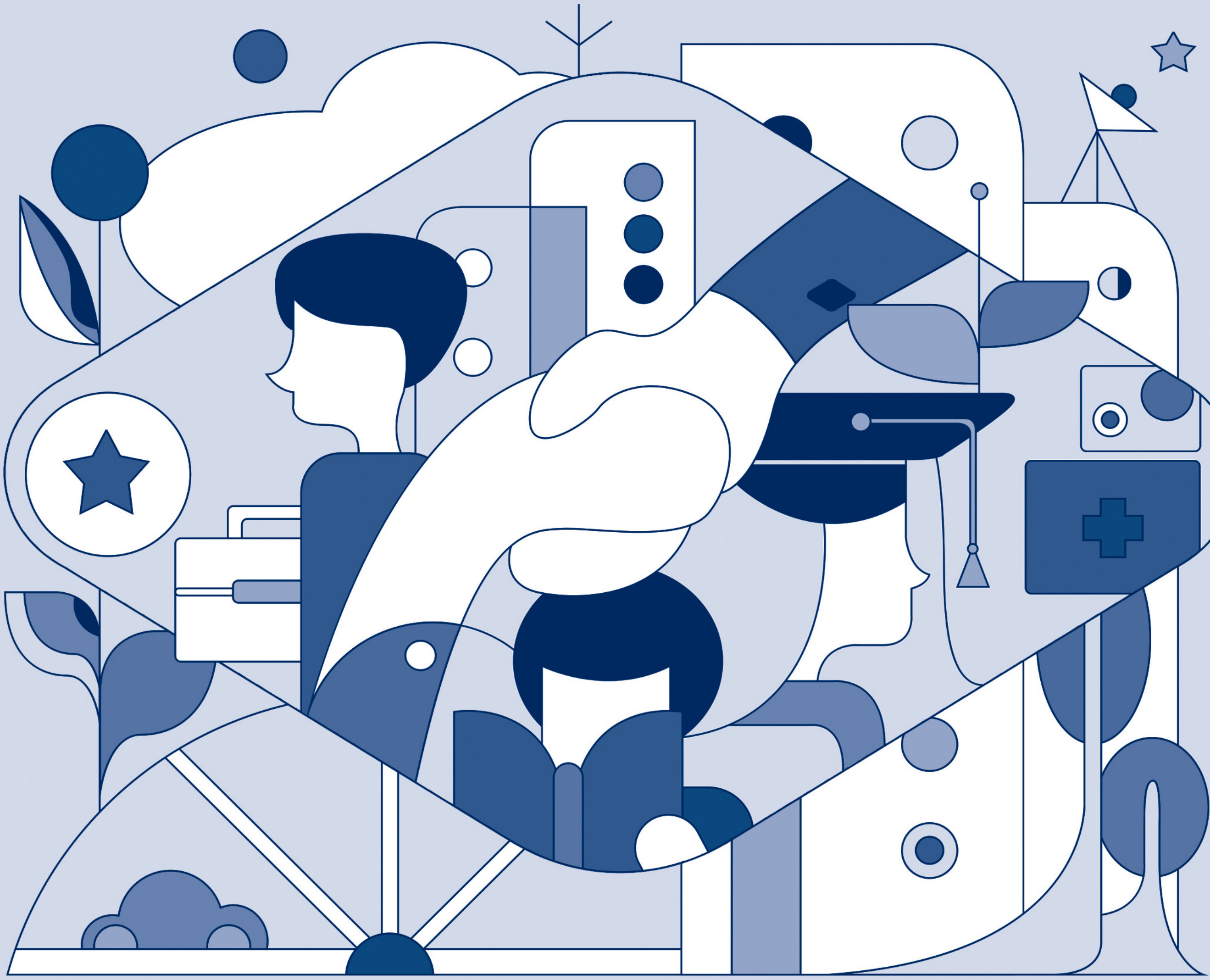
2022

FINANCIAL STATEMENTS

60 YEARS
IN GOOD HANDS

Vision Mission Statement

To be the country's premiere financial conglomerate, empowering our individual and business clients to realize their goals and reach their full potential. By creating and customizing financial solutions in response to our stakeholders' needs, continuously expanding our scope of reach, and leading in community service, we live up to our "You're in Good Hands" promise that embodies who we are and what we do. We are Metrobank.*



We commit to be

THE TRUSTED FINANCIAL PARTNER
Our business relies on the principles of trust, honesty and integrity as we serve our customers and help them attain their financial goals.

THE EMPLOYER OF CHOICE
We strengthen the organization by continuously developing and enhancing the abilities of our people. We nurture them into professional individuals with integrity and passion for service and excellence. We ensure their future by providing them with fulfilling careers.

**The Vision Mission Statement (VMS) was approved by the Board in January 2020*

A RESPONSIBLE BANK
We adhere to the highest standards of corporate governance, exercising accountability, fairness, and transparency across all our business operations. We exercise good management to provide our shareholders with sustainable returns on their investments.

AN INSTITUTION WITH A HEART
We give back to the communities we serve, committed to making meaningful contributions to the economic and social development of our nation.

Core Values

- Passion for Results
- Integrity
- Teamwork
- Commitment to Customer Service
- Heart for community

Summary of Financial Statements

In PHP millions, Except Per Share Amounts

At Year End	Consolidated			Parent		
	2022	2021	2020	2022	2021	2020
Total Assets	**2,843,090**	**2,502,816**	**2,455,163**	**2,489,749**	**2,161,296**	**2,153,999**
Loans and Receivables – Net	1,418,382	1,236,071	1,252,929	1,239,560	1,057,454	1,048,742
Investment Securities	911,839	783,410	670,289	758,811	661,162	618,531
Others	512,869	483,335	531,945	491,378	442,680	486,726
Total Liabilities	**2,515,000**	**2,175,084**	**2,121,988**	**2,170,556**	**1,842,106**	**1,829,110**
Deposit Liabilities	2,221,124	1,930,284	1,797,215	1,938,370	1,660,547	1,582,911
Demand	581,473	588,434	515,378	536,516	535,847	467,545
Savings	898,078	874,283	795,979	851,860	830,247	755,713
Time	715,415	438,046	450,103	528,914	273,373	332,323
Long-Term Negotiable Certificates of Deposit	26,158	29,521	35,755	21,080	21,080	27,330
Others	293,876	244,800	324,773	232,186	181,559	246,199
Total Equity	**328,090**	**327,732**	**333,175**	**319,193**	**319,190**	**324,889**
Attributable to:						
Equity Holders of the Parent Company	**318,508**	**318,505**	**324,204**	**319,193**	**319,190**	**324,889**
Non-Controlling Interest	9,582	9,227	8,971			
Book Value Per Share (BVPS)	**70.8**	**70.8**	**72.1**	**71.0**	**71.0**	**72.2**

For the Year	Consolidated			Parent		
	2022	2021	2020	2022	2021	2020
Net Interest Income	**85,529**	**75,049**	**86,107**	**70,328**	**59,082**	**68,118**
Interest Income	102,370	87,177	107,787	81,843	66,478	83,287
Interest Expense	16,841	12,128	21,680	11,515	7,396	15,169
Non-interest Income	**27,497**	**26,399**	**35,793**	**22,942**	**20,971**	**30,562**
Service Charges, Fees and Commissions	15,035	13,418	11,703	11,773	10,135	8,991
Trading and Securities Gain - Net	6,401	3,366	14,743	6,534	3,201	13,108
Foreign Exchange Gain (Loss) - net	(2,427)	1,946	4,409	(2,697)	1,805	4,320
Leasing	1,990	1,904	2,007	162	183	200
Income from Trust Operations	1,541	1,655	1,444	1,494	1,609	1,401
Other Non-interest Income[1]	4,957	4,110	1,487	5,676	4,038	2,542
Total Operating Income	**113,026**	**101,448**	**121,900**	**93,270**	**80,053**	**98,680**
Total Operating Expenses	**69,108**	**71,307**	**100,880**	**51,453**	**52,099**	**77,939**
Provision for Credit and Impairment Losses	8,112	11,834	40,760	5,740	7,683	32,745
Other Operating Expenses	60,996	59,473	60,120	45,713	44,416	45,194
Provision for Income Tax	**10,620**	**7,777**	**7,046**	**9,041**	**5,798**	**6,910**
Net Income	**33,298**	**22,364**	**13,974**	**32,776**	**22,156**	**13,831**
Attributable to:						
Equity Holders of the Parent Company	32,776	22,156	13,831			
Non-controlling Interest	522	208	143			
Basic/Diluted Earnings Per Share (EPS)	**7.3**	**4.9**	**3.1**			
Attributable to Equity Holders of the Parent Company						

1 - Includes share in net income of subsidiaries, associates and a joint venture

For the Year	Consolidated			Parent		
	2022	2021	2020	2022	2021	2020
Net Interest Margin	3.6%	3.4%	4.0%	3.5%	3.1%	3.8%
Return on Average Equity	10.3%	6.9%	4.4%	10.3%	6.9%	4.3%
Return on Average Assets	1.2%	0.9%	0.6%	1.4%	1.0%	0.7%
Non-performing Loans Ratio	1.9%	2.2%	2.4%	1.6%	1.5%	1.7%
Capital Adequacy Ratio	17.7%	20.1%	20.2%	15.7%	19.0%	19.5%
Tier 1 Capital	16.8%	19.3%	19.3%	14.9%	18.2%	18.6%
Common Equity Tier 1	16.8%	19.3%	19.3%	14.9%	18.2%	18.6%

Results Of Operations

Metropolitan Bank & Trust Company (Metrobank) reported net income attributable to the equity holders of the Parent Company rose by 48% to PHP32.8 billion in 2022, on the back of better lending businesses across all segments as well as healthy fee income. Subdued operating expense growth and lower provisions for credit losses amid stable asset quality likewise provided boost to the bottom line.

Total operating income reached PHP113.0 billion in 2022. Net interest income increased by 14% to PHP85.5 billion amid net interest margin improving to 3.6%. This was on the back of higher loan demand across corporate and commercial loans as well as credit card receivables. Modest growth in non-interest income was supported by service charges, fees and commissions which increased by 12% to PHP15.0 billion. This helped offset trading and FX gains that declined by 25% to PHP4.0 billion amid market volatility.

Meanwhile, operating expense growth was controlled at just 3% to PHP61.0 billion, bringing down the cost-to-income ratio to 54% from 59% in 2021. This helped drive the 24% rise in pre-provision operating profit to PHP52.0 billion in 2022.

Likewise, manageable asset quality and sustained ample reserves enabled a 31% decline in provisions for credit losses to PHP8.1 billion.

Metrobank ended 2022 with a share price of PHP54.00 per share for a market capitalization of PHP242.9 billion.

Financial Condition

Metrobank closed 2022 as the country's second largest private universal bank with consolidated assets of PHP2.8 trillion.

Gross loans expanded by 14% year-on-year to PHP1.5 trillion in 2022, mainly driven by the acceleration in demand from corporate and commercial clients as business activity picked up and investment spending resumed.

Amid the sustained economic reopening in 2022, asset quality stayed benign. The Bank's non-performing loans (NPLs) ratio eased to 1.9% from 2.2% in 2021, while NPL cover remained substantial at 172.4%, reflecting strong ability to cover any potential risks to portfolio health.

Meanwhile, total deposits grew by 15% from the previous year to PHP2.2 trillion with low-cost current and savings accounts (CASA) stable at PHP1.5 trillion.

The Bank's capital ratios remain to be one of the highest in the industry, with capital adequacy ratio at 17.7% and Common Equity Tier 1 (CET1) ratio at 16.8%, all well-above the minimum regulatory requirements.

Supplementary Management Discussion

The capital to risk assets ratios of the Group and the Parent Company as reported to the BSP as of December 31, 2022 and 2021 based on Basel III are shown in the table below:

	Group		Parent Company	
	December 31			
	2022	2021	**2022**	2021
	(In Millions)			
Tier 1 Capital	**₱ 316,142**	₱ 315,542	**₱ 306,824**	₱ 306,812
Common Equity Tier 1 Capital (CET1)	**316,142**	315,542	**306,824**	306,812
Less: Required deductions	**33,001**	32,860	**101,457**	93,001
Net Tier 1 Capital	**283,141**	282,682	**205,367**	213,811
Tier 2 Capital	**14,337**	12,463	**11,935**	10,277
Total Qualifying Capital	**₱ 297,478**	₱ 295,145	**₱ 217,302**	₱ 224,088
Credit Risk-Weighted Assets	**₱ 1,429,964**	₱ 1,218,442	**₱ 1,191,825**	₱ 1,001,293
Market Risk-Weighted Assets	**68,546**	67,394	**55,124**	53,099
Operational Risk-Weighted Assets	**184,027**	180,534	**135,512**	122,373
Risk Weighted Assets	**₱ 1,682,537**	₱ 1,466,370	**₱ 1,382,461**	₱ 1,176,765

Ratios of common equity tier 1 (CET1) capital, tier 1 capital and total qualifying capital are computed by dividing each component over the total risk-weighted assets. Details are as follows (amounts in millions):

CET1 Ratio:				
CET1 Capital	**₱ 283,141**	₱ 282,682	**₱ 205,367**	₱ 213,811
Risk-Weighted Assets	**1,682,537**	1,466,370	**1,382,461**	1,176,765
CET1 Ratio	**16.83%**	19.28%	**14.86%**	18.17%
Minimum CET1 Ratio	**6.00%**	6.00%	**6.00%**	6.00%
Capital Conservation Buffer	**10.83%**	13.28%	**8.86%**	12.17%
Countercyclical Capital Buffer*	**0.00%**	0.00%	**0.00%**	0.00%
Tier 1 Capital Ratio:				
Tier 1 Capital	**₱ 283,141**	₱ 282,682	**₱ 205,367**	₱ 213,811
Risk-Weighted Assets	**1,682,537**	1,466,370	**1,382,461**	1,176,765
Tier 1 Capital Ratio	**16.83%**	19.28%	**14.86%**	18.17%
Total Capital Ratio:				
Total Qualifying Capital	**₱ 297,478**	₱ 295,145	**₱ 217,302**	₱ 224,088
Risk-Weighted Assets	**1,682,537**	1,466,370	**1,382,461**	1,176,765
Total Capital Ratio	**17.68%**	20.13%	**15.72%**	19.04%

**BSP issued Circular No. 1024 on December 6, 2018, covering the Philippine adoption of the Basel III Countercyclical Capital Buffer (CCyB), which imposed the Capital Conservation Buffer of two and a half percent (2.5%) and CCyB which is initially set at zero percent (0%) subject to upward adjustment to a rate determined by the Monetary Board of the BSP when systemic conditions warrant but not to exceed two and a half percent (2.5%). Any increase in the CCyB shall be effective twelve (12) months after its announcement. Decreases shall be effective immediately.*

Under Basel III, the regulatory qualifying capital consists of Tier 1 capital and Tier 2 capital. Tier 1 capital consist of CET 1 capital, which comprises paid-up common stock, additional paid-in capital, retained earnings including current year profit, retained earnings reserves, other comprehensive income (net unrealized gains/losses on investment securities at FVOCI, cumulative foreign currency translation, remeasurements of net defined liability/(asset), share in net unrealized gains/losses on investment securities at FVOCI of subsidiaries and associates/joint ventures, share in net unrealized gains/losses on retirement liability of subsidiaries and associates/joint ventures, share in net unrealized gains/losses on cash flow hedge of subsidiaries and associates and share in revaluation increment of investment properties of subsidiaries) and non-controlling interest less required deductions such as unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and related interests (DOSRI), unsecured loans, other credit accommodations and guarantees granted to subsidiaries, deferred tax assets, goodwill, other intangible assets, defined benefit pension fund assets and investments in equity. The other component of regulatory capital is Tier 2 (supplementary) capital which includes unsecured subordinated debt and general loan loss provision.

The main features of capital instruments issued by the Group and Parent Company that are eligible as Tier I capital and Tier 2 capital are presented in Notes 23 and 20, respectively, of the 2022 audited financial statements.

The components of Tier 1 capital and regulatory adjustments/deductions as of December 31, 2022 and 2021 based on BASEL III, follow:

	Group		Parent Company	
	December 31			
	2022	2021	**2022**	2021
	(In Millions)			
CET1 Capital/Core Tier 1 Capital				
Paid-up common stock	**₱ 89,948**	₱ 89,948	**₱ 89,948**	₱ 89,948
Additional paid-in capital	**79,311**	79,311	**79,311**	79,311
Retained earnings	**172,674**	153,548	**172,674**	153,548
Net unrealized losses on investment securities at FVOCI	**(21,565)**	(2,944)	**(21,565)**	(2,944)
Cumulative foreign currency translation	**2,525**	2,838	**2,525**	2,838
Remeasurements of net defined benefit liability/(asset)	**(3,741)**	(4,336)	**(3,741)**	(4,336)
Share in net unrealized losses on investment securities at FVOCI of subsidiaries and associates	**(1,942)**	(658)	**(1,942)**	(658)
Share in net unrealized losses on Cash Flow Hedge of subsidiaries and associates	**(11)**	(38)	**(11)**	(38)
Share in net unrealized losses on retirement liability of subsidiaries and associates	**(388)**	(870)	**(388)**	(870)
Share in revaluation increment of investment properties of subsidiaries	**1**	1	**1**	1
Other Equity reserves	**(9,988)**	(9,988)	**(9,988)**	(9,988)
Non-controlling interest	**9,318**	8,730		
Sub-total	**316,142**	315,542	**306,824**	306,812
Less regulatory adjustments to CET1 capital/deductions from Core Tier 1 capital:				
Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI and unsecured loans, other credit accommodations and guarantees granted to subsidiaries	**1,015**	1,682	**15,104**	10,296
Deferred tax assets (net of allowance for impairment and associated deferred tax liability, if any)	**13,370**	13,255	**12,274**	11,928
Goodwill (net of allowance for impairment)	**3,667**	3,667	**3,632**	3,632
Other intangible assets (net of allowance for impairment)	**3,499**	2,557	**3,119**	2,153
Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any (for solo basis only and as applicable)			**66,767**	64,441
Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any (for both solo and consolidated bases and as applicable)	**2,522**	2,136		
Significant minority investments (10%-50% of voting stock) in banks and quasi-banks, and other financial allied undertakings after deducting related goodwill, if any (for both solo and consolidated bases)	**2,846**	2,871	**15**	15
Significant minority investments (10%-50% of voting stock) in securities dealers/brokers and insurance companies after deducting related goodwill, if any (for both solo and consolidated bases)	**3,269**	3,229		
Minority investments (below 10% of voting stock) in subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies) after deducting related goodwill, if any (for both solo and consolidated bases)	**452**	605		
Other equity investments in non-financial allied undertakings and non-allied undertakings	**2,361**	2,858	**546**	536
Total regulatory adjustments to CET1 capital	**33,001**	32,860	**101,457**	93,001
CET1 Capital/Core Tier 1 Capital	**₱ 283,141**	₱ 282,682	**₱ 205,367**	₱ 213,811

The components of Tier 2 capital as of December 31, 2022 and 2021 follow:

	Group		Parent Company	
	December 31			
	2022	2021	2022	2021
	(In Millions)			
Tier 2 Capital				
General loan loss provision	**₱ 14,337**	₱ 12,231	**₱ 11,935**	₱ 10,045
Unsecured subordinated debts	**-**	232	**-**	232
Total Tier 2 capital	**₱ 14,337**	₱ 12,463	**₱ 11,935**	₱ 10,277

Full reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements follows (amounts in millions):

	Group					
	December 31					
	2022			2021		
	Qualifying Capital	Reconciling Items	Audited Financial Statements	Qualifying Capital	Reconciling Items	Audited Financial Statements
Common stock	**₱ 89,948**	**₱ -**	**₱ 89,948**	₱ 89,948	₱ -	₱ 89,948
Additional paid-in capital	**79,311**	**5,941**	**85,252**	79,311	5,941	85,252
Retained earnings	**172,674**	**6,313**	**178,987**	153,548	6,154	159,702
Net unrealized gains/(losses) on investment securities at FVOCI	**(23,507)**	**3**	**(23,504)**	(3,602)	(86)	(3,688)
Cumulative foreign currency translation and others	**(7,473)**	**(581)**	**(8,054)**	(7,187)	(595)	(7,782)
Remeasurements of net defined liability/(asset)	**(4,129)**	**8**	**(4,121)**	(5,206)	279	(4,927)
Non-controlling interest	**9,318**	**264**	**9,582**	8,730	497	9,277
Deductions	**(33,001)**	**33,001**	**-**	(32,860)	32,860	-
Tier I (CETI) capital/Total equity	**283,141**	**44,949**	**328,090**	282,682	45,050	327,732
Tier 2 capital	**14,337**	**(14,337)**	**-**	12,463	(12,463)	-
Total qualifying capital/Total equity	**₱ 297,478**	**₱ 30,612**	**₱ 328,090**	₱ 295,145	₱ 32,587	₱ 327,732

	Parent Company					
	December 31					
	2022			2021		
	Qualifying Capital	Reconciling Items	Audited Financial Statements	Qualifying Capital	Reconciling Items	Audited Financial Statements
Common stock	**₱ 89,948**	**₱ -**	**₱ 89,948**	₱ 89,948	₱ -	₱ 89,948
Additional paid-in capital	**79,311**	**5,941**	**85,252**	79,311	5,941	85,252
Retained earnings	**172,674**	**6,313**	**178,987**	153,548	6,154	159,702
Net unrealized gains/(losses) on investment securities at FVOCI	**(23,507)**	**3**	**(23,504)**	(3,602)	(86)	(3,688)
Cumulative foreign currency translation and others	**(7,473)**	**104**	**(7,369)**	(7,187)	90	(7,097)
Remeasurements of net defined liability/(asset)	**(4,129)**	**8**	**(4,121)**	(5,206)	279	(4,927)
Deductions	**(101,457)**	**101,457**	**-**	(93,001)	93,001	-
Tier I (CETI) capital/Total equity	**205,367**	**113,826**	**319,193**	213,811	105,379	319,190
Tier 2 capital	**11,935**	**(11,935)**	**-**	10,277	(10,277)	-
Total qualifying capital/Total equity	**₱ 217,302**	**₱ 101,891**	**₱ 319,193**	₱ 224,088	₱ 95,102	₱ 319,190

Certain adjustments are made to PFRS-based results and reserves, as prescribed by the BSP for prudential reporting and vice versa.

Details of risk-weighted assets and capital requirements by type of exposure as of December 31, 2022 and 2021 follow:

	Credit Risk		Market Risk		Operational Risk	
	Group	Parent Company	Group	Parent Company	Group	Parent Company
December 31, 2022			(In Millions)			
On-Balance Sheet	**₱ 1,326,460**	**₱ 1,087,135**				
Off-Balance Sheet	**49,998**	**49,107**				
Counterparty (Banking Book)	**29,120**	**29,120**				
Counterparty (Trading Book)	**28,148**	**28,141**				
Interest Rate Exposures			**₱ 36,662**	**₱ 36,662**		
Foreign Exchange Exposures			**31,719**	**18,298**		
Options			**165**	**164**		
Basic Indicator Approach					**₱ 184,027**	**₱ 135,512**
Gross RWA	**1,433,726**	**1,193,503**	**68,546**	**55,124**	**184,027**	**135,512**
Less: General loan loss provision (in excess of the amount permitted to be included in Tier 2)	**(3,762)**	**(1,678)**				
Total	**₱ 1,429,964**	**₱ 1,191,825**	**₱ 68,546**	**₱ 55,124**	**₱ 184,027**	**₱ 135,512**
Capital Requirements	**₱ 142,996**	**₱ 119,183**	**₱ 6,855**	**₱ 5,512**	**₱ 18,403**	**₱ 13,551**
December 31, 2021						
On-Balance Sheet	₱ 1,142,374	₱ 924,238				
Off-Balance Sheet	42,937	42,645				
Counterparty (Banking Book)	21,352	21,339				
Counterparty (Trading Book)	16,414	16,258				
Interest Rate Exposures			₱ 35,647	₱ 35,699		
Foreign Exchange Exposures			31,728	17,381		
Options			19	19		
Basic Indicator Approach					₱ 180,534	₱ 122,373
Gross RWA	1,223,077	1,004,480	67,394	53,099	180,534	122,373
Less: General loan loss provision (in excess of the amount permitted to be included in Tier 2)	(4,635)	(3,187)				
Total	₱ 1,218,442	₱ 1,011,293	₱ 67,394	₱ 53,099	₱ 180,534	₱ 122,373
Capital Requirements	₱ 121,844	₱ 100,129	₱ 6,739	₱ 5,310	₱ 18,053	₱ 12,237

Credit exposures for on-balance sheet assets cover exposures on sovereigns, multilateral development banks (MDBs), banks/quasi-banks, local government units (LGUs), government corporations, corporates, housing loans, MSMEs, defaulted exposures, ROPA and other assets, net of deductions. On the other hand, counterparty risk weighted assets cover derivatives and repo-style transactions both in the banking and trading books.

As of December 31, 2022 and 2021, the Group has no exposures to securitization structures, contracts that provide credit protection through credit derivatives and investments in other types of structured products.

Credit risk mitigants on risk-weighted assets were based on collateralized transactions (margin deposits and hold-outs on deposits) as well as guarantees by the Philippine National Government and those guarantors and exposures with highest credit ratings.

Standardized credit risk weights were used in the credit assessment of assets exposures. Third party credit assessments were based on the ratings by Standard & Poor's, Moody's, Fitch and PhilRatings on exposures to Sovereigns, MDBs, Banks, LGUs, Government Corporations and Corporates.

Operational Risk-Weighted Assets are computed using the Basic Indicator Approach.

Total credit exposures of the Group and Parent Company broken down by type of exposures are shown in the following tables (amounts in millions):

	Group		
	Exposures, Net of Specific Provisions	Exposures Covered by CRM, Gross of Materiality Threshold	Exposures after Risk Mitigation /Credit Equivalent
2022			
On-Balance Sheet Assets (net of deductions)*	**₱ 2,782,723**	**₱ 44,416**	**₱ 2,738,307**
Off-Balance Sheet Assets			**55,492**
Counterparty Assets in the Banking Book			**82,900**
Counterparty Assets in the Trading Book			**44,310**
Total Credit Exposures			**₱ 2,921,009**
2021			
On-Balance Sheet Assets (net of deductions)*	₱ 2,443,815	₱ 51,055	₱ 2,392,760
Off-Balance Sheet Assets			47,315
Counterparty Assets in the Banking Book			62,534
Counterparty Assets in the Trading Book			24,288
Total Credit Exposures			₱ 2,526,897

Total credit exposures broken down by risk buckets follow (amount in millions):

	Risk Weights						
	0%	20%	50%	75%	100%	150%	TOTAL
2022							
On-Balance Sheet Assets (net of deductions)*	**₱ 1,067,609**	**₱ 289,032**	**₱ 238,937**	**₱ -**	**₱ 1,129,816**	**₱ 12,913**	**₱ 2,738,307**
Off-Balance Sheet Assets	**-**	**5,578**	**2,063**	**-**	**47,851**	**-**	**55,492**
Counterparty Assets in the Banking Book	**1,131**	**39,216**	**42,553**	**-**	**-**	**-**	**82,900**
Counterparty Assets in the Trading Book	**-**	**14,221**	**9,570**	**-**	**20,519**	**-**	**44,310**
Total Credit Exposures	**₱ 1,068,740**	**₱ 348,047**	**₱ 293,123**	**₱ -**	**₱1,198,186**	**₱ 12,913**	**₱ 2,921,009**
Total Risk-Weighted On-Balance Sheet Assets	**₱ -**	**₱ 57,806**	**₱ 119,468**	**₱ -**	**₱ 1,129,816**	**₱ 19,370**	**₱ 1,326,460**
Total Risk-Weighted Off-Balance Sheet Assets	**-**	**1,116**	**1,031**	**-**	**47,851**	**-**	**49,998**
Total Counterparty Risk-Weighted Assets in the Banking Book	**-**	**7,843**	**21,277**	**-**	**-**	**-**	**29,120**
Total Counterparty Risk-Weighted Assets in the Trading Book	**-**	**2,844**	**4,785**	**-**	**20,519**	**-**	**28,148**
Total Credit Risk-Weighted Assets	**₱ -**	**₱ 69,609**	**₱ 146,561**	**₱ -**	**₱1,198,186**	**₱ 19,370**	**₱ 1,433,726**
2021							
On-Balance Sheet Assets (net of deductions)*	₱ 934,689	₱ 266,292	₱ 217,711	₱ -	₱ 961,684	₱ 12,384	₱ 2,392,760
Off-Balance Sheet Assets	-	3,672	2,881	-	40,762	-	47,315
Counterparty Assets in the Banking Book	-	33,050	29,484	-	-	-	62,534
Counterparty Assets in the Trading Book	-	6,888	4,728	-	12,672	-	24,288
Total Credit Exposures	₱ 934,689	₱ 309,902	₱ 254,804	₱ -	₱1,015,118	₱ 12,384	₱ 2,526,897
Total Risk-Weighted On-Balance Sheet Assets	₱ -	₱ 53,258	₱ 108,856	₱ -	₱ 961,684	₱ 18,576	₱ 1,142,374
Total Risk-Weighted Off-Balance Sheet Assets	-	734	1,441	-	40,762	-	42,937
Total Counterparty Risk-Weighted Assets in the Banking Book	-	6,610	14,742	-	-	-	21,352
Total Counterparty Risk-Weighted Assets in the Trading Book	-	1,378	2,364	-	12,672	-	16,414
Total Credit Risk-Weighted Assets	₱ -	₱ 61,980	₱ 127,403	₱ -	₱1,015,118	₱ 18,576	₱ 1,223,077

	Parent Company		
	Exposures, Net of Specific Provisions	**Exposures Covered by CRM, Gross of Materiality Threshold**	**Exposures after Risk Mitigation /Credit Equivalent**
2022			
On-Balance Sheet Assets (net of deductions)*	**₱ 2,369,349**	**₱ 43,812**	**₱ 2,325,537**
Off-Balance Sheet Assets			**54,602**
Counterparty Assets in the Banking Book			**81,769**
Counterparty Assets in the Trading Book			**44,296**
Total Credit Exposures			**₱ 2,506,204**
2021			
On-Balance Sheet Assets (net of deductions)*	₱ 2,052,815	₱ 40,945	₱ 2,011,870
Off-Balance Sheet Assets			47,023
Counterparty Assets in the Banking Book			62,508
Counterparty Assets in the Trading Book			24,077
Total Credit Exposures			₱ 2,145,478

Total credit exposures broken down by risk buckets follow (amounts in millions):

	Risk Weights						
	0%	**20%**	**50%**	**75%**	**100%**	**150%**	**TOTAL**
2022							
On-Balance Sheet Assets (net of deductions)*	**₱ 927,952**	**₱ 273,040**	**₱ 191,024**	**₱ -**	**₱ 926,533**	**₱ 6,988**	**₱2,325,537**
Off-Balance Sheet Assets	**-**	**5,579**	**2,063**	**-**	**46,960**	**-**	**54,602**
Counterparty Assets in the Banking Book	**-**	**39,216**	**42,553**	**-**	**-**	**-**	**81,769**
Counterparty Assets in the Trading Book	**-**	**14,212**	**9,570**	**-**	**20,514**	**-**	**44,296**
Total Credit Exposures	**₱ 927,952**	**₱ 332,047**	**₱ 245,210**	**₱ -**	**₱ 994,007**	**₱ 6,988**	**₱2,506,204**
Total Risk-Weighted On-Balance Sheet Assets	**₱ -**	**₱ 54,608**	**₱ 95,512**	**₱ -**	**₱ 926,533**	**₱ 10,482**	**₱ 1,087,135**
Total Risk-Weighted Off-Balance Sheet Assets	**-**	**1,116**	**1,031**	**-**	**46,960**	**-**	**49,107**
Total Counterparty Risk-Weighted Assets in the Banking Book	**-**	**7,843**	**21,277**	**-**	**-**	**-**	**29,120**
Total Counterparty Risk-Weighted Assets in the Trading Book	**-**	**2,842**	**4,785**	**-**	**20,514**	**-**	**28,141**
Total Credit Risk-Weighted Assets	**₱ -**	**₱ 66,409**	**₱ 122,605**	**₱ -**	**₱ 994,007**	**₱ 10,482**	**₱1,193,503**
2021							
On-Balance Sheet Assets (net of deductions)*	₱ 796,688	₱ 253,366	₱ 180,810	₱ -	₱ 776,699	₱ 4,307	₱2,011,870
Off-Balance Sheet Assets	-	3,672	2,881	-	40,470	-	47,023
Counterparty Assets in the Banking Book	-	33,050	29,458	-	-	-	62,508
Counterparty Assets in the Trading Book	-	6,833	4,706	-	12,538	-	24,077
Total Credit Exposures	₱ 796,688	₱ 296,921	₱ 217,855	₱ -	₱ 829,707	₱ 4,307	₱2,145,478
Total Risk-Weighted On-Balance Sheet Assets	₱ -	₱ 50,673	₱ 90,405	₱ -	₱ 776,699	₱ 6,461	₱ 924,238
Total Risk-Weighted Off-Balance Sheet Assets	-	734	1,441	-	40,470	-	42,645
Total Counterparty Risk-Weighted Assets in the Banking Book	-	6,610	14,729	-	-	-	21,339
Total Counterparty Risk-Weighted Assets in the Trading Book	-	1,367	2,353	-	12,538	-	16,258
Total Credit Risk-Weighted Assets	₱ -	₱ 59,384	₱ 108,928	₱ -	₱ 829,707	₱ 6,461	₱1,004,480

** As of December 31, 2022 and 2021, deductions from on-balance sheet exposures amounted to P157.6 billion and P80.5 billion, respectively, for the Group and P226.0 billion and P139.8 billion, respectively, for the Parent Company. Deductions include among others: investment securities at FVTPL, derivatives with positive fair value at FVTPL, total outstanding unsecured credit accommodations to DOSRI (both direct and indirect), unsecured loans, other credit accommodations and guarantees granted to subsidiaries, deferred tax assets, goodwill, other intangible assets, defined benefit pension fund assets, investments in equity of unconsolidated banks and quasi-banks and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any (for solo basis), investments in equity of unconsolidated securities, dealers/brokers, insurance companies and non-financial allied undertakings, after deducting related goodwill, (for both solo and consolidated bases), significant minority investments (10%-50% of voting stock) in banks and quasi-banks and other financial allied undertaking (for both solo and consolidated bases), significant minority investments (10%-50% of voting stock) in securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases), minority investments (below 10% of voting stock) in banks and quasi-banks, and other financial allied undertakings, after deducting related goodwill, if any (for both solo and consolidated bases), loans to RBU by FCDU/EFCDU and other equity investments in non-financial allied undertakings and non-allied undertakings.*

Assigned credit risk weighted for loans to Micro-, Small- and Medium enterprises (MSMEs) was reduced from 75% to 50% per BSP Memorandum No. M-2020-034 issued on April 28, 2020. This provision shall apply until December 31, 2021 (further extended to June 30, 2023 per BSP Memorandum No. M-2022-041 issued on September 23, 2022).

The impact of reasonably possible changes in the interest rates on net interest income follows (amounts in millions):

		Sensitivity of Net Interest Income			
		Group		Parent Company	
		December 31			
Currency	Movement in basis points	2022	2021	2022	2021
PHP	+10	**₱ 408.29**	₱ 326.22	**₱ 388.33**	₱ 310.58
USD	+10	**(16.61)**	35.22	**(6.02)**	45.26
Others	+10	**5.98**	12.59	**5.98**	12.59
PHP	-10	**(408.29)**	(326.22)	**(388.33)**	(310.58)
USD	-10	**16.61**	(35.22)	**6.02**	(45.26)
Others	-10	**(5.98)**	(12.59)	**(5.98)**	(12.59)

The Basel III Leverage ratios of the Group and the Parent Company as reported to the BSP as of December 31, 2022 and 2021 are shown in the table below:

	Group		Parent Company	
	December 31			
	2022	2021	2022	2021
	(In Millions)			
Exposure Measures				
On-balance sheet items	**₱ 2,887,194**	₱ 2,509,918	**₱ 2,544,844**	₱ 2,182,777
Less deductions from Basel III Tier 1 Capital	**33,001**	32,860	**101,457**	93,001
Total On-balance sheet exposures	**2,854,193**	2,477,058	**2,443,387**	2,089,776
Replacement Cost associated with all derivatives transactions	**24,439**	9,854	**24,431**	9,795
Add-on amounts for potential future exposure associated with all derivative transactions	**22,177**	16,293	**22,172**	16,115
Adjusted effective notional amount of written credit derivatives	**-**	-	**-**	-
Adjusted effective notional offsets of written credit derivatives and deducted add-on amounts	**-**	-	**-**	-
Total Derivative exposures	**46,616**	26,147	**46,603**	25,910
Gross Securities Financing Transactions (SFT) assets (with no recognition of netting)	**28,736**	4,533	**26,084**	-
Counterparty Credit Risk exposures for SFT assets	**-**	-	**-**	-
Agent transaction exposures	**-**	-	**-**	-
Total SFT exposures	**28,736**	4,533	**26,084**	-
Off-balance sheet exposures	**87,003**	71,791	**82,721**	69,085
Adjustments for conversion to credit equivalent amounts	**-**	-	**-**	-
Total Off-balance sheet exposures	**87,003**	71,791	**82,721**	69,085
Total Exposure Measures	**₱ 3,016,548**	₱ 2,579,529	**₱ 2,598,795**	₱ 2,184,771
Tier 1 Capital	**₱ 283,141**	₱ 282,682	**₱ 205,367**	₱ 213,811
Basel III Leverage Ratio *	**9.39%**	10.96%	**7.90%**	9.79%

** Basel III leverage ratio is computed by dividing Tier 1 capital over total exposure measures.*

The Basel III Leverage ratio is designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.00%. It is defined as the capital measure divided by the exposure measure. Capital measure for the leverage ratio is Tier 1 capital (net of regulatory deductions). Exposure measure is the sum of on-balance sheet exposures, derivative exposures, Security Financing Transactions (SFT) 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.

SFTs are transactions such as repurchase agreements, reverse repurchase agreements, security lending and borrowing and margin lending transactions where the value of the transactions depends on market valuation and the transactions are often subject to margin agreements. As of December 31, 2022 and 2021, SFT assets are mainly repurchase agreements amounting to P28.7 billion and P4.5 billion, respectively, for the Group and P26.1 billion and nil respectively, for the Parent Company.

Total derivative exposures of the Group and the Parent Company as of December 31, 2022 and 2021 follow:

	Group				Parent Company			
	Notional Amount	**Replacement Cost**	**Potential Future Exposures**	**Total Derivative Exposures[1]**	**Notional Amount**	**Replacement Cost**	**Potential Future Exposures**	**Total Derivative Exposures[1]**
				(In Millions)				
December 31, 2022								
Interest Rate Contracts	**₱ 177,942**	**₱ 3,654**	**₱ 868**	**₱ 4,522**	**₱ 166,188**	**₱ 3,652**	**₱ 868**	**₱ 4,520**
Exchange Rate Contracts	**1,024,984**	**20,785**	**21,126**	**41,911**	**1,024,437**	**20,779**	**21,121**	**41,900**
Equity Contracts	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Credit Derivatives	**3,655**	**-**	**183**	**183**	**3,655**	**-**	**183**	**183**
Total	**₱ 1,206,581**	**₱ 24,439**	**₱ 22,177**	**₱ 46,616**	**₱ 1,194,280**	**₱ 24,431**	**₱ 22,172**	**₱ 46,603**
December 31, 2021								
Interest Rate Contracts	₱ 168,072	₱ 907	₱ 825	₱ 1,732	₱ 161,763	₱ 906	₱ 825	₱ 1,731
Exchange Rate Contracts	648,184	8,946	15,467	24,414	630,360	8,889	15,289	24,178
Equity Contracts	-	-	-	-	-	-	-	-
Credit Derivatives	28	-	1	1	28	-	1	1
Total	₱ 816,284	₱ 9,853	₱ 16,293	₱ 26,147	₱ 792,151	₱ 9,795	₱ 16,115	₱ 25,910

[1] *Total derivative exposure is the sum of replacement cost and potential future exposures.*

The exposure measure for derivative contracts consist of an exposure arising from the underlying of the derivative contract and a counterparty credit risk exposure. The replacement cost represents the positive mark-to-market value of the contract (or zero if the mark-to-market value is zero or negative).

The potential future exposures of the Group and the Parent Company as of December 31, 2022 and 2021 follow (amounts in millions except credit conversion factor):

	Group					
	December 31					
	2022			2021		
	Notional Amount	**Potential Future CCF**	**Potential Future Exposures**	Notional Amount	Potential Future CCF	Potential Future Exposures
Interest Rate Contracts						
With residual maturity of 1 year or less	**₱ 37,685**	**0.0%**	**₱ -**	₱ 28,105	0.0%	₱ -
With residual maturity of more than 1 year to 5 years	**123,616**	**0.5%**	**618**	127,482	0.5%	637
With residual maturity of more than 5 years	**16,641**	**1.5%**	**250**	12,485	1.5%	187
	177,942		**868**	168,072		825
Exchange Rate Contracts						
With original maturity of 14 calendar days or less	**152,928**	**1.0%**	**1,529**	121,250	1.0%	1,213
With residual maturity of 1 year or less	**610,163**	**1.0%**	**6,101**	317,558	1.0%	3,176
With residual maturity of more than 1 year to 5 years	**245,838**	**5.0%**	**12,292**	184,959	5.0%	9,249
With residual maturity of more than 5 years	**16,055**	**7.5%**	**1,204**	24,417	7.5%	1,831
	1,024,984		**21,126**	648,184		15,467
Equity Contracts	**-**		**-**	-		-
Credit Derivatives						
With reference obligation that has an external credit of at least BBB- or its equivalent - Bank as beneficiary	**3,655**	**5.0%**	**183**	28	5.0%	1
Total	**₱ 1,206,581**		**₱ 22,177**	₱ 816,284		₱ 16,293

	Parent Company					
	December 31					
	2022			2021		
	Notional Amount	**Potential Future CCF**	**Potential Future Exposures**	Notional Amount	Potential Future CCF	Potential Future Exposures
Interest Rate Contracts						
With residual maturity of 1 year or less	**₱ 25,931**	**0.0%**	**₱ -**	₱ 21,797	0.0%	₱ -
With residual maturity of more than 1 year to 5 years	**123,616**	**0.5%**	**618**	127,481	0.5%	637
With residual maturity of more than 5 years	**16,641**	**1.5%**	**250**	12,485	1.5%	187
	166,188		**868**	161,763		825
Exchange Rate Contracts						
With original maturity of 14 calendar days or less	**152,892**	**1.0%**	**1,529**	121,230	1.0%	1,212
With residual maturity of 1 year or less	**609,652**	**1.0%**	**6,096**	299,755	1.0%	2,998
With residual maturity of more than 1 year to 5 years	**245,838**	**5.0%**	**12,292**	184,959	5.0%	9,248
With residual maturity of more than 5 years	**16,055**	**7.5%**	**1,204**	24,416	7.5%	1,831
	1,024,437		**21,121**	630,360		15,289
Equity Contracts	**-**		**-**	-		-
Credit Derivatives						
With reference obligation that has an external credit of at least BBB- or its equivalent - Bank as beneficiary	**3,655**	**5.0%**	**183**	28	5.0%	1
Total	**₱ 1,194,280**		**₱ 22,172**	₱ 792,151		₱ 16,115

The potential future exposures represents an add-on arising from the potential exposure over the remaining life of the contract calculated by multiplying the notional principal amount of the contract to the potential future credit conversion factor (CCF). Add-on factors shall apply to financial derivatives, based on residual maturity.

Total off-balance sheet exposures of the Group and the Parent Company as of December 31, 2022 and 2021 follow:

	Group				**Parent Company**			
	December 31							
	2022		2021		**2022**		2021	
	Notional Amount	**Total OBS Exposure**	Notional Amount	Total OBS Exposure	**Notional Amount**	**Total OBS Exposure**	Notional Amount	Total OBS Exposure
	(In Millions)							
Off-balance sheet (OBS) exposure with CCF of:								
10%	**₱ 315,111**	**₱ 31,511**	₱ 244,760	₱ 24,476	**₱ 281,190**	**₱ 28,119**	₱ 220,620	₱ 22,062
20%	**21,784**	**4,357**	22,779	4,556	**17,406**	**3,481**	21,372	4,274
50%	**58,686**	**29,343**	47,196	23,598	**58,656**	**29,328**	47,176	23,588
100%	**21,792**	**21,792**	19,161	19,161	**21,793**	**21,793**	19,161	19,161
Total	**₱ 417,373**	**₱ 87,003**	₱ 333,896	₱ 71,791	**₱ 379,045**	**₱ 82,721**	₱ 308,329	₱ 69,085

The leverage ratio exposure measure for off-balance sheet items is calculated by multiplying its notional amount by a credit conversion factor (CCF) per type of OBS items. The 10% CCF shall apply to commitments that are unconditionally cancellable without prior notice (i.e. credit card lines), undrawn eligible cash servicer facilities that are unconditionally cancellable without prior notice and other contingent accounts not involving credit risk (spot exchange contracts - bought and sold, late deposits/payments received, inward/outward bills for collection, travelers' check unsold, deficiency claims receivable and others). 20% CCF shall apply to short term-self-liquidating trade letters of credit arising from movements of goods, e.g. documentary credits collateralized by the underlying shipments, such as trade related guarantees, letters of credit (LCs) - (sight/usance and deferred LCs - net of margin deposits) and revolving LCs (net of margin deposits) arising from movements of goods and/or services. 50% CCF shall apply to OBS securitization exposures that qualify as eligible liquidity facilities and certain transaction-related contingent items, e.g. performance bonds, bid bonds, warranties and performance standby letters of credit (net of margin deposits), established as a guarantee that a business transaction will be performed, note issuance facilities and revolving underwriting facilities and commitments with an original maturity over one year and underwritten accounts unsold. 100% CCF shall apply to OBS securitization exposures except an eligible liquidity facility or an eligible servicer cash advance facility, direct credit substitutes, e.g. general guarantees of indebtedness (including standby LCs serving as financial guarantees for loans and securities) and acceptances.

Comparison of accounting assets vs. leverage ratio exposure measure of the Group and the Parent Company as of December 31, 2022 and 2021 follow:

	Group		Parent Company	
	December 31			
	2022	2021	**2022**	2021
	(In Millions)			
Total consolidated assets per published financial statements	**₱ 2,922,270**	₱ 2,507,438	**₱ 2,581,746**	₱ 2,179,339
Adjustments for derivative financial instruments	**22,177**	16,293	**22,172**	16,115
Adjustments for securities financial transactions	**-**	-	**-**	-
Adjustments for off-balance sheet items	**87,003**	71,791	**82,721**	69,085
Other adjustments	**(14,902)**	(15,993)	**(87,844)**	(79,769)
Leverage Ratio Exposure Measure	**₱ 3,016,548**	₱ 2,579,529	**₱ 2,598,795**	₱ 2,184,771

Statement of Management's Responsibility for Financial Statements

The management of Metropolitan Bank & Trust Company and Subsidiaries (the Group) and of Metropolitan Bank & Trust Company (the Parent Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as of December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group 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.

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

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

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has audited the financial statements of the Group and of the Parent Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

(Sgd.) ARTHUR TY
Chairman

(Sgd.) FABIAN S. DEE
President

(Sgd.) JOSHUA E. NAING
SEVP and Head, Financial and Control Sector

(Sgd.) FERNAND ANTONIO A. TANSINGCO
SEVP, Treasurer and Head, Financial Markets Sector

(Sgd.) RENATO K. DE BORJA JR.
SVP and Controller

Signed this 22nd day of February, 2023.

SUBSCRIBED AND SWORN to before me at Makati City, Metro Manila this MAR 0 8 2023, affiants exhibiting to me their respective Passports with the following details:

Names	Passport No.	Date/Place of Issue	Valid Until
ARTHUR TY	[redacted]		
FABIAN S. DEE			
JOSHUA E. NAING			
FERNAND ANTONIO A. TANSINGCO			
RENATO K. DE BORJA, JR.			

[redacted]

ATTY. MARIA VIRNA G. ANTONIO-SALVADOR
Notary Public for Makati City
Appointment No. M-028 until December 31, 2023
10/F Metrobank Plaza, Sen.
Ro [redacted]

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Page No. 48;
Book No. III;
Series of 2023.

Independent Auditor's Report

The Board of Directors and Stockholders
Metropolitan Bank & Trust Company

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of Metropolitan Bank & Trust Company and its subsidiaries (the Group) and the parent company financial statements of Metropolitan Bank & Trust Company (the Parent Company), which comprise the consolidated and parent company statements of financial position as at December 31, 2022 and 2021, 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, 2022, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2022 and 2021, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2022, in accordance with Philippine Financial Reporting Standards (PFRS).

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 (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated and parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

<u>Applicable to the audit of the consolidated and parent company financial statements</u>

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

Allowance for credit losses on loans and receivables as of December 31, 2022 for the Group and the Parent Company amounted to ₱51.45 billion and ₱41.21 billion, respectively. Provision for credit losses of the Group and the Parent Company in 2022 amounted to ₱7.78 billion and ₱5.74 billion, respectively.

Refer to Notes 2, 3 and 15 of the financial statements for the disclosure on 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, and management's assessment of the impact of the coronavirus pandemic on the counterparties; (c) tested the Group's and the Parent Company's application of internal credit risk rating system, including the impact of the coronavirus pandemic on the borrowers, by reviewing the ratings of sample credit exposures; (d) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in the Group's and the Parent Company's records and considering management's assumptions regarding future collections, advances, extensions, renewals and modifications; (e) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations, and the effects of any financial support and credit enhancements provided by any party; (f) tested exposure at default considering outstanding commitments and repayment scheme; (g) checked the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's and the Parent Company's lending portfolios and broader industry knowledge, including the impact of the coronavirus pandemic; and (h) tested the effective interest rate used in discounting the expected loss.

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

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

Realizability of Deferred Tax Assets
As of December 31, 2022, the deferred tax assets of the Group and the Parent Company amounted to ₱13.36 billion and ₱12.27 billion, respectively. The recognition of deferred tax assets is significant to our audit because it requires significant judgment and is based on assumptions such as availability of future taxable income and the timing of the reversal of the temporary differences that are affected by expected future market or economic conditions and the expected performance of the Group and the Parent Company. The estimation uncertainty on the Group's and Parent Company's expected performance has increased as a result of the uncertainties brought about by the coronavirus pandemic.

The disclosures in relation to deferred income taxes are included in Notes 3 and 28 of the financial statements.

Audit Response
We involved our internal specialist in interpreting the tax regulations, testing the temporary differences identified by the Group and the Parent Company and the applicable tax rate. We also re-performed the calculation of the deferred tax assets. We reviewed the management's assessment on the availability of future taxable income in reference to financial forecast and tax strategies. We evaluated management's forecast by comparing the loan portfolio and deposit growth rates to the historical performance of the Group and Parent Company and the industry, including future market circumstances and taking into consideration the impact associated with the coronavirus pandemic.

Applicable to the audit of the consolidated financial statements

Recoverability of Goodwill
As of December 31, 2022, the Group has goodwill amounting to ₱5.19 billion as a result of various business acquisitions. Under PFRS, the Group is required to annually test the amount of goodwill for impairment. The Group performed the impairment testing using the cash generating unit's (CGU) fair value less costs to sell (FVLCTS). The annual impairment test is significant to our audit because the determination of the CGU's FVLCTS requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic. The CGU's assets include significant investments in unquoted equity shares and their fair values were determined using price-to-earnings (P/E) ratios of comparable companies and adjusted net asset valuation (NAV) method. Other assets of the CGU include investments in quoted

equity shares and debt financial assets, and real properties, while liabilities include unquoted debt financial liabilities.

The disclosures relating to goodwill are included in Notes 3 and 11 to the financial statements.

Audit response
We involved our internal specialist in evaluating the assumptions and methodology used by the Group in determining the FVLCTS of the CGU, in particular those relating to the use of P/E ratios of comparable companies and adjusted NAV method in the valuation of the unquoted equity shares. We tested the fair value of the other assets and liabilities by referring to the quoted prices of listed equity and debt instruments, agreeing the appraised values of real estate properties to the appraisal reports, comparing the future cash flows of unquoted debt instruments to the related contracts, and comparing the discount rates used against prevailing interest rates for similar instruments, taking into consideration the impact associated with the coronavirus pandemic. We also re-performed the calculation of the FVLCTS.

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, 2022, 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, 2022 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 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 when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and parent company financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the 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 PFRS, 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.

Report on the Supplementary Information Required Under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074 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 BSP Circular No. 1074 in Note 37 and Revenue Regulations No. 15-2010 in Note 38 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 the Parent Company. 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 Janeth T. Nuñez-Javier.

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez-Javier

Janeth T. Nuñez-Javier
Partner
CPA Certificate No. 111092
Tax Identification No. 900-322-673
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 111092-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-069-2020, December 3, 2020, valid until December 2, 2023
PTR No. 9564671, January 3, 2023, Makati City

February 22, 2023

Statements of Financial Position

(In Millions)

	Consolidated		Parent Company	
	December 31			
	2022	2021	**2022**	2021
ASSETS				
Cash and Other Cash Items	**₱40,683**	₱41,302	**₱38,701**	₱38,452
Due from Bangko Sentral ng Pilipinas (BSP) (Notes 4 and 16)	**252,628**	253,257	**215,074**	199,974
Due from Other Banks (Note 4)	**75,472**	48,831	**56,675**	36,218
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA) (Notes 4, 7 and 26)	**73,744**	70,447	**65,535**	55,994
Investment Securities at				
Fair Value Through Profit or Loss (FVTPL) (Note 8)	**63,599**	50,792	**55,656**	41,975
Fair Value Through Other Comprehensive Income (FVOCI) (Notes 4 and 8)	**530,464**	648,808	**418,047**	561,801
Amortized Cost (Notes 4 and 8)	**317,776**	83,810	**285,108**	57,386
Loans and Receivables (Notes 4 and 9)	**1,418,382**	1,236,071	**1,239,560**	1,057,454
Property and Equipment (Note 10)	**27,153**	25,783	**20,257**	19,222
Investments in Subsidiaries (Note 11)	**–**	–	**71,754**	69,321
Investments in Associates and a Joint Venture (Note 11)	**5,877**	5,851	**561**	574
Goodwill (Note 11)	**5,194**	5,194	**–**	–
Investment Properties (Note 12)	**7,901**	7,327	**3,310**	3,171
Deferred Tax Assets (Note 28)	**13,362**	13,094	**12,274**	11,891
Other Assets (Note 14)	**10,855**	12,249	**7,237**	7,863
	₱2,843,090	₱2,502,816	**₱2,489,749**	₱2,161,296
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 16 and 32)				
Demand	**₱581,473**	₱588,434	**₱536,516**	₱535,847
Savings	**898,078**	874,283	**851,860**	830,247
Time	**715,415**	438,046	**528,914**	273,373
Long-Term Negotiable Certificates	**26,158**	29,521	**21,080**	21,080
	2,221,124	1,930,284	**1,938,370**	1,660,547
Bills Payable and Securities Sold Under Repurchase Agreements (SSURA) (Notes 17 and 32)	**91,322**	70,334	**76,456**	52,514
Derivative Liabilities (Note 8)	**16,865**	8,349	**16,855**	8,191
Manager's Checks and Demand Drafts Outstanding	**6,501**	5,396	**5,487**	4,803
Income Taxes Payable	**1,478**	1,749	**1,307**	1,549
Accrued Interest and Other Expenses (Note 18)	**13,956**	9,858	**10,202**	7,235
Subordinated Debts (Note 20)	**1,169**	1,168	**1,169**	1,168
Bonds Payable (Notes 19 and 32)	**88,409**	79,823	**83,761**	75,189
Non-equity Non-controlling Interest (Note 21)	**10,139**	10,619	**–**	–
Other Liabilities (Note 21)	**64,037**	57,504	**36,949**	30,910
	2,515,000	2,175,084	**2,170,556**	1,842,106

(Forward)

	Consolidated		Parent Company	
	December 31			
	2022	2021	**2022**	2021
EQUITY				
Equity Attributable to Equity Holders of the Parent Company				
Common stock (Note 23)	**₱89,948**	₱89,948	**₱89,948**	₱89,948
Capital paid in excess of par value (Note 23)	**85,252**	85,252	**85,252**	85,252
Treasury stock (Notes 23 and 32)	**(72)**	(70)	**(72)**	(70)
Surplus reserves (Note 24)	**2,613**	2,442	**2,613**	2,442
Surplus (Note 23)	**176,374**	157,260	**176,374**	157,260
Net unrealized losses on investment securities at FVOCI (Note 8)	**(23,076)**	(3,751)	**(23,076)**	(3,751)
Remeasurement losses on retirement plans (Notes 11 and 27)	**(4,404)**	(4,747)	**(4,404)**	(4,747)
Equity in other comprehensive losses of investees (Note 11)	**(145)**	(118)	**(145)**	(118)
Translation adjustment and others (Note 11)	**(7,982)**	(7,711)	**(7,297)**	(7,026)
	318,508	318,505	**319,193**	319,190
Non-controlling Interest (Note 11)	**9,582**	9,227	**–**	–
	328,090	327,732	**319,193**	319,190
	₱2,843,090	₱2,502,816	**₱2,489,749**	₱2,161,296

See accompanying Notes to Financial Statements.

Statements of Income

(In Millions, Except Earnings Per Share)

	Consolidated			Parent Company		
	Years Ended December 31					
	2022	2021	2020	**2022**	2021	2020
INTEREST INCOME ON						
Loans and receivables (Notes 9 and 32)	**₱70,181**	₱65,525	₱85,690	**₱55,696**	₱48,637	₱64,281
Investment securities at FVOCI and at amortized cost (Note 8)	**25,938**	16,896	17,093	**22,001**	14,540	15,285
Investment securities at FVTPL (Note 8)	**1,776**	1,198	1,958	**1,671**	1,059	1,754
Interbank loans receivable and securities purchased under resale agreements (SPURA) (Notes 7 and 32)	**1,548**	872	876	**1,052**	528	406
Deposits with banks and others	**2,927**	2,686	2,170	**1,423**	1,714	1,561
	102,370	87,177	107,787	**81,843**	66,478	83,287
INTEREST AND FINANCE CHARGES						
Deposit liabilities (Notes 16 and 32)	**11,420**	5,502	11,326	**7,129**	2,835	7,724
Bills payable and securities sold under repurchase agreements, bonds payable, subordinated debts and others (Notes 13, 17, 19, 20, 21 and 32)	**5,421**	6,626	10,354	**4,386**	4,561	7,445
	16,841	12,128	21,680	**11,515**	7,396	15,169
NET INTEREST INCOME	**85,529**	75,049	86,107	**70,328**	59,082	68,118
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES (Notes 3 and 15)	**8,112**	11,834	40,760	**5,740**	7,683	32,745
NET INTEREST INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	**77,417**	63,215	45,347	**64,588**	51,399	35,373
OTHER OPERATING INCOME						
Service charges, fees and commissions (Notes 25 and 32)	**15,035**	13,418	11,703	**11,773**	10,135	8,991
Trading and securities gain - net (Notes 8, 21 and 32)	**6,401**	3,354	6,559	**6,534**	3,201	6,217
Leasing (Notes 12, 13 and 32)	**1,990**	1,904	2,007	**162**	183	200
Income from trust operations (Notes 24 and 32)	**1,541**	1,655	1,444	**1,494**	1,609	1,401
Profit from assets sold (Notes 10, 12 and 14)	**898**	381	15	**230**	154	106
Dividends (Note 8)	**198**	158	139	**9**	15	28
Gain on disposal of investment securities at amortized cost (Note 8)	**–**	12	8,184	**–**	–	6,891
Foreign exchange gain/(loss) - net (Note 32)	**(2,427)**	1,946	4,409	**(2,697)**	1,805	4,320
Miscellaneous (Note 25)	**3,157**	3,003	669	**1,269**	1,618	734
	26,793	25,831	35,129	**18,774**	18,720	28,888
OTHER OPERATING EXPENSES						
Compensation and fringe benefits (Notes 27 and 32)	**26,129**	25,268	24,890	**19,812**	19,176	18,795
Taxes and licenses (Note 28)	**8,058**	7,931	9,925	**6,136**	5,976	7,878
Depreciation and amortization (Notes 10, 12 and 14)	**5,976**	6,430	5,545	**3,453**	3,779	2,965
Occupancy and equipment-related costs (Note 13)	**1,863**	1,948	2,080	**1,397**	1,459	1,500
Miscellaneous (Note 25)	**18,970**	17,896	17,680	**14,915**	14,026	14,056
	60,996	59,473	60,120	**45,713**	44,416	45,194
INCOME BEFORE SHARE IN NET INCOME OF SUBSIDIARIES, ASSOCIATES AND A JOINT VENTURE	**43,214**	29,573	20,356	**37,649**	25,703	19,067
SHARE IN NET INCOME OF SUBSIDIARIES, ASSOCIATES AND A JOINT VENTURE (Note 11)	**704**	568	664	**4,168**	2,251	1,674
INCOME BEFORE INCOME TAX	**43,918**	30,141	21,020	**41,817**	27,954	20,741
PROVISION FOR INCOME TAX (Note 28)	**10,620**	7,777	7,046	**9,041**	5,798	6,910
NET INCOME	**₱33,298**	₱22,364	₱13,974	**₱32,776**	₱22,156	₱13,831
Attributable to:						
Equity holders of the Parent Company (Note 31)	**₱32,776**	₱22,156	₱13,831			
Non-controlling interest (Note 11)	**522**	208	143			
	₱33,298	₱22,364	₱13,974			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)	**₱7.29**	₱4.93	₱3.08			

See accompanying Notes to Financial Statements.

Statements of Comprehensive Income

(In Millions)

	Consolidated			Parent Company		
	Years Ended December 31					
	2022	2021	2020	**2022**	2021	2020
Net Income	**₱33,298**	₱22,364	₱13,974	**₱32,776**	₱22,156	₱13,831
Other Comprehensive Income for the Year, Net of Tax						
Items that may not be reclassified to profit or loss:						
Change in net unrealized gain (loss) on equity securities at FVOCI	**(62)**	137	(94)	**168**	46	(93)
Change in remeasurement gain (loss) on retirement plans (Notes 11 and 27)	**318**	99	794	**343**	31	753
	256	236	700	**511**	77	660
Items that may be reclassified to profit or loss:						
Change in net unrealized gain (loss) on investment in debt securities at FVOCI (Note 8)	**(19,270)**	(11,505)	5,038	**(19,492)**	(11,414)	5,031
Change in equity in other comprehensive losses of investees (Note 11)	**(26)**	(96)	(370)	**(27)**	(96)	(367)
Translation adjustment and others (Note 11)	**(257)**	1,702	(23)	**(271)**	1,573	(15)
	(19,553)	(9,899)	4,645	**(19,790)**	(9,937)	4,649
Total Comprehensive Income for the Year	**₱14,001**	₱12,701	₱19,319	**₱13,497**	₱12,296	₱19,140
Attributable to:						
Equity holders of the Parent Company	**₱13,497**	₱12,296	₱19,140			
Non-controlling interest	**504**	405	179			
	₱14,001	₱12,701	₱19,319			

See accompanying Notes to Financial Statements.

Statements of Changes in Equity

(In Millions)

	Consolidated											
	Equity Attributable to Equity Holders of the Parent Company											
	Common Stock (Note 23)	Capital Paid In Excess of Par Value (Note 23)	Treasury Stock (Note 23)	Surplus Reserves (Note 24)	Surplus (Note 23)	Net Unrealized Gain (Loss) on Investment Securities at FVOCI (Note 8)	Remeasurement Losses on Retirement Plans (Notes 11 and 27)	Equity in Other Comprehensive Income (Losses) of Investees (Note 11)	Translation Adjustment and Others (Note 11)	Total	Non-controlling Interest (Note 11)	Total Equity
Balance as at January 1, 2022	**₱89,948**	**₱85,252**	**(₱70)**	**₱2,442**	**₱157,260**	**(₱3,751)**	**(₱4,747)**	**(₱118)**	**(₱7,711)**	**₱318,505**	**₱9,227**	**₱327,732**
Total comprehensive income (loss) for the year	–	–	–	–	**32,776**	**(19,324)**	**343**	**(27)**	**(271)**	**13,497**	**504**	**14,001**
Transfer to surplus reserves	–	–	–	**171**	**(171)**	–	–	–	–	–	–	–
Cash dividend (Note 23)	–	–	–	–	**(13,492)**	–	–	–	–	**(13,492)**	**(149)**	**(13,641)**
Realized gain on sale of equity securities at FVOCI (Note 8)	–	–	–	–	**1**	**(1)**	–	–	–	–	–	–
Acquisition of Parent Company shares by mutual fund subsidiary	–	–	**(14)**	–	–	–	–	–	–	**(14)**	–	**(14)**
Disposal of Parent Company shares held by mutual fund subsidiary	–	–	**12**	–	–	–	–	–	–	**12**	–	**12**
Balance as at December 31, 2022	**₱89,948**	**₱85,252**	**(₱72)**	**₱2,613**	**₱176,374**	**(₱23,076)**	**(₱4,404)**	**(₱145)**	**(₱7,982)**	**₱318,508**	**₱9,582**	**₱328,090**
Balance as at January 1, 2021	₱89,948	₱85,252	(₱65)	₱2,260	₱153,282	₱7,611	(₱4,778)	(₱22)	(₱9,284)	₱324,204	₱8,971	₱333,175
Total comprehensive income (loss) for the year	–	–	–	–	22,156	(11,368)	31	(96)	1,573	12,296	405	12,701
Transfer to surplus reserves	–	–	–	182	(182)	–	–	–	–	–	–	–
Cash dividend (Note 23)	–	–	–	–	(17,990)	–	–	–	–	(17,990)	(149)	(18,139)
Realized loss on sale of equity securities at FVOCI (Note 8)	–	–	–	–	(6)	6	–	–	–	–	–	–
Acquisition of Parent Company shares by mutual fund subsidiary	–	–	(14)	–	–	–	–	–	–	(14)	–	(14)
Disposal of Parent Company shares held by mutual fund subsidiary	–	–	9	–	–	–	–	–	–	9	–	9
Balance as at December 31, 2021	₱89,948	₱85,252	(₱70)	₱2,442	₱157,260	(₱3,751)	(₱4,747)	(₱118)	(₱7,711)	₱318,505	₱9,227	₱327,732
Balance as at January 1, 2020	₱89,948	₱85,252	(₱72)	₱2,098	₱144,154	₱2,629	(₱5,531)	₱345	(₱9,269)	₱309,554	₱8,937	₱318,491
Total comprehensive income (loss) for the year	–	–	–	–	13,831	4,938	753	(367)	(15)	19,140	179	19,319
Transfer to surplus reserves	–	–	–	162	(162)	–	–	–	–	–	–	–
Cash dividend (Note 23)	–	–	–	–	(4,497)	–	–	–	–	(4,497)	(145)	(4,642)
Realized loss on sale of equity securities at FVOCI	–	–	–	–	(44)	44	–	–	–	–	–	–
Acquisition of Parent Company shares by mutual fund subsidiary	–	–	(22)	–	–	–	–	–	–	(22)	–	(22)
Disposal of Parent Company shares held by mutual fund subsidiary	–	–	29	–	–	–	–	–	–	29	–	29
Balance as at December 31, 2020	₱89,948	₱85,252	(₱65)	₱2,260	₱153,282	₱7,611	(₱4,778)	(₱22)	(₱9,284)	₱324,204	₱8,971	₱333,175

Notes:

	Parent Company									
	Common Stock (Note 23)	Capital Paid In Excess of Par Value (Note 23)	Treasury Stock (Note 23)	Surplus Reserves (Note 24)	Surplus (Note 23)	Net Unrealized Gain (Loss) on Investment Securities at FVOCI (Note 8)	Remeasurement Losses on Retirement Plans (Notes 11 and 27)	Equity in Other Comprehensive Income (Losses) of Investees (Note 11)	Translation Adjustment and Others (Note 11)	Total Equity
Balance as at January 1, 2022	**₱89,948**	**₱85,252**	**(₱70)**	**₱2,442**	**₱157,260**	**(₱3,751)**	**(₱4,747)**	**(₱118)**	**(₱7,026)**	**₱319,190**
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**–**	**32,776**	**(19,324)**	**343**	**(27)**	**(271)**	**13,497**
Transfer to surplus reserves	**–**	**–**	**–**	**171**	**(171)**	**–**	**–**	**–**	**–**	**–**
Cash dividend (Note 23)	**–**	**–**	**–**	**–**	**(13,492)**	**–**	**–**	**–**	**–**	**(13,492)**
Share in realized gain on sale of equity securities at FVOCI (Note 8)	**–**	**–**	**–**	**–**	**1**	**(1)**	**–**	**–**	**–**	**–**
Acquisition of Parent Company shares by mutual fund subsidiary	**–**	**–**	**(14)**	**–**	**–**	**–**	**–**	**–**	**–**	**(14)**
Disposal of Parent Company shares held by mutual fund subsidiary	**–**	**–**	**12**	**–**	**–**	**–**	**–**	**–**	**–**	**12**
Balance as at December 31, 2022	**₱89,948**	**₱85,252**	**(₱72)**	**₱2,613**	**₱176,374**	**(₱23,076)**	**(₱4,404)**	**(₱145)**	**(₱7,297)**	**₱319,193**
Balance as at January 1, 2021	₱89,948	₱85,252	(₱65)	₱2,260	₱153,282	₱7,611	(₱4,778)	(₱22)	(₱8,599)	₱324,889
Total comprehensive income (loss) for the year	–	–	–	–	22,156	(11,368)	31	(96)	1,573	12,296
Transfer to surplus reserves	–	–	–	182	(182)	–	–	–	–	–
Cash dividend (Note 23)	–	–	–	–	(17,990)	–	–	–	–	(17,990)
Share in realized loss on sale of equity securities at FVOCI (Note 8)	–	–	–	–	(6)	6	–	–	–	–
Acquisition of Parent Company shares by mutual fund subsidiary	–	–	(14)	–	–	–	–	–	–	(14)
Disposal of Parent Company shares held by mutual fund subsidiary	–	–	9	–	–	–	–	–	–	9
Balance as at December 31, 2021	₱89,948	₱85,252	(₱70)	₱2,442	₱157,260	(₱3,751)	(₱4,747)	(₱118)	(₱7,026)	₱319,190
Balance as at January 1, 2020	₱89,948	₱85,252	(₱72)	₱2,098	₱144,154	₱2,629	(₱5,531)	₱345	₱1,169	₱319,992
Total comprehensive income (loss) for the year	–	–	–	–	13,831	4,938	753	(367)	(15)	19,140
Transfer to surplus reserves	–	–	–	162	(162)	–	–	–	–	–
Cash dividend (Note 23)	–	–	–	–	(4,497)	–	–	–	–	(4,497)
Share in realized loss on sale of equity securities at FVOCI	–	–	–	–	(44)	44	–	–	–	–
Acquisition of Parent Company shares by mutual fund subsidiary	–	–	(22)	–	–	–	–	–	–	(22)
Disposal of Parent Company shares held by mutual fund subsidiary	–	–	29	–	–	–	–	–	–	29
Impact of merger (Note 11)	–	–	–	–	–	–	–	–	(9,753)	(9,753)
Balance as at December 31, 2020	₱89,948	₱85,252	(₱65)	₱2,260	₱153,282	₱7,611	(₱4,778)	(₱22)	(₱8,599)	₱324,889

See accompanying Notes to Financial Statements.

Notes:

Statements of Cash Flows

(In Millions)

	Consolidated			Parent Company		
	Years Ended December 31					
	2022	2021	2020	**2022**	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	**₱43,918**	₱30,141	₱21,020	**₱41,817**	₱27,954	₱20,741
Adjustments for:						
Provision for credit and impairment losses (Note 15)	**8,112**	11,834	40,760	**5,740**	7,683	32,745
Depreciation and amortization (Notes 10, 12 and 14)	**4,992**	5,049	4,865	**2,635**	2,590	2,467
Unrealized market valuation loss (gain) on financial assets and liabilities at FVTPL	**(4,359)**	(868)	2,275	**(4,651)**	(739)	2,323
Gain on initial recognition of investment properties and chattel properties acquired in foreclosure (Note 25)	**(1,302)**	(813)	(127)	**(83)**	(41)	(15)
Amortization of software costs (Note 14)	**984**	1,381	680	**818**	1,189	498
Profit from assets sold (Notes 10 and 12)	**(898)**	(381)	(15)	**(230)**	(154)	(106)
Share in net income of subsidiaries, associates and a joint venture (Note 11)	**(704)**	(568)	(664)	**(4,168)**	(2,251)	(1,674)
Trading and securities gain on investment securities at FVOCI (Note 8)	**(697)**	(3,691)	(8,307)	**(676)**	(3,676)	(8,007)
Amortization of discount on subordinated debts, bonds payable and lease liability (Notes 19 and 20)	**474**	573	49	**346**	414	33
Dividends (Note 8)	**(198)**	(158)	(139)	**(9)**	(15)	(28)
Gain on disposal of investment securities at amortized cost (Note 8)	**–**	(12)	(8,184)	**–**	–	(6,891)
Decrease (increase) in:						
Investment securities at FVTPL	**68**	22,165	(11,921)	**(366)**	23,098	(15,217)
Loans and receivables	**(190,216)**	5,082	189,422	**(187,776)**	(16,433)	170,250
Other assets	**(1,523)**	(2,506)	1,489	**(1,160)**	(1,145)	2,208
Increase (decrease) in:						
Deposit liabilities	**290,841**	133,069	83,071	**277,823**	77,636	83,179
Bills payable - deposit substitutes	**(2,444)**	(5,593)	(53,987)	**(181)**	(1,329)	–
Manager's checks and demand drafts outstanding	**1,105**	(628)	(782)	**684**	(690)	(15)
Accrued interest and other expenses	**4,097**	709	(1,350)	**2,967**	803	(1,683)
Other liabilities	**8,310**	4,883	(550)	**7,746**	(2,707)	(1,617)
Non-equity non-controlling interest	**(480)**	2,304	1,762	**–**	–	–
Net cash provided for operations	**160,080**	201,972	259,367	**141,276**	112,187	279,191
Dividends received (Note 8)	**198**	158	139	**9**	15	28
Income taxes paid	**(9,020)**	(7,154)	(13,201)	**(7,690)**	(5,821)	(12,198)
Net cash provided by operating activities	**151,258**	194,976	246,305	**133,595**	106,381	267,021
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of:						
Investment securities at FVOCI (Note 4)	**(879,279)**	(1,684,305)	(2,098,769)	**(256,734)**	(1,180,324)	(2,061,832)
Property and equipment (Note 10)	**(3,116)**	(3,229)	(2,427)	**(1,296)**	(1,682)	(1,641)
Investment securities at amortized cost (Note 4)	**(240,172)**	(64,089)	–	**(228,167)**	(52,097)	–
Proceeds from sale of:						
Investment securities at FVOCI (Notes 4 and 11)	**976,907**	1,598,874	1,846,610	**380,525**	1,152,643	1,822,062
Investment properties (Note 12)	**1,526**	1,487	898	**491**	418	242
Property and equipment (Note 10)	**455**	453	151	**101**	85	251
Proceeds from:						
Disposal of investment securities at amortized cost (Notes 4 and 8)	**–**	379	121,617	**–**	–	100,747
Maturity of investment securities at amortized cost (Note 4)	**6,825**	4,417	15,164	**164**	2,996	15,000
Decrease (increase) in interbank loans receivable and SPURA (Note 26)	**6,437**	18,326	(27,873)	**3,988**	17,398	(25,794)
Cash dividends from investees (Note 11)	**442**	708	637	**1,132**	1,132	1,103
Impact of merger (Note 11)	**–**	–	–	**–**	–	6,485
Net cash used in investing activities	**(129,975)**	(126,979)	(143,992)	**(99,796)**	(59,431)	(143,377)

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2022	2021	2020	**2022**	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES (Note 26)						
Settlements of bills payable	**(₱2,697,815)**	(₱883,146)	(₱1,943,290)	**(₱2,413,819)**	(₱721,518)	(₱1,906,626)
Availments of bills payable and SSURA	**2,721,247**	819,459	1,898,610	**2,437,942**	666,710	1,819,205
Proceeds from issuance of bonds payable (Note 19)	**23,523**	18,844	38,869	**23,523**	18,844	34,219
Repayments of:						
Bonds payable (Note 19)	**(17,500)**	(32,210)	(28,000)	**(17,500)**	(21,750)	(28,000)
Subordinated debts (Note 20)	**–**	–	(6,500)	**–**	–	(6,500)
Notes payable (Note 21)	**–**	–	(2,592)	**–**	–	–
Cash dividends paid (Note 23)	**(13,641)**	(18,139)	(4,642)	**(13,492)**	(17,990)	(4,497)
Payment of lease liabilities (Note 13)	**(1,968)**	(1,718)	(1,409)	**(1,115)**	(929)	(773)
Proceeds from disposal of Parent Company shares by mutual fund subsidiaries (Note 32)	**12**	–	29	**12**	–	–
Acquisition of Parent Company shares by a mutual fund subsidiary (Note 23)	**(14)**	(5)	(22)	**(14)**	–	–
Net cash provided by (used in) financing activities	**13,844**	(96,915)	(48,947)	**15,537**	(76,633)	(92,972)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**35,127**	(28,918)	53,366	**49,336**	(29,683)	30,672
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**41,302**	38,469	32,956	**38,452**	35,606	30,659
Due from BSP	**253,257**	304,906	219,994	**199,974**	262,188	195,770
Due from other banks	**48,862**	38,357	54,772	**36,240**	22,742	38,698
Interbank loans receivable and SPURA (Note 26)	**56,062**	46,669	67,313	**46,028**	29,841	54,578
	399,483	428,401	375,035	**320,694**	350,377	319,705
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**40,683**	41,302	38,469	**38,701**	38,452	35,606
Due from BSP	**252,628**	253,257	304,906	**215,074**	199,974	262,188
Due from other banks	**75,513**	48,862	38,357	**56,698**	36,240	22,742
Interbank loans receivable and SPURA (Note 26)	**65,786**	56,062	46,669	**59,557**	46,028	29,841
	₱434,610	₱399,483	₱428,401	**₱370,030**	₱320,694	₱350,377

OPERATIONAL CASH FLOWS FROM INTEREST

	Consolidated			Parent Company		
	Years Ended December 31					
	2022	2021	2020	**2022**	2021	2020
Interest paid	**₱14,292**	₱12,390	₱23,813	**₱9,669**	₱7,589	₱16,546
Interest received	**98,881**	88,369	107,165	**77,663**	66,951	85,255

See accompanying Notes to Financial Statements.

1. Corporate Information

Metropolitan Bank & Trust Company (the Parent Company) is a universal bank incorporated in the Philippines on April 6, 1962. The Securities and Exchange Commission (SEC) approved the renewal on November 19, 2007. The Parent Company's shares were listed with the Philippine Stock Exchange, Inc. (PSE) on February 26, 1981, as approved by the SEC in November 1980. It has a universal banking license granted by the Bangko Sentral ng Pilipinas (BSP) on August 21, 1981.

The Parent Company and its subsidiaries (the Group) are engaged in all aspects of banking, financing, leasing, real estate and stock brokering. As of December 31, 2022, the Group has 952 branches, 1,279 Automated Teller Machines (ATMs) in the branches (on-site) and 1,032 ATMs in other locations (off-site). As a bank, the Parent Company, which is the ultimate parent of the Group, provides products and services such as deposits, loans and trade finance, credit card products, programs and facilities, electronic banking facilities, cash management, domestic and foreign fund transfers, treasury products, remittances, institutional fund-management, private banking and trust services. Its principal place of business is at Metrobank Plaza, Sen. Gil Puyat Avenue, Urdaneta Village, Makati City, Metro Manila, Philippines.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) that have been measured at fair value.

The financial statements of the Parent Company and Philippine Savings Bank (PSBank) include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of RBU and FCDU is Philippine Peso (PHP or ₱) 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 (see accounting policy on Foreign Currency Translation). The financial statements of these units are combined after eliminating inter-unit accounts.

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 respective functional currencies of the subsidiaries are presented under Basis of Consolidation. The financial statements are presented in PHP, and all values are rounded to the nearest million pesos (₱000,000), except when otherwise indicated.

Statement of Compliance
The financial statements of the Group and the Parent Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

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

and liabilities are presented gross in the statement of financial position. Income and expense are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and of its subsidiaries and are prepared for the same reporting period as the Parent Company using consistent accounting policies. The following are the wholly and majority-owned foreign and domestic subsidiaries of the Parent Company in 2022 and 2021 (Note 11):

Subsidiary	Principal Place of Business and Country of Incorporation	Effective Percentage of Ownership	Functional Currency
Financial Markets:			
Domestic:			
First Metro Investment Corporation (FMIC) and Subsidiaries	Philippines	99.27	PHP
PSBank	Philippines	88.38	PHP
ORIX Metro Leasing and Finance Corporation (ORIX Metro) and Subsidiaries	Philippines	59.85	PHP
Foreign:			
Metropolitan Bank (China) Ltd. (MBCL)	China	100.00	Chinese Yuan
Metropolitan Bank (Bahamas) Limited (Metrobank Bahamas)**	The Bahamas	100.00	USD
First Metro International Investment Company Limited (FMIIC) and Subsidiary	Hong Kong	100.00	Hong Kong Dollar (HKD)
Remittances:			
Metro Remittance (Hong Kong) Limited (MRHL)	Hong Kong	100.00	HKD
Metro Remittance (Singapore) Pte. Ltd. (MRSPL)	Singapore	100.00	Singapore Dollar
Metro Remittance (UK) Limited (MR UK)	United Kingdom	100.00	Great Britain Pound
Metro Remittance (USA), Inc. (MR USA)	United States of America (USA)	100.00	USD
Metro Remittance (Japan) Co. Ltd. (MR Japan)	Japan	100.00	Japanese Yen
Metro Remittance (Italia), S.p.A. (MR Italia)***	Italy	100.00	Euro
Real Estate:			
Circa 2000 Homes, Inc. (Circa)*	Philippines	100.00	PHP
Others:			
Philbancor Venture Capital Corporation (PVCC)*	Philippines	60.00	PHP
MBTC Technology, Inc. (MTI)****	Philippines	100.00	PHP

* *In process of dissolution*
** *In process of liquidation*
*** *Fully liquidated in January 2021*
****Fully liquidated in December 2021*

All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full at consolidation (Note 32). Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of subsidiaries ceases when control is transferred out of the Group or the Parent Company. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of income and consolidated statements of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

Changes in the Parent Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for within equity. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid (or to be paid) or received is recognized directly in equity included as part of 'Translation adjustment and others' and attributed to the owners of the Parent Company.

When a change in ownership interest in a subsidiary occurs which results in a loss of control over the subsidiary, the Parent Company:

a. Derecognizes the assets (Including goodwill) and liabilities of the subsidiary;
b. Derecognizes the carrying amount of any non-controlling interest;
c. Derecognizes the related other comprehensive income (OCI) recorded in equity and recycles the same to statement of income or 'Surplus';
d. Recognizes the fair value of the consideration received;
e. Recognizes the fair value of any investment retained;
f. Recognizes any surplus or deficit in the statement of income; and
g. Reclassifies the Parent Company's share of components' gains (losses) previously recognized in OCI to profit or loss or surplus, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

<u>Entity with Significant Influence over the Group</u>
GT Capital Holdings, Inc. (GT Capital) holds 37.15% interest in the Parent Company as of December 31, 2022 and 2021 (Note 32).

<u>Non-controlling Interest</u>
Non-controlling interest represents the portion of profit or loss and the net assets of the funds not held by the Group and is presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to the Parent Company. Any losses applicable to the non-controlling interests in excess of the non-controlling interests are allocated against the interests of the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Acquisitions of non-controlling interests are accounted for as equity transactions.

<u>Non-equity Non-controlling Interest</u>
The Group has seed capital investments in a number of funds where it is in a position to be able to control those funds. These funds are consolidated.

Non-equity non-controlling interest represents the portion of net assets of the consolidated funds not attributed, directly or indirectly, to the Parent Company and is presented separately in the liability section in the consolidated statement of financial position. This liability is accounted for at FVTPL and measured using net asset value per unit with changes recognized in 'Trading and securities gain - net' in the consolidated statement of income.

<u>Legal Merger between Parent Company and Subsidiary</u>
In the parent company financial statements, the legal merger between the Parent Company and its subsidiary, with the Parent Company as the surviving entity, is accounted for as follows:

- The acquired assets and assumed liabilities are recognized at the carrying amounts in the consolidated financial statements as of the date of the legal merger;
- The difference between the carrying amount of the net assets of the subsidiary and the carrying amount of the investment in the merged subsidiary before the legal merger is recognized under "Translation adjustment and others" account in the equity section of the parent company statement of financial position; and

- The comparative financial information in the parent company financial statements for period prior to the legal merger is not restated. The financial position and results of operations of the merged subsidiary are reflected in the parent company financial statements only from the date of the legal merger.

The legal merger has no impact in the consolidated financial statements.

<u>Changes in Accounting Policies and Disclosures</u>
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

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

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

Amendments to PAS 16 , *Plant and Equipment, Proceeds before intended use*
The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in the statement of income.

Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets, Onerous contract – costs of fulfilling a contract*
The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

Annual Improvements to PFRSs 2018-2020 Cycle
Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards, Subsidiary as a first-time adopter*
The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture (JV) that elects to apply paragraph D16(a) of PFRS 1.

Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 percent' test for derecognition financial liabilities*
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*
The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

Significant Accounting Policies

Foreign Currency Translation
Transactions and balances
For financial reporting purposes, the foreign currency-denominated monetary assets and liabilities in the RBU are translated in Philippine peso 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, at the prevailing exchange rates as at the date of transaction. Foreign exchange differences arising from revaluation and translation of foreign currency-denominated assets and liabilities are credited to or charged against operations in the year in which the rates change. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

FCDU, foreign branches and subsidiaries
As at the reporting date, the assets and liabilities of foreign branches and subsidiaries and FCDU of the Parent Company and PSBank are translated into the Parent Company's presentation currency (the PHP) at BAP closing rate prevailing at the statement of financial position date, and their income and expenses are translated at historical rate (except for the foreign subsidiaries in which the income and expenses are translated at monthly average rate). Exchange differences arising on translation are taken to the statement of comprehensive income under 'Translation adjustment and others'. Upon disposal of a foreign entity or when the Parent Company ceases to have control over the subsidiaries or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in the statement of comprehensive income is recognized in the statement of income.

Fair Value Measurement
The Group measures certain financial instruments, such as derivatives, at fair value at each statement of financial position date. Also, fair values of financial instruments measured at amortized cost and investment properties are disclosed in Note 5.

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

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

If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid - ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy.

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

For assets and liabilities not listed in an active market, 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. The Group determines the policies and procedures for both recurring fair value measurement, such as financial assets and liabilities at FVTPL, and for non-recurring measurement, such as investment properties.

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

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

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

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. Derivatives are recognized on trade date basis. Deposits, amounts due from banks and customers and loans and receivables are recognized when cash is received by the Group or advanced to the borrowers.

Initial recognition of financial instruments

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

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

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

The 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. 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.

As a second step of its classification process, the Group assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test (SPPI test). For the purpose of the SPPI test, principal 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 or discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. 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. In such cases, the financial asset is required to be measured at FVTPL.

Financial assets at FVTPL
These are recorded in the statements of financial position at fair value with changes in fair value recognized in 'Trading and securities gain - net'. Interest earned is recorded in 'Interest income' while dividend income is recorded in 'Dividends' when the right to receive payment has been established. Included in this classification are debt and equity securities which have been acquired principally for the purpose of selling or repurchasing in the near term.

Derivatives recorded at FVTPL
The Parent Company and some of its subsidiaries are counterparties to derivative contracts, such as currency forwards, currency swaps, interest rate swaps (IRS), call options, non-deliverable forwards (NDF) and other interest rate derivatives. These derivatives are entered into as a service to customers and as a means of reducing or managing their respective foreign exchange and interest rate exposures, as well as for trading purposes. Such derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the statement of income and are included in

‘Trading and securities gain - net’. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Investment securities at FVOCI
Investment securities at FVOCI include debt and equity securities. After initial measurement, investment securities at FVOCI are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of investment securities at FVOCI are excluded, net of tax as applicable, from the reported earnings and are included in the statement of comprehensive income as ‘Change in net unrealized gain (loss) on investment in debt securities at FVOCI’ or ‘Change in net unrealized gain (loss) on equity securities at FVOCI’. Debt securities at FVOCI are those that meet both of the following conditions:
a. The asset is held within a business model whose objective is to hold the financial assets in order to both collect contractual cash flows and sell financial assets; and
b. The contractual terms of the financial asset give rise on specified dates to cash flow that are SPPI on the outstanding principal amount.

The effective yield component of debt securities at FVOCI, as well as the impact of restatement on foreign currency-denominated debt securities at FVOCI is reported in the statement of income. Interest earned on holding debt securities at FVOCI are reported as ‘Interest Income’ using the effective interest rate (EIR) method. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in the statement of comprehensive income is recognized as ‘Trading and securities gain - net’ in the statement of income. The expected credit loss (ECL) arising from impairment of such investments are recognized in OCI with a corresponding charge to ‘Provision for credit and impairment losses’ in the statement of income.

Equity securities designated at FVOCI are those that the Group made an irrevocable election to present in OCI the subsequent changes in fair value. Dividends earned on holding equity securities at FVOCI are recognized in the statement of income as ‘Dividends’ when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery part of the cost of the instrument, in which case, such gains are recorded in OCI. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the statement of comprehensive income is reclassified to ‘Surplus’ or any other appropriate equity account upon disposal. Equity securities at FVOCI are not subject to impairment assessment.

Financial assets at amortized cost
Financial assets at amortized cost are debt financial assets that meet both of the following conditions:
a. These are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and
b. The contractual terms give rise on specified dates to cash flows that are SPPI on the outstanding principal amount.

This accounting policy relates to the statement of financial position captions ‘Due from BSP’, ‘Due from other banks’, ‘Interbank loans receivable and securities purchased under resale agreements (SPURA)’, ‘Investment securities at amortized cost’ and ‘Loans and receivables’.

After initial measurement, financial assets at amortized cost are subsequently measured at amortized cost using the EIR method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in ‘Interest income’ in the statement of income. Gains and losses are recognized in statement of income when these investments are derecognized or impaired, as well as through the amortization process. The ECL are recognized in the statement of income under

‘Provision for credit and impairment losses’. The effects of revaluation on foreign currency-denominated investments are recognized in the statement of income.

Financial liabilities at FVTPL
These are recorded in the statements of financial position at fair value with changes in fair value recognized in ‘Trading and securities gain - net’, with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Group’s own credit risk. Such changes in fair value are recorded in OCI and do not get recycled to the statement of income. Interest incurred is accrued in ‘Interest expense’ using the EIR, taking into account any discount/premium and qualifying transaction costs being an integral part of the instrument.

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

After initial measurement, bills payable and similar financial liabilities not qualified as and not designated at FVTPL, are subsequently measured at amortized cost using the EIR 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.

Financial guarantees and undrawn loan commitments
The Group issues financial guarantees and loan commitments. Financial guarantees are those issued by the Group to creditors as allowed under existing rules and regulations whereby it guarantees third party obligations by signing as guarantor in the contract/agreement. 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 financial guarantees and 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. The ECL related to financial guarantees and undrawn loan commitments is recognized in ‘Miscellaneous liabilities’ under ‘Other liabilities’.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial assets
A financial asset (or, when applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either:
  a. Has transferred substantially all the risks and rewards of the asset; or
  b. Has neither transferred nor retained the risks and rewards of the asset but has transferred 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, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

When the Group's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Group's continuing involvement is the lower of:
a. The amount of the asset; and
b. The maximum amount of the consideration received that the Group could be required to repay ('the guarantee amount').

When the Group's continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase. However, in case of a written put option to an asset that is measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price. When the Group's continuing involvement takes the form of a cash-settled option or similar provision on the transferred asset, the extent of the Group's continuing involvement is measured in the same way as that which results from non-cash settled options.

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 (POCI) assets.

When assessing whether or not to derecognize a loan to a customer, amongst others, the Group considers the following factors:
- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

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

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

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a

new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

The Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of or greater than ten percent (10%).

Similar with financial assets, when the modification of a financial liability is not considered substantial, the Group records a modification gain or loss based on the change in cash flows discounted at the original EIR.

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 SSURA included in 'Bills payable and SSURA' and is considered as a loan to the Group, reflecting the economic substance of such transaction.

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

Reclassification of Financial Assets
The Group reclassifies its financial assets when there is a change in its business model for managing financial assets. A change in business model occurs when the Group either begins or ceases to perform an activity that is significant to its operations. The Group applies the reclassification prospectively from the reclassification date (that is, the first day of the next quarterly reporting period following the change in business model) and does not restate any previously recognized gains, losses or interest.

Impairment of Financial Assets
The Group follows the PFRS 9 loss impairment method on financial assets through a forward-looking ECL approach which covers all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts.

Overview of the ECL principles
ECL represents 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 time value of money. The ECL allowance is based on the credit losses expected to arise on a 12-month duration if there has been no significant increase in credit risk (SICR) of the financial asset since origination. Otherwise, if a SICR is observed, then the ECL estimation is extended until the end of the life of the financial asset. The 12-month ECL represents the losses that result from default events on a financial asset which may happen within 12 months after the statement of financial position date. The Lifetime ECL on the other hand represents the losses that result from default events on a financial asset which may happen over its life. Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The major portfolios of financial assets identified upon initial analysis of the Group's credit exposure are loan receivables, treasury accounts, and other receivables. Loan receivables may be availed by specific individuals, corporations or organizations. Hence, these portfolios can be further segmented to commercial, consumer and credit card portfolios. After segmentation, financial assets are grouped into Stage 1, Stage 2, and Stage 3 as described below.

Definition of "default" and "cure"
The Group defines a financial instrument as in default, which is fully aligned with the definition of non-performing loans that is, credit impaired, in all cases when the borrower becomes more than ninety (90) days past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (that is, to have cured) when it no longer meets any of the default criteria and has exhibited a satisfactory track record.

Treasury exposures are considered in default upon occurrence of a credit event such as but not limited to bankruptcy of counterparty, restructuring, failure to pay on agreed settlement date, or request for moratorium.

SICR
In order to determine whether an instrument is subject to 12-month or Lifetime ECL, the Group assesses whether there has been a SICR since initial recognition. The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative and qualitative factors. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's internal credit assessment, the borrower or counterparty is determined to have well-defined credit weaknesses (that is, with internal credit rating of 6 due to financial or repayment concerns or lower). These may include adverse trends or developments of financial, managerial, economic or political nature, or a significant weakness in collateral. Credit weakness may be manifested by unfavorable record or unsatisfactory characteristics or may only be potential that deserves management's close attention and may lead to significant losses or may result in collection or liquidation of the outstanding loan amount to be highly improbable. For exposures without internal credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition. The days past due (dpd) are determined by counting the number of days since the earliest elapsed due date in respect of which at least a partial payment has not been received. In subsequent reporting periods, if the credit risk of the financial asset improves over an observable period such that there is no longer a SICR since initial recognition, the Group reverts to recognizing a 12-month ECL.

Staging assessment
For non-credit-impaired financial assets:
- Stage 1 is comprised of all non-impaired financial assets which have not experienced a SICR since initial recognition. The Group recognizes a 12-month ECL for Stage 1 financial assets.
- Stage 2 is comprised of all non-impaired financial assets which have experienced a SICR since initial recognition. The Group recognizes a lifetime ECL for Stage 2 financial assets.

For credit-impaired financial assets:

- Financial assets are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a financial asset or a portfolio of financial assets. ECL for Stage 3 exposure is computed per account, taking into consideration the present value of the expected recoverable cash flows from each transaction.

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

Assessment of ECL on a collective basis
The Group calculates ECL either on an individual or a collective basis. The Group performs collective impairment by grouping exposures into smaller homogenous portfolios based on a combination of borrower and account characteristics. Accounts with similar risk attributes (that is, facility, security, credit rating, months-on-books, utilization and collateral type, etc.) are pooled together for calculating provisions based on the ECL models.

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 judgement.

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 financial asset 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 credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

LGD is 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.

EAD consists of the amortized cost and any accrued interest receivable. For off-balance sheet and undrawn committed amounts, EAD includes a credit conversion factor which is an estimate of any further amount to be drawn at the time of default. For the credit card business, EAD is modelled based on historical data on card limit utilization.

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

The Parent Company offers credit card facilities, in which it has the right to cancel and/or reduce the facilities with one-day notice. It does not limit its exposure to credit losses to the contractual notice period, but instead, calculates ECL over a period that reflects its expectations of the customers' behavior, their likelihood of default, and its future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and expectations, the period over which ECL is calculated for these products is two (2) years. The interest rate used to discount the ECL for credit cards is based on contractual interest rate. These rates are also used to discount future recoveries over a period of five years as these cover the cost of securing an equivalent fund. The contractual interest rate is used as discounting factor since the Parent Company estimates that this rate is reflective of the EIR.

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

The following economic inputs were determined to be statistically significant in measuring ECL:
- GDP growth
- Inflation rate
- Unemployment rate
- Minimum wage
- USDPHP exchange rate
- Consumer confidence index
- Peso interest rate
- USD interest rate
- WTI crude oil price
- Business confidence index
- GVA of some industries

Debt investment securities measured at FVOCI
The ECL for debt securities at FVOCI does 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 'Net unrealized gain (loss) on investment securities at FVOCI' as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to profit or loss upon derecognition of these financial assets.

Restructured Loans
Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews and monitors restructured loans until derecognition to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original EIR, is recognized in 'Provision for credit and impairment losses' in the statement of income. When the loan has been restructured but not derecognized, the Group also reassesses whether there has been a SICR and considers whether the assets should be classified as Stage 3. If the restructuring terms are substantially different, the loan is derecognized and a new 'asset' is recognized at fair value using the revised EIR.

Collateral Valuation of Financial Assets

Collateral, unless repossessed, is not recorded in 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 inception and re-assessed every other year. However, some collaterals, for example, cash or securities relating to margining requirements, are valued daily.

Revenue Recognition

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

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

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers, which are divided into the following two categories:

a. *Fee income earned from services that are provided over a certain period of time*
   Fees earned for the provision of services over a period of time are accrued over that period as the customer simultaneously receives and consumes the benefits provided by the Group. Using an output method, revenue is recognized if the Group has a right to invoice the customer for services directly corresponding to performance completed to date. These fees include investment fund fees, custodian fees, fiduciary fees, asset management fees, and income from trust operations.

b. *Fee income from providing transaction services*
   Fees arising from negotiating or participating in the negotiation of a transaction for a third party - such as commission income, underwriting fees, corporate finance fees, advisory fees and brokerage fees for the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

Discounts earned, membership fees and awards revenue on credit cards

The following table provides information about the nature and timing of the satisfaction of performance obligations for the Parent Company's credit card business (under Metrobank Card Corporation (MCC) prior to merger - see Note 11), including significant payment terms, and the related revenue recognition policies.

Type of Product/Service	Nature and Timing of Satisfaction of Performance Obligations, including Significant Payment Terms	Revenue Recognition under PFRS 15
Discounts earned	Charges arising from credit availments by the Parent Company's and other credit companies' cardholders when the Parent Company is acting as an acquirer. These discounts are computed based on certain agreed rates. These also include interchange income from transactions processed by other acquirers through VISA and Mastercard and fees from cash advance transactions of cardholders.	Recognized as revenue upon receipt from member establishments of charges arising from credit availments by the Parent Company's cardholders and other credit companies' cardholders when the Parent Company is acting as an acquirer.
Membership fees and dues	Periodically charged to cardholders upfront.	Deferred and recorded under 'Deferred revenue' and recognized on a straight-line basis over the period the fee entitles the cardholders to use the card.

Type of Product/Service	Nature and Timing of Satisfaction of Performance Obligations, including Significant Payment Terms	Revenue Recognition under PFRS 15
Awards revenue	The Parent Company operates a loyalty points program, which allows customers to accumulate points when they purchase from member establishments using the issued card of the Parent Company. The points accumulate and do not expire.	The Parent Company allocates a portion of the consideration received from discounts earned and interchange fees from credit cards to the reward points based on the estimated stand-alone selling prices. The amount allocated to the loyalty program is deferred, and is recognized as revenue when loyalty points are redeemed or the likelihood of the customer redeeming the loyalty points becomes remote.

Revenues outside the scope of PFRS 15

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as investment securities at FVOCI investments, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), including any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as 'Interest income'. Loan commitment fees that are likely to be drawn down are deferred (together with any incremental costs) and recognized as an adjustment to the EIR of the loan.

Under PFRS 9, when a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3 (as discussed in "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.

Purchases by credit cardholders, collectible on an installment basis, are recorded at the cost of the items purchased plus a certain percentage of cost. The excess over cost is credited to 'Unearned discount' and is shown as a deduction from 'Loans and receivables' in the statement of financial position. The unearned discount is taken up to interest income over the installment terms and is computed using the EIR method.

Interbank Offered Rate (IBOR) reform Phase 2 requires, as a practical expedient, that changes to the basis for determining contractual cash flows that are necessary as a direct consequence of IBOR reform are treated as a change to a floating rate of interest provided that the transition from IBOR to a risk-free-rate (RFR) takes place on a basis that is 'economically equivalent'. To qualify as 'economically equivalent', the terms of the financial instrument must be the same before and after transition except for the changes required by IBOR reform.

For changes that are not required by IBOR reform, the Group applies judgement to determine whether they result in the financial instrument being derecognized. Therefore, as financial instruments transition from IBOR to RFRs, the Group applies judgment to assess whether the transition has taken place on an economically equivalent basis. In making this assessment, the Group considers the extent of any changes to the contractual cash flows as a result of the transition and the factors that have given rise to the changes, with consideration of both quantitative and qualitative factors. Examples of changes that are economically equivalent include changing the reference interest rate from an IBOR to an RFR, changing the reset period for days between coupons to align with the RFR, adding a fallback to automatically transition to an RFR when the IBOR ceases, and adding a fixed credit adjustment spread based on that calculated by the International Swaps and Derivatives Association or which is implicit in market forward rates for the RFR.

Recovery on charged-off assets
Income arising from collections on accounts or recoveries from impairment of items previously written off are recognized in the year of recovery.

Leasing income - Finance lease
The excess of aggregate lease rentals plus the estimated residual value over the cost of the leased equipment constitutes the unearned lease income. Residual values represent estimated proceeds from the disposal of equipment at the time lease is estimated. The unearned lease income is amortized over the term of the lease, commencing on the month the lease is executed using the EIR method.

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

Gain on disposal of investment securities at amortized cost
Results arising from gains and losses from disposal of investment securities at amortized cost.

Trading and securities gain - net
Results arising from trading activities include all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL and gains and losses from disposal of debt securities at FVOCI.

Rental income
Rental income arising on leased properties is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the statement of income under 'Leasing'.

Income on receivables financed
Income on loans and receivables financed with short-term maturities is recorded in 'Interest income' and is recognized using the EIR method. Interest and finance fees on finance leases and loans and receivables financed with long-term maturities and the excess of the aggregate lease rentals plus the estimated terminal value of the leased equipment over its cost are credited to unearned discount and amortized over the term of the note or lease using the EIR method.

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

Property and Equipment
Land is stated at cost and depreciable properties, including buildings, furniture, fixtures and equipment and leasehold improvements, are stated at cost less accumulated depreciation and amortization, and allowance for impairment losses. Such cost includes the cost of replacing part of the property and equipment when that cost is incurred, if the recognition criteria are met but excludes repairs and maintenance costs. Building under construction (BUC) is stated at cost and includes cost of construction and other direct costs. BUC is not depreciated until such time that the relevant asset is completed and put into operational use.

Depreciation is calculated on the straight-line method over the estimated useful life of the depreciable assets. Leasehold improvements are amortized over the shorter of the terms of the covering leases and the estimated useful lives of the improvements. The range of estimated useful lives of property and equipment follows:

Buildings	25 to 50 years
Furniture, fixtures and equipment	2 to 5 years
Leasehold improvements	5 to 20 years

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

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

<u>Investments in Subsidiaries, Associates and a Joint Venture (JV)</u>

Investment in subsidiaries

Subsidiaries pertain to all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

Investment in associates

Associates pertain to all entities over which the Group and the Parent Company have significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investment in associates is accounted for under the equity method of accounting.

Investment in a JV

A JV is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the JV. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Investment in a JV is accounted for under the equity method of accounting. The Group's investment in a JV represents the 30% interest of PSBank in Sumisho Motor Finance Corporation (SMFC) (Note 11).

Upon loss of significant influence over the associate or joint control over the JV, the Group and the Parent Company measure and recognize any retained investment at its fair value. Any difference between the carrying amount of the associate or JV upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in the statement of income.

Under the equity method, investments in associates and a JV are carried in the statement of financial position at cost plus post-acquisition changes in the Group's and the Parent Company's share of the net assets of the associate or JV less allowance for impairment losses. Post-acquisition changes in the share of net assets of the associate or a JV include the share in the:

a. Income or losses; and
b. Unrealized gain or loss on investment securities, remeasurement of retirement plans and others.

Dividends received are treated as a reduction in the carrying values of the investments. Goodwill relating to the associate and a JV is included in the carrying value of the investment and is not amortized.

When the Group and the Parent Company increase its ownership interest in an associate or a JV that continues to be accounted for under the equity method, the cost for the additional interest is added to the existing carrying amount of the associate or JV and the existing interest in the associate or JV is not remeasured. The share in an associate or a JV's post-acquisition profits or losses is recognized in the statement of income as 'Share in net income of subsidiaries, associates and a joint venture' while its share of post-acquisition movements in the associate or JV's equity reserves is recognized directly in the statement of comprehensive income. When the share of losses in an associate or a JV equals or exceeds its interest in the associate or JV, including any other unsecured receivables, the Group and the Parent Company do not recognize further losses, unless it incurred obligations or made payments on behalf of the associate or JV which is recognized as miscellaneous liabilities. Profits and losses resulting from transactions between the Group or the Parent Company and an associate or JV are eliminated to the extent of the Group or the Parent Company's interest in the associate or JV.

Investments in subsidiaries in the separate financial statements are accounted for under the equity method similarly as investments in associates and JV. Equity in other comprehensive income (losses) of subsidiaries and changes therein are included in 'Remeasurement losses on retirement plans', 'Net unrealized gain (loss) on investment securities at FVOCI', and 'Translation adjustments and others', as appropriate, together with the Parent Company in the separate statement of financial position and statement of comprehensive income.

<u>Investment Properties</u>
Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured, in which case, the investment property acquired is measured at the carrying amount of asset given up. The difference between the fair value of the asset received and the carrying amount of the asset given up is recorded as 'Gain on initial recognition of investment properties' under 'Miscellaneous income'. Foreclosed properties are classified under 'Investment properties' upon:

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

Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation (for depreciable investment properties) and allowance for impairment losses.

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

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to operations in the year in which the costs are incurred. Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the investment properties based on appraisal reports but not to exceed 50 years for buildings and condominium units.

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

Interest in Joint Operations
The Group is a party to joint operations whereby it contributed parcels of land for development into residential and commercial units. In respect of the Group's interest in the joint operations, the Group recognizes the following:
a. The assets that it controls and the liabilities that it incurs; and
b. The expenses that it incurs and its share of the income that it earns from the sale of units by the joint operations.

The assets contributed to the joint operations are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale (Note 14).

Chattel Mortgage Properties
Chattel mortgage properties comprise of repossessed vehicles. Chattel mortgage properties are stated at cost less accumulated depreciation and allowance for impairment losses. Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the vehicles. The useful lives of chattel mortgage properties are estimated to be five (5) years.

Subordinated Notes
Subordinated notes issued by Special Purpose Vehicles (SPV) (presented as 'Investment in SPVs' under 'Other assets') are stated at amortized cost reduced by an allowance for credit losses. The allowance for credit losses is determined based on the difference between the outstanding principal amount and the recoverable amount which is the present value of the future cash flow expected to be received as payment for the subordinated notes.

Intangible Assets
Software costs
Software costs (presented under 'Other assets') are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortized over three to five years on a straight-line basis. Costs associated with maintaining the computer software programs are recognized as expense when incurred. Software costs are carried at cost less accumulated amortization.

Exchange trading right
Exchange trading right (included in 'Miscellaneous assets' presented under 'Other assets') is a result of the PSE conversion plan to preserve access of First Metro Securities Brokerage Corporation (FMSBC), a subsidiary of FMIC, to the trading facilities and continue transacting business in the PSE. The exchange trading right has an indefinite useful life as there is no foreseeable limit to the period over which this asset is expected to generate net cash inflows. It is carried at the amount allocated from the original cost to the exchange membership seat (after a corresponding allocation

was made to the value of the PSE shares) less any allowance for impairment losses. FMSBC does not intend to sell the exchange trading right in the near future.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. With respect to investments in associates and a JV, goodwill is included in the carrying amounts of the investments. Following initial recognition, goodwill is measured at cost, net of allowance for impairment losses (see accounting policy on "Impairment of Non-financial Assets").

Customized System Development Cost

Customized system development cost consists of payments for customization of various banking systems. This account will be reclassified to appropriate accounts upon completion and will be depreciated and amortized from the time the asset is ready for its intended use (Note 14).

Impairment of Non-financial Assets

Property and equipment, investments in subsidiaries, associates and a JV, investment properties, chattel mortgage properties, intangible assets with finite useful lives and other assets

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 recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell (FVLCTS) 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 of those from other assets or groups of assets, in which case, the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing 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 charged to operations in the year in which it arises.

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

Intangible assets with indefinite useful lives and customized system development cost not yet available for use

Intangible assets with indefinite useful lives such as exchange trading right and customized system development cost not yet available for use are tested for impairment annually at statement of financial position date either individually or at the cash generating unit (CGU) level, as appropriate.

Goodwill
Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in the statement of income. The Group uses the higher of FVLCTS and VIU using cash flow projections from financial budgets approved by the Board of Directors (BOD) in determining the recoverable amount.

<u>Leases</u>
Group as lessee
The Group assesses at contract inception whether a contract is, or contains a lease. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. 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 (ROU) assets representing the right-of-use the underlying assets.

ROU assets
The Group recognizes ROU assets (included in 'Property and Equipment') at the commencement date of the lease (that is, the date the underlying asset is available for use). ROU assets are measured at cost less any accumulated depreciation and allowance for impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized and lease payments made at or before the commencement date less any lease incentives received. ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Office space	1 to 29 years
ATM site and equipment	1 to 5 years

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest (included in 'Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others') and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments.

The Group's lease liabilities are included in Other Liabilities (Note 21).

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of office spaces and ATM sites (that is, 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 site and other equipment that are considered to be of low value (that is, those with value of less than ₱250,000). Lease payments on short-term leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Residual value of leased assets and deposits on lease contracts
The residual value of leased assets, which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the sale of the leased asset at the end of the lease term. At the end of the lease term, the residual value of the leased asset is generally applied against the guaranty deposit of the lessee when the lessee decides to buy the leased asset.

Group as lessor
Finance leases, where the Group transfers substantially all the risks and benefits incidental to the ownership of the leased item to the lessee, are included in the statement of financial position under 'Loans and receivables'. All income resulting from the receivable is included in 'Interest income' in the statement of income.

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

<u>Retirement Cost</u>
The Group has a non-contributory defined benefit retirement plans, except for FMIIC and its subsidiary which follow the defined contribution retirement benefit plan and the Mandatory Provident Fund Scheme (MPFS). The retirement cost of the Parent Company and most of its subsidiaries is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current year. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (DBO) at the end of the statement of financial position date reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost; and
- Net interest on the net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries. Net interest on the net defined benefit liability or asset is the change during the year in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of income. Retirement expense is presented under 'Compensation and fringe benefits' in the statement of income.

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

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

If the fair value of the plan assets is higher than the present value of the DBO, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a DBO is recognized as a separate asset at fair value when and only when reimbursement is virtually certain. Payments to the defined contribution retirement benefit plans and the MPFS are recognized as expenses when employees have rendered service entitling them to the contributions.

Equity
When the shares are sold at a premium, the difference between the proceeds and par value is credited to 'Capital paid in excess of par value', net of direct costs incurred related to the equity issuance. If 'Capital paid in excess of par value' is not sufficient, the excess is charged against 'Surplus'. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of stocks issued.

Surplus represents accumulated earnings of the Group less dividends declared.

Own equity instruments which are reacquired or Parent Company's shares acquired by its subsidiaries (treasury stock) are recognized at cost and deducted from equity. No gain or loss is recognized in the statement of income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in 'Capital paid in excess of par value'. Voting rights related to treasury stocks are nullified and no dividends are allocated. When the stocks are retired, the Common stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to 'Capital paid in excess of par value' at the time the stocks were issued and to 'Surplus' for the remaining balance.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as 'Interest expense'.

Contingent Liabilities and Contingent Assets

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

Income Taxes

Current taxes

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

Deferred taxes

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

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year 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 are recognized in OCI and not in the statement of income.

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

Earnings Per Share
Basic earnings per share is computed by dividing net income for the year attributable to equity holders of the Parent Company 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. The Group does not have dilutive potential common shares.

Dividends on Common Shares
Cash dividends on common shares are recognized as a liability and deducted from the equity when approved by the BOD of the Parent Company while stock dividends are deducted from equity when approved by BOD and shareholders of the Parent Company. Dividends declared during the year but are paid or issued after the statement of financial position date are dealt with as a subsequent event.

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

Capital Securities Issuance Costs
Issuance, underwriting and other related costs incurred in connection with the issuance of the capital securities are treated as a reduction of equity against 'Capital paid in excess of par value'.

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

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.

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 and PSBank act in a fiduciary capacity such as nominee, trustee or agent.

Standards Issued but not yet Effective

The list below consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have significant impact on its financial statements.

Effective beginning on or after January 1, 2023

Amendments to PAS 12, *Income Taxes, 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).

The amendment is effective for annual reporting periods beginning on or after January 1, 2023 to transactions that occur on or after the beginning of the earliest comparative period presented.

Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, 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.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted.

Amendments to PAS 1, *Presentation of Financial Statements*, 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 PAS 1 are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted.

Effective beginning on or after January 1, 2024

Amendments to PAS 1, *Presentation of Financial Statements, Classification of liabilities as current or non-current*
The amendments clarify paragraphs 69 to 76 of PAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the statement of financial position date;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

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

Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

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

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
- A specific adaptation for contracts with direct participation features (the variable fee approach); and
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

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

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

Deferred effectivity

Amendments to PFRS 10, *Consolidated Financial Statements,* and PAS 28, *Investments in Associates and Joint Ventures, Sale or contribution of assets between an investor and its associate or JV*
The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or JV. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or JV involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investor's interests in the associate or JV.

On January 13, 2016, the FRSC postponed the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and JVs.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the disclosures of contingent assets and contingent liabilities. Future events may occur which can cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable. Judgments and estimates are 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. The following are the critical judgments and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Judgments

a. *Classification of financial assets*

The Group classifies its financial assets depending on the results of the SPPI test and on the business model used for managing those financial assets.

When performing the SPPI test, the Group applies judgement and evaluates relevant factors and characteristics such as the behavior and nature of contractual cash flows, its original currency denomination, the timing and frequency of interest rate repricing, contingent events that would alter the amount and/or timing of cash flows, leverage features, prepayments or extension options and other features that may modify the consideration for the time value of momey.

As a second step, the Group performs business model assessment to reflect how financial assets are managed in order to generate net cash inflows based on the following factors:

- business objectives and strategies for holding the financial assets;
- performance measures and benchmarks being used to evaluate the Group's key management personnel accountable to the financial assets;
- risks associated to the financial assets and the tools applied in managing those risks;
- compensation structure of business units, including whether based on fair values changes of the investments managed or on the generated cash flows from transactions; and
- frequency and timing of disposals.

In applying judgment, the Group also considers the circumstances surrounding the the transaction as well as the prudential requirements of the BSP.

In 2020, the Parent Company disposed investment securities at amortized cost and assessed that this resulted from a change in business model. PSBank also disposed investment securities at amortized cost and assessed that the disposal was not inconsistent with the hold-to-collect (HTC) business model (see Note 8).

b. *Consolidation of subsidiaries*
The determination whether the Group has control over an investee company requires significant judgment. The Group considers that the following criteria are all met, including:

- An investor has the power over an investee;
- The investor has exposure, or rights, to variable returns from its involvement with the investee; and
- The investor has the ability to use its power over the investee to affect the amount of the investor's return.

In accordance with PFRS 10, the Group included the accounts of First Metro Save and Learn Balance Fund, Inc. (FMSALBF), First Metro Save and Learn Equity Fund, Inc. (FMSALEF), First Metro Save and Learn Dollar Bond Fund Inc. (FMSLDBF), First Metro Save and Learn Fixed Income Fund, Inc. (FMSLFIF), First Metro Philippine Equity Exchange Traded Fund, Inc. (FMPETF), First Metro Save and Learn F.O.C.C.U.S. Dynamic Fund, Inc. and First Metro Save and Learn Money Market Fund, Inc., collectively the "Funds", in its consolidated financial statements. The Group re-assessed the control conclusion for these Funds. Although the ownership is less than half of the voting power of these investees, the Group has control due to its power to direct the relevant activities of the Funds through First Metro Asset Management Inc. (FAMI), a subsidiary of FMIC, which acts as the fund manager of the Funds. Further, the Group has the exposure to variable returns from its investments and its ability to use its power over the Funds to affect their returns.

c. *Existence of significant influence over an associate with less than 20.00% ownership*
As discussed in Note 11, there are instances that an investor exercises significant influence even if its ownership is less than 20.00%. The Group applies significant judgment in assessing whether it holds significant influence over an investee and considers the following:

- Representation in the BOD or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- Material transactions between the investor and the investee;
- Interchange of managerial personnel;
- Joint voting agreement with other investors; or
- Provision of essential technical information.

d. *Fair value of financial instruments*
Where the fair values of financial assets and financial liabilities recorded in the statement of financial position or disclosed in the notes to financial statements cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but when this is not feasible, a degree of judgment is required in establishing fair values. These judgments may include considerations of liquidity and volatility for longer dated derivatives (Note 5).

e. *Contingencies*
The Group is currently involved in legal proceedings. The estimate of the probable cost for the resolution of claims has been developed in consultation with and the aid of the outside legal counsel handling the Group's defense in this matter and is based upon an analysis of potential results. It is probable, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 30).

Estimates

a. *Credit losses on financial assets*

The Group reviews its debt financial assets subject to ECL at least on a semi-annual basis with updating provisions made during the intervals as necessary based on the continuing analysis and monitoring of individual accounts by credit officers, as has been the case since 2020 when quarterly reviews and ECL adjustments are made in response to the changing credit environment brought about by the COVID-19 pandemic. The measurement of credit losses under PFRS 9 across all categories of such financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining credit losses and the assessment of a SICR. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

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

- Segmentation of the portfolio, where the appropriate model or ECL approach is used.
- Criteria for assessing if there has been a SICR and so allowances for debt financial assets should be measured on a lifetime ECL basis and the qualitative assessment.
    - The Group likewise performed quarterly reviews of its credit exposures to determine the occurrence of SICR notwithstanding said reprieves. Exposures belonging to sectors widely determined to be most at-risk and non-essential (for example, tourism, entertainment and leisure, hotels and restaurants, airlines), and projected to experience significant revenue and liquidity strain in the event of prolonged economic inactivity, were also included under Stage 2.
- Segmentation of debt financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs. The Parent Company and the Group as a whole continuously review and calibrate their models based on the results of the model validation and regular backtesting.
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, LGDs and EADs.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The gross carrying amounts of financial assets subject to ECL as of December 31, 2022 and 2021 are disclosed in Note 4, while the related allowances for expected credit losses are disclosed in Note 15. In 2022, 2021 and 2020, provision for credit losses on these financial assets amounted to ₱7.8 billion, ₱11.7 billion and ₱40.8 billion, respectively, for the Group, and ₱5.7 billion, ₱7.7 billion and ₱32.7 billion, respectively, for the Parent Company (Note 15).

b. *Recognition of deferred income taxes*

Deferred tax assets are recognized for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The estimates of future taxable income indicate that certain temporary differences will be realized in the future. The Group and the Parent Company have considered the impact of the COVID-19 pandemic on future taxable income and on the recognition of deferred tax assets. The recognized net deferred tax assets and unrecognized deferred tax assets for the Group and the Parent Company are disclosed in Note 28.

c. *Impairment of non-financial assets*
The Group assesses impairment on non-financial assets (property and equipment, investments in subsidiaries, associates and a JV, investment properties, software costs, chattel mortgage properties and other assets) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

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

The Group uses the higher of FVLCTS and VIU in determining the recoverable amount of the asset In 2022 and 2021, the Group considered the impact of the COVID-19 pandemic in determining the VIU. Based on the Group's impairment testing as of December 31, 2022 and 2021, allowance for impairment losses on investment in associates amounted to ₱883.4 million and ₱671.9 million, respectively, and ₱101 million for the Parent Company.

The carrying values of the property and equipment, investments in subsidiaries, associates and a JV, investment properties, software costs, chattel mortgage properties, and other assets of the Group and the Parent Company are disclosed in Notes 10, 11, 12 and 14, respectively.

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

The fair value of the CGU is determined using the cost approach, specifically the adjusted Net Asset Value (NAV) method. This method requires the measurement of the fair value of the individual assets and liabilities recognized in the CGU, as well as the fair value of any unrecognized assets and liabilities at the measurement date. The resulting net fair values of the assets and liabilities represent the fair value of the CGU. In determining the fair value of the CGU's net assets, the Group used the discounted cash flow method for unquoted debt financial assets/liabilities at the appropriate market rate, the price-to-earnings (P/E) valuation and adjusted NAV model for unquoted equity investments, and the appraisal reports for the valuation of real properties. Fair values of listed debt and equity securities are based on their quoted market prices. The Group applied the P/E valuation model by reference to P/E ratios of listed comparable companies of the investee company. The FVLCTS calculation of the CGU is most sensitive to the P/E ratios of listed comparable companies of the investee company. As of December 31, 2022 and 2021, based on the sensitivity analysis performed, a one percent (1%) reduction in the P/E ratio used will result in impairment of the goodwill. The Group considered the impact of the COVID-19 pandemic in determining the recoverable amount. As of December 31, 2022 and 2021, the Group's goodwill amounted to ₱5.2 billion (Note 11).

4. **Financial Risk and Capital Management**

<u>Introduction</u>
The Group has exposure to the following risks from its use of financial instruments:
a. Credit;
b. Liquidity; and
c. Market risks.

Risk management framework
The BOD has overall responsibility for the oversight of the Parent Company's risk management process. On the other hand, the risk management processes of the subsidiaries are the separate responsibilities of their respective BOD. Supporting the BOD in this function are certain Board-level committees such as Risk Oversight Committee (ROC), Audit Committee (AC) and senior management committees through the Executive Committee (EXCOM) and Asset and Liability Committee (ALCO) among others.

The ROC, which is composed primarily of independent members of the BOD, is responsible for overseeing the Parent Company's risk infrastructure, the adequacy and relevance of risk policies, and the compliance to defined risk appetite and levels of exposure. The ROC is assisted in this responsibility by the Risk Management Group (RSK). The RSK undertakes the implementation and execution of the Parent Company's Risk Management framework which involves the identification, assessment, control, monitoring and reporting of risks.

The Parent Company and its subsidiaries manage their respective financial risks separately. The subsidiaries have their own risk management processes but are structured similar to that of the Parent Company. To a certain extent, the respective risk management programs and objectives are the same across the Group. The risk management policies adopted by the subsidiaries and affiliates are aligned with the Parent Company's risk policies. To further promote compliance with PFRS and Basel III, the Parent Company created a Risk Management Coordinating Council (RMCC) composed of risk officers of the Parent Company and its financial institution subsidiaries.

<u>Credit Risk</u>
Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, related groups of borrowers, market segments, and industry concentrations, and by monitoring exposures in relation to such limits, among others. The same is true for treasury-related activities. Each business unit is responsible for the quality of its credit portfolio and monitoring and controlling all credit risks in its portfolio. Regular reviews and audits of business units and credit processes are undertaken by the RSK and Internal Audit Group, respectively.

Management of credit risk
The Group faces potential credit risks every time it extends funds to borrowers, commits funds to counterparties, guarantees the paying performance of its clients, invests funds to issuers (for example, investment securities issued by either sovereign or corporate entities) or enter into either market-traded or over-the-counter derivatives, either through implied or actual contractual agreements (that is, on- or off-balance sheet exposures). The Parent Company manages its credit risk at various levels (that is, strategic level, portfolio level down to individual obligor or transaction) by adopting a credit risk management environment that has the following components:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit/financial assessment, risk grading and reporting, and compliance with regulatory requirements;
- Establishment of authorization limits for the approval and renewal of credit facilities;
- Limiting concentrations of exposure to counterparties and industries (for loans), and by the issuer (for investment securities);
- Utilizing the Internal Credit Risk Rating System (ICRRS) to categorize exposures according to their risk profile. The risk grading system is used for determining loan loss provisions against credit exposures. The current risk grading framework consists of ten grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation; and
- Monitoring compliance with approved exposure limits.

Borrowers, counterparties, or groups of related accounts across the Group are aggregated and managed by the Parent Company's Institutional Banking Sector as the "Control Unit". Group Limits for conglomerates are set-up and approved to guide subsidiaries and affiliates of the Group. Consolidated exposures are regularly reported to senior management, the EXCOM, and the ROC.

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

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

On March 24, 2020, Republic Act (RA) No. 11469 or the "Bayanihan to Heal as One Act" (Bayanihan 1) was enacted declaring a state of national emergency over the entire country to control the spread of the COVID-19. Among the provisions of Bayanihan 1 is the implementation of a 30-day grace period for all loans with principal and/or interest falling due within the period of the Enhanced Community Quarantine without incurring interest on interest, on penalties, fees and other charges. Further, on September 11, 2020, RA No. 11494 or the "Bayanihan to Recover as One Act" (Bayanihan 2) was enacted and part of the provisions of the Bayanihan 2 is the implementation of a one-time 60-day grace period to be granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interest, penalties, fees and other charges, thereby extending the maturity of said loans. In addition, Bayanihan 2 allows loans to be settled on a staggered basis without interest on interests, penalties, fees or other charges until December 31, 2020 or as may be agreed upon by both parties.

As of December 31, 2020, the impact of loan modifications as a result of the Bayanihan 1 and Bayanihan 2 Acts amounted to a loss of ₱1.7 billion for the Group and ₱1.2 billion for the Parent Company. For the year ended December 31, 2022 and 2021, total accretion arising from the accretion of the modified loans arising from the Bayanihan 1 and Bayanihan 2 Acts amounted to ₱107.0 million and ₱134.6 million, respectively, for the Group, and nil for the Parent Company.

Maximum exposure to credit risk

An analysis of the maximum credit risk exposure (net of allowance for ECL) relating to financial assets with collateral or credit enhancements is shown below:

	Consolidated							
	2022				2021			
	Maximum Exposure to Credit Risk	**Fair Value of Collateral**	**Financial Effect of Collateral or Credit Enhancement**	**Net Exposure**	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Net Exposure
Interbank loans receivable and SPURA	**₱28,736**	**₱28,099**	**₱28,093**	**₱643**	₱4,533	₱4,533	₱4,533	₱–
Loans and receivables - net								
Receivables from customers								
Commercial loans	**263,522**	**1,495,200**	**237,561**	**25,961**	251,140	1,732,153	228,220	22,920
Residential mortgage loans	**91,626**	**178,469**	**88,808**	**2,818**	94,997	180,815	83,479	11,518
Auto loans	**75,664**	**107,134**	**72,935**	**2,729**	71,597	98,918	68,125	3,472
Trade loans	**56,969**	**56,629**	**56,017**	**952**	47,189	46,635	46,179	1,010
Others	**638**	**634**	**593**	**45**	126	151	113	13
	488,419	**1,838,066**	**455,914**	**32,505**	465,049	2,058,672	426,116	38,933
Accrued interest receivable	**4,346**	**2,557**	**2,557**	**1,789**	1,493	1,469	1,469	24
Sales contract receivable	**29**	**108**	**29**	**–**	38	139	37	1
	492,794	**1,840,731**	**458,500**	**34,294**	466,580	2,060,280	427,622	38,958
Total	**₱521,530**	**₱1,868,830**	**₱486,593**	**₱34,937**	₱471,113	₱2,064,813	₱432,155	₱38,958

	Parent Company							
	2022				2021			
	Maximum Exposure to Credit Risk	**Fair Value of Collateral**	**Financial Effect of Collateral or Credit Enhancement**	**Net Exposure**	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Net Exposure
Interbank loans receivable and SPURA	**₱26,084**	**₱25,448**	**₱25,441**	**₱643**	₱–	₱–	₱–	₱–
Loans and receivables - net								
Receivables from customers								
Commercial loans	**245,732**	**1,469,763**	**224,218**	**21,514**	236,069	1,711,529	217,728	18,341
Residential mortgage loans	**50,651**	**111,603**	**50,382**	**269**	50,362	112,491	50,123	239
Auto loans	**18,259**	**39,164**	**17,761**	**498**	17,758	37,914	17,243	515
Trade loans	**56,969**	**56,629**	**56,017**	**952**	47,189	46,635	46,179	1,010
Others	**635**	**629**	**590**	**45**	126	151	113	13
	372,246	**1,677,788**	**348,968**	**23,278**	351,504	1,908,720	331,386	20,118
Accrued interest receivable	**1,797**	**1,793**	**1,793**	**4**	1,493	1,469	1,469	24
Sales contract receivable	**18**	**77**	**18**	**–**	20	69	20	–
	374,061	**1,679,658**	**350,779**	**23,282**	353,017	1,910,258	332,875	20,142
Total	**₱400,145**	**₱1,705,106**	**₱376,220**	**₱23,925**	₱353,017	₱1,910,258	₱332,875	₱20,142

The maximum exposure to credit risks for the other financial assets is limited to their carrying values as of December 31, 2022 and 2021.

Collaterals on loans and receivables includes real estate and chattel mortgages, guarantees, and other registered securities over assets. Generally, collateral is not held over loans and advances to banks, except for reverse repurchase agreements and certain due from other banks. Collateral usually is not held against investment securities, and no such collateral was held as of December 31, 2022 and 2021. Estimates of fair values of the collateral are based on the value of collateral assessed at the time of borrowing and are regularly updated according to internal lending policies and regulatory guidelines. The Group is not permitted to sell or repledge the collateral in the absence of default by the counterparty.

The following tables show the effect of rights of set-off associated with the recognized financial assets and financial liabilities:

	Gross Carrying Amounts (before Offsetting)	Gross Amounts Offset in Accordance with the Offsetting Criteria	Net Amount Presented in Statement of Financial Position	Effect of Remaining Rights of Set-Off (including Rights to Set-off Financial Collateral) Not Meeting Offsetting Criteria		Net Exposure
				Financial Instruments	Fair Value of Financial Collateral	
Financial assets recognized by type						
Consolidated						
2022						
Derivative assets	**₱440,728**	**₱416,749**	**₱23,979**	**₱5,138**	**₱–**	**₱18,841**
SPURA	**28,736**	**–**	**28,736**	**–**	**28,093**	**643**
	₱469,464	**₱416,749**	**₱52,715**	**₱5,138**	**₱28,093**	**₱19,484**
2021						
Derivative assets	₱295,264	₱285,423	₱9,841	₱2,748	₱–	₱7,093
SPURA	4,533	–	4,533	–	4,533	–
	₱299,797	₱285,423	₱14,374	₱2,748	₱4,533	₱7,093
Parent Company						
2022						
Derivative assets	**₱440,722**	**₱416,749**	**₱23,973**	**₱5,138**	**₱–**	**₱18,835**
SPURA	**26,084**	**–**	**26,084**	**–**	**25,441**	**643**
	₱466,806	**₱416,749**	**₱50,057**	**₱5,138**	**₱25,441**	**₱19,478**
2021						
Derivative assets	₱295,199	₱285,415	₱9,784	₱2,740	₱–	₱7,044
Financial liabilities recognized by type						
Consolidated						
2022						
Derivative liabilities	**₱395,549**	**₱379,130**	**₱16,419**	**₱5,138**	**₱–**	**₱11,281**
SSURA	**67,120**	**–**	**67,120**	**–**	**67,120**	**–**
	₱462,669	**₱379,130**	**₱83,539**	**₱5,138**	**₱67,120**	**₱11,281**
2021						
Derivative liabilities	₱286,609	₱278,267	₱8,342	₱2,748	₱–	₱5,594
SSURA	50,798	–	50,798	–	50,798	–
	₱337,407	₱278,267	₱59,140	₱2,748	₱50,798	₱5,594
Parent Company						
2022						
Derivative liabilities	**₱395,540**	**₱379,129**	**₱16,411**	**₱5,138**	**₱–**	**₱11,273**
SSURA	**65,934**	**–**	**65,934**	**–**	**65,934**	**–**
	₱461,474	**₱379,129**	**₱82,345**	**₱5,138**	**₱65,934**	**₱11,273**
2021						
Derivative liabilities	₱283,883	₱275,698	₱8,185	₱2,740	₱–	₱5,445
SSURA	50,798	–	50,798	–	50,798	–
	₱334,681	₱275,698	₱58,983	₱2,740	₱50,798	₱5,445

Excessive risk concentration

Credit risk concentrations can arise whenever a significant number of borrowers have similar characteristics and are affected similarly by changes in economic or other conditions. The Parent Company analyzes the credit risk concentration to an individual borrower, related group of accounts, industry, internal rating buckets, and security. For risk concentration monitoring purposes, the financial assets are broadly categorized into (1) loans and receivables and (2) trading and financial investment securities. To mitigate risk concentration, the Parent Company constantly checks for breaches in regulatory and internal limits.

Concentration of risks of financial assets with credit risk exposure

Below is an analysis of concentrations of credit risk at the statement of financial position date based on carrying amount:

	Consolidated				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
2022					
Concentration by Industry					
Financial and insurance activities	**₱176,471**	**₱401,904**	**₱117,713**	**₱16,283**	**₱712,371**
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	**177,016**	**–**	**–**	**233,339**	**410,355**
Wholesale and retail trade, repair of motor vehicles, motorcycles	**222,828**	**–**	**–**	**32,328**	**255,156**
Real estate activities	**219,889**	**–**	**252**	**4,151**	**224,292**
Manufacturing	**198,372**	**–**	**225**	**15,545**	**214,142**
Transportation and storage, information and communication	**159,886**	**–**	**–**	**2,090**	**161,976**
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	**98,413**	**–**	**1,674**	**2,529**	**102,616**
Construction	**58,945**	**–**	**–**	**16,999**	**75,944**
Accommodation and food service activities	**22,023**	**–**	**–**	**10**	**22,033**
Agricultural, forestry and fishing	**21,129**	**–**	**–**	**311**	**21,440**
Others****	**114,855**	**–**	**727,088**	**34,328**	**876,271**
	1,469,827	**401,904**	**846,952**	**357,913**	**3,076,596**
Less allowance for credit losses	**51,445**	**60**	**471**	**10,892**	**62,868**
	₱1,418,382	**₱401,844**	**₱846,481**	**₱347,021**	**₱3,013,728**
Concentration by Location					
Philippines	**₱1,389,001**	**₱282,035**	**₱746,065**	**₱307,175**	**₱2,724,276**
Asia	**80,220**	**87,852**	**76,265**	**50,701**	**295,038**
USA	**493**	**18,063**	**11,208**	**37**	**29,801**
Europe	**23**	**12,422**	**1,369**	**–**	**13,814**
Others	**90**	**1,532**	**12,045**	**–**	**13,667**
	1,469,827	**401,904**	**846,952**	**357,913**	**3,076,596**
Less allowance for credit losses	**51,445**	**60**	**471**	**10,892**	**62,868**
	₱1,418,382	**₱401,844**	**₱846,481**	**₱347,021**	**₱3,013,728**
2021					
Concentration by Industry					
Financial and insurance activities	₱160,286	₱372,594	₱143,788	₱15,929	₱692,597
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	217,367	–	–	188,230	405,597
Real estate activities	228,023	–	337	2,805	231,165
Manufacturing	167,359	–	488	22,297	190,144
Wholesale and retail trade, repair of motor vehicles, motorcycles	166,394	–	156	23,401	189,951
Transportation and storage, information and communication	125,514	–	–	2,612	128,126
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	78,210	–	1,838	3,443	83,491
Construction	48,271	–	–	16,716	64,987
Agricultural, forestry and fishing	24,896	–	–	604	25,500
Accommodation and food service activities	24,813	–	–	23	24,836
Others****	47,664	–	584,216	25,782	657,662
	1,288,797	372,594	730,823	301,842	2,694,056
Less allowance for credit losses	52,726	59	31	10,914	63,730
	₱1,236,071	₱372,535	₱730,792	₱290,928	₱2,630,326
Concentration by Location					
Philippines	₱1,224,842	₱254,819	₱642,413	₱261,174	₱2,383,248
Asia	63,722	72,495	74,275	40,622	251,114
Europe	26	30,602	2,842	–	33,470
USA	168	14,066	8,251	45	22,530
Others	39	612	3,042	1	3,694
	1,288,797	372,594	730,823	301,842	2,694,056
Less allowance for credit losses	52,726	59	31	10,914	63,730
	₱1,236,071	₱372,535	₱730,792	₱290,928	₱2,630,326

	Parent Company				
	Loans and Receivables	**Loans and Advances to Banks***	**Investment Securities****	**Others*****	**Total**
2022					
Concentration by Industry					
Financial and insurance activities	**₱172,050**	**₱337,322**	**₱327**	**₱16,185**	**₱525,884**
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	**176,747**	**–**	**–**	**233,339**	**410,086**
Wholesale and retail trade, repair of motor vehicles, motorcycles	**205,280**	**–**	**–**	**32,328**	**237,608**
Manufacturing	**194,421**	**–**	**–**	**15,545**	**209,966**
Real estate activities	**181,741**	**–**	**–**	**4,116**	**185,857**
Transportation and storage, information and communication	**152,649**	**–**	**–**	**2,090**	**154,739**
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	**96,508**	**–**	**1,648**	**2,530**	**100,686**
Construction	**43,551**	**–**	**–**	**16,999**	**60,550**
Accommodation and food service activities	**21,809**	**–**	**–**	**10**	**21,819**
Agricultural, forestry and fishing	**19,400**	**–**	**–**	**311**	**19,711**
Others****	**16,614**	**–**	**700,907**	**904**	**718,425**
	1,280,770	**337,322**	**702,882**	**324,357**	**2,645,331**
Less allowance for credit losses	**41,210**	**38**	**452**	**10,799**	**52,499**
	₱1,239,560	**₱337,284**	**₱702,430**	**₱313,558**	**₱2,592,832**
Concentration by Location					
Philippines	**₱1,256,286**	**₱246,728**	**₱639,570**	**₱306,431**	**₱2,449,015**
Asia	**23,898**	**58,883**	**38,700**	**17,891**	**139,372**
USA	**492**	**17,846**	**11,208**	**35**	**29,581**
Europe	**16**	**12,412**	**1,370**	**–**	**13,798**
Others	**78**	**1,453**	**12,034**	**–**	**13,565**
	1,280,770	**337,322**	**702,882**	**324,357**	**2,645,331**
Less allowance for credit losses	**41,210**	**38**	**452**	**10,799**	**52,499**
	₱1,239,560	**₱337,284**	**₱702,430**	**₱313,558**	**₱2,592,832**
2021					
Concentration by Industry					
Financial and insurance activities	₱148,644	₱292,213	₱53,226	₱15,738	₱509,821
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	153,528	–	–	188,230	341,758
Real estate activities	186,931	–	–	2,771	189,702
Manufacturing	163,270	–	261	22,298	185,829
Wholesale and retail trade, repair of motor vehicles, motorcycles	154,972	–	156	23,401	178,529
Transportation and storage, information and communication	117,118	–	–	2,611	119,729
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	75,254	–	1,718	3,443	80,415
Construction	36,163	–	–	16,695	52,858
Accommodation and food service activities	24,469	–	–	23	24,492
Agricultural, forestry and fishing	22,644	–	–	604	23,248
Others****	15,672	–	563,275	1,338	580,285
	1,098,665	292,213	618,636	277,152	2,286,666
Less allowance for credit losses	41,211	27	5	10,835	52,078
	₱1,057,454	₱292,186	₱618,631	₱266,317	₱2,234,588
Concentration by Location					
Philippines	₱1,082,346	₱202,513	₱555,853	₱260,200	₱2,100,912
Asia	16,106	44,710	48,656	16,908	126,380
Europe	24	30,583	2,842	–	33,449
USA	167	13,882	8,251	44	22,344
Others	22	525	3,034	–	3,581
	1,098,665	292,213	618,636	277,152	2,286,666
Less allowance for credit losses	41,211	27	5	10,835	52,078
	₱1,057,454	₱292,186	₱618,631	₱266,317	₱2,234,588

* *Comprised of due from BSP, due from other banks and interbank loans receivable and SPURA.*
** *Comprised of debt securities at FVOCI and investment securities at amortized cost.*
*** *Comprised of applicable accounts under other assets, financial guarantees and loan commitments and other credit-related liabilities.*
**** *Comprised of loans and investments to the National Government.*

Credit quality per class of financial assets
The credit quality of financial assets is assessed and managed using external and internal ratings (applying ICRRS).

The ICRRS contains the following:

a. Borrower Risk Rating (BRR) - an assessment of the credit worthiness of the borrower (or guarantor) without considering the type or amount of the facility and security arrangements. It is an indicator of the probability that a borrower cannot meet its credit obligations when they fall due. The components of the assessment are described below:

Component	Description	Credit Factor Weight
Financial Condition	Refers to the financial condition of the borrower based on audited financial statements as indicated by certain financial ratios. The Financial Factor Evaluation is conducted manually.	40.00%
Industry Analysis	Refers to the prospects of the industry, as well as the company's performance and position in the industry.	30.00%
Management Quality	Refers to the management's ability to run the company successfully.	30.00%

b. Facility Risk Factor (FRF) - determined for each individual facility considering the term of the facility, security arrangement and quality of documentation. This factor can downgrade or upgrade the BRR based on the elements relating to cover (collateral including pledged cash deposits and guarantee), quality of documentation and structure of transactions.

c. Adjusted Borrower Risk Rating - combination of BRR and FRF.

Loans and receivables
The credit quality is generally monitored using the 10-grade ICRRS, which is integrated in the credit process. The validation of the individual borrower's risk rating is performed by the Credit Group to maintain accurate and consistent risk ratings across the credit portfolio. For commercial loans, the credit quality with the corresponding ICRRS Grade and description follows:

<u>High Grade</u>
1 - Excellent
An excellent rating is given to a borrower with a very low probability of going into default and with high degree of stability, substance and diversity. Borrower has access to raise substantial amounts of funds through public market at any time; very strong debt service capacity and has conservative balance sheet ratios. Track record in profit terms is very good. Borrower exhibits highest quality under virtually all economic conditions.

2 - Strong
This rating is given to borrowers with low probability of going into default in the coming year. Normally has a comfortable degree of stability, substance and diversity. Under normal market conditions, borrower has good access to public markets to raise funds. Have a strong market and financial position with a history of successful performance. Overall debt service capacity is deemed very strong; critical balance sheet ratios are conservative. Concerned multinationals or local corporations are well capitalized.

<u>Standard Grade</u>
3 - Good
This rating is given to smaller corporations with limited access to public capital markets or to alternative financial markets during favorable economic and/or market conditions. As it bears characteristics of some degree of stability and substance, probability of default is quite low. However, susceptibility to cyclical changes and more concentration of business risk, by product or

market, may be present. Typical is the combination of comfortable asset protection and an acceptable balance sheet structure. Debt service capacity is strong.

4 - Satisfactory
A 'satisfactory' rating is given to a borrower where clear risk elements exist and probability of default is somewhat greater. Due to volatility of earnings and overall performance, borrower normally has limited access to public markets. Borrower should be able to withstand normal business cycles, but any prolonged unfavorable economic period would create deterioration beyond acceptable levels. With the combination of reasonable sound asset and cash flow protection, the debt service capacity is adequate. Reported profits in the past year and is expected to report a profit in the current year.

5 - Acceptable
An 'acceptable' rating is given to a borrower whose risk elements are sufficiently pronounced although borrower should still be able to withstand normal business cycles. Any prolonged unfavorable economic and/or market period would create an immediate deterioration beyond acceptable levels. Risk is still acceptable as there is sufficient cash flow either historically or expected in the future from new business or projected finance transaction; an existing borrower where the nature of the exposure represents a higher risk because of extraordinary developments but for which a decreasing risk within an acceptable period can be expected.

Watchlist Grade
5 - Watchlist
This rating is given to a borrower that belongs to an unfavorable industry or has company-specific risk factors which represent a concern. Operating performance and financial strength may be marginal and it is uncertain if borrower can attract alternative course of finance.

6 - Watchlist
Borrower finds it hard to cope with any significant economic downturn and a default in such a case is more than a possibility. Credit exposure is not at risk of loss at the moment but performance of the borrower has weakened which, unless present trends are reversed, could lead to losses.

Classified Grade
7 - Especially Mentioned
This rating is given to a borrower that exhibits pronounced weaknesses that deserve management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the loan and thus, increase credit risk of the Group. Classification can be worsened if borrower is endorsed to Special Accounts Management Group for collection.

8 - Substandard
These are loans or portions thereof which appear to involve a substantial and unreasonable degree of risk to the Group because of unfavorable record or unsatisfactory characteristics. There exists the possibility of future losses to the Group unless given closer supervision. Borrower has well-defined weaknesses or weaknesses that jeopardize loan liquidation. Such well-defined weaknesses may include adverse trends or development of financial, managerial, economic or political nature, or a significant weakness in collateral.

9 - Doubtful
This rating is given to a nonperforming borrower whose loans or portions thereof have the weaknesses inherent in those classified as Substandard, with the added characteristics that existing facts, conditions, and values make collection or liquidation in full, highly improbable and in which substantial loss is probable.

10 - Loss
This rating is given to a borrower whose loans or portions thereof are considered uncollectible or worthless and of such little value that their continuance as bankable assets is not warranted although the loans may have some recoveries or salvage value. The amount of loss is difficult to measure and it is not practical or desirable to defer writing off these basically worthless assets even though partial recovery may be obtained in the future.

The credit quality of consumer loan applicants is currently evaluated using quantitative and qualitative criteria. For booked consumer loans, the description of credit quality is as follows:

<u>High Grade</u>
Good credit rating
This rating is given to a good repeat client with very satisfactory track record of its loan repayment (paid at least 50.00%) and whose account did not turn past due during the entire term of the loan.

<u>Standard Grade</u>
Good
A good rating is given to accounts which did not turn past due for 90 days and over.

Limited
This rating is given to borrowers who have average track record on loan repayment (paid less than 50.00%) and whose account did not turn past due for 90 days and over.

<u>Substandard Grade</u>
Poor
A poor rating is given to accounts who reached 90 days past due regardless of the number of times and the number of months past due.

Poor litigation
This rating is given to accounts that were past due for 180 days and over and are currently being handled by lawyers.

<u>Impaired</u>
Poor repossessed
This rating is given to accounts whose collaterals were repossessed.

Poor written-off
This rating is given to accounts that were recommended for write-off.

For booked credit card receivables, the description of credit quality is as follows:

Excellent
These are customers that have exhibited the best payment behavior and are generally those without history of past due which have been paying the outstanding balance in full over a period of twelve (12) months.

Very Satisfactory
These are customers that have exhibited the good payment behavior and are generally those without history of past due but could have revolved over a period of twelve (12) months.

Satisfactory
These are customers that have shown history of past due but not impaired, and are still within the average level of the credit card portfolio which remains to be profitable.

Poor
These are customers that are past due but not yet impaired and could still be cured by collection mitigation strategies.

Default
These are customers that are already impaired. Recovery strategies are needed to reduce exposure to these customers.

Investment securities
In ensuring quality investment portfolio, the Group uses the credit risk rating from the published data providers like Moody's, Standard & Poor's (S&P) or other reputable rating agencies. The following indicates the levels of equivalent credit quality and its relevant external rating:

Credit Quality				**External Rating**					
High grade	Aaa	Aa1	Aa2	A1	A2	A3	Baa1	Baa2	Baa3
Standard grade	Ba1	Ba2	Ba3	B1	B2				
Substandard grade	B3	Caa1	Caa2	Caa3	Ca	C			
Impaired	D								

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to those rated by external rating agencies as 'Investment grade' (that is, those under High grade in the table above).

The following table shows the credit quality of loans and advances to banks, gross of allowance for credit losses, as of December 31, 2022 and 2021. All loans and advances to banks are classified as Stage 1 in 2022 and 2021.

	Consolidated		**Parent Company**	
	2022	2021	**2022**	2021
Due from BSP				
High grade	**₱252,628**	₱253,257	**₱215,074**	₱199,974
Due from other banks				
High grade	**74,122**	47,599	**56,050**	35,838
Standard grade	**674**	418	**628**	374
Unrated	**717**	845	**20**	28
	75,513	48,862	**56,698**	36,240
Interbank loans receivable and SPURA				
High grade	**73,763**	70,475	**65,550**	55,999
Total loans and advances to banks				
High grade	**400,513**	371,331	**336,674**	291,811
Standard grade	**674**	418	**628**	374
Unrated	**717**	845	**20**	28
	₱401,904	₱372,594	**₱337,322**	₱292,213

As of December 31, 2022 and 2021, availments of interbank loans and SPURA amounted to ₱73.8 billion and ₱70.5 billion, respectively, for the Group, and ₱65.5 billion and ₱56.0 billion, respectively, for the Parent Company while maturities of interbank loans and SPURA amounted to ₱70.5 billion and ₱79.4 billion, respectively, for the Group, and ₱56.0 billion and ₱57.2 billion, respectively, for the Parent Company. As of December 31, 2022 and 2021, net increase/(decrease) in due from BSP amounted to (₱629.6 million) and (₱51.6 billion), respectively, for the Group, and ₱15.1 billion and (₱62.2 billion), respectively, for the Parent Company, and net increase in due from other banks amounted to ₱26.7 billion and ₱10.6 billion, respectively, for the Group, and ₱20.5 billion and ₱13.5 billion, respectively, for the Parent Company.

The following table shows the credit quality of investment securities, gross of allowance for credit losses, as of December 31, 2022 and 2021. All investment securities are classified as Stage 1 in 2022 and 2021.

	Consolidated		Parent	
	2022	2021	**2022**	2021
Debt securities at FVOCI				
Treasury notes and bonds				
High grade	**₱333,117**	₱433,234	**₱329,146**	₱423,807
Treasury bills				
High grade	**557**	18,053	**–**	18,053
Government				
High grade	**77,136**	76,742	**77,056**	76,264
Standard grade	**1**	1	**–**	–
	77,137	76,743	**77,056**	76,264
Private				
High grade	**48,387**	38,589	**11,071**	13,584
Standard grade	**1,601**	1,846	**–**	–
Unrated	**49**	48	**49**	49
	50,037	40,483	**11,120**	13,633
BSP				
High grade	**67,857**	78,469	**–**	29,488
Total debt securities at FVOCI				
High grade	**527,054**	645,087	**417,273**	561,196
Standard grade	**1,602**	1,847	**–**	–
Unrated	**49**	48	**49**	49
	528,705	646,982	**417,322**	561,245
Investment securities at amortized cost				
Government				
High grade	**44,817**	16,961	**32,470**	5,275
Standard grade	**192**	–	**–**	–
	45,009	16,961	**32,470**	5,275
Private				
High grade	**250**	294	**–**	–
Standard grade	**3,238**	3,414	**–**	–
Unrated	–	10	**–**	–
	3,488	3,718	**–**	–
Treasury bills				
High grade	**249**	3,947	**–**	–
Treasury notes and bonds				
High grade	**269,501**	59,215	**253,090**	52,116
Total investment securities at amortized cost				
High grade	**314,817**	80,417	**285,560**	57,391
Standard grade	**3,430**	3,414	**–**	–
Unrated	**–**	10	**–**	–
	318,247	83,841	**285,560**	57,391
Total debt investment securities				
High grade	**841,871**	725,504	**702,833**	618,587
Standard grade	**5,032**	5,261	**–**	–
Unrated	**49**	58	**49**	49
	₱846,952	₱730,823	**₱702,882**	₱618,636

As of December 31, 2022 and 2021, purchases of investment in debt securities at FVOCI amounted to ₱879.3 billion and ₱1.7 trillion, respectively, for the Group, and ₱256.7 billion and ₱1.2 trillion, respectively, for the Parent Company. Proceeds from disposals/maturities amounted to ₱976.9 billion and ₱1.6 trillion, respectively, for the Group, and ₱380.5 billion and ₱1.2 trillion, respectively, for the Parent Company. Other movements, which include amortization of premiums/discounts, mark-to-market and foreign exchange revaluations, resulted in a decrease in carrying value of debt securities at FVOCI as of December 31, 2022 and 2021 amounting to ₱17.8 billion and ₱6.1 billion, respectively, for the Group, and a decrease in carrying value of ₱18.8 billion and ₱8.6 billion, respectively, for the Parent Company.

As of December 31, 2022 and 2021, purchases of investment securities at amortized cost amounted to ₱240.2 billion and ₱64.1 billion, respectively, for the Group, and ₱228.2 billion and ₱52.1 billion, respectively, for the Parent Company, while proceeds from maturities and disposals amounted to ₱6.8 billion and ₱4.8 billion, respectively, for the Group, and ₱0.2 billion and ₱3.0 billion, respectively, for the Parent Company. Other movements, which include reclassification to investment securities at FVOCI (Note 8), amortization of premiums/discounts, mark-to-market and foreign exchange revaluations, resulted in a increase in carrying value of investment securities at amortized cost as of December 31, 2022 and 2021 amounting to ₱0.6 billion and ₱1.2 billion, respectively, for the Group, and a decrease in carrying value of ₱0.2 billion and ₱0.4 billion, respectively, for the Parent Company.

The credit quality of receivables from customers, net of unearned discount and capitalized interest, as of December 31, 2022 and 2021 follow:

	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2022				
Commercial loans				
High grade	**₱324,950**	**₱–**	**₱–**	**₱324,950**
Standard grade	**683,968**	**647**	**–**	**684,615**
Watchlist grade	**8,872**	**24,351**	**–**	**33,223**
Classified grade	**–**	**27,322**	**–**	**27,322**
Sub-standard grade	**118**	**999**	**–**	**1,117**
Unrated	**–**	**25**	**–**	**25**
Non-performing individually impaired	**–**	**–**	**20,116**	**20,116**
	1,017,908	**53,344**	**20,116**	**1,091,368**
Residential mortgage loans				
High grade	**22,962**	**12,301**	**–**	**35,263**
Standard grade	**38,736**	**300**	**–**	**39,036**
Sub-standard grade	**9,189**	**6,034**	**–**	**15,223**
Unrated	**–**	**1,270**	**–**	**1,270**
Non-performing individually impaired	**–**	**–**	**3,177**	**3,177**
	70,887	**19,905**	**3,177**	**93,969**
Auto loans				
High grade	**53,221**	**51**	**–**	**53,272**
Standard grade	**17,336**	**427**	**–**	**17,763**
Sub-standard grade	**461**	**3,619**	**–**	**4,080**
Unrated	**–**	**2,055**	**–**	**2,055**
Non-performing individually impaired	**–**	**–**	**2,325**	**2,325**
	71,018	**6,152**	**2,325**	**79,495**
Credit card				
Standard grade	**102,172**	**–**	**–**	**102,172**
Sub-standard grade	**–**	**850**	**–**	**850**
Non-performing individually impaired	**–**	**–**	**2,542**	**2,542**
	102,172	**850**	**2,542**	**105,564**
Trade loans				
High grade	**6,013**	**–**	**–**	**6,013**
Standard grade	**54,165**	**–**	**–**	**54,165**
Classified grade	**–**	**498**	**–**	**498**
Non-performing individually impaired	**–**	**–**	**414**	**414**
	60,178	**498**	**414**	**61,090**
Other loans				
High grade	**8,953**	**–**	**–**	**8,953**
Standard grade	**1,418**	**–**	**–**	**1,418**
Sub-standard grade	**–**	**1,000**	**–**	**1,000**
Unrated	**9**	**24**	**–**	**33**
Non-performing individually impaired	**–**	**–**	**301**	**301**
	10,380	**1,024**	**301**	**11,705**
Total receivables from customers				
High grade	**416,099**	**12,352**	**–**	**428,451**
Standard grade	**897,795**	**1,374**	**–**	**899,169**
Watchlist grade	**8,872**	**24,351**	**–**	**33,223**
Classified grade	**–**	**27,820**	**–**	**27,820**
Sub-standard grade	**9,768**	**12,502**	**–**	**22,270**
Unrated	**9**	**3,374**	**–**	**3,383**
Non-performing individually impaired	**–**	**–**	**28,875**	**28,875**
	₱1,332,543	**₱81,773**	**₱28,875**	**₱1,443,191**

	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
2021				
Commercial loans				
High grade	₱287,154	₱–	₱–	₱287,154
Standard grade	533,038	45,062	–	578,100
Watchlist grade	17,545	12,031	–	29,576
Classified grade	–	32,486	–	32,486
Sub-standard grade	–	3,115	–	3,115
Unrated	–	184	–	184
Non-performing individually impaired	–	–	18,031	18,031
	837,737	92,878	18,031	948,646
Residential mortgage loans				
High grade	35,515	8	–	35,523
Standard grade	35,481	1,984	–	37,465
Sub-standard grade	11,187	6,097	–	17,284
Unrated	–	1,579	–	1,579
Non-performing individually impaired	–	–	5,633	5,633
	82,183	9,668	5,633	97,484
Auto loans				
High grade	43,483	3,787	–	47,270
Standard grade	15,742	550	–	16,292
Sub-standard grade	1,306	4,152	–	5,458
Unrated	–	3,633	–	3,633
Non-performing individually impaired	–	–	3,973	3,973
	60,531	12,122	3,973	76,626
Credit card				
Standard grade	80,294	–	–	80,294
Sub-standard grade	–	687	–	687
Non-performing individually impaired	–	–	1,131	1,131
	80,294	687	1,131	82,112
Trade loans				
High grade	9,683	–	–	9,683
Standard grade	40,159	792	–	40,951
Watchlist grade	68	581	–	649
Classified grade	–	459	–	459
Non-performing individually impaired	–	–	346	346
	49,910	1,832	346	52,088
Other loans				
High grade	6,820	–	–	6,820
Standard grade	623	–	–	623
Sub-standard grade	–	971	–	971
Unrated	8	491	–	499
Non-performing individually impaired	–	–	755	755
	7,451	1,462	755	9,668
Total receivables from customers				
High grade	382,655	3,795	–	386,450
Standard grade	705,337	48,388	–	753,725
Watchlist grade	17,613	12,612	–	30,225
Classified grade	–	32,945	–	32,945
Sub-standard grade	12,493	15,022	–	27,515
Unrated	8	5,887	–	5,895
Non-performing individually impaired	–	–	29,869	29,869
	₱1,118,106	₱118,649	₱29,869	₱1,266,624

	Parent Company				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
2022					
Commercial loans					
High grade	**₱265,733**	**₱–**	**₱–**	**₱–**	**₱265,733**
Standard grade	**672,569**	**647**	**–**	**–**	**673,216**
Watchlist grade	**8,872**	**24,351**	**–**	**–**	**33,223**
Classified grade	**–**	**27,322**	**–**	**–**	**27,322**
Non-performing individually impaired	**–**	**–**	**14,993**	**1,633**	**16,626**
	947,174	**52,320**	**14,993**	**1,633**	**1,016,120**
Residential mortgage loans					
High grade	**450**	**2**	**–**	**–**	**452**
Standard grade	**38,736**	**300**	**–**	**–**	**39,036**
Sub-standard grade	**9,189**	**1,562**	**–**	**–**	**10,751**
Non-performing individually impaired	**–**	**–**	**1,649**	**–**	**1,649**
	48,375	**1,864**	**1,649**	**–**	**51,888**

(Forward)

	Parent Company				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Auto loans					
High grade	**₱1,217**	**₱51**	**₱–**	**₱–**	**₱1,268**
Standard grade	**16,223**	**427**	**–**	**–**	**16,650**
Sub-standard grade	**461**	**82**	**–**	**–**	**543**
Non-performing individually impaired	**–**	**–**	**413**	**–**	**413**
	17,901	**560**	**413**	**–**	**18,874**
Credit card					
Standard grade	**102,172**	**–**	**–**	**–**	**102,172**
Sub-standard grade	**–**	**850**	**–**	**–**	**850**
Non-performing individually impaired	**–**	**–**	**2,542**	**–**	**2,542**
	102,172	**850**	**2,542**	**–**	**105,564**
Trade loans					
High grade	**4,453**	**–**	**–**	**–**	**4,453**
Standard grade	**54,165**	**–**	**–**	**–**	**54,165**
Classified grade	**–**	**498**	**–**	**–**	**498**
Non-performing individually impaired	**–**	**–**	**414**	**–**	**414**
	58,618	**498**	**414**	**–**	**59,530**
Other loans					
High grade	**8,216**	**–**	**–**	**–**	**8,216**
Standard grade	**1,214**	**–**	**–**	**–**	**1,214**
Non-performing individually impaired	**–**	**–**	**44**	**–**	**44**
	9,430	**–**	**44**	**–**	**9,474**
Total receivables from customers					
High grade	**280,069**	**53**	**–**	**–**	**280,122**
Standard grade	**885,079**	**1,374**	**–**	**–**	**886,453**
Watchlist grade	**8,872**	**24,351**	**–**	**–**	**33,223**
Classified grade	**–**	**27,820**	**–**	**–**	**27,820**
Sub-standard grade	**9,650**	**2,494**	**–**	**–**	**12,144**
Non-performing individually impaired	**–**	**–**	**20,055**	**1,633**	**21,688**
	₱1,183,670	**₱56,092**	**₱20,055**	**₱1,633**	**₱1,261,450**
2021					
Commercial loans					
High grade	₱238,014	₱–	₱–	₱–	₱238,014
Standard grade	517,181	45,061	–	–	562,242
Watchlist grade	17,545	12,031	–	–	29,576
Classified grade	–	32,486	–	–	32,486
Non-performing individually impaired	–	–	10,476	3,276	13,752
	772,740	89,578	10,476	3,276	876,070
Residential mortgage loans					
High grade	242	8	–	–	250
Standard grade	34,340	1,984	–	–	36,324
Sub-standard grade	11,187	1,370	–	–	12,557
Non-performing individually impaired	–	–	3,075	–	3,075
	45,769	3,362	3,075	–	52,206
Auto loans					
High grade	481	23	–	–	504
Standard grade	15,614	550	–	–	16,164
Sub-standard grade	1,306	131	–	–	1,437
Non-performing individually impaired	–	–	710	–	710
	17,401	704	710	–	18,815
Credit card					
Standard grade	80,294	–	–	–	80,294
Sub-standard grade	–	687	–	–	687
Non-performing individually impaired	–	–	1,131	–	1,131
	80,294	687	1,131	–	82,112
Trade loans					
High grade	6,310	–	–	–	6,310
Standard grade	40,159	792	–	–	40,951
Watchlist grade	68	581	–	–	649
Classified grade	–	459	–	–	459
Non-performing individually impaired	–	–	346	–	346
	46,537	1,832	346	–	48,715
Other loans					
High grade	6,235	–	–	–	6,235
Standard grade	425	–	–	–	425
Non-performing individually impaired	–	–	41	–	41
	6,660	–	41	–	6,701

(Forward)

	Parent Company				
	Stage 1	Stage 2	Stage 3	POCI	Total
Total receivables from customers					
High grade	₱251,282	₱31	₱–	₱–	₱251,313
Standard grade	688,013	48,387	–	–	736,400
Watchlist grade	17,613	12,612	–	–	30,225
Classified grade	–	32,945	–	–	32,945
Sub-standard grade	12,493	2,188	–	–	14,681
Non-performing individually impaired	–	–	15,779	3,276	19,055
	₱969,401	₱96,163	₱15,779	₱3,276	₱1,084,619

Movements during 2022 and 2021 for receivables from customers follows:

	Consolidated			
	Receivables from Customers			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2022				
Commercial loans				
Balance at January 1, 2022	**₱837,737**	**₱92,878**	**₱18,031**	**₱948,646**
Newly originated assets that remained in Stage 1 as at year-end	**582,396**	**–**	**–**	**582,396**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**19,715**	**2,929**	**22,644**
Assets derecognized or repaid	**(403,597)**	**(55,549)**	**(5,808)**	**(464,954)**
Amounts written-off	**–**	**–**	**(2,300)**	**(2,300)**
Transfers to/(from) Stage 1	**(2,750)**	**–**	**–**	**(2,750)**
Transfers to/(from) Stage 2	**–**	**(4,449)**	**–**	**(4,449)**
Transfers to/(from) Stage 3	**–**	**–**	**7,199**	**7,199**
Others	**4,122**	**749**	**65**	**4,936**
Balance at December 31, 2022	**1,017,908**	**53,344**	**20,116**	**1,091,368**
Residential mortgage loans				
Balance at January 1, 2022	**82,183**	**9,668**	**5,633**	**97,484**
Newly originated assets that remained in Stage 1 as at year-end	**16,645**	**–**	**–**	**16,645**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**86**	**58**	**144**
Assets derecognized or repaid	**(14,269)**	**(4,161)**	**(1,873)**	**(20,303)**
Amounts written off	**–**		**(1)**	**(1)**
Transfers to/(from) Stage 1	**(13,672)**	**–**	**–**	**(13,672)**
Transfers to/(from) Stage 2	**–**	**14,312**	**–**	**14,312**
Transfers to/(from) Stage 3	**–**	**–**	**(640)**	**(640)**
Balance at December 31, 2022	**70,887**	**19,905**	**3,177**	**93,969**
Auto loans				
Balance at January 1, 2022	**60,531**	**12,122**	**3,973**	**76,626**
Newly originated assets that remained in Stage 1 as at year-end	**36,697**	**–**	**–**	**36,697**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**701**	**208**	**909**
Assets derecognized or repaid	**(24,801)**	**(7,108)**	**(2,202)**	**(34,111)**
Amounts written-off	**–**	**–**	**(626)**	**(626)**
Transfers to/(from) Stage 1	**(1,409)**	**–**	**–**	**(1,409)**
Transfers to/(from) Stage 2	**–**	**437**	**–**	**437**
Transfers to/(from) Stage 3	**–**	**–**	**972**	**972**
Balance at December 31, 2022	**71,018**	**6,152**	**2,325**	**79,495**
Credit card				
Balance at January 1, 2022	**80,294**	**687**	**1,131**	**82,112**
Newly originated assets that remained in Stage 1 as at year-end	**3,869**	**–**	**–**	**3,869**
Assets derecognized or repaid	**(484)**	**(218)**	**(107)**	**(809)**
Amounts written-off	**–**	**–**	**(4,439)**	**(4,439)**
Transfers to/(from) Stage 1	**(4,354)**	**–**	**–**	**(4,354)**
Transfers to/(from) Stage 2	**–**	**1,102**	**–**	**1,102**
Transfers to/(from) Stage 3	**–**	**–**	**3,252**	**3,252**
Others	**22,847**	**(721)**	**2,705**	**24,831**
Balance at December 31, 2022	**102,172**	**850**	**2,542**	**105,564**
Trade loans				
Balance at January 1, 2022	**49,910**	**1,832**	**346**	**52,088**
Newly originated assets that remained in Stage 1 as at year-end	**58,617**	**–**	**–**	**58,617**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**449**	**311**	**760**

(Forward)

	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
Assets derecognized or repaid	**(₱48,328)**	**(₱1,796)**	**(₱243)**	**(₱50,367)**
Transfers to/(from) Stage 1	**(13)**	**–**	**–**	**(13)**
Transfers to/(from) Stage 2	**–**	**13**	**–**	**13**
Others	**(8)**	**–**	**–**	**(8)**
Balance at December 31, 2022	**60,178**	**498**	**414**	**61,090**
Other loans				
Balance at January 1, 2022	**7,451**	**1,462**	**755**	**9,668**
Newly originated assets that remained in Stage 1 as at year-end	**7,324**	**–**	**–**	**7,324**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**158**	**14**	**172**
Assets derecognized or repaid	**(5,170)**	**(172)**	**(109)**	**(5,451)**
Amounts written-off	**–**	**–**	**(453)**	**(453)**
Transfers to/(from) Stage 1	**330**	**–**	**–**	**330**
Transfers to/(from) Stage 2	**–**	**(424)**	**–**	**(424)**
Transfers to/(from) Stage 3	**–**	**–**	**94**	**94**
Others	**445**	**–**	**–**	**445**
Balance at December 31, 2022	**10,380**	**1,024**	**301**	**11,705**
Total receivables from customers				
Balance at January 1, 2022	**1,118,106**	**118,649**	**29,869**	**1,266,624**
Newly originated assets that remained in Stage 1 as at year-end	**705,548**	**–**	**–**	**705,548**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**21,109**	**3,520**	**24,629**
Assets derecognized or repaid	**(496,649)**	**(69,004)**	**(10,342)**	**(575,995)**
Amounts written-off	**–**	**–**	**(7,819)**	**(7,819)**
Transfers to/(from) Stage 1	**(21,868)**	**–**	**–**	**(21,868)**
Transfers to/(from) Stage 2	**–**	**10,991**	**–**	**10,991**
Transfers to/(from) Stage 3	**–**	**–**	**10,877**	**10,877**
Others	**27,406**	**28**	**2,770**	**30,204**
Balance at December 31, 2022	**₱1,332,543**	**₱81,773**	**₱28,875**	**₱1,443,191**
2021				
Commercial loans				
Balance at January 1, 2021	₱786,361	₱139,356	₱16,225	₱941,942
Newly originated assets that remained in Stage 1 as at year-end	499,712	–	–	499,712
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	41,499	2,769	44,268
Assets derecognized or repaid	(471,857)	(68,005)	(3,965)	(543,827)
Amounts written-off	–	–	(186)	(186)
Transfers to/(from) Stage 1	17,942	–	–	17,942
Transfers to/(from) Stage 2	–	(20,732)	–	(20,732)
Transfers to/(from) Stage 3	–	–	2,790	2,790
Others	5,579	760	398	6,737
Balance at December 31, 2021	837,737	92,878	18,031	948,646
Residential mortgage loans				
Balance at January 1, 2021	69,753	32,365	3,688	105,806
Newly originated assets that remained in Stage 1 as at year-end	12,061	–	–	12,061
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	513	65	578
Assets derecognized or repaid	(15,749)	(4,103)	(1,109)	(20,961)
Transfers to/(from) Stage 1	16,118	–	–	16,118
Transfers to/(from) Stage 2	–	(19,107)	–	(19,107)
Transfers to/(from) Stage 3	–	–	2,989	2,989
Balance at December 31, 2021	82,183	9,668	5,633	97,484
Auto loans				
Balance at January 1, 2021	70,995	23,250	5,767	100,012
Newly originated assets that remained in Stage 1 as at year-end	20,011	–	–	20,011
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	340	60	400
Assets derecognized or repaid	(27,006)	(12,701)	(3,678)	(43,385)
Amounts written-off	–	–	(412)	(412)
Transfers to/(from) Stage 1	(3,469)	–	–	(3,469)
Transfers to/(from) Stage 2	–	1,233	–	1,233
Transfers to/(from) Stage 3	–	–	2,236	2,236
Balance at December 31, 2021	60,531	12,122	3,973	76,626

(Forward)

	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
Credit card				
Balance at January 1, 2021	₱75,539	₱921	₱5,273	₱81,733
Newly originated assets that remained in Stage 1 as at year-end	2,195	–	–	2,195
Assets derecognized or repaid	(757)	(302)	(229)	(1,288)
Amounts written-off	–	–	(15,267)	(15,267)
Transfers to/(from) Stage 1	(2,084)	–	–	(2,084)
Transfers to/(from) Stage 2	–	(248)	–	(248)
Transfers to/(from) Stage 3	–	–	2,332	2,332
Others	5,401	316	9,022	14,739
Balance at December 31, 2021	80,294	687	1,131	82,112
Trade loans				
Balance at January 1, 2021	30,529	6,163	376	37,068
Newly originated assets that remained in Stage 1 as at year-end	48,940	–	–	48,940
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	1,352	176	1,528
Assets derecognized or repaid	(29,610)	(5,710)	(208)	(35,528)
Transfers to/(from) Stage 1	(27)	–	–	(27)
Transfers to/(from) Stage 2	–	27	–	27
Others	78	–	2	80
Balance at December 31, 2021	49,910	1,832	346	52,088
Other loans				
Balance at January 1, 2021	12,933	2,038	773	15,744
Newly originated assets that remained in Stage 1 as at year-end	4,188	–	–	4,188
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	440	22	462
Assets derecognized or repaid	(9,587)	(437)	(177)	(10,201)
Amounts written-off	–	–	(130)	(130)
Transfers to/(from) Stage 1	97	–	–	97
Transfers to/(from) Stage 2	–	(383)	–	(383)
Transfers to/(from) Stage 3	–	–	286	286
Others	(180)	(196)	(19)	(395)
Balance at December 31, 2021	7,451	1,462	755	9,668
Total receivables from customers				
Balance at January 1, 2021	1,046,110	204,093	32,102	1,282,305
Newly originated assets that remained in Stage 1 as at year-end	587,107	–	–	587,107
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	44,144	3,092	47,236
Assets derecognized or repaid	(554,566)	(91,258)	(9,366)	(655,190)
Amounts written-off	–	–	(15,995)	(15,995)
Transfers to/(from) Stage 1	28,577	–	–	28,577
Transfers to/(from) Stage 2	–	(39,210)	–	(39,210)
Transfers to/(from) Stage 3	–	–	10,633	10,633
Others	10,878	880	9,403	21,161
Balance at December 31, 2021	₱1,118,106	₱118,649	₱29,869	₱1,266,624

	Parent Company				
	Receivables from Customers				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
2022					
Commercial loans					
Balance at January 1, 2022	**₱772,740**	**₱89,578**	**₱10,476**	**₱3,276**	**₱876,070**
Newly originated assets that remained in Stage 1 as at year-end	**565,660**	**–**	**–**	**–**	**565,660**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**19,629**	**2,687**	**–**	**22,316**
Assets derecognized or repaid	**(391,954)**	**(54,185)**	**(4,149)**	**(8)**	**(450,296)**
Amounts written off	**–**	**–**	**(284)**	**(1,638)**	**(1,922)**
Transfers to/(from) Stage 1	**(2,751)**	**–**	**–**	**–**	**(2,751)**
Transfers to/(from) Stage 2	**–**	**(3,451)**	**–**	**–**	**(3,451)**
Transfers to/(from) Stage 3	**–**	**–**	**6,202**	**–**	**6,202**
Others	**3,479**	**749**	**61**	**3**	**4,292**
Balance at December 31, 2022	**947,174**	**52,320**	**14,993**	**1,633**	**1,016,120**

(Forward)

	Parent Company				
	Receivables from Customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Residential mortgage loans					
Balance at January 1, 2022	**₱45,769**	**₱3,362**	**₱3,075**	**₱–**	**₱52,206**
Newly originated assets that remained in Stage 1 as at year-end	**12,209**	**–**	**–**	**–**	**12,209**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**–**	**20**	**–**	**20**
Assets derecognized or repaid	**(10,816)**	**(890)**	**(840)**	**–**	**(12,546)**
Amounts written off	**–**	**–**	**(1)**	**–**	**(1)**
Transfers to/(from) Stage 1	**1,213**	**–**	**–**	**–**	**1,213**
Transfers to/(from) Stage 2	**–**	**(608)**	**–**	**–**	**(608)**
Transfers to/(from) Stage 3	**–**	**–**	**(605)**	**–**	**(605)**
Balance at December 31, 2022	**48,375**	**1,864**	**1,649**	**–**	**51,888**
Auto loans					
Balance at January 1, 2022	**17,401**	**704**	**710**	**–**	**18,815**
Newly originated assets that remained in Stage 1 as at year-end	**8,727**	**–**	**–**	**–**	**8,727**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**188**	**1**	**–**	**189**
Assets derecognized or repaid	**(8,103)**	**(434)**	**(311)**	**–**	**(8,848)**
Amounts written off	**–**	**–**	**(9)**	**–**	**(9)**
Transfers to/(from) Stage 1	**(124)**	**–**	**–**	**–**	**(124)**
Transfers to/(from) Stage 2	**–**	**102**	**–**	**–**	**102**
Transfers to/(from) Stage 3	**–**	**–**	**22**	**–**	**22**
Balance at December 31, 2022	**17,901**	**560**	**413**	**–**	**18,874**
Credit card					
Balance at January 1, 2022	**80,294**	**687**	**1,131**	**–**	**82,112**
Newly originated assets that remained in Stage 1 as at year-end	**3,869**	**–**	**–**	**–**	**3,869**
Assets derecognized or repaid	**(484)**	**(218)**	**(107)**	**–**	**(809)**
Amounts written-off	**–**	**–**	**(4,439)**	**–**	**(4,439)**
Transfers to/(from) Stage 1	**(4,354)**	**–**	**–**	**–**	**(4,354)**
Transfers to/(from) Stage 2	**–**	**1,102**	**–**	**–**	**1,102**
Transfers to/(from) Stage 3	**–**	**–**	**3,252**	**–**	**3,252**
Others	**22,847**	**(721)**	**2,705**	**–**	**24,831**
Balance at December 31, 2022	**102,172**	**850**	**2,542**	**–**	**105,564**
Trade loans					
Balance at January 1, 2022	**46,537**	**1,832**	**346**	**–**	**48,715**
Newly originated assets that remained in Stage 1 as at year-end	**58,618**	**–**	**–**	**–**	**58,618**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**449**	**311**	**–**	**760**
Assets derecognized or repaid	**(46,524)**	**(1,796)**	**(243)**	**–**	**(48,563)**
Transfers to/(from) Stage 1	**(13)**	**–**	**–**	**–**	**(13)**
Transfers to/(from) Stage 2	**–**	**13**	**–**	**–**	**13**
Balance at December 31, 2022	**58,618**	**498**	**414**	**–**	**59,530**
Other loans					
Balance at January 1, 2022	**6,660**	**–**	**41**	**–**	**6,701**
Newly originated assets that remained in Stage 1 as at year-end	**6,931**	**–**	**–**	**–**	**6,931**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**–**	**1**	**–**	**1**
Assets derecognized or repaid	**(4,601)**	**–**	**(2)**	**–**	**(4,603)**
Transfers to/(from) Stage 1	**(4)**	**–**	**–**	**–**	**(4)**
Transfers to/(from) Stage 3	**–**	**–**	**4**	**–**	**4**
Others	**444**	**–**	**–**	**–**	**444**
Balance at December 31, 2022	**9,430**	**–**	**44**	**–**	**9,474**
Total receivables from customers					
Balance at January 1, 2022	**969,401**	**96,163**	**15,779**	**3,276**	**1,084,619**
Newly originated assets that remained in Stage 1 as at year-end	**656,014**	**–**	**–**	**–**	**656,014**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**20,266**	**3,020**	**–**	**23,286**
Assets derecognized or repaid	**(462,482)**	**(57,523)**	**(5,652)**	**(8)**	**(525,665)**
Amounts written-off	**–**	**–**	**(4,733)**	**(1,638)**	**(6,371)**
Transfers to/(from) Stage 1	**(6,033)**	**–**	**–**	**–**	**(6,033)**
Transfers to/(from) Stage 2	**–**	**(2,842)**	**–**	**–**	**(2,842)**
Transfers to/(from) Stage 3	**–**	**–**	**8,875**	**–**	**8,875**
Others	**26,770**	**28**	**2,766**	**3**	**29,567**
Balance at December 31, 2022	**₱1,183,670**	**₱56,092**	**₱20,055**	**₱1,633**	**₱1,261,450**

	Parent Company				
	Receivables from Customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
2021					
Commercial loans					
Balance at January 1, 2021	₱724,444	₱134,004	₱9,344	₱3,013	₱870,805
Newly originated assets that remained in Stage 1 as at year-end	480,774	–	–	–	480,774
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	40,969	2,308	–	43,277
Assets derecognized or repaid	(455,072)	(65,023)	(1,660)	–	(521,755)
Amounts written off	–	–	(2)	–	(2)
Transfers to/(from) Stage 1	20,455	–	–	–	20,455
Transfers to/(from) Stage 2	–	(20,839)	–	–	(20,839)
Transfers to/(from) Stage 3	–	–	384	–	384
Others	2,139	467	102	263	2,971
Balance at December 31, 2021	772,740	89,578	10,476	3,276	876,070
Residential mortgage loans					
Balance at January 1, 2021	38,729	15,990	672	–	55,391
Newly originated assets that remained in Stage 1 as at year-end	9,124	–	–	–	9,124
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	473	53	–	526
Assets derecognized or repaid	(10,588)	(1,941)	(306)	–	(12,835)
Transfers to/(from) Stage 1	8,504	–	–	–	8,504
Transfers to/(from) Stage 2	–	(11,160)	–	–	(11,160)
Transfers to/(from) Stage 3	–	–	2,656	–	2,656
Balance at December 31, 2021	45,769	3,362	3,075	–	52,206
Auto loans					
Balance at January 1, 2021	19,337	1,982	193	–	21,512
Newly originated assets that remained in Stage 1 as at year-end	8,264	–	–	–	8,264
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	223	12	–	235
Assets derecognized or repaid	(10,153)	(887)	(156)	–	(11,196)
Transfers to/(from) Stage 1	(47)	–	–	–	(47)
Transfers to/(from) Stage 2	–	(614)	–	–	(614)
Transfers to/(from) Stage 3	–	–	661	–	661
Balance at December 31, 2021	17,401	704	710	–	18,815
Credit card					
Balance at January 1, 2021	75,539	921	5,273	–	81,733
Newly originated assets that remained in Stage 1 as at year-end	2,195	–	–	–	2,195
Assets derecognized or repaid	(758)	(302)	(229)	–	(1,289)
Amounts written-off	–	–	(15,267)	–	(15,267)
Transfers to/(from) Stage 1	(2,084)	–	–	–	(2,084)
Transfers to/(from) Stage 2	–	(248)	–	–	(248)
Transfers to/(from) Stage 3	–	–	2,332	–	2,332
Others	5,402	316	9,022	–	14,740
Balance at December 31, 2021	80,294	687	1,131	–	82,112
Trade loans					
Balance at January 1, 2021	29,636	6,163	376	–	36,175
Newly originated assets that remained in Stage 1 as at year-end	46,538	–	–	–	46,538
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	1,352	176	–	1,528
Assets derecognized or repaid	(29,610)	(5,710)	(208)	–	(35,528)
Transfers to/(from) Stage 1	(27)	–	–	–	(27)
Transfers to/(from) Stage 2	–	27	–	–	27
Others	–	–	2	–	2
Balance at December 31, 2021	46,537	1,832	346	–	48,715
Other loans					
Balance at January 1, 2021	11,527	–	41	–	11,568
Newly originated assets that remained in Stage 1 as at year-end	3,985	–	–	–	3,985
Assets derecognized or repaid	(8,991)	–	–	–	(8,991)
Transfers to/(from) Stage 1	(1)	–	–	–	(1)
Transfers to/(from) Stage 3	–	–	1	–	1
Others	140	–	(1)	–	139
Balance at December 31, 2021	6,660	–	41	–	6,701

(Forward)

	Parent Company				
	Receivables from Customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Total receivables from customers					
Balance at January 1, 2021	₱899,212	₱159,060	₱15,899	₱3,013	₱1,077,184
Newly originated assets that remained in Stage 1 as at year-end	550,880	–	–	–	550,880
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	43,017	2,549	–	45,566
Assets derecognized or repaid	(515,172)	(73,863)	(2,559)	–	(591,594)
Amounts written-off	–	–	(15,269)	–	(15,269)
Transfers to/(from) Stage 1	26,800	–	–	–	26,800
Transfers to/(from) Stage 2	–	(32,834)	–	–	(32,834)
Transfers to/(from) Stage 3	–	–	6,034	–	6,034
Others	7,681	783	9,125	263	17,852
Balance at December 31, 2021	₱969,401	₱96,163	₱15,779	₱3,276	₱1,084,619

The credit quality of other receivables, gross of allowance for credit losses, as of December 31, 2022 and 2021 follows:

	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2022				
Unquoted debt securities				
High grade	**₱787**	**₱–**	**₱–**	**₱787**
Standard grade	**30**	**–**	**–**	**30**
Non-performing individually impaired	**–**	**–**	**386**	**386**
	817	**–**	**386**	**1,203**
Accrued interest receivable				
High grade	**10,885**	**172**	**–**	**11,057**
Standard grade	**2,848**	**3**	**–**	**2,851**
Watchlist grade	**36**	**81**	**–**	**117**
Classified grade	**–**	**542**	**–**	**542**
Sub-standard grade	**36**	**279**	**–**	**315**
Unrated	**150**	**136**	**–**	**286**
Non-performing individually impaired	**–**	**–**	**620**	**620**
	13,955	**1,213**	**620**	**15,788**
Sales contract receivable				
High grade	**2**	**–**	**–**	**2**
Sub-standard grade	**–**	**1**	**–**	**1**
Unrated	**18**	**–**	**–**	**18**
Non-performing individually impaired	**–**	**–**	**10**	**10**
	20	**1**	**10**	**31**
Other receivables				
Standard grade	**274**	**–**	**–**	**274**
Unrated	**5**	**–**	**–**	**5**
Non-performing individually impaired	**–**	**–**	**2**	**2**
	279	**–**	**2**	**281**
Total other receivables				
High grade	**11,674**	**172**	**–**	**11,846**
Standard grade	**3,152**	**3**	**–**	**3,155**
Watchlist grade	**36**	**81**	**–**	**117**
Classified grade	**–**	**542**	**–**	**542**
Sub-standard grade	**36**	**280**	**–**	**316**
Unrated	**173**	**136**	**–**	**309**
Non-performing individually impaired	**–**	**–**	**1,018**	**1,018**
	₱15,071	**₱1,214**	**₱1,018**	**₱17,303**
2021				
Unquoted debt securities				
High grade	₱950	₱–	₱–	₱950
Standard grade	65	–	–	65
Non-performing individually impaired	–	–	386	386
	1,015	–	386	1,401

(Forward)

	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
Accrued interest receivable				
High grade	₱8,018	₱162	₱–	₱8,180
Standard grade	1,811	65	–	1,876
Watchlist grade	32	18	–	50
Classified grade	14	417	–	431
Sub-standard grade	36	285	–	321
Unrated	8	234	–	242
Non-performing individually impaired	–	–	1,299	1,299
	9,919	1,181	1,299	12,399
Sales contract receivable				
High grade	3	–	–	3
Unrated	21	4	–	25
Non-performing individually impaired	–	–	13	13
	24	4	13	41
Other receivables				
Standard grade	302	–	–	302
Unrated	14	–	–	14
Non-performing individually impaired	–	–	2	2
	316	–	2	318
Total other receivables				
High grade	8,971	162	–	9,133
Standard grade	2,178	65	–	2,243
Watchlist grade	32	18	–	50
Classified grade	14	417	–	431
Sub-standard grade	36	285	–	321
Unrated	43	238	–	281
Non-performing individually impaired	–	–	1,700	1,700
	₱11,274	₱1,185	₱1,700	₱14,159

	Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2022				
Unquoted debt securities				
High grade	**₱170**	**₱–**	**₱–**	**₱170**
Non-performing individually impaired	**–**	**–**	**386**	**386**
	170	**–**	**386**	**556**
Accrued interest receivable				
High grade	**8,073**	**–**	**–**	**8,073**
Standard grade	**2,807**	**3**	**–**	**2,810**
Watchlist grade	**36**	**81**	**–**	**117**
Classified grade	**–**	**542**	**–**	**542**
Sub-standard grade	**36**	**8**	**–**	**44**
Unrated	**149**	**–**	**–**	**149**
Non-performing individually impaired	**–**	**–**	**506**	**506**
	11,101	**634**	**506**	**12,241**
Sales contract receivable				
Unrated	**18**	**–**	**–**	**18**
Non-performing individually impaired	**–**	**–**	**2**	**2**
	18	**–**	**2**	**20**
Other receivables				
Unrated	**1**	**–**	**–**	**1**
Non-performing individually impaired	**–**	**–**	**2**	**2**
	1	**–**	**2**	**3**
Total other receivables				
High grade	**8,243**	**–**	**–**	**8,243**
Standard grade	**2,807**	**3**	**–**	**2,810**
Watchlist grade	**36**	**81**	**–**	**117**
Classified grade	**–**	**542**	**–**	**542**
Sub-standard grade	**36**	**8**	**–**	**44**
Unrated	**168**	**–**	**–**	**168**
Non-performing individually impaired	**–**	**–**	**896**	**896**
	₱11,290	**₱634**	**₱896**	**₱12,820**

	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
2021				
Unquoted debt securities				
High grade	₱198	₱–	₱–	₱198
Non-performing individually impaired	–	–	386	386
	198	–	386	584
Accrued interest receivable				
High grade	5,272	–	–	5,272
Standard grade	1,772	65	–	1,837
Watchlist grade	32	18	–	50
Classified grade	14	417	–	431
Sub-standard grade	35	5	–	40
Unrated	7	–	–	7
Non-performing individually impaired	–	–	425	425
	7,132	505	425	8,062
Sales contract receivable				
Unrated	20	–	–	20
Non-performing individually impaired	–	–	3	3
	20	–	3	23
Other receivables				
Unrated	3	–	–	3
Non-performing individually impaired	–	–	2	2
	3	–	2	5
Total other receivables				
High grade	5,470	–	–	5,470
Standard grade	1,772	65	–	1,837
Watchlist grade	32	18	–	50
Classified grade	14	417	–	431
Sub-standard grade	35	5	–	40
Unrated	30	–	–	30
Non-performing individually impaired	–	–	816	816
	₱7,353	₱505	₱816	₱8,674

Movements during 2022 and 2021 for other receivables follow:

	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2022				
Balance at January 1, 2022	**₱11,274**	**₱1,185**	**₱1,700**	**₱14,159**
Newly originated assets that remained in Stage 1 as at year-end	**9,768**	**–**	**–**	**9,768**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**359**	**93**	**452**
Assets derecognized or repaid	**(5,764)**	**(402)**	**(845)**	**(7,011)**
Amounts written off	**–**	**–**	**(34)**	**(34)**
Transfers to/(from) Stage 1	**(176)**	**–**	**–**	**(176)**
Transfers to/(from) Stage 2	**–**	**72**	**–**	**72**
Transfers to/(from) Stage 3	**–**	**–**	**104**	**104**
Others	**(31)**	**–**	**–**	**(31)**
Balance at December 31, 2022	**₱15,071**	**₱1,214**	**₱1,018**	**₱17,303**
2021				
Balance at January 1, 2021	₱10,300	₱2,463	₱1,826	₱14,589
Newly originated assets that remained in Stage 1 as at year-end	7,345	–	–	7,345
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	233	42	275
Assets derecognized or repaid	(6,709)	(728)	(891)	(8,328)
Transfers to/(from) Stage 1	534	–	–	534
Transfers to/(from) Stage 2	–	(630)	–	(630)
Transfers to/(from) Stage 3	–	–	96	96
Others	(196)	(153)	627	278
Balance at December 31, 2021	₱11,274	₱1,185	₱1,700	₱14,159

	Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2022				
Balance at January 1, 2022	**₱7,353**	**₱505**	**₱816**	**₱8,674**
Newly originated assets that remained in Stage 1 as at year-end	**9,362**	**–**	**–**	**9,362**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**344**	**84**	**428**
Assets derecognized or repaid	**(5,388)**	**(157)**	**(39)**	**(5,584)**
Amounts written off	**–**	**–**	**(34)**	**(34)**
Transfers to/(from) Stage 1	**(11)**	**–**	**–**	**(11)**
Transfers to/(from) Stage 2	**–**	**(58)**	**–**	**(58)**
Transfers to/(from) Stage 3	**–**	**–**	**69**	**69**
Others	**(26)**	**–**	**–**	**(26)**
Balance at December 31, 2022	**₱11,290**	**₱634**	**₱896**	**₱12,820**
2021				
Balance at January 1, 2021	₱7,331	₱846	₱811	₱8,988
Newly originated assets that remained in Stage 1 as at year-end	5,773	–	–	5,773
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	220	27	247
Assets derecognized or repaid	(6,030)	(476)	(25)	(6,531)
Transfers to/(from) Stage 1	82	–	–	82
Transfers to/(from) Stage 2	–	(85)	–	(85)
Transfers to/(from) Stage 3	–	–	3	3
Others	197	–	–	197
Balance at December 31, 2021	₱7,353	₱505	₱816	₱8,674

The credit risk exposure on the accounts receivable of the Group and the Parent Company based on their aging as of December 31, 2022 and 2021 follows:

	Consolidated		Parent Company	
Age of accounts receivables	**2022**	2021	**2022**	2021
Up to 1 month	**₱4,803**	₱3,510	**₱3,036**	₱1,858
> 1 to 2 months	**65**	54	**22**	26
> 2 to 3 months	**35**	34	**3**	18
More than 3 months	**4,430**	4,416	**3,439**	3,470
Total gross carrying amount	**₱9,333**	₱8,014	**₱6,500**	₱5,372

The maximum exposure and credit quality of loan commitments and financial guarantees as of December 31, 2022 and 2021 follows:

	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2022				
High grade	**₱32,774**	**₱–**	**₱–**	**₱32,774**
Standard grade	**228,488**	**3,541**	–	**232,029**
Substandard grade	–	–	**1,424**	**1,424**
Unrated	**80,165**	**596**	–	**80,761**
	₱341,427	**₱4,137**	**₱1,424**	**₱346,988**
2021				
High grade	₱23,677	₱–	₱–	₱23,677
Standard grade	181,795	4,232	–	186,027
Substandard grade	–	–	2,093	2,093
Unrated	77,680	737	19	78,436
	₱283,152	₱4,969	₱2,112	₱290,233

	Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2022				
Standard grade	**₱228,366**	**₱3,541**	**₱–**	**₱231,907**
Substandard grade	**–**	**–**	**1,424**	**1,424**
Unrated	**80,166**	**596**	**–**	**80,762**
	₱308,532	**₱4,137**	**₱1,424**	**₱314,093**
2021				
Standard grade	₱181,773	₱4,232	₱–	₱186,005
Substandard grade	–	–	2,093	2,093
Unrated	77,680	737	19	78,436
	₱259,453	₱4,969	₱2,112	₱266,534

Movements during 2022 and 2021 for loan commitments and financial guarantees follow:

	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
2022				
Balance at January 1, 2022	**₱283,152**	**₱4,969**	**₱2,112**	**₱290,233**
New assets originated or purchased	**44,878**	**–**	**–**	**44,878**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**163**	**–**	**163**
Assets derecognized or repaid	**(27,297)**	**(1,081)**	**(967)**	**(29,345)**
Transfers to/(from) Stage 1	**(915)**	**–**	**–**	**(915)**
Transfers to/(from) Stage 2	**–**	**352**	**–**	**352**
Transfers to/(from) Stage 3	**–**	**–**	**563**	**563**
Others	**41,609**	**(266)**	**(284)**	**41,059**
Balance at December 31, 2022	**₱341,427**	**₱4,137**	**₱1,424**	**₱346,988**
2021				
Balance at January 1, 2021	₱279,038	₱4,191	₱2,496	₱285,725
New assets originated or purchased	50,978	–	–	50,978
Assets derecognized or repaid	(42,234)	(980)	(1,358)	(44,572)
Transfers to/(from) Stage 1	(3,355)	–	–	(3,355)
Transfers to/(from) Stage 2	–	2,284	–	2,284
Transfers to/(from) Stage 3	–	–	1,071	1,071
Others	(1,275)	(526)	(97)	(1,898)
Balance at December 31, 2021	₱283,152	₱4,969	₱2,112	₱290,233

	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
2022				
Balance at January 1, 2022	**₱259,453**	**₱4,969**	**₱2,112**	**₱266,534**
New assets originated or purchased	**35,782**	**–**	**–**	**35,782**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**163**	**–**	**163**
Assets derecognized or repaid	**(27,297)**	**(1,081)**	**(967)**	**(29,345)**
Transfers to/(from) Stage 1	**(915)**	**–**	**–**	**(915)**
Transfers to/(from) Stage 2	**–**	**352**	**–**	**352**
Transfers to/(from) Stage 3	**–**	**–**	**563**	**563**
Others	**41,509**	**(266)**	**(284)**	**40,959**
Balance at December 31, 2022	**₱308,532**	**₱4,137**	**₱1,424**	**₱314,093**
2021				
Balance at January 1, 2021	₱267,607	₱4,191	₱2,496	₱274,294
New assets originated or purchased	39,690	–	–	39,690
Assets derecognized or repaid	(42,213)	(980)	(1,358)	(44,551)
Transfers to/(from) Stage 1	(3,354)	–	–	(3,354)
Transfers to/(from) Stage 2	–	2,283	–	2,283
Transfers to/(from) Stage 3	–	–	1,071	1,071
Others	(2,277)	(525)	(97)	(2,899)
Balance at December 31, 2021	₱259,453	₱4,969	₱2,112	₱266,534

Breakdown of restructured receivables from customers by class are shown below:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Commercial loans	**₱6,451**	₱9,548	**₱5,515**	₱8,234
Residential mortgage loans	**119**	78	**56**	25
Auto loans	**1**	3	**–**	–
	₱6,571	₱9,629	**₱5,571**	₱8,259

As of December 31, 2022 and 2021, an analysis by past due status of receivables from customers wherein the SICR is based only on the past due information is as follows:

	Consolidated					
	Number of Days Past Due					
	Within 30 Days	**31-60 Days**	**61-90 Days**	**91-180 Days**	**Over 180 Days**	**Total**
2022						
Auto loans	**₱56,773**	**₱1,554**	**₱652**	**₱675**	**₱1,329**	**₱60,983**
Residential mortgage loans	**39,947**	**1,173**	**452**	**345**	**1,430**	**43,347**
Credit card	**–**	**1,092**	**847**	**1,492**	**1,043**	**4,474**
	₱96,720	**₱3,819**	**₱1,951**	**₱2,512**	**₱3,802**	**₱108,804**
2021						
Auto loans	₱996	₱1,848	₱754	₱852	₱2,401	₱6,851
Residential mortgage loans	1,987	1,491	528	593	3,356	7,955
Credit card	–	910	687	1,131	–	2,728
	₱2,983	₱4,249	₱1,969	₱2,576	₱5,757	₱17,534

	Parent Company					
	Number of Days Past Due					
	Within 30 Days	**31-60 Days**	**61-90 Days**	**91-180 Days**	**Over 180 Days**	**Total**
2022						
Auto loans	**₱37**	**₱13**	**₱11**	**₱19**	**₱283**	**₱363**
Residential mortgage loans	**242**	**73**	**44**	**88**	**821**	**1,268**
Credit card	–	**1,092**	**847**	**1,492**	**1,043**	**4,474**
	₱279	**₱1,178**	**₱902**	**₱1,599**	**₱2,147**	**₱6,105**
2021						
Auto loans	₱55	₱21	₱16	₱56	₱536	₱684
Residential mortgage loans	340	183	124	215	1,997	2,859
Credit card	–	910	687	1,131	–	2,728
	₱395	₱1,114	₱827	₱1,402	₱2,533	₱6,271

Liquidity Risk

Liquidity risk is the current and prospective risk to earnings or capital arising from the inability to meet its obligations when they become due. This may be caused by the inability to liquidate assets or to obtain funding to meet the liquidity needs. The Group manages its liquidity risk by holding adequate stock of high-quality liquid assets, analyzing net funding requirements over time, diversifying funding sources and contingency planning.

To measure the prospective liquidity needs, the Group uses Maximum Cumulative Outflow (MCO), a liquidity gap tool to project short-term and long-term cash flow expectations on a business-as-usual condition.

The MCO is generated by distributing the cash flows of the Group's assets, liabilities and off-balance sheet items to time bands based on cash flow expectations such as contractual maturity, nature of the account, behavioral patterns, projections on business strategies, and/or optionality of certain products. The incorporation of behavioral cash flow assumptions and business projections or targets results in a dynamic gap report that realistically captures the behavior of the products and creates a forward-looking cash flow projection.

Cash flows from assets are considered as cash inflows, while cash flows from liabilities are considered cash outflows. The net cash flows are determined for each given time period. If the inflows exceed the outflows, the Group is said to have a positive liquidity gap or has excess funds for the given time bucket. Conversely, if the outflows exceed the inflows, the Group is said to have a negative liquidity gap or has funding needs for the given time bucket.

The MCO is monitored regularly to ensure that it remains within the set limits. The Parent Company generates and monitors daily its MCO, while the subsidiaries generate the report at least monthly. The liquidity profile of the Group is reported monthly to the Parent Company's ALCO and ROC.

To supplement the business-as-usual scenario parameters reflected in the MCO report, the Group also conducts liquidity stress testing to determine the impact of extreme factors, scenarios and/or events to the Group's liquidity profile. Liquidity stress testing exercise is performed quarterly on a per firm basis, and at least annually on the Group-wide level.

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

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

The tables below summarize the maturity profile of financial instruments and gross-settled derivatives based on contractual undiscounted cash flows:

	Consolidated						
	On Demand	**Up to 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Beyond 1 Year**	**Total**
2022							
Financial Assets							
Cash and other cash items	**₱40,683**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱40,683**
Due from BSP	**221,394**	**31,266**	**–**	**–**	**–**	**–**	**252,660**
Due from other banks	**62,915**	**5,721**	**4,777**	**2,085**	**69**	**–**	**75,567**
Interbank loans receivable and SPURA	**16,705**	**51,406**	**4,427**	**640**	**519**	**212**	**73,909**
Investment securities at FVTPL							
FVTPL investments	**–**	**7,115**	**32,992**	**–**	**6**	**900**	**41,013**
Derivative assets							
Trading:							
Receive	**–**	**121,917**	**99,273**	**41,580**	**49,478**	**132,752**	**445,000**
Pay	**–**	**(119,239)**	**(95,931)**	**(39,365)**	**(46,852)**	**(119,685)**	**(421,072)**
	–	**2,678**	**3,342**	**2,215**	**2,626**	**13,067**	**23,928**
Investment securities at FVOCI	**–**	**72,844**	**8,837**	**39,054**	**44,349**	**430,094**	**595,178**
Investment securities at amortized cost	**–**	**607**	**2,489**	**2,217**	**1,910**	**424,757**	**431,980**
Loans and receivables							
Receivables from customers	**74,314**	**257,495**	**191,232**	**118,089**	**98,703**	**940,617**	**1,680,450**
Unquoted debt securities	**–**	**–**	**209**	**447**	**–**	**224**	**880**
Accrued interest receivable	**12,724**	**1,948**	**330**	**77**	**709**	**–**	**15,788**
Accounts receivable	**8,255**	**86**	**66**	**146**	**289**	**491**	**9,333**
Sales contract receivable	**11**	**1**	**3**	**2**	**3**	**13**	**33**
Other receivables	**3**	**8**	**19**	**23**	**58**	**170**	**281**
Other assets							
Returned checks and other cash items	**345**	**–**	**–**	**–**	**–**	**–**	**345**
Residual values of leased assets	**81**	**35**	**34**	**49**	**69**	**355**	**623**
Miscellaneous	**7**	**2**	**2**	**2**	**8**	**177**	**198**
	₱437,437	**₱431,212**	**₱248,759**	**₱165,046**	**₱149,318**	**₱1,811,077**	**₱3,242,849**

	Consolidated						
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	Total
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	₱581,473	₱–	₱–	₱–	₱–	₱–	₱581,473
Savings	898,078	–	–	–	–	–	898,078
Time	378	433,433	182,725	49,696	32,164	21,119	719,515
LTNCD	–	13	129	292	9,159	17,920	27,513
	1,479,929	433,446	182,854	49,988	41,323	39,039	2,226,579
Bills payable and SSURA	–	65,527	16,948	1,527	5,904	1,945	91,851
Manager's checks and demand drafts outstanding	6,501	–	–	–	–	–	6,501
Accrued interest payable	65	1,387	1,569	426	290	39	3,776
Accrued other expenses	6,550	1,946	388	–	209	–	9,093
Bonds payable	–	9	4,972	14,288	1,259	74,072	94,600
Lease liability	101	116	463	388	704	4,589	6,361
Subordinated debts	–	–	19	19	1,207	18	1,263
Non-equity non-controlling interest	10,139	–	–	–	–	–	10,139
Other liabilities							
Bills purchased - contra	8,209	–	–	–	–	–	8,209
Accounts payable	8,675	12,932	497	178	353	25	22,660
Marginal deposits	776	1,148	3,049	5,090	4,720	81	14,864
Outstanding acceptances	–	351	549	253	134	–	1,287
Deposits on lease contracts	122	99	53	60	105	540	979
Dividends payable	90	–	–	–	–	–	90
Miscellaneous	173	–	–	–	–	–	173
	1,521,330	516,961	211,361	72,217	56,208	120,348	2,498,425
Derivative liabilities*							
Trading:							
Pay	–	127,900	69,609	57,540	30,748	115,508	401,305
Receive	–	(124,982)	(67,726)	(55,513)	(29,556)	(108,116)	(385,893)
	–	2,918	1,883	2,027	1,192	7,392	15,412
Loan commitments and financial guarantees	237,881	4,323	20,921	14,512	56,482	12,869	346,988
	₱1,759,211	₱524,202	₱234,165	₱88,756	₱113,882	₱140,609	₱2,860,825
2021							
Financial Assets							
Cash and other cash items	₱41,302	₱–	₱–	₱–	₱–	₱–	₱41,302
Due from BSP	207,353	45,919	–	–	–	–	253,272
Due from other banks	42,566	3,023	3,199	76	8	–	48,872
Interbank loans receivable and SPURA	–	48,235	13,216	3,790	4,587	746	70,574
Investment securities at FVTPL							
FVTPL investments	–	6,545	34,255	–	–	47	40,847
Derivative assets							
Trading:							
Receive	–	78,932	42,595	28,168	18,488	134,683	302,866
Pay	–	(77,850)	(42,105)	(27,538)	(18,296)	(127,786)	(293,575)
	–	1,082	490	630	192	6,897	9,291
Investment securities at FVOCI	–	96,650	8,517	26,951	23,862	546,239	702,219
Investment securities at amortized cost	–	1,451	1,575	1,519	2,308	99,288	106,141
Loans and receivables							
Receivables from customers	64,107	222,251	153,296	85,799	99,042	849,241	1,473,736
Unquoted debt securities	–	–	254	–	65	799	1,118
Accrued interest receivable	9,313	2,187	294	49	556	–	12,399
Accounts receivable	7,090	30	32	209	161	492	8,014
Sales contract receivable	13	1	1	2	4	21	42
Other receivables	3	16	37	24	58	180	318
Other assets							
Returned checks and other cash items	640	–	–	–	–	–	640
Residual values of leased assets	91	29	42	50	135	392	739
Miscellaneous	36	1	3	1	9	184	234
	₱372,514	₱427,420	₱215,211	₱119,100	₱130,987	₱1,504,526	₱2,769,758

	Consolidated						
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	Total
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	₱588,434	₱–	₱–	₱–	₱–	₱–	₱588,434
Savings	874,283	–	–	–	–	–	874,283
Time	3,274	230,431	121,098	48,012	19,686	16,941	439,442
LTNCD	–	43	129	3,697	584	27,852	32,305
	1,465,991	230,474	121,227	51,709	20,270	44,793	1,934,464
Bills payable and SSURA	–	34,754	21,130	1,800	5,041	8,272	70,997
Manager's checks and demand drafts outstanding	5,396	–	–	–	–	–	5,396
Accrued interest payable	40	614	592	139	64	28	1,477
Accrued other expenses	5,439	1,467	109	–	214	–	7,229
Bonds payable	–	9	264	17,936	1,048	67,372	86,629
Subordinated debts	–	–	19	19	37	1,245	1,320
Non-equity non-controlling interest	10,619	–	–	–	–	–	10,619
Other liabilities							
Bills purchased - contra	6,233	–	–	–	–	–	6,233
Accounts payable	8,891	9,556	479	120	242	41	19,329
Marginal deposits	7	948	2,223	5,163	5,084	–	13,425
Outstanding acceptances	–	1,335	922	296	176	–	2,729
Deposits on lease contracts	147	102	68	73	213	550	1,153
Dividends payable	90	–	–	–	–	–	90
Lease liability	88	138	234	359	705	4,121	5,645
Miscellaneous	1,703	–	2	–	2	10	1,717
	1,504,644	279,397	147,269	77,614	33,096	126,432	2,168,452
Derivative liabilities*							
Trading:							
Pay	–	66,350	44,927	52,245	43,534	80,029	287,085
Receive	–	(65,464)	(44,117)	(48,905)	(42,894)	(75,371)	(276,751)
	–	886	810	3,340	640	4,658	10,334
Loan commitments and financial guarantees	193,154	6,651	19,103	9,648	41,659	20,018	290,233
	₱1,697,798	₱286,934	₱167,182	₱90,602	₱75,395	₱151,108	₱2,469,019

**Does not include derivatives embedded in financial and non-financial contracts.*

	Parent Company						
	On Demand	**Up to 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Beyond 1 Year**	**Total**
2022							
Financial Assets							
Cash and other cash items	**₱38,701**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱38,701**
Due from BSP	**215,074**	**–**	**–**	**–**	**–**	**–**	**215,074**
Due from other banks	**51,736**	**2,042**	**2,948**	**–**	**–**	**–**	**56,726**
Interbank loans receivable and SPURA	**–**	**52,275**	**9,165**	**3,121**	**923**	**212**	**65,696**
Investment securities at FVTPL							
FVTPL investments	**–**	**–**	**32,992**	**–**	**–**	**48**	**33,040**
Derivative assets							
Trading:							
Receive	**–**	**121,917**	**99,273**	**41,573**	**49,477**	**132,752**	**444,992**
Pay	**–**	**(119,239)**	**(95,931)**	**(39,365)**	**(46,852)**	**(119,685)**	**(421,072)**
	–	**2,678**	**3,342**	**2,208**	**2,625**	**13,067**	**23,920**
Investment securities at FVOCI	**–**	**279**	**4,309**	**34,407**	**35,799**	**407,046**	**481,840**
Investment securities at amortized cost	**–**	**–**	**2,235**	**1,682**	**–**	**386,847**	**390,764**
Loans and receivables							
Receivables from customers	**68,929**	**246,525**	**171,603**	**98,095**	**76,031**	**762,890**	**1,424,073**
Unquoted debt securities	**–**	**–**	**–**	**–**	**–**	**224**	**224**
Accrued interest receivable	**12,241**	**–**	**–**	**–**	**–**	**–**	**12,241**
Accounts receivable	**6,500**	**–**	**–**	**–**	**–**	**–**	**6,500**
Sales contract receivable	**7**	**1**	**1**	**2**	**3**	**8**	**22**
Other receivables	**3**	**–**	**–**	**–**	**–**	**–**	**3**
Other assets							
Returned checks and other cash items	**333**	**–**	**–**	**–**	**–**	**–**	**333**
	₱393,524	**₱303,800**	**₱226,595**	**₱139,515**	**₱115,381**	**₱1,570,342**	**₱2,749,157**

	Parent Company						
	On Demand	**Up to 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Beyond 1 Year**	**Total**
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	**₱536,516**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱536,516**
Savings	**851,860**	**–**	**–**	**–**	**–**	**–**	**851,860**
Time	**–**	**338,163**	**139,951**	**34,415**	**17,193**	**984**	**530,706**
LTNCD	**–**	**13**	**66**	**228**	**9,032**	**12,772**	**22,111**
	1,388,376	**338,176**	**140,017**	**34,643**	**26,225**	**13,756**	**1,941,193**
Bills payable and SSURA	**–**	**60,929**	**14,080**	**1,573**	**129**	**11**	**76,722**
Manager's checks and demand drafts outstanding	**5,487**	**–**	**–**	**–**	**–**	**–**	**5,487**
Accrued interest payable	**39**	**1,161**	**870**	**408**	**64**	**39**	**2,581**
Accrued other expenses	**6,534**	**–**	**–**	**–**	**–**	**–**	**6,534**
Bonds payable	**–**	**9**	**303**	**14,288**	**1,259**	**74,072**	**89,931**
Lease liability	**97**	**78**	**82**	**232**	**416**	**3,409**	**4,314**
Subordinated debts	**–**	**–**	**19**	**19**	**1,207**	**18**	**1,263**
Other liabilities							
Bills purchased - contra	**8,209**	**–**	**–**	**–**	**–**	**–**	**8,209**
Accounts payable	**1,090**	**12,575**	**–**	**–**	**–**	**–**	**13,665**
Outstanding acceptances	**–**	**351**	**549**	**253**	**134**	**–**	**1,287**
Marginal deposits	**–**	**–**	**894**	**–**	**–**	**–**	**894**
	1,409,832	**413,279**	**156,814**	**51,416**	**29,434**	**91,305**	**2,152,080**
Derivative liabilities*							
Trading:							
Pay	**–**	**127,900**	**69,609**	**57,533**	**30,746**	**115,508**	**401,296**
Receive	**–**	**(124,982)**	**(67,726)**	**(55,513)**	**(29,557)**	**(108,116)**	**(385,894)**
	–	**2,918**	**1,883**	**2,020**	**1,189**	**7,392**	**15,402**
Loan commitments and financial guarantees	**237,759**	**4,323**	**20,921**	**14,512**	**23,709**	**12,869**	**314,093**
	₱1,647,591	**₱420,520**	**₱179,618**	**₱67,948**	**₱54,332**	**₱111,566**	**₱2,481,575**
2021							
Financial Assets							
Cash and other cash items	₱38,452	₱–	₱–	₱–	₱–	₱–	₱38,452
Due from BSP	199,974	–	–	–	–	–	199,974
Due from other banks	30,395	3,021	2,834	–	–	–	36,250
Interbank loans receivable and SPURA	–	36,699	12,446	1,620	4,587	746	56,098
Investment securities at FVTPL							
FVTPL investments	–	–	32,048	–	–	47	32,095
Derivative assets							
Trading:							
Receive	–	78,931	42,589	28,130	18,475	134,683	302,808
Pay	–	(77,850)	(42,105)	(27,539)	(18,296)	(127,786)	(293,576)
	–	1,081	484	591	179	6,897	9,232
Investment securities at FVOCI	–	41,099	5,162	19,817	18,855	529,268	614,201
Investment securities at amortized cost	–	–	–	163	–	74,089	74,252
Loans and receivables							
Receivables from customers	56,861	216,872	137,095	73,199	60,747	675,378	1,220,152
Unquoted debt securities	–	–	–	–	–	299	299
Accrued interest receivable	8,062	–	–	–	–	–	8,062
Accounts receivable	5,372	–	–	–	–	–	5,372
Sales contract receivable	8	1	1	2	3	9	24
Other receivables	5	–	–	–	–	–	5
Other assets							
Returned checks and other cash items	611	–	–	–	–	–	611
	₱339,740	₱298,773	₱190,070	₱95,392	₱84,371	₱1,286,733	₱2,295,079
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	₱535,847	₱–	₱–	₱–	₱–	₱–	₱535,847
Savings	830,247	–	–	–	–	–	830,247
Time	–	154,121	70,293	33,796	14,349	976	273,535
LTNCD	–	13	66	229	457	22,261	23,026
	1,366,094	154,134	70,359	34,025	14,806	23,237	1,662,655
Bills payable and SSURA	–	31,173	20,872	37	33	423	52,538
Manager's checks and demand drafts outstanding	4,803	–	–	–	–	–	4,803

(Forward)

	Parent Company						
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	Total
Accrued interest payable	₱19	₱410	₱270	₱139	₱12	₱28	₱878
Accrued other expenses	5,425	–	–	–	–	–	5,425
Bonds payable	–	9	244	17,886	943	62,669	81,751
Subordinated debts	–	–	19	19	37	1,245	1,320
Other liabilities							
Bills purchased - contra	6,233	–	–	–	–	–	6,233
Accounts payable	1,201	9,166	–	–	–	–	10,367
Outstanding acceptances	–	1,335	922	296	176	–	2,729
Marginal deposits	–	–	153	–	–	–	153
Lease liability	84	70	140	200	392	2,808	3,694
	1,383,859	196,297	92,979	52,602	16,399	90,410	1,832,546
Derivative liabilities*							
Trading:							
Pay	–	66,349	44,921	52,207	40,860	80,029	284,366
Receive	–	(65,464)	(44,117)	(48,905)	(40,333)	(75,371)	(274,190)
	–	885	804	3,302	527	4,658	10,176
Loan commitments and financial guarantees	193,133	6,651	19,102	9,648	17,982	20,018	266,534
	₱1,576,992	₱203,833	₱112,885	₱65,552	₱34,908	₱115,086	₱2,109,256

**Does not include derivatives embedded in financial and non-financial contracts.*

Market Risk

Market risk is the possibility 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, and other market factors. Market risk originates from holdings in foreign currencies, debt securities and derivatives transactions.

Depending on the business model for the product, that is, whether they belong to the trading book or banking book, the Group applies different tools and processes to manage market risk exposures. Risk limits, approved by the BOD, are enforced to monitor and control this risk. RSK, as an independent body under the ROC, performs daily market risk analyses to ensure compliance to policies and limits, while Treasury Group manages the asset/liability risks arising from both banking book and trading operations in financial markets. The ALCO, chaired by the President, manages market risks within the parameters approved by the BOD.

As part of group supervision, the Parent Company regularly coordinates with subsidiaries to monitor their compliance to their respective risk tolerances and to ensure alignment of risk management practices. Each subsidiary has its own risk management unit responsible for monitoring its market risk exposures. The Parent Company, however, requires regular submission of market risk profiles from subsidiaries which are presented to ALCO and ROC in both individual and consolidated forms to provide senior management and ROC a holistic perspective and ensure alignment of strategies and risk appetite across the Group.

Market risk - trading book

In measuring the potential loss in its trading portfolio, the Parent Company uses Value-at-Risk (VaR). VaR is an estimate of the potential decline in the value of a portfolio, under normal market conditions, for a given "confidence level" over a specified holding period. The Parent Company measures and monitors the Trading Book VaR daily and this value is compared against the set VaR limit. Meanwhile, the Group VaR is monitored and reported monthly.

VaR methodology assumptions and parameters

Historical Simulation (HS) is used to compute the VaR. This method assumes that market rates volatility in the future will follow the same movement that occurred within the 260-day historical period. In calculating VaR, a 99.00% confidence level and a one-day holding period are assumed.

This means that, statistically, within a one-day horizon, the trading losses will exceed VaR in 1 out of 100 trading days.

Like any other model, the HS method has its own limitations. To wit, it cannot predict volatility levels which did not happen in the specified historical period. The validity of the VaR model is verified through a daily backtesting analysis, which examines how frequently both actual and hypothetical daily losses exceed VaR. The result of the daily backtesting analysis is reported to the ALCO and ROC monthly.

A summary of the VaR levels of the trading portfolio of the Parent Company appears below:

	Rates and FX	Fixed Income	FX Options
As of December 31, 2022			
December 29	**₱320.71**	**₱170.14**	**₱1.13**
Average	**286.32**	**201.64**	**1.05**
Highest	**596.04**	**495.86**	**9.07**
Lowest	**83.06**	**94.88**	**0.07**
As of December 31, 2021			
December 31	₱70.23	₱111.55	₱1.51
Average	88.42	97.98	7.88
Highest	210.43	300.29	29.64
Lowest	44.37	31.31	0.15

Rates and Foreign Exchange (FX) VaR is the correlated VaR of the following products: FX spot, outright forward, non-deliverable forwards, FX swaps, interest rate swaps, and cross-currency swaps. The Fixed Income VaR is the correlated VaR of these products: peso and foreign currency bonds, bond forwards and credit default swaps (CDS).

Subsidiaries with trading books perform daily mark-to-market valuation and VaR calculations for their exposures. Risk exposures are bounded by a system of risk limits and monitoring tools to effectively manage these risks.

The table below summarizes the VaR levels of FMIC and PSBank:

	FMIC		PSBank	
	Bonds		Bonds	
	PHP	USD	PHP	FX
As of December 31, 2022				
December 30			**₱0.001**	**₱0.857**
Average			**0.002**	**1.669**
Highest			**0.001**	**0.263**
Lowest			–	–
As of December 31, 2021				
December 29	₱2.05	₱0.00	₱0.001	₱0.45
Average	9.95	0.28	2.18	0.54
Highest	37.87	3.74	8.31	1.07
Lowest	2.05	1.02	0.00	0.01

The limitations of the VaR methodology are recognized by supplementing VaR limits with other position and sensitivity limit structures and by doing stress testing analysis. These processes address potential product concentration risks, monitor portfolio vulnerability and give the management an early advice if an actual loss goes beyond what is deemed to be tolerable to the Group and the Parent Company, even before the VaR limit is hit.

Stress testing is performed by the Parent Company on a quarterly basis and the results are reported to the ALCO and, subsequently, to the ROC and BOD. On a group-wide perspective, stress testing is done, at least, annually. The results are reported by the Parent Company's Risk Management Group to the BOD through ROC.

Market risk - banking book
The Group has in place their own risk management system and processes to quantify and manage market risks in the banking book. To the extent applicable, these are generally aligned with the Parent's framework/tools.

The Group assesses interest rate risk in the banking book using measurement tools such as Interest Rate Repricing Gap, Earnings-at-Risk (EaR), Delta Economic Value of Equity (ΔEVE) and Sensitivity Analysis.

Interest Rate Repricing Gap is a tool that distributes rate-sensitive assets and liabilities into pre-defined tenor buckets according to time remaining to their maturity (if fixed rate) or repricing (if floating rate). Items lacking definitive repricing schedules (for example, current and savings account) and items with actual maturities that could vary from contractual maturities (for example, securities with embedded options) are assigned to repricing tenor buckets based on an analysis of historical patterns, past experience and/or expert judgment.

EaR measures the possible decline in the Group's net interest income as a result of adverse interest rate movements, given the current repricing profile. It is a tool used to evaluate the sensitivity of the accrual portfolio to changes in interest rates in the adverse direction over the next twelve (12) months.

EaR methodology assumptions and parameters
The Group calculates EaR using Historical Simulations (HS) approach, with one-year horizon and using five years data. EaR is then derived as the 99th percentile biggest drop in net interest income.

The table below shows the EaR profile of the Parent Company and certain subsidiaries as of December 31, 2022 and 2021:

	Parent Company	PSBank	ORIX Metro	Group
2022	**(₱4,422.29)**	**(₱448.88)**	**(₱28.18)**	**(₱4,671.29)**
2021	(₱1,730.80)	(₱362.00)	(₱124.00)	(₱2,048.93)

The Parent Company generates and monitors daily its EaR exposure while the subsidiaries generate their EaR reports at least monthly.

The Parent Company employs the Delta EVE model to measure the overall change in the economic value of the bank at one point. It reflects the changes in the net present value of its banking book at different interest rate shocks and stress scenarios. ΔEVE is calculated by slotting the notional repricing cash flows arising from rate-sensitive assets and liabilities into pre-defined tenor buckets. The present value of the net repricing cash flows is then calculated using various interest rate scenarios prescribed by Basel, as well as scenarios internally developed by the Parent Company. For 2022 and 2021, the ΔEVE of the Parent Company ranges from (₱0.1 billion) to (₱0.5 billion) and (₱0.1 billion) to (₱25.4 billion), respectively. As of December 31, 2022 and 2021, the ΔEVE stood at (₱1.2 billion) (0.56% of Common Equity Tier 1 (CET1) Capital) and (₱0.5 billion) (0.24% of CET1 Capital), respectively. The Parent Company has adequate capital to support potential change in value of equity even at worst stress scenario.

Aside from the tools above, the Parent Company and its subsidiaries perform regular sensitivity and stress testing analyses on their banking books to broaden their forward-looking analysis. This way, management can craft strategies to address and/or arrest probable risks, if necessary.

Foreign currency risk

Foreign exchange risk is the probability of loss to earnings or capital arising from changes in foreign exchange rates. Foreign currency liabilities generally consist of foreign currency deposits in the Group's FCDU account. Foreign currency deposits are generally used to fund the Group's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency liabilities with the foreign currency assets held in FCDUs. Outside the FCDU, the Group has additional foreign currency assets and liabilities in its foreign branch network. The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines.

The following table sets forth, for the year indicated, the impact of reasonably possible changes in the USD exchange rate and other currencies per Philippine peso on pre-tax income and equity:

	Consolidated						**Parent Company**					
	2022			2021			**2022**			2021		
Currency	**Change in Currency Rate in %**	**Effect on Profit before Tax**	**Effect on Equity**	Change in Currency Rate in %	Effect on Profit before Tax	Effect on Equity	**Change in Currency Rate in %**	**Effect on Profit before Tax**	**Effect on Equity**	Change in Currency Rate in %	Effect on Profit before Tax	Effect on Equity
USD	**+1.00%**	**3.52**	**2.08**	+1.00%	18.80	2.15	**+1.00%**	**2.56**	**(1.66)**	+1.00%	5.85	(2.25)
EUR	**+1.00%**	**1.33**	**0.00**	+1.00%	(2.04)	0.00	**+1.00%**	**1.34**	**0.00**	+1.00%	(2.04)	0.00
JPY	**+1.00%**	**11.59**	**0.00**	+1.00%	7.15	0.00	**+1.00%**	**11.59**	**0.00**	+1.00%	7.15	0.00
GBP	**+1.00%**	**(0.34)**	**0.00**	+1.00%	1.04	0.00	**+1.00%**	**(0.34)**	**0.00**	+1.00%	1.04	0.00
Others	**+1.00%**	**36.62**	**0.00**	+1.00%	43.59	0.00	**+1.00%**	**36.62**	**0.00**	+1.00%	43.59	0.00
USD	**-1.00%**	**(3.52)**	**(2.08)**	-1.00%	(18.80)	(2.15)	**-1.00%**	**(2.56)**	**1.66**	-1.00%	(5.85)	2.25
EUR	**-1.00%**	**(1.33)**	**0.00**	-1.00%	2.04	0.00	**-1.00%**	**(1.34)**	**0.00**	-1.00%	2.04	0.00
JPY	**-1.00%**	**(11.59)**	**0.00**	-1.00%	(7.15)	0.00	**-1.00%**	**(11.59)**	**0.00**	-1.00%	(7.15)	0.00
GBP	**-1.00%**	**0.34**	**0.00**	-1.00%	(1.04)	0.00	**-1.00%**	**0.34**	**0.00**	-1.00%	(1.04)	0.00
Others	**-1.00%**	**(36.62)**	**0.00**	-1.00%	(43.59)	0.00	**-1.00%**	**(36.62)**	**0.00**	-1.00%	(43.59)	0.00

Information relating to the Parent Company's currency derivatives is included in Note 8. As of December 31, 2022 and 2021, the Parent Company has outstanding foreign currency spot transactions (in equivalent peso amounts) of ₱18.6 billion and ₱10.9 billion, respectively (sold), and ₱18.4 billion and ₱11.2 billion, respectively (bought).

The impact on the Parent Company's equity already excludes the impact on transactions affecting the statements of income.

IBOR reform

Following the decision by global regulators to phase out IBORs and replace them with alternative benchmark reference rates, the Parent Company created a transition team early on to assess the business and customer impact and to establish a viable transition and communication plan. The team involves stakeholders from different units across the Parent Company and ensures compliance with the requirements of BSP Memorandum No. M-2020-083 (Transition from the LIBOR and Reporting Requirements on LIBOR-Related Exposures). The Parent Company is continuously working on the transition of its IBOR exposure to RFRs.

IBOR reform exposes the Parent Company to various risks, which the project team is managing and monitoring closely. These risks include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform.
- Financial risk to the Parent Company and its clients that markets are disrupted due to IBOR reform giving rise to financial losses.

- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable.
- Operational risk arising from changes to the Parent Company's IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available.

The tables below show the Group and the Parent Company's exposure to significant IBORs subject to reform that have yet to transition to risk free rates as of December 31, 2022 and 2021:

	Consolidated				
		Derivative Assets		Derivative Liabilities	
	Loans and Receivables	Carrying Value	Notional Amount	Carrying Value	Notional Amount
2022					
USD LIBOR	**₱83,169**	**₱3,387**	**₱18,255**	**₱5,559**	**₱50,375**
PHIREF	**–**	**135**	**9,439**	**1,263**	**38,100**
	₱83,169	**₱3,522**	**₱27,694**	**₱6,822**	**₱88,475**
2021					
USD LIBOR	₱60,292	₱3,578	₱94,859	₱2,837	₱100,507
PHIREF	–	266	16,360	498	25,194
	₱60,292	₱3,844	₱111,219	₱3,335	₱125,701

	Parent Company				
		Derivative Assets		Derivative Liabilities	
	Loans and Receivables	Carrying Value	Notional Amount	Carrying Value	Notional Amount
2022					
USD LIBOR	**₱83,169**	**₱3,387**	**₱18,255**	**₱5,559**	**₱50,375**
PHIREF	**–**	**135**	**9,439**	**1,263**	**38,100**
	₱83,169	**₱3,522**	**₱27,694**	**₱6,822**	**₱88,475**
2021					
USD LIBOR	₱60,292	₱3,578	₱94,859	₱2,734	₱97,902
PHIREF	–	266	16,360	498	25,194
	₱60,292	₱3,844	₱111,219	₱3,232	₱123,096

Capital Management

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

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

BSP Reporting

Regulatory Qualifying Capital

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

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

The details of CAR, as reported to the BSP, as of December 31, 2022 and 2021 follow:

	Consolidated		**Parent Company**	
	2022	2021	**2022**	2021
Tier 1 capital	**₱316,142**	₱315,542	**₱306,824**	₱306,812
CET1 Capital	**316,142**	315,542	**306,824**	306,812
Less: Required deductions	**33,001**	32,860	**101,457**	93,001
Net Tier 1 Capital	**283,141**	282,682	**205,367**	213,811
Tier 2 capital	**14,337**	12,463	**11,935**	10,277
Total Qualifying Capital	**₱297,478**	₱295,145	**₱217,302**	₱224,088
Credit Risk-Weighted Assets	**₱1,429,964**	₱1,218,442	**₱1,191,825**	₱1,001,293
Market Risk-Weighted Assets	**68,546**	67,394	**55,124**	53,099
Operational Risk-Weighted Assets	**184,027**	180,534	**135,512**	122,373
Total Risk-Weighted Assets	**1,682,537**	1,466,370	**1,382,461**	1,176,765
CET1 Ratio*	**16.83%**	19.28%	**14.86%**	18.17%
Tier 1 capital ratio	**16.83%**	19.28%	**14.86%**	18.17%
Total capital ratio	**17.68%**	20.13%	**15.72%**	19.04%

** of which capital conservation buffer in 2022 and 2021 is 10.83% and 13.28% for the Group and 8.86% and 12.17%, respectively, for the Parent Company.*

Qualifying capital and risk-weighted assets (RWA) are computed based on BSP regulations. Under Basel III, the regulatory qualifying capital of the Parent Company consists of CET1 capital, which comprises paid-up common stock, additional paid-in capital, retained earnings, including current year profit, retained earnings reserves, OCI and non-controlling interest less required regulatory deductions. The other component of regulatory capital is Tier 2 (supplementary) capital, which includes unsecured subordinated debts and general loan loss provision. RWA consist of total assets excluding cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board (MB) of the BSP. Operational RWA are computed using the Basic Indicator Approach.

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

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

Basel III Leverage Ratio (BLR)
BSP Circular Nos. 881 and 990 cover the implementing guidelines on the BLR framework designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.00%. Effective July 1, 2018, the monitoring of the leverage ratio was implemented as a Pillar I minimum requirement.

The details of the BLR, as reported to the BSP, as of December 31, 2022 and 2021 follow:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Tier 1 Capital	**₱283,141**	₱282,682	**₱205,367**	₱213,811
Exposure Measure	**₱3,016,548**	₱2,579,529	**₱2,598,795**	₱2,184,771
BLR	**9.39%**	10.96%	**7.90%**	9.79%

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

Liquidity Coverage Ratio (LCR)
BSP Circular No. 905 provides the implementing guidelines on LCR and disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high-quality liquid assets to total net cash outflows which should not be lower than 100.00%. Compliance with the LCR minimum requirement commenced on January 1, 2018 with the prescribed minimum ratio of 90.00% for 2018 and 100.00% effective January 1, 2019. As of December 31, 2022 and 2021, the LCR in single currency as reported to the BSP, was at 244.84% and 327.33%, respectively, for the Group, and 265.21% and 394.05%, respectively, for the Parent Company.

Net Stable Funding Ratio (NSFR)
On June 6, 2018, the BSP issued BSP Circular No.1007 covering the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards – NSFR. The NSFR is aimed to promote long-term resilience against liquidity risk by requiring banks to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. It complements the LCR, which promotes short term resilience of a bank's liquidity profile. Banks shall maintain an NSFR of at least 100 percent (100%) at all times. The implementation of the minimum NSFR shall be phased in to help ensure that covered banks can meet the standard through reasonable measures without disrupting credit extension and financial market activities. An observation period was set from July 1 to December 31, 2018. Effective, January 1, 2019, banks shall comply with the prescribed minimum ratio of 100%. As of December 31, 2022 and 2021, the NSFR as reported to the BSP, was at 158.25% % and 176.18%, respectively, for the Group, and 156.73% and 175.35%, respectively, for the Parent Company.

5. Fair Value Measurement

Financial Instruments
The methods and assumptions used by the Group and the Parent Company in estimating the fair values of financial assets and financial liabilities are:

Cash and other cash items, due from BSP and other banks and interbank loans receivable and SPURA
The carrying amounts of instruments with long-term maturities are not material to the financial statements, thus, fair values of these instruments were based on their carrying amounts.

Trading and investment securities
Fair values of debt and equity securities are generally based on quoted market prices. Where the debt securities are not quoted or the market prices are not readily available, the Group and the Parent Company obtained valuations from independent parties offering pricing services, used adjusted quoted market prices of comparable investments, or applied discounted cash flow methodologies. For equity securities that are not quoted, remeasurement to their fair values is not material to the financial statements.

Derivative instruments
Fair values are estimated based on quoted market prices, prices provided by independent parties, or prices derived using acceptable valuation models. The models utilize published underlying rates (for example, interest rates, FX rates, CDS rates, FX volatilities and spot and forward FX rates) and are implemented through validated calculation engines.

Loans and receivables
Fair values of the Group's loans and receivables are estimated using the discounted cash flow methodology, using current incremental lending rates for similar types of loans. Where the instrument reprices on a quarterly basis or has a relatively short maturity, the carrying amounts approximate fair values.

Liabilities
Fair values are estimated using the discounted cash flow methodology using the Group's current borrowing rate for similar borrowings with maturities consistent with those remaining for the liability being valued, if any. The carrying amounts of demand and savings deposit liabilities and other short-term liabilities approximate fair values considering that these are either due and demandable or with short-term maturities.

Non-Financial Assets
Investment properties
Fair value of investment properties is determined based on valuations performed by independent and in-house appraisers using a valuation technique with significant inputs that are not based on observable market data (Level 3). The valuation of investment properties was based on the Sales Comparison Approach and considered recent sales of similar or substitute properties in the same areas where the investment properties are located, taking into account the economic conditions prevailing at the time of the valuation. Other factors considered were the location and shape of the properties, environmental issues, development controls such as the height restrictions, building coverage and floor area ratio restrictions, among others. The fair value of investment properties is based on its highest and best use, which is their current use.

The following tables summarize the carrying amounts and fair values of assets and liabilities, analyzed among those whose fair value is based on:
- Quoted market prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and

- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Consolidated				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
2022					
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
FVTPL investments					
Debt securities					
Treasury notes and bonds	**₱12,767**	**₱12,767**	**₱–**	**₱–**	**₱12,767**
Government	**14,500**	**14,500**	**–**	**–**	**14,500**
Private	**3,858**	**3,858**	**–**	**–**	**3,858**
Treasury bills	**564**	**564**	**–**	**–**	**564**
BSP	**308**	**308**	**–**	**–**	**308**
	31,997	**31,997**	**–**	**–**	**31,997**
Equity securities	**7,163**	**7,163**	**–**	**–**	**7,163**
Derivative assets					
Cross-currency swaps	**13,691**	**–**	**13,691**	**–**	**13,691**
Currency forwards	**6,670**	**–**	**6,670**	**–**	**6,670**
Bond futures	**34**	**–**	**34**	**–**	**34**
Interest rate swaps	**3,618**	**–**	**3,618**	**–**	**3,618**
Put option	**138**	**–**	**138**	**–**	**138**
Call option	**288**	**–**	**288**	**–**	**288**
	24,439	**–**	**24,439**	**–**	**24,439**
	63,599	**39,160**	**24,439**	**–**	**63,599**
Investment securities at FVOCI					
Debt securities					
Treasury notes and bonds	**333,117**	**332,935**	**182**	**–**	**333,117**
Government	**77,137**	**71,043**	**6,094**	**–**	**77,137**
Private	**50,037**	**49,704**	**333**	**–**	**50,037**
BSP	**67,857**	**67,857**	**–**	**–**	**67,857**
Treasury bills	**557**	**557**	**–**	**–**	**557**
	528,705	**522,096**	**6,609**	**–**	**528,705**
Equity securities	**1,759**	**1,543**	**216**	**–**	**1,759**
	530,464	**523,639**	**6,825**	**–**	**530,464**
	₱594,063	**₱562,799**	**₱31,264**	**₱–**	**₱594,063**
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Government	**₱44,542**	**₱42,078**	**₱304**	**₱–**	**₱42,382**
Private	**3,484**	**3,379**	**–**	**–**	**3,379**
Treasury bills	**249**	**248**	**–**	**–**	**248**
Treasury notes and bonds	**269,501**	**257,739**	**6,553**	**–**	**264,292**
	317,776	**303,444**	**6,857**	**–**	**310,301**
Loans and receivables - net					
Receivables from customers					
Commercial loans	**1,060,043**	**–**	**–**	**1,048,067**	**1,048,067**
Residential mortgage loans	**91,646**	**–**	**–**	**116,776**	**116,776**
Credit card	**97,296**	**–**	**–**	**97,296**	**97,296**
Auto loans	**75,682**	**–**	**–**	**86,138**	**86,138**
Trade loans	**60,322**	**–**	**–**	**60,322**	**60,322**
Others	**11,056**	**–**	**–**	**11,798**	**11,798**
	1,396,045	**–**	**–**	**1,420,397**	**1,420,397**
Unquoted debt securities	**812**	**–**	**–**	**823**	**823**
Sales contract receivable	**29**	**–**	**–**	**27**	**27**
	1,396,886	**–**	**–**	**1,421,247**	**1,421,247**
Other assets	**191**	**–**	**–**	**264**	**264**
	1,714,853	**303,444**	**6,857**	**1,421,511**	**1,731,812**
Non-Financial Assets					
Investment properties	**7,901**	**–**	**–**	**16,346**	**16,346**
Residual value of leased assets	**623**	**–**	**–**	**583**	**583**
	8,524	**–**	**–**	**16,929**	**16,929**
	₱1,723,377	**₱303,444**	**₱6,857**	**₱1,438,440**	**₱1,748,741**

	Consolidated				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Cross-currency swaps	**₱7,721**	**₱–**	**₱7,721**	**₱–**	**₱7,721**
Interest rate swaps	**1,383**	**–**	**1,383**	**–**	**1,383**
Currency forwards	**7,315**	**–**	**7,315**	**–**	**7,315**
Bond futures	**3**	**–**	**3**	**–**	**3**
Credit default swaps	**15**	**–**	**15**	**–**	**15**
Call option	**286**	**–**	**286**	**–**	**286**
Put option	**142**	**–**	**142**	**–**	**142**
Non-equity non-controlling interest	**10,139**	**–**	**10,139**	**–**	**10,139**
	₱27,004	**₱–**	**₱27,004**	**₱–**	**₱27,004**
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	**₱715,415**	**₱–**	**₱–**	**₱717,722**	**717,722**
LTNCD	**26,158**	**20,947**	**–**	**5,355**	**26,302**
	741,573	**20,947**	**–**	**723,077**	**744,024**
Bills payable and SSURA	**91,322**	**–**	**–**	**91,765**	**91,765**
Subordinated debts	**1,169**	**–**	**–**	**1,187**	**1,187**
Bonds payable	**88,409**	**81,388**	**–**	**4,631**	**86,019**
Other liabilities					
Deposits on lease contracts	**979**	**–**	**–**	**931**	**931**
	₱923,452	**₱102,335**	**₱–**	**₱821,591**	**₱923,926**
2021					
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
FVTPL investments					
Debt securities					
Treasury notes and bonds	₱15,064	₱15,064	₱–	₱–	₱15,064
Government	11,101	11,101	–	–	11,101
Private	4,116	4,116	–	–	4,116
Treasury bills	1,867	1,867	–	–	1,867
BSP	2,199	2,199	–	–	2,199
	34,347	34,347	–	–	34,347
Equity securities	6,592	6,592	–	–	6,592
Derivative assets					
Cross-currency swaps	6,401	–	6,401	–	6,401
Currency forwards	2,534	–	2,534	–	2,534
Interest rate swaps	906	–	906	–	906
Put option	3	–	3	–	3
Call option	9	–	9	–	9
	9,853	–	9,853	–	9,853
	50,792	40,939	9,853	–	50,792
Investment securities at FVOCI					
Debt securities					
Treasury notes and bonds	433,234	433,234	–	–	433,234
BSP	78,469	78,469	–	–	78,469
Government	76,743	76,743	–	–	76,743
Private	40,483	39,914	569	–	40,483
Treasury bills	18,053	18,053	–	–	18,053
	646,982	646,413	569	–	646,982
Equity securities	1,826	1,619	207	–	1,826
	648,808	648,032	776	–	648,808
	₱699,600	₱688,971	₱10,629	₱–	₱699,600
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Government	₱16,936	₱17,610	₱315	₱–	₱17,925
Private	3,713	2,708	1,090	–	3,798
Treasury bills	3,947	3,955	–	–	3,955
Treasury notes and bonds	59,214	60,843	–	–	60,843
	83,810	85,116	1,405	–	86,521

(Forward)

	Consolidated				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Loans and receivables – net					
Receivables from customers					
Commercial loans	₱916,735	₱–	₱–	₱911,000	₱911,000
Residential mortgage loans	95,032	–	–	116,105	116,105
Credit card	75,374	–	–	75,374	75,374
Auto loans	71,626	–	–	81,845	81,845
Trade loans	51,571	–	–	51,571	51,571
Others	8,494	–	–	9,814	9,814
	1,218,832	–	–	1,245,709	1,245,709
Unquoted debt securities	1,015	–	–	1,034	1,034
Sales contract receivable	38	–	–	37	37
	1,219,885			1,246,780	1,246,780
Other assets	234	–	–	234	234
	1,303,929	85,116	1,405	1,247,014	1,333,535
Non-Financial Assets					
Investment properties	7,327	–	–	14,987	14,987
Residual value of leased assets	739	–	–	629	629
	8,066	–	–	15,616	15,616
	₱1,311,995	₱85,116	₱1,405	₱1,262,630	₱1,349,151
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Cross-currency swaps	₱2,628	₱–	₱2,628	₱–	₱2,628
Interest rate swaps	2,528	–	2,528	–	2,528
Currency forwards	3,186	–	3,186	–	3,186
Call option	3	–	3	–	3
Put option	4	–	4	–	4
Non-equity non-controlling interest	10,619	–	10,619	–	10,619
	₱18,968	₱–	₱18,968	₱–	₱18,968
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	₱438,046	₱–	₱–	₱439,280	₱439,280
LTNCD	29,521	12,331	9,003	9,020	30,354
	467,567	12,331	9,003	448,300	469,634
Bills payable and SSURA	70,334	–	–	71,216	71,216
Subordinated debts	1,168	–	–	1,061	1,061
Bonds payable	79,823	76,283	–	4,625	80,908
Other liabilities					
Deposits on lease contracts	1,153	–	–	1,014	1,014
	₱620,045	₱88,614	₱9,003	₱526,216	₱623,833

	Parent Company				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
2022					
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
FVTPL investments					
Debt securities					
Treasury notes and bonds	**₱12,293**	**₱12,293**	**₱–**	**₱–**	**₱12,293**
Government	**14,425**	**14,425**	**–**	**–**	**14,425**
Private	**3,587**	**3,587**	**–**	**–**	**3,587**
Treasury bills	**564**	**564**	**–**	**–**	**564**
BSP	**308**	**308**	**–**	**–**	**308**
	31,177	**31,177**	**–**	**–**	**31,177**
Equity securities	**48**	**48**	**–**	**–**	**48**
Derivative assets					
Cross-currency swaps	**13,691**	**–**	**13,691**	**–**	**13,691**
Currency forwards	**6,664**	**–**	**6,664**	**–**	**6,664**
Bond futures	**34**	**–**	**34**	**–**	**34**
Interest rate swaps	**3,618**	**–**	**3,618**	**–**	**3,618**
Put option	**136**	**–**	**136**	**–**	**136**
Call option	**288**	**–**	**288**	**–**	**288**
	24,431	**–**	**24,431**	**–**	**24,431**
	55,656	**31,225**	**24,431**	**–**	**55,656**

(Forward)

	Parent Company				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Investment securities at FVOCI					
Debt securities					
Treasury notes and bonds	**₱329,146**	**₱329,146**	**₱–**	**₱–**	**₱329,146**
Government	**77,056**	**70,962**	**6,094**	**–**	**77,056**
Private	**11,120**	**10,787**	**333**	**–**	**11,120**
	417,322	**410,895**	**6,427**	**–**	**417,322**
Equity securities	**725**	**635**	**90**	**–**	**725**
	418,047	**411,530**	**6,517**	**–**	**418,047**
	₱473,703	**₱442,755**	**₱30,948**	**₱–**	**₱473,703**
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Government	**₱32,018**	**₱31,000**	**₱–**	**₱–**	**₱31,000**
Treasury notes and bonds	**253,090**	**248,799**	**–**	**–**	**248,799**
	285,108	**279,799**	**–**	**–**	**279,799**
Loans and receivables - net					
Receivables from customers					
Commercial loans	**989,444**	**–**	**–**	**974,061**	**974,061**
Residential mortgage loans	**50,672**	**–**	**–**	**51,095**	**51,095**
Auto loans	**18,276**	**–**	**–**	**18,537**	**18,537**
Credit card	**97,296**	**–**	**–**	**97,296**	**97,296**
Trade loans	**58,762**	**–**	**–**	**58,762**	**58,762**
Others	**9,422**	**–**	**–**	**9,422**	**9,422**
	1,223,872	**–**	**–**	**1,209,173**	**1,209,173**
Unquoted debt securities	**165**	**–**	**–**	**165**	**165**
Sales contract receivable	**18**	**–**	**–**	**18**	**18**
	1,224,055	**–**	**–**	**1,209,356**	**1,209,356**
	1,509,163	**279,799**	**–**	**1,209,356**	**1,489,155**
Non-Financial Assets					
Investment properties	**3,310**	**–**	**–**	**8,708**	**8,708**
	₱1,512,473	**₱279,799**	**₱–**	**₱1,218,064**	**₱1,497,863**
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Cross-currency swaps	**₱7,721**	**₱–**	**₱7,721**	**₱–**	**₱7,721**
Interest rate swaps	**1,380**	**–**	**1,380**	**–**	**1,380**
Currency forwards	**7,310**	**–**	**7,310**	**–**	**7,310**
Bond futures	**3**	**–**	**3**	**–**	**3**
Credit default swaps	**15**	**–**	**15**	**–**	**15**
Put option	**140**	**–**	**140**	**–**	**140**
Call option	**286**	**–**	**286**	**–**	**286**
	₱16,855	**₱–**	**₱16,855**	**₱–**	**₱16,855**
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	**₱528,914**	**₱–**	**₱–**	**₱528,914**	**₱528,914**
LTNCD	**21,080**	**20,948**	**–**	**–**	**20,948**
	549,994	**20,948**	**–**	**528,914**	**549,862**
Bills payable and SSURA	**76,456**	**–**	**–**	**76,456**	**76,456**
Bonds payable	**83,761**	**81,387**	**–**	**–**	**81,387**
Subordinated debts	**1,169**	**–**	**–**	**1,187**	**1,187**
	₱711,380	**₱102,335**	**₱–**	**₱606,557**	**₱708,892**
2021					
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
FVTPL investments					
Debt securities					
Treasury notes and bonds	₱14,154	₱14,154	₱–	₱–	₱14,154
Government	10,901	10,901	–	–	10,901
Private	3,568	3,568	–	–	3,568
Treasury bills	1,311	1,311	–	–	1,311
BSP	2,199	2,199	–	–	2,199
	32,133	32,133	–	–	32,133
Equity securities	47	47	–	–	47

(Forward)

	Parent Company				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Derivative assets					
Cross-currency swaps	₱6,390	₱–	₱6,390	₱–	₱6,390
Currency forwards	2,488	–	2,488	–	2,488
Interest rate swaps	906	–	906	–	906
Put option	2	–	2	–	2
Call option	9	–	9	–	9
	9,795	–	9,795	–	9,795
	41,975	32,180	9,795	–	41,975
Investment securities at FVOCI					
Debt securities					
Treasury notes and bonds	423,807	423,807	–	–	423,807
Treasury bills	18,053	18,053	–	–	18,053
Government	76,264	76,264	–	–	76,264
Private	13,633	13,064	569	–	13,633
BSP	29,488	29,488	–	–	29,488
	561,245	560,676	569	–	561,245
Equity securities	556	467	89	–	556
	561,801	561,143	658	–	561,801
	₱603,776	₱593,323	₱10,453	₱–	₱603,776
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Government	₱5,270	₱5,462	₱–	₱–	₱5,462
Treasury notes and bonds	52,116	53,811	–	–	53,811
	57,386	59,273	–	–	59,273
Loans and receivables - net					
Receivables from customers					
Commercial loans	848,608	–	–	839,343	839,343
Residential mortgage loans	50,398	–	–	50,650	50,650
Auto loans	17,786	–	–	17,862	17,862
Credit card	75,374	–	–	75,374	75,374
Trade loans	48,198	–	–	48,198	48,198
Others	6,662	–	–	6,662	6,662
	1,047,026	–	–	1,038,089	1,038,089
Unquoted debt securities	198	–	–	198	198
Sales contract receivable	20	–	–	20	20
	1,047,244	–	–	1,038,307	1,038,307
	1,104,630	59,273	–	1,038,307	1,097,580
Non-Financial Assets					
Investment properties	3,171	–	–	8,015	8,015
	₱1,107,801	₱59,273	₱–	₱1,046,322	₱1,105,595
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Cross-currency swaps	₱2,514	₱–	₱2,514	₱–	₱2,514
Interest rate swaps	2,528	–	2,528	–	2,528
Currency forwards	3,143	–	3,143	–	3,143
Put option	2	–	2	–	2
Call option	4	–	4	–	4
	₱8,191	₱–	₱8,191	₱–	₱8,191
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	₱273,373	₱–	₱–	₱273,373	₱273,373
LTNCD	21,080	12,331	9,003	–	21,334
	294,453	12,331	9,003	273,373	294,707
Bills payable and SSURA	52,514	–	–	52,514	52,514
Subordinated debts	1,168	–	–	1,061	1,061
Bonds payable	75,189	76,283	–	–	76,283
	₱423,324	₱88,614	₱9,003	₱326,948	₱424,565

As of December 31, 2022 and 2021, there were no transfers between levels of the fair value hierarchy.

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

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

6. Segment Information

The Group's operating businesses are recognized and managed separately according to the nature of services provided and the different markets served with segment representing a strategic business unit. Operating segments are reported in accordance with internal reporting to the Senior Management who is responsible for allocating resources to the segments and assessing its performance. The financial reporting basis used in the internal reporting is PFRS.

The Group's business segments follow:

- Consumer Banking - principally providing consumer type loans and support for effective sourcing and generation of consumer business;
- Corporate Banking - principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers;
- Investment Banking - principally arranging structured financing, and providing services relating to privatizations, initial public offerings, mergers and acquisitions; and providing advisory services primarily aimed to create wealth to individuals and institutions;
- Treasury - principally providing money market, trading and treasury services, as well as the management of the Group's funding operations by use of treasury bills, government securities and placements and acceptances with other banks, through treasury and corporate banking;
- Branch Banking - principally handling branch deposits and providing loans and other loan related businesses for domestic middle market clients; and
- Others - principally handling other services including but not limited to remittances, leasing, account financing, and other support services. Other operations of the Group comprise the operations and financial control groups.

Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Interest income is reported net, as management primarily relies on the net interest income as performance measure, not the gross income and expense. The Group has no significant customers which contributes 10.00% or more of the consolidated revenue net of interest expense. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to business segments based on a pool rate which approximates the cost of funds.

The following table presents revenue and income information of operating segments presented in accordance with PFRS and segment assets and liabilities:

	Consumer Banking	Corporate Banking	Investment Banking	Treasury	Branch Banking	Others	Total
2022							
Results of Operations							
Net interest income (expense)							
Third party	**₱14,728**	**₱38,478**	**₱–**	**₱22,951**	**₱7,211**	**₱2,161**	**₱85,529**
Intersegment	**(2,727)**	**(24,893)**	**–**	**320**	**27,300**	**–**	**–**
Net interest income after intersegment transactions	**12,001**	**13,585**	**–**	**23,271**	**34,511**	**2,161**	**85,529**
Non-interest income	**9,400**	**1,081**	**165**	**2,974**	**6,388**	**6,785**	**26,793**
Revenue - net of interest expense	**21,401**	**14,666**	**165**	**26,245**	**40,899**	**8,946**	**112,322**
Non-interest expense	**13,507**	**5,269**	**9**	**3,856**	**21,978**	**24,489**	**69,108**
Income (loss) before share in net income of subsidiaries, associates and a JV	**7,894**	**9,397**	**156**	**22,389**	**18,921**	**(15,543)**	**43,214**
Share in net income of subsidiaries, associates and a JV	**–**	**83**	**–**	**(27)**	**–**	**648**	**704**
Provision for income tax	**(138)**	**(413)**	**–**	**(5,292)**	**(305)**	**(4,472)**	**(10,620)**
Non-controlling interest in net income of consolidated subsidiaries	**–**	**–**	**–**	**–**	**–**	**(522)**	**(522)**
Net income (loss)	**₱7,756**	**₱9,067**	**₱156**	**₱17,070**	**₱18,616**	**(₱19,889)**	**₱32,776**
Statement of Financial Position							
Total assets	**₱187,083**	**₱1,095,896**	**₱–**	**₱1,103,122**	**₱180,212**	**₱276,777**	**₱2,843,090**
Total liabilities	**₱102,803**	**₱1,061,101**	**₱–**	**₱1,034,000**	**₱273,942**	**₱43,154**	**₱2,515,000**
Other Segment Information							
Capital expenditures	**₱409**	**₱99**	**₱–**	**₱124**	**₱58**	**₱3,003**	**₱3,693**
Depreciation and amortization	**₱358**	**₱320**	**₱–**	**₱64**	**₱2,001**	**₱3,233**	**₱5,976**
Provision for credit and impairment losses	**₱5,721**	**₱1,375**	**₱–**	**(₱19)**	**₱207**	**₱828**	**₱8,112**
2021							
Results of Operations							
Net interest income (expense)							
Third party	₱15,933	₱33,099	₱–	₱16,426	₱8,686	₱905	₱75,049
Intersegment	(686)	(20,912)	–	(7,029)	28,627	–	–
Net interest income after intersegment transactions	15,247	12,187	–	9,397	37,313	905	75,049
Non-interest income	7,413	962	251	4,108	5,341	7,756	25,831
Revenue - net of interest expense	22,660	13,149	251	13,505	42,654	8,661	100,880
Non-interest expense	18,212	4,939	57	3,939	20,456	23,704	71,307
Income (loss) before share in net income of subsidiaries, associates and a JV	4,448	8,210	194	9,566	22,198	(15,043)	29,573
Share in net income of subsidiaries, associates and a JV	–	44	–	–	–	524	568
Provision for income tax	(505)	(340)	–	(3,607)	(723)	(2,602)	(7,777)
Non-controlling interest in net income of consolidated subsidiaries	–	–	–	–	–	(208)	(208)
Net income (loss)	₱3,943	₱7,914	₱194	₱5,959	₱21,475	(₱17,329)	₱22,156
Statement of Financial Position							
Total assets	₱167,422	₱941,197	₱–	₱969,133	₱163,077	₱261,987	₱2,502,816
Total liabilities	₱80,472	₱926,853	₱–	₱873,507	₱263,724	₱30,528	₱2,175,084
Other Segment Information							
Capital expenditures	₱261	₱56	₱–	₱113	₱31	₱3,361	₱3,822
Depreciation and amortization	₱614	₱321	₱–	₱55	₱2,111	₱3,329	₱6,430
Provision for credit and impairment losses	₱10,790	₱8	₱–	₱–	₱184	₱852	₱11,834
2020							
Results of Operations							
Net interest income (expense)							
Third party	₱20,371	₱42,058	₱–	₱12,497	₱7,127	₱4,054	₱86,107
Intersegment	(451)	(29,487)	–	(16,694)	46,632	–	–
Net interest income after intersegment transactions	19,920	12,571	–	(4,197)	53,759	4,054	86,107
Non-interest income	5,084	786	118	18,581	4,430	6,130	35,129
Revenue - net of interest expense	25,004	13,357	118	14,384	58,189	10,184	121,236
Non-interest expense	27,062	25,306	9	4,648	21,398	22,457	100,880
Income (loss) before share in net income of subsidiaries, associates and a JV	(2,058)	(11,949)	109	9,736	36,791	(12,273)	20,356

(Forward)

	Consumer Banking	Corporate Banking	Investment Banking	Treasury	Branch Banking	Others	Total
Share in net income of subsidiaries, associates and a JV	₱–	₱38	₱–	₱–	₱–	₱626	₱664
Provision for income tax	(574)	(398)	–	(3,838)	110	(2,346)	(7,046)
Non-controlling interest in net income of consolidated subsidiaries	–	–	–	–	–	(143)	(143)
Net income (loss)	(₱2,632)	(₱12,309)	₱109	₱5,898	₱36,901	(₱14,136)	₱13,831
Statement of Financial Position							
Total assets	₱193,530	₱906,031	₱–	₱869,277	₱181,470	₱304,855	₱2,455,163
Total liabilities	₱87,922	₱874,214	₱–	₱840,692	₱289,001	₱30,159	₱2,121,988
Other Segment Information							
Capital expenditures	₱279	₱92	₱–	₱58	₱28	₱2,502	₱2,959
Depreciation and amortization	₱726	₱197	₱–	₱52	₱2,143	₱2,427	₱5,545
Provision for credit and impairment losses	₱19,005	₱20,278	₱–	₱–	₱37	₱1,440	₱40,760

Non-interest income consists of service charges, fees and commissions, profit from assets sold, trading and securities gain - net, foreign exchange gain (loss) - net, income from trust operations, leasing, dividends and miscellaneous income. Non-interest expense consists of compensation and fringe benefits, taxes and licenses, provision for credit and impairment losses, depreciation and amortization, occupancy and equipment-related costs, amortization of software costs, and miscellaneous expenses.

Geographical Information

The Group operates in four geographic markets: Philippines, Asia other than Philippines, USA and Europe (Note 2).

The following tables show the distribution of Group's external net operating income and non-current assets allocated based on the location of the customers and assets, respectively, for the years ended December 31:

	Philippines	**Asia (Other than Philippines)**	**USA**	**Europe**	**Total**
2022					
Interest income	**₱97,745**	**₱4,516**	**₱109**	**₱–**	**₱102,370**
Interest expense	**14,858**	**1,936**	**47**	**–**	**16,841**
Net interest income	**82,887**	**2,580**	**62**	**–**	**85,529**
Non-interest income	**25,308**	**956**	**492**	**37**	**26,793**
Provision for credit and impairment losses	**(7,812)**	**(300)**	**–**	**–**	**(8,112)**
Total external net operating income	**₱100,383**	**₱3,236**	**₱554**	**₱37**	**₱104,210**
Non-current assets	**₱33,764**	**₱490**	**₱11**	**₱3**	**₱34,268**
2021					
Interest income	₱83,584	₱3,587	₱6	₱–	₱87,177
Interest expense	10,921	1,205	2	–	12,128
Net interest income	72,663	2,382	4	–	75,049
Non-interest income	24,477	829	490	35	25,831
Provision for credit and impairment losses	(11,601)	(232)	(1)	–	(11,834)
Total external net operating income	₱85,539	₱2,979	₱493	₱35	₱89,046
Non-current assets	₱31,613	₱586	₱9	₱3	₱32,211
2020					
Interest income	₱104,707	₱3,065	₱15	₱–	₱107,787
Interest expense	20,641	1,033	6	–	21,680
Net interest income	84,066	2,032	9	–	86,107
Non-interest income	33,796	868	428	37	35,129
Provision for credit and impairment losses	(40,544)	(214)	(2)	–	(40,760)
Total external net operating income	₱77,318	₱2,686	₱435	₱37	₱80,476
Non-current assets	₱31,946	₱661	₱15	₱3	₱32,625

Non-current assets consist of property and equipment excluding ROU assets, investment properties, chattel properties acquired in foreclosure, software costs and assets held under joint operations.

7. Interbank Loans Receivable and Securities Purchased Under Resale Agreements

This account consists of:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Interbank loans receivable - net (Note 32)	**₱45,008**	₱65,914	**₱39,451**	₱55,994
SPURA	**28,736**	4,533	**26,084**	–
	₱73,744	₱70,447	**₱65,535**	₱55,994

As of December 31, 2022 and 2021, the allowance for credit losses for interbank loans receivable amounted to ₱18.7 million and ₱27.6 million, respectively, for the Group and ₱14.4 million and ₱4.7 million, respectively, for the Parent Company (Note 15).

In 2022, 2021 and 2020, the interest rates of the interbank loans receivables ranged from 0.00% to 5.90%, 0.00% to 4.90%, and 0.00% to 4.65%, respectively, for the Group, and 0.00% to 5.05%, 0.00% to 3.30%, and 0.00% to 3.45%, respectively, for the Parent Company.

8. Trading and Investment Securities

This account consists of:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Investment securities at:				
FVTPL	**₱63,599**	₱50,792	**₱55,656**	₱41,975
FVOCI (Note 17 & 29)	**530,464**	648,808	**418,047**	561,801
Amortized cost (Note 17 & 29)	**317,776**	83,810	**285,108**	57,386
	₱911,839	₱783,410	**₱758,811**	₱661,162

Investment securities at FVTPL consist of the following:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
HFT investments				
Debt securities				
Treasury notes and bonds	**₱12,767**	₱15,064	**₱12,293**	₱14,154
Government	**14,500**	11,101	**14,425**	10,901
Private	**3,858**	4,116	**3,587**	3,568
Treasury bills	**564**	1,867	**564**	1,311
BSP	**308**	2,199	**308**	2,199
	31,997	34,347	**31,177**	32,133
Equity securities	**7,163**	6,592	**48**	47
	39,160	40,939	**31,225**	32,180
Derivative assets	**24,439**	9,853	**24,431**	9,795
	₱63,599	₱50,792	**₱55,656**	₱41,975

The following are the fair values of the Parent Company's derivative financial instruments recorded as 'Derivative assets/liabilities', together with the notional amounts. The notional amount is the amount or quantity of a derivative's underlying asset, and is the basis upon which changes in the value are measured. The notional amounts indicate the volume of transactions outstanding as of December 31, 2022 and 2021 and are not indicative of either market risk or credit risk.

	Derivative Assets	Derivative Liabilities	Notional Amount	Average Forward Rate (in every USD 1)
December 31, 2022				
Freestanding derivatives:				
Currency forwards				
BOUGHT:				
USD	**₱1,836**	**₱2,833**	**USD 3,120**	**₱56.14**
CNY	**34**	**235**	**CNY 670**	**CNY 0.1493**
EUR	**157**	**17**	**EUR 133**	**EUR 1.0500**
THB	**11**	**–**	**THB 134**	**THB 0.0276**
GBP	**4**	**–**	**GBP 1**	**GBP 1.1576**
AUD	**–**	**1**	**AUD 5**	**AUD 0.6737**
JPY	**605**	**428**	**JPY 89,139**	**JPY 0.0075**
CAD	**–**	**–**	**CAD 15**	**CAD 0.7354**
CHF	**–**	**–**	**CHF 2**	**CHF 1.0804**
SOLD:				
USD	**2,760**	**2,617**	**USD 4,392**	**₱56.0486**
CNY	**296**	**41**	**CNY 1,621**	**CNY 0.1468**
JPY	**523**	**1,007**	**JPY 77,221**	**JPY 0.0075**
EUR	**405**	**86**	**EUR 410**	**EUR 1.0821**
MXN	**–**	**–**	**MXN 1**	**MXN 0.0511**
THB	**–**	**16**	**THB 257**	**THB 0.0279**
CHF	**–**	**1**	**CHF 3**	**CHF 1.0774**
HKD	**1**	**–**	**HKD 315**	**HKD 0.1284**
SGD	**–**	**5**	**SGD 37**	**SGD 0.7399**
TRY	**–**	**–**	**TRY 1**	**TRY 0.0516**
DKK	**–**	**–**	**DKK 3**	**DKK 0.1441**
CAD	**6**	**10**	**CAD 107**	**CAD 0.7351**
AUD	**–**	**8**	**AUD 41**	**AUD 0.6705**
GBP	**26**	**4**	**GBP 34**	**GBP 1.2173**
NZD	**–**	**1**	**NZD 7**	**NZD 0.6282**
Interest rate swaps - PHP	**193**	**1,263**	**₱56,585**	
Interest rate swaps - FX	**3,425**	**117**	**USD 1,828**	
Cross-currency swaps - PHP	**83**	**6,666**	**₱66,783**	
Cross-currency swaps - USD	**13,008**	**254**	**USD 2,762**	
Cross-currency swaps - EUR	**385**	**522**	**EUR 502**	
Cross-currency swaps - JPY	**215**	**279**	**JPY 21,670**	
Credit default swaps	**–**	**15**	**USD 66**	
Over-the-counter FX options	**424**	**426**	**USD 953**	
Bond Futures - FCDU	**34**	**3**	**USD 134**	
	₱24,431	**₱16,855**		
December 31, 2021				
Freestanding derivatives:				
Currency forwards				
BOUGHT:				
USD	₱2,130	₱33	USD 2,578	₱50.4559
CNY	95	–	CNY 373	CNY 0.1509
EUR	105	51	EUR 199	EUR 1.1377
THB	–	1	THB 17	THB 0.0306
TWD	–	38	TWD 5,231	TWD 0.0359
CHF	3	–	CHF 5	CHF 1.0818
HKD	–	–	HKD 50	HKD 0.1282
SOLD:				
USD	4	2,869	USD 3,279	₱50.3372
CNY	–	83	CNY 1,568	CNY 0.1556
JPY	39	–	JPY 12,628	JPY 0.0087
EUR	112	9	EUR 216	EUR 1.1421
MXN	–	–	MXN 1	MXN 0.0465
THB	–	–	THB 21	THB 0.0303
CHF	–	1	CHF 4	CHF 1.0897
HKD	–	–	HKD 139	HKD 0.1282
SGD	–	6	SGD 24	SGD 0.7356
TRY	–	–	TRY 1	TRY 0.0660
DKK	–	–	DKK 1	DKK 0.1524

(Forward)

	Derivative Assets	Derivative Liabilities	Notional Amount	Average Forward Rate (in every USD 1)
CAD	₱–	₱43	CAD 87	CAD 0.7759
AUD	–	8	AUD 22	AUD 0.7183
GBP	–	1	GBP 3	GBP 1.3436
NZD	–	–	NZD 6	NZD 0.6832
Interest rate swaps - PHP	266	738	₱50,635	
Interest rate swaps - FX	640	1,790	USD 2,179	
Cross-currency swaps - PHP	1,972	1,288	₱73,936	
Cross-currency swaps - USD	3,982	931	USD 2,113	
Cross-currency swaps - EUR	360	187	EUR 226	
Cross-currency swaps - JPY	76	108	JPY 15,520	
Credit default swaps - USD	–	–	USD 1	
Over-the-counter FX options	11	6	USD 38	
	₱9,795	₱8,191		

As of December 31, 2022 and 2021, the Group's derivative assets include currency forwards, FX options and cross-currency swaps entered into by the subsidiaries amounting to ₱8.6 million and ₱58.4 million, respectively. As of December 31, 2022 and 2021, the Group's derivative liabilities include currency forwards, cross-currency swaps and FX options entered into by the subsidiaries amounting to ₱9.8 million and ₱158.3 million, respectively.

Investment securities at FVOCI as of December 31, 2022 and 2021 consist of the following:

	Consolidated		**Parent Company**	
	2022	2021	**2022**	2021
Debt securities				
Treasury notes and bonds (Note 17)	**₱333,117**	₱433,234	**₱329,146**	₱423,807
Government (Note 17)	**77,137**	76,743	**77,056**	76,264
BSP	**67,857**	78,469	**–**	29,488
Private	**50,037**	40,483	**11,120**	13,633
Treasury bills	**557**	18,053	**–**	18,053
	528,705	646,982	**417,322**	561,245
Equity securities	**1,759**	1,826	**725**	556
	₱530,464	₱648,808	**₱418,047**	₱561,801

The equity securities are irrevocably designated at FVOCI as these are held for long term-strategic purpose rather than for trading. These equity securities include golf club shares and non-marketable equity securities. In 2022 and 2021, as part of its risk management, the Group disposed equity securities at FVOCI with total carrying value of ₱6.8 million and ₱7.6 million, respectively, and recognized a gain/(loss) on disposal charged against 'Surplus' of ₱1.4 million and (₱6.1 million), respectively. Dividends recognized for the disposed equity securities in 2022 and 2021 amounted to ₱0.2 million and nil, respectively.

Outstanding equity securities at FVOCI as of December 31, 2022 and 2021 generated dividends amounting to ₱42.5 million and ₱37.6 million, respectively for the Group, and ₱7.8 million and ₱11.1 million, respectively, for the Parent Company.

As of December 31, 2022 and 2021, the ECL on debt securities at FVOCI (included in 'Net unrealized gain (loss) on investment securities at FVOCI') amounted to ₱740.8 million and ₱357.5 million respectively, for the Group and the Parent Company (Note 15).

As of December 31, 2022 and 2021, investment securities at FVOCI include floating and fixed rate private notes with total carrying value of USD10.8 million and USD11.2 million, respectively (with peso equivalent of ₱604.0 million and ₱569.2 million, respectively) which are pledged by the Parent Company's New York Branch in compliance with the regulatory requirements of the Federal Deposit Insurance Corporation and the Office of the Controller of the Currency in New York.

Movements in net unrealized gains/(losses), including share in net unrealized gains/(losses) of subsidiaries (Note 11), presented under 'Equity' in the statements of financial position are as follows:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Balance at January 1	**(₱3,799)**	₱7,563	**(₱3,751)**	₱7,611
Unrealized losses recognized in OCI	**(20,824)**	(8,741)	**(20,782)**	(8,934)
Amounts realized in surplus	**(1)**	6	**(1)**	6
Amounts realized in profit or loss	**(697)**	(3,691)	**(676)**	(3,676)
	(25,321)	(4,863)	**(25,210)**	(4,993)
Tax (Note 28)	**2,188**	1,064	**2,134**	1,242
Balance at December 31	**(₱23,133)***	(₱3,799)*	**(₱23,076)**	(₱3,751)

* *Includes share of non-controlling interest in unrealized losses amounting to ₱56.8 million ₱48.0 million, respectively, as of December 31, 2022 and 2021.*

Investment securities at amortized cost as of December 31, 2022 and 2021 consist of the following:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Treasury notes and bonds (Note 17)	**₱269,501**	₱59,215	**₱253,090**	₱52,116
Government (Note 17)	**45,009**	16,961	**32,470**	5,275
Private	**3,488**	3,718	**–**	–
Treasury bills	**249**	3,947	**–**	–
	318,247	83,841	**285,560**	57,391
Less: allowance for credit losses (Note 15)	**471**	31	**452**	5
	₱317,776	₱83,810	**₱285,108**	₱57,386

In May 2020, the BOD of the Parent Company approved the change in business model for its debt securities carried at amortized cost in line with its revised balance sheet risk strategy. The Parent Company considered the pandemic a Black Swan scenario as it is unprecedented in all aspects, with the full economic and banking industry impact still unknown. This called for the Parent Company to recalibrate its balance sheet risk strategy given the drastic change in the economic landscape. The revised balance sheet strategy provides a framework for the Parent Company to assess the appropriate mix of assets, liabilities and capital under five economic scenarios, with the objective of ensuring reliable liquidity and steady stream of accruals. Upon assessment of the current economic environment, maturity profile and credit quality of loans, CASA placements and maturity profile of the investment securities portfolio, the Parent Company deemed that the existing business model is no longer appropriate since its objective of supporting a stable growth of deposit liabilities with core holdings of investment securities can no longer be met due to the effect of the global health crisis over the foreseeable future. This resulted in disposal of investment securities at amortized cost in June 2020 with total carrying value of ₱93.9 billion. Trading gains recognized from the disposal amounted to ₱6.9 billion. On July 1, 2020, the remaining debt securities with total carrying value of ₱100.3 billion and fair value of ₱103.9 billion were reclassified to investment securities at FVOCI. As of December 31, 2022 and 2021, the carrying value of the debt securities reclassified to investment securities at FVOCI amounted to ₱83.6 million and ₱95.9 million, respectively, with net unrealized gain/(loss) of (₱7.9 million) and ₱1.7 million, respectively.

In 2020, PSBank sold investment securities classified as investment securities at amortized cost with total carrying amount of ₱19.6 billion resulting in gain on disposal of investment securities at amortized cost totaling ₱1.3 billion. The sale was made as there were changes in PSBank's funding requirements given its assessment on the impact of a prolonged pandemic. In aggregate, the sale in

2020 is not inconsistent with PSBank's HTC business model as the sale was considered infrequent even if significant in value. Accordingly, the remaining investment securities in the affected HTC portfolio continue to be measured at amortized cost. Further, PSBank assessed that the sale did not reflect a change in PSBank's objectives for the HTC business model.

Interest income on investment securities at FVOCI and at amortized cost consists of:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Investment securities at FVOCI	**₱15,997**	₱15,868	₱12,285	**₱13,157**	₱14,133	₱11,488
Investment securities at amortized cost	**9,941**	1,028	4,808	**8,844**	407	3,797
	₱25,938	₱16,896	₱17,093	**₱22,001**	₱14,540	₱15,285

In 2022, 2021 and 2020, foreign currency-denominated trading and investment securities bear nominal annual interest rates ranging from 0.10% to 9.5% for the Group and the Parent Company while peso-denominated trading and investment securities bear nominal annual interest rates ranging from 2.38% to 18.25%, 1.38% to 18.25%, and 2.13% to 18.25%, respectively, for the Group and from 2.38% to 18.25% for the Parent Company.
Trading and securities gain - net consists of:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Investment securities at FVTPL	**(₱4,128)**	(₱767)	₱1,898	**(₱3,515)**	(₱1,046)	₱1,951
Derivative assets/liabilities – net	**9,369**	582	(3,761)	**9,373**	571	(3,741)
Debt securities at FVOCI	**697**	3,691	8,307	**676**	3,676	8,007
	5,938	3,506	6,444	**₱6,534**	₱3,201	₱6,217
Income (loss) attributable to non-equity non-controlling interests (Note 21)	**463**	(152)	115			
	₱6,401	₱3,354	₱6,559			

Trading gains (losses) on debt securities at FVOCI represent realized gains/losses previously reported in OCI.

9. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Receivables from customers (Note 32)				
Commercial loans (Note 13)	**₱1,093,972**	₱951,508	**₱1,016,378**	₱876,290
Credit card	**116,161**	91,792	**116,161**	91,792
Residential mortgage loans	**94,076**	97,617	**51,888**	52,209
Auto loans	**79,573**	76,788	**18,874**	18,815
Trade loans	**61,090**	52,088	**59,530**	48,715
Others (Note 13)	**11,857**	9,701	**9,589**	6,701
	1,456,729	1,279,494	**1,272,420**	1,094,522
Less unearned discounts and capitalized interest	**13,538**	12,870	**10,970**	9,903
	1,443,191	1,266,624	**1,261,450**	1,084,619
Unquoted debt securities				
Private	**1,033**	1,203	**386**	386
Government	**170**	198	**170**	198
	1,203	1,401	**556**	584

(Forward)

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Accrued interest receivable (Note 32)	**₱15,788**	₱12,399	**₱12,241**	₱8,062
Accounts receivable (Note 32)	**9,333**	8,014	**6,500**	5,372
Sales contract receivable	**31**	41	**20**	23
Other receivables	**281**	318	**3**	5
	1,469,827	1,288,797	**1,280,770**	1,098,665
Less allowance for credit losses (Note 15)	**51,445**	52,726	**41,210**	41,211
	₱1,418,382	₱1,236,071	**₱1,239,560**	₱1,057,454

Receivables from customers consist of:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Loans and discounts	**₱1,389,001**	₱1,222,181	**₱1,206,039**	₱1,040,551
Less unearned discounts and capitalized interest	**13,538**	12,870	**10,970**	9,903
	1,375,463	1,209,311	**1,195,069**	1,030,648
Customers' liabilities under letters of credit (LC)/trust receipts	**59,280**	51,069	**57,719**	47,696
Bills purchased (Note 21)	**8,448**	6,244	**8,662**	6,275
	₱1,443,191	₱1,266,624	**₱1,261,450**	₱1,084,619

As of December 31, 2022 and 2021, receivables from customers of the Group include lease contract receivables amounting ₱2.6 billion, and ₱3.1 billion, respectively (Note 13) and notes receivable financed amounting to ₱17.9 billion and ₱21.3 billion, respectively.

Interest income on loans and receivables consists of:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Receivables from customers (Note 32)	**₱53,269**	₱49,615	₱63,705	**₱40,810**	₱35,320	₱46,314
Receivables from cardholders	**12,843**	11,728	15,972	**12,843**	11,728	15,972
Lease contract receivables	**2,019**	2,585	3,897	**–**	–	–
Customers' liabilities under LC/trust receipts	**1,773**	1,137	1,840	**1,773**	1,137	1,840
Others	**277**	460	276	**270**	452	155
	₱70,181	₱65,525	₱85,690	**₱55,696**	₱48,637	₱64,281

As of December 31, 2022 and 2021, 82.44% and 82.79%, respectively, of the total receivables from customers of the Group, and 90.70% and 91.46%, respectively, of the total receivables from customers of the Parent Company are subject to periodic interest repricing. In 2022, 2021 and 2020, the remaining peso receivables from customers earn annual fixed interest rates ranging from 4.70% to 38.80%, from 3.50% to 24.00%, and from 4.70% to 24.00%, respectively for the Group, and 6.00% to 24.00%, 6.00% to 12.80%, and 6.00% to 14.50% for the Parent Company, while foreign currency-denominated receivables from customers earn annual fixed interest rates ranging from 1.05% to 24.00%, from 0.98% to 24.00% and from 1.05% to 24.00%, respectively for the Group and 1.05% to 24.00%, 0.98% to 24.00% and 1.05% to 24.00%, respectively for the Parent Company.

10. **Property and Equipment**

The composition and movements in the account follow:

	Consolidated						
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	BUC	ROU Assets	Total
2022							
Cost							
Balance at January 1	**₱5,797**	**₱16,339**	**₱19,377**	**₱4,999**	**₱219**	**₱7,348**	**₱54,079**
Additions	**–**	**7**	**2,508**	**70**	**531**	**2,360**	**5,476**
Disposals/early termination	**–**	**–**	**(1,801)**	**(208)**	**–**	**(594)**	**(2,603)**
Reclassification/others	**145**	**333**	**1,009**	**(215)**	**(325)**	**(95)**	**852**
Balance at December 31	**5,942**	**16,679**	**21,093**	**4,646**	**425**	**9,019**	**57,804**
Accumulated depreciation and amortization							
Balance at January 1	**–**	**7,574**	**13,714**	**4,085**	**–**	**2,915**	**28,288**
Depreciation and amortization	**–**	**568**	**2,271**	**240**	**–**	**1,514**	**4,593**
Disposals/early termination	**–**	**–**	**(1,601)**	**(208)**	**–**	**(516)**	**(2,325)**
Reclassification/others	**–**	**96**	**153**	**(125)**	**–**	**(37)**	**87**
Balance at December 31	**–**	**8,238**	**14,537**	**3,992**	**–**	**3,876**	**30,643**
Allowance for impairment losses	**–**	**8**	**–**	**–**	**–**	**–**	**8**
Net book value at December 31	**₱5,942**	**₱8,433**	**₱6,556**	**₱654**	**₱425**	**₱5,143**	**₱27,153**
2021							
Cost							
Balance at January 1	₱5,802	₱16,109	₱18,722	₱4,839	₱75	₱5,399	₱50,946
Additions	–	23	2,705	48	453	2,664	5,893
Disposals/early termination	(5)	–	(2,079)	(13)	–	(669)	(2,766)
Reclassification/others	–	207	29	125	(309)	(46)	6
Balance at December 31	5,797	16,339	19,377	4,999	219	7,348	54,079
Accumulated depreciation and amortization							
Balance at January 1	–	6,990	13,412	3,802	–	2,117	26,321
Depreciation and amortization	–	572	2,147	286	–	1,484	4,489
Disposals/early termination	–	–	(1,885)	(10)	–	(628)	(2,523)
Reclassification/others	–	12	40	7	–	(58)	1
Balance at December 31	–	7,574	13,714	4,085	–	2,915	28,288
Allowance for impairment losses	–	8	–	–	–	–	8
Net book value at December 31	₱5,797	₱8,757	₱5,663	₱914	₱219	₱4,433	₱25,783

	Parent Company						
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	BUC	ROU Assets	Total
2022							
Cost							
Balance at January 1	**₱4,660**	**₱14,987**	**₱10,075**	**₱3,187**	**₱219**	**₱4,335**	**₱37,463**
Additions	**–**	**5**	**752**	**8**	**531**	**1,621**	**2,917**
Disposals/early termination	**–**	**–**	**(607)**	**–**	**–**	**(262)**	**(869)**
Reclassification/others	**145**	**326**	**1,005**	**(219)**	**(325)**	**61**	**993**
Balance at December 31	**4,805**	**15,318**	**11,225**	**2,976**	**425**	**5,755**	**40,504**
Accumulated depreciation and amortization							
Balance at January 1	**–**	**6,908**	**7,313**	**2,456**	**–**	**1,556**	**18,233**
Depreciation and amortization	**–**	**525**	**1,079**	**154**	**–**	**828**	**2,586**
Disposals	**–**	**–**	**(521)**	**–**	**–**	**(253)**	**(774)**
Reclassification/others	**–**	**92**	**152**	**(131)**	**–**	**81**	**194**
Balance at December 31	**–**	**7,525**	**8,023**	**2,479**	**–**	**2,212**	**20,239**
Allowance for impairment losses	**–**	**8**	**–**	**–**	**–**	**–**	**8**
Net book value at December 31	**₱4,805**	**₱7,785**	**₱3,202**	**₱497**	**₱425**	**₱3,543**	**₱20,257**
2021							
Cost							
Balance at January 1	₱4,665	₱14,776	₱9,145	₱3,092	₱75	₱3,005	₱34,758
Additions	–	9	1,219	1	453	1,767	3,449
Disposals/early termination	(5)	–	(291)	(10)	–	(434)	(740)
Reclassification/others	–	202	2	104	(309)	(3)	(4)
Balance at December 31	4,660	14,987	10,075	3,187	219	4,335	37,463
Accumulated depreciation and amortization							
Balance at January 1	–	6,371	6,503	2,312	–	1,135	16,321
Depreciation and amortization	–	529	1,044	159	–	814	2,546
Disposals	–	–	(245)	(6)	–	(394)	(645)
Reclassification/others	–	8	11	(9)	–	1	11
Balance at December 31	–	6,908	7,313	2,456	–	1,556	18,233
Allowance for impairment losses	–	8	–	–	–	–	8
Net book value at December 31	₱4,660	₱8,071	₱2,762	₱731	₱219	₱2,779	₱19,222

As of December 31, 2022 and 2021, the cost of fully depreciated property and equipment still in use amounted to ₱7.8 billion and ₱7.0 billion, respectively, for the Group, and ₱5.0 billion and ₱4.3 billion, respectively, for the Parent Company.

11. Investments in Subsidiaries, Associates and a Joint Venture

Investments in subsidiaries consist of:

	2022	2021
Acquisition cost		
PSBank	**₱13,076**	₱13,076
FMIC	**11,751**	11,751
MBCL	**10,079**	10,079
Circa	**837**	837
MR USA	**365**	365
ORIX Metro	**265**	265
MR Japan	**102**	102
MR UK	**31**	31
MRHL	**26**	26
MRSPL	**17**	17
Others	**25**	25
	36,574	36,574
Accumulated equity in net income		
Balance at January 1	**31,725**	30,414
Share in net income	**4,182**	2,213
Dividends	**(1,132)**	(1,132)
Liquidation	–	230
Balance at December 31	**34,775**	31,725
Equity in net unrealized loss on investment securities at FVOCI	**(1,939)**	(748)
Equity in net unrealized gain on remeasurement of retirement plan and translation adjustment and others	**2,514**	1,942
Equity in realized loss on sale of equity securities at FVOCI	**(170)**	(172)
Carrying value		
PSBank	**32,669**	30,660
FMIC	**20,288**	20,264
MBCL	**13,800**	13,602
ORIX Metro	**3,861**	3,765
Circa	**259**	244
MRSPL	**182**	160
MR USA	**182**	128
MRHL	**128**	123
MR Japan	**77**	81
MR UK	**38**	40
Others	**270**	254
	₱71,754	₱69,321

The following subsidiaries have material non-controlling interests as of December 31, 2022 and 2021:

	Country of Incorporation and Principal Place of Business	**Principal Activities**	**Effective Ownership of Non-Controlling Interest**	
			2022	2021
ORIX Metro	Philippines	Leasing, Financing	**40.15%**	40.15%
PSBank	Philippines	Banking	**11.62%**	11.62%

The following table presents financial information of subsidiaries with material non-controlling interests as of December 31, 2022 and 2021:

	2022		2021	
	PSBank	**ORIX Metro**	PSBank	ORIX Metro
Statement of Financial Position				
Total assets	**₱264,421**	**₱23,436**	₱261,811	₱26,791
Total liabilities	**227,281**	**13,789**	226,943	17,384
Non-controlling interest	**5,499**	**3,892**	5,235	3,795
Statement of Income				
Gross income	**18,241**	**4,979**	17,364	5,474
Operating income	**15,020**	**4,392**	15,160	4,012
Net income	**3,678**	**235**	1,541	51
Net income attributable to non-controlling interest	**427**	**94**	179	20
Total comprehensive income	**3,539**	**242**	1,587	520
Statement of Cash Flows				
Net cash provided by (used in) operating activities	**(1,614)**	**2,727**	72,523	6,852
Net cash used in investing activities	**(13,783)**	**(834)**	(51,194)	(740)
Net cash used in financing activities	**(653)**	**(1,579)**	(1,753)	(16,657)
Net increase (decrease) in cash and cash equivalents	**(16,050)**	**314**	19,576	(10,545)
Cash and cash equivalents at beginning of year	**61,129**	**1,302**	41,553	11,847
Cash and cash equivalents at end of year	**45,079**	**1,616**	61,129	1,302

Investment in CIRCA
On May 4, 2022, the stockholders of CIRCA 2000 Homes, Inc. approved the shortening of its corporate term to end on December 31, 2024 through an amendment of its Articles of Incorporation (AOI). The amended AOI was approved by the SEC on June 10, 2022.

Investment in Orix Metro
On April 20, 2022, the BOD of Orix Metro approved the voluntary surrender of its quasi banking license. This was approved by the BSP on June 23, 2022.

Investment in FMIC
In line with its transformation initiative, the BOD of FMIC approved the proposal to return its quasi banking license with the BSP on November 24, 2020. This was approved by the BSP on March 25, 2021.

As of December 31, 2022 and 2021, the carrying amount of goodwill of the Group amounted to ₱5.2 billion, of which ₱5.0 billion pertains to the goodwill arising from the acquisition of the then Solidbank Corporation, which was merged with FMIC.

Investment in MCC
On March 13, 2019, the respective BODs of the Parent Company and MCC approved the proposal to merge MCC into the Parent Company which will unlock the value of MCC and help realize the following objectives:

a. Improve synergy and cross-sell;
b. Increase the profitability and improve capital efficiency; and
c. Enable the Parent Company to be more competitive in the credit card business.

This was ratified by the stockholders of the Parent Company on April 24, 2019, and was approved by the BSP on October 23, 2019. The SEC approved the merger of MCC into the Parent Company effective January 3, 2020.

The difference between the carrying value of the investment in MCC and the net assets of MCC amounting to ₱9.8 billion was recognized under 'Translation adjustments and others' in the statement of financial position by the Parent Company.

Investments in associates and a JV, which consist of:

	Principal Activities	Consolidated		Parent Company	
		2022	2021	**2022**	2021
Acquisition cost:					
Lepanto Consolidated Mining Company (LCMC) (13.36% effectively owned)	Mining	**₱2,527**	₱2,527		
SMFC (26.52% effectively owned)*	Financing	**610**	610		
Northpine Land, Inc. (NLI) (20.00% owned)	Real estate developer	**232**	232	**₱232**	₱232
Taal Land Inc. (TLI) (35.00% owned)	Real estate	**178**	178	**178**	178
Cathay International Resources Corporation (CIRC) (34.49% effectively owned)	Investment house	**175**	175		
Philippine AXA Life Insurance Corporation (PALIC) (27.97% owned)	Insurance	**172**	172		
SMBC Metro Investment Corporation (SMBC Metro) (30.00% owned)	Investment house	**180**	180	**180**	180
Others		**42**	42		
		4,116	4,116	**590**	590
Accumulated equity in net income:					
Balance at January 1		**2,708**	2,848	**265**	227
Share in net income		**704**	568	**(14)**	38
Dividends		**(442)**	(708)	**–**	–
Balance at December 31		**2,970**	2,708	**251**	265
Equity in other comprehensive income (losses)		**(146)**	(121)	**1**	–
Return of investment - SMBC Metro		**(180)**	(180)	**(180)**	(180)
Allowance for impairment losses (Note 15)		**(883)**	(672)	**(101)**	(101)
Carrying value					
LCMC		**962**	1,241		
SMFC		**816**	738		
NLI		**519**	532	**519**	532
TLI		**18**	18	**18**	18
CIRC		**–**	35		
PALIC		**3,498**	3,229		
SMBC Metro		**24**	24	**24**	24
Others		**40**	34		
		₱5,877	₱5,851	**₱561**	₱574

* *Represents investment in a JV of the Group and effective ownership interest of the Parent Company through PSBank.*

The principal place of business of these associates is in the Philippines.

Investment of FMIC in LCMC

FMIC has the ability to exercise significant influence through a 5-year agreement with Philex Mining Corporation to jointly vote their 16.7% ownership. As of December 31, 2022 and 2021, LCMC-A shares are trading at ₱0.109 per share and ₱0.140 per share, respectively, and LCMC-B shares are trading at ₱0.107 per share and ₱0.142 per share, respectively. As of December 31, 2022 and 2021, there has been a significant decline in the fair value of the shares compared to the acquisition cost. In 2022 and 2021, the Group recognized impairment loss on the investment in LCMC amounting to ₱211.6 million and ₱131.6 million, respectively (Note 3).

Investment in NLI

On November 27, 2019, the stockholders of NLI approved the shortening of its corporate term to end on December 31, 2021. On March 24, 2021, the shareholders of NLI subsequently approved an extension of its corporate term up to June 2022. On July 6, 2021, the SEC approved the Ammendment of Articles of Incorporation pertaining to Article IV shortening of the corporate term up to June 30, 2022.

The following tables present financial information of significant associates and a JV:

	Statements of Financial Position		Statements of Income and Other Comprehensive Income				
	Total Assets	Total Liabilities	Gross Income	Operating Income (Loss)	Net Income (Loss)	OCI	Total Comprehensive Income
December 31, 2022							
PALIC	**₱157,227**	**₱144,818**	**₱16,446**	**₱3,399**	**₱2,535**	**(₱280)**	**₱2,255**
LCMC	**8,651**	**4,436**	**1,842**	**(386)**	**(374)**	**–**	**(374)**
NLI	**2,737**	**236**	**72**	**(151)**	**(75)**	**–**	**(75)**
SMFC	**7,174**	**4,259**	**1,704**	**648**	**382**	**60**	**442**
CIRC	**2,022**	**1,558**	**334**	**(115)**	**(115)**	**–**	**(115)**
December 31, 2021							
PALIC	₱177,290	₱165,734	₱23,079	₱3,033	₱2,242	(₱282)	₱1,960
LCMC	16,539	11,052	1,180	(297)	(298)	–	(298)
NLI	3,676	1,108	421	144	188	–	188
SMFC	6,534	3,982	1,811	833	203	91	294
CIRC	2,140	1,662	67	(140)	(149)	–	(149)

Major assets of significant associates and a JV include the following:

	2022	2021
PALIC		
Cash and cash equivalents	**₱6,665**	₱5,787
Loans and receivables - net	**878**	1,022
Investment securities at FVTPL	**1,832**	1,996
Investment securities at FVOCI	**15,669**	16,363
Investment in unit-linked funds	**–**	58
Property and equipment	**523**	683
LCMC		
Inventories	**493**	593
Investments and advances	**970**	497
Mine exploration cost	**10**	6,882
Property, plant and equipment - net	**5,769**	6,497
NLI		
Cash and cash equivalents	**502**	344
Real estate properties	**1,173**	1,669
Receivables - net	**1,025**	1,588
SMFC		
Cash and cash equivalents	**436**	500
Receivables - net	**6,202**	5,533
CIRC		
Cash and cash equivalents	**111**	66
Receivables - net	**74**	498
Property, plant and equipment - net	**1,166**	1,112
Condominium units for sale/inventories	**206**	327

Dividends declared by investee companies of the Parent Company follow:

Subsidiary/Associate	Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
2022					
Subsidiaries					
Cash Dividend					
PSBank	**January 17, 2022**	**₱0.75**	**₱320**	**February 2, 2022**	**February 16, 2022**
PSBank	**April 25, 2022**	**0.75**	**320**	**May 11, 2022**	**May 25, 2022**
PSBank	**July 21, 2022**	**0.75**	**320**	**August 5, 2022**	**August 22, 2022**
PSBank	**October 20, 2022**	**0.75**	**320**	**November 7, 2022**	**November 21, 2022**
2021					
Subsidiaries					
Cash Dividend					
PSBank	January 21, 2021	₱0.75	₱320	February 5, 2021	February 22, 2021
PSBank	April 26, 2021	0.75	320	May 11, 2021	May 26, 2021
PSBank	July 22, 2021	0.75	320	August 6, 2021	August 23, 2021
PSBank	October 21, 2021	0.75	320	November 8, 2021	November 22, 2021

Dividends declared by significant investee companies of PSBank and FMIC follow:

Subsidiary/Associate	Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
2022					
Associates					
Cash Dividend					
PALIC	**November 28, 2022**	**₱142**	**₱1,420**	**December 21, 2022**	**December 21, 2022**
SMFC	**June 24, 2022**	**5.01**	**102**	**July 11, 222**	**July 20, 2022**
FMSBC	**May 27, 2022**	**35.50**	**60**	**May 31, 2022**	**August 25, 222**
FAMI	**September 30, 2022**	**8.00**	**12**	**September 30, 2022**	**December 28, 2022**
2021					
Associates					
Cash Dividend					
PALIC	December 9, 2021	₱247	₱2,470	December 9, 2021	December 17, 2021
SMFC	June 25, 2021	1.93	39	July 12, 2021	July 15, 2021
FAMI	August 31, 2021	5.77	9	August 31, 2021	September 15, 2021

12. Investment Properties

This account consists of foreclosed real estate properties and investments in real estate:

	Consolidated					
	2022			2021		
	Land	Buildings and Improvements	Total	Land	Buildings and Improvements	Total
Cost						
Balance at January 1	**₱5,387**	**₱4,494**	**₱9,881**	₱5,638	₱4,583	₱10,221
Additions	**410**	**1,489**	**1,899**	272	580	852
Disposals	**(427)**	**(915)**	**(1,342)**	(522)	(688)	(1,210)
Reclassification/others	**(85)**	**88**	**3**	(1)	19	18
Balance at December 31	**5,285**	**5,156**	**10,441**	5,387	4,494	9,881
Accumulated depreciation and amortization						
Balance at January 1	**–**	**1,140**	**1,140**	–	1,140	1,140
Depreciation and amortization	**–**	**139**	**139**	–	127	127
Disposals	**–**	**(175)**	**(175)**	–	(127)	(127)
Balance at December 31	**–**	**1,104**	**1,104**	–	1,140	1,140
Allowance for impairment losses (Note 15)						
Balance at January 1	**1,244**	**170**	**1,414**	1,246	168	1,414
Provision for (reversal of) impairment loss	**(8)**	**112**	**104**	8	20	28
Disposals	**(7)**	**(77)**	**(84)**	(10)	(21)	(31)
Reclassification/others	**–**	**2**	**2**	–	3	3
Balance at December 31	**1,229**	**207**	**1,436**	1,244	170	1,414
Net book value at December 31	**₱4,056**	**₱3,845**	**₱7,901**	₱4,143	₱3,184	₱7,327

	Parent Company					
	2022			2021		
	Land	Buildings and Improvements	Total	Land	Buildings and Improvements	Total
Cost						
Balance at January 1	**₱3,396**	**₱1,409**	**₱4,805**	₱3,560	₱1,455	₱5,015
Additions	**115**	**346**	**461**	70	67	137
Disposals	**(182)**	**(193)**	**(375)**	(235)	(113)	(348)
Reclassification/others	**–**	**–**	**–**	1	–	1
Balance at December 31	**3,329**	**1,562**	**4,891**	3,396	1,409	4,805
Accumulated depreciation and amortization						
Balance at January 1	**–**	**631**	**631**	–	635	635
Depreciation and amortization	**–**	**39**	**39**	–	37	37
Disposals	**–**	**(86)**	**(86)**	–	(41)	(41)
Balance at December 31	**–**	**584**	**584**	–	631	631
Allowance for impairment losses (Note 15)						
Balance at January 1	**965**	**38**	**1,003**	972	39	1,011
Disposals	**(6)**	**–**	**(6)**	(7)	(1)	(8)
Reclassification/others	**–**	**–**		–	–	–
Balance at December 31	**959**	**38**	**997**	965	38	1,003
Net book value at December 31	**₱2,370**	**₱940**	**₱3,310**	₱2,431	₱740	₱3,171

As of December 31, 2022 and 2021, foreclosed investment properties still subject to redemption period by the borrowers amounted to ₱1.6 billion and ₱867.6 million, respectively, for the Group, and ₱189.9 million and ₱167.0 million, respectively, for the Parent Company.

As of December 31, 2022 and 2021, aggregate market value of investment properties amounted to ₱16.3 billion and ₱15.0 billion, respectively, for the Group, and ₱8.7 billion and ₱8.0 billion, respectively, for the Parent Company, of which ₱9.4 billion and ₱8.9 billion, respectively, for the Group, and ₱8.5 billion and ₱7.9 billion, respectively, for the Parent Company were determined by independent external appraisers. Information about the fair value measurement of investment properties are also presented in Note 5.

Rental income on investment properties (included in 'Leasing income' in the statements of income) in 2022, 2021 and 2020 amounted to ₱86.4 million, ₱90.0 million and ₱88.1 million, respectively, for the Group (Note 13).

Direct operating expenses on investment properties that generated rental income (included under 'Litigation expenses') in 2022, 2021 and 2020 amounted to ₱0.1 million for the Group. Direct operating expenses on investment properties that did not generate rental income (included under 'Litigation expenses') in 2022, 2021 and 2020 amounted to ₱230.6 million, ₱223.3 million and ₱156.0 million, respectively, for the Group and ₱42.9 million, ₱57.1 million and ₱63.3 million, respectively, for the Parent Company (Note 25).

Net gains from sale of investment properties (included in 'Profit from assets sold' in the statements of income) in 2022, 2021 and 2020 amounted to ₱435.1 million, ₱432.6 million and ₱229.4 million, respectively, for the Group, and ₱213.0 million, ₱117.7 million and ₱81.7 million, respectively, for the Parent Company.

13. Leases

Group as a Lessee

As of December 31, 2022 and 2021, 59.40% and 59.34%, respectively, of the Parent Company's branch sites are under lease arrangements. Also, some of its subsidiaries lease the premises occupied by their Head Offices and most of their branches. The lease contracts are for periods ranging from 1 to 29 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 2% to 20% in 2022 and 2021. As of December 31, 2022 and 2021, the Group has no contingent rent payable.

The carrying amounts of lease liabilities (included in 'Other Liabilities' in Note 21) are as follows:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Balance at January 1	**₱5,084**	₱3,922	**₱3,185**	₱2,248
Additions	**2,360**	2,664	**1,621**	1,767
Expiry/termination	**(19)**	(57)	**(11)**	(57)
Accretion of interest	**256**	244	**142**	137
Payments	**(1,968)**	(1,718)	**(1,115)**	(929)
Others	**(52)**	29	**23**	19
Balance at December 31	**₱5,661**	₱5,084	**₱3,845**	₱3,185

The Group and the Parent Company recognized the following:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Interest expense on lease liabilities	**₱256**	₱244	₱252	**₱142**	₱137	₱127
Rent expense from short-term leases and leases of low-value assets*	**841**	813	872	**633**	612	708

* *Included under 'Occupancy and equipment -related cost'*

Future minimum rentals payable under non-cancelable leases follows:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Within one year	**₱1,772**	₱1,524	**₱905**	₱887
After one year but not more than five years	**3,291**	3,508	**2,233**	2,372
More than five years	**1,299**	613	**1,176**	436
	₱6,362	₱5,645	**₱4,314**	₱3,695

As of December 31, 2022 and 2021, the Group and the Parent Company have undiscounted potential future rental payments arising from extension options expected not to be exercised and thus, not included in the calculation of lease liability amounting to ₱67.6 million and ₱67.7 million, respectively, for the Group, and ₱67.9 million and ₱64.9 million, respectively, for the Parent Company.

<u>Group as a Lessor</u>
The Group has entered into commercial property leases on its investment property portfolio, consisting of the Group's available office spaces and investment properties and lease agreements over various items of machinery and equipment which are non-cancelable and have remaining non-cancelable lease terms of between one to seven years. In 2022, 2021 and 2020, leasing income amounted to ₱1.9 billion, ₱1.8 billion and ₱1.9 billion, respectively, for the Group, and ₱80.3 million, ₱103.8 million and ₱113.4 million, respectively, for the Parent Company.

Future minimum rentals receivable under non-cancelable operating leases follows:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Within one year	**₱1,959**	₱1,257	**₱48**	₱68
After one year but not more than five years	**1,750**	1,537	**35**	64
	₱3,709	₱2,794	**₱83**	₱132

<u>Finance Leases</u>
Lease contract receivables under finance leases, which are accounts of ORIX Metro, are due in monthly installments with terms ranging from one to seven years. These are broken down as follows (Note 9):

	2022	2021
Within one year	**₱477**	₱755
After one year but not more than five years	**2,149**	2,326
Greater than five years	**3**	7
	₱2,629	₱3,088

14. **Other Assets**

This account consists of:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Investment in SPVs	**₱8,857**	₱8,857	**₱8,857**	₱8,857
Software costs - net	**3,540**	2,598	**3,119**	2,153
Prepaid expenses	**1,255**	1,178	**953**	781
Creditable withholding tax	**1,103**	1,061	**403**	398
Interoffice float items	**740**	303	**1,074**	377
Residual value of leased assets	**623**	739	**–**	–
Customized system development cost	**615**	1,881	**615**	1,881
Chattel properties acquired in foreclosure - net	**598**	717	**97**	18
Documentary and postage stamps on hand	**457**	402	**428**	323
Returned checks and other cash items	**345**	640	**333**	611
Assets held under joint operations (Note 32)	**219**	219	**219**	219
Miscellaneous (Note 27)	**2,789**	3,962	**1,417**	2,545
	21,141	22,557	**17,515**	18,163
Less allowance for impairment losses	**10,286**	10,308	**10,278**	10,300
	₱10,855	₱12,249	**₱7,237**	₱7,863

Investment in SPVs represents subordinated notes issued by Cameron Granville 3 Asset Management, Inc. and LNC 3 Asset Management, Inc. with face amount of ₱9.4 billion and ₱2.6 billion, respectively. These notes are non-interest bearing and payable over five (5) years starting April 1, 2006, with rollover of two (2) years at the option of the note issuers. The subordinated notes have gross carrying amount of ₱8.9 billion and are fully provided with allowance for impairment losses.

Movements in software costs account follow:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Cost				
Balance at January 1	**₱8,660**	₱6,545	**₱6,426**	₱4,415
Additions	**577**	593	**439**	505
Reclassification/others	**1,326**	1,522	**1,322**	1,506
Balance at December 31	**10,563**	8,660	**8,187**	6,426
Accumulated amortization				
Balance at January 1	**6,062**	4,668	**4,273**	3,072
Amortization	**984**	1,381	**818**	1,189
Others	**(23)**	13	**(23)**	12
Balance at December 31	**7,023**	6,062	**5,068**	4,273
Net book value at December 31	**₱3,540**	₱2,598	**₱3,119**	₱2,153

Movements in chattel properties acquired in foreclosure follow:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Cost				
Balance at January 1	**₱993**	₱1,786	**₱31**	₱40
Additions	**2,425**	4,450	**111**	18
Disposals/others	**(2,597)**	(5,243)	**(29)**	(27)
Balance at December 31	**821**	993	**113**	31
Accumulated depreciation and amortization				
Balance at January 1	**275**	251	**12**	17
Depreciation and amortization	**260**	434	**10**	7
Disposals/others	**(314)**	(410)	**(8)**	(12)
Balance at December 31	**221**	275	**14**	12
Allowance for impairment losses	**2**	1	**2**	1
Net book value at December 31	**₱598**	₱717	**₱97**	₱18

Assets held under joint operations are parcels of land and former branch sites of the Parent Company which were contributed to separate joint operations with FLI and Federal Land Orix Corporation (Note 32). These are carried at costs, which are lower than the net realizable values.

As of December 31, 2022, 2021 and 2020, the Group recognized/(reversed) provision for credit losses on non-financial other assets amounting to ₱13.1 million, (₱22.0 million), and ₱4.5 million, respectively (Note 15).

15. Allowance for Credit and Impairment Losses

An analysis of changes in the ECL allowances in 2022 and 2021 is as follows:

	Consolidated			
	Due from Other Banks	**Interbank Loans Receivable**	**Investment Securities at FVOCI**	**Investment Securities at Amortized Cost**
2022				
ECL allowance, January 1, 2022	**₱31**	**₱28**	**₱358**	**₱31**
New assets originated	**(31)**	**(28)**	–	
Assets derecognized or repaid	**41**	**19**	–	
Changes in assumptions	–	–	**383**	**440**
ECL allowance, December 31, 2022	**₱41**	**₱19**	**₱741**	**₱471**
2021				
ECL allowance, January 1, 2021	₱124	₱14	₱141	₱22
New assets originated	(124)	(14)	–	–
Assets derecognized or repaid	31	28	–	–
Changes in assumptions	–	–	217	9
ECL allowance, December 31, 2021	₱31	₱28	₱358	₱31

	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
2022				
Commercial loans				
ECL allowance, January 1, 2022	₱7,414	₱11,481	₱13,016	₱31,911
Newly originated assets that remained in Stage 1 as at year-end	4,318	–	–	4,318
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	1,406	2,820	4,226
Assets derecognized or repaid	(3,721)	(3,560)	(3,320)	(10,601)
Amounts written off	–	–	(2,322)	(2,322)
Transfers to/(from) Stage 1	(125)	–	–	(125)
Transfers to/(from) Stage 2	–	(1,528)	–	(1,528)
Transfers to/(from) Stage 3	–	–	4,489	4,489
Changes in assumptions	(147)	869	235	957
ECL allowance, December 31, 2022	7,739	8,668	14,918	31,325
Residential mortgage loans				
ECL allowance, January 1, 2022	422	556	1,474	2,452
Newly originated assets that remained in Stage 1 as at year-end	76	–	–	76
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	4	13	17
Assets derecognized or repaid	(27)	(119)	(405)	(551)
Amounts written off	–	–	(1)	(1)
Transfers to/(from) Stage 1	(229)	–	–	(229)
Transfers to/(from) Stage 2	–	39	–	39
Transfers to/(from) Stage 3	–	–	(148)	(148)
Changes in assumptions	126	263	279	668
ECL allowance, December 31, 2022	368	743	1,212	2,323
Auto loans				
ECL allowance, January 1, 2022	1,733	1,471	1,796	5,000
Newly originated assets that remained in Stage 1 as at year-end	1,278	–	–	1,278
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	105	55	160
Assets derecognized or repaid	(176)	(420)	(744)	(1,340)
Amounts written off	–	–	(626)	(626)
Transfers to/(from) Stage 1	(320)	–	–	(320)
Transfers to/(from) Stage 2	–	(285)	–	(285)
Transfers to/(from) Stage 3	–	–	496	496
Changes in assumptions	(733)	(156)	339	(550)
ECL allowance, December 31, 2022	1,782	715	1,316	3,813
Credit card				
ECL allowance, January 1, 2022	2,410	2,634	1,694	6,738
Newly originated assets that remained in Stage 1 as at year-end	84	–	–	84
Assets derecognized or repaid	(19)	(86)	(56)	(161)
Amounts written off	–	–	(3,215)	(3,215)
Transfers to/(from) Stage 1	240	–	–	240
Transfers to/(from) Stage 2	–	(895)	–	(895)
Transfers to/(from) Stage 3	–	–	654	654
Changes in assumptions	63	1,466	3,294	4,823
ECL allowance, December 31, 2022	2,778	3,119	2,371	8,268
Trade loans				
ECL allowance, January 1, 2022	143	118	256	517
Newly originated assets that remained in Stage 1 as at year-end	440	–	–	440
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	8	225	233
Assets derecognized or repaid	(142)	(103)	(167)	(412)
Transfers to/(from) Stage 1	(1)	–	–	(1)
Transfers to/(from) Stage 2	–	1	–	1
Changes in assumptions	–	(10)	–	(10)
ECL allowance, December 31, 2022	440	14	314	768
Other loans				
ECL allowance, January 1, 2022	57	408	709	1,174
Newly originated assets that remained in Stage 1 as at year-end	65	–	–	65
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	61	10	71
Assets derecognized or repaid	(8)	(80)	(58)	(146)

(Forward)

	Consolidated			
	Receivables from Customers			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Amounts written off	**₱–**	**₱–**	**(₱453)**	**(₱453)**
Transfers to/(from) Stage 1	**65**	**–**	**–**	**65**
Transfers to/(from) Stage 2	**–**	**(129)**	**–**	**(129)**
Transfers to/(from) Stage 3	**–**	**–**	**66**	**66**
Changes in assumptions	**(51)**	**(3)**	**(10)**	**(64)**
ECL allowance, December 31, 2022	**128**	**257**	**264**	**649**
Total receivables from customers				
ECL allowance, January 1, 2022	**12,179**	**16,668**	**18,945**	**47,792**
Newly originated assets that remained in Stage 1 as at year-end	**6,261**	**–**	**–**	**6,261**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**1,584**	**3,123**	**4,707**
Assets derecognized or repaid	**(4,093)**	**(4,368)**	**(4,750)**	**(13,211)**
Amounts written off	**–**	**–**	**(6,617)**	**(6,617)**
Transfers to/(from) Stage 1	**(370)**	**–**	**–**	**(370)**
Transfers to/(from) Stage 2	**–**	**(2,797)**	**–**	**(2,797)**
Transfers to/(from) Stage 3	**–**	**–**	**5,557**	**5,557**
Changes in assumptions	**(742)**	**2,429**	**4,137**	**5,824**
ECL allowance, December 31, 2022	**₱13,235**	**₱13,516**	**₱20,395**	**₱47,146**
2021				
Commercial loans				
ECL allowance, January 1, 2021	₱11,572	₱9,549	₱10,910	₱32,031
Newly originated assets that remained in Stage 1 as at year-end	3,923	–	–	3,923
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	3,396	1,775	5,171
Assets derecognized or repaid	(7,890)	(3,319)	(1,329)	(12,538)
Amounts written off	–	–	(186)	(186)
Transfers to/(from) Stage 1	(88)	–	–	(88)
Transfers to/(from) Stage 2	–	(586)	–	(586)
Transfers to/(from) Stage 3	–	–	984	984
Changes in assumptions	(103)	2,441	862	3,200
ECL allowance, December 31, 2021	7,414	11,481	13,016	31,911
Residential mortgage loans				
ECL allowance, January 1, 2021	540	1,281	769	2,590
Newly originated assets that remained in Stage 1 as at year-end	505	–	–	505
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	69	27	96
Assets derecognized or repaid	(641)	(243)	(145)	(1,029)
Transfers to/(from) Stage 1	275	–	–	275
Transfers to/(from) Stage 2	–	(633)	–	(633)
Transfers to/(from) Stage 3	–	–	820	820
Changes in assumptions	(257)	82	3	(172)
ECL allowance, December 31, 2021	422	556	1,474	2,452
Auto loans				
ECL allowance, January 1, 2021	1,441	1,304	1,532	4,277
Newly originated assets that remained in Stage 1 as at year-end	238	–	–	238
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	105	21	126
Assets derecognized or repaid	(268)	(307)	(454)	(1,029)
Amounts written off	–	–	(413)	(413)
Transfers to/(from) Stage 1	830	–	–	830
Transfers to/(from) Stage 2	–	13	–	13
Transfers to/(from) Stage 3	–	–	(312)	(312)
Changes in assumptions	(508)	356	1,422	1,270
ECL allowance, December 31, 2021	1,733	1,471	1,796	5,000
Credit card				
ECL allowance, January 1, 2021	2,510	2,680	4,542	9,732
Newly originated assets that remained in Stage 1 as at year-end	56	–	–	56
Assets derecognized or repaid	(45)	(90)	(121)	(256)
Amounts written off	–	–	(11,058)	(11,058)
Transfers to/(from) Stage 1	532	–	–	532
Transfers to/(from) Stage 2	–	(872)	–	(872)
Transfers to/(from) Stage 3	–	–	339	339
Changes in assumptions	(643)	916	7,992	8,265
ECL allowance, December 31, 2021	2,410	2,634	1,694	6,738

(Forward)

	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
Trade loans				
ECL allowance, January 1, 2021	₱310	₱221	₱371	₱902
Newly originated assets that remained in Stage 1 as at year-end	142	–	–	142
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	18	87	105
Assets derecognized or repaid	(309)	(100)	(205)	(614)
Transfers to/(from) Stage 1	–	–	–	–
Transfers to/(from) Stage 2	–	–	–	–
Changes in assumptions	–	(21)	3	(18)
ECL allowance, December 31, 2021	143	118	256	517
Other loans				
ECL allowance, January 1, 2021	46	207	615	868
Newly originated assets that remained in Stage 1 as at year-end	39	–	–	39
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	16	22	38
Assets derecognized or repaid	(12)	43	(36)	(5)
Amounts written off	–	–	(130)	(130)
Transfers to/(from) Stage 1	11	–	–	11
Transfers to/(from) Stage 2	–	(8)	–	(8)
Transfers to/(from) Stage 3	–	–	(3)	(3)
Changes in assumptions	(27)	150	241	364
ECL allowance, December 31, 2021	57	408	709	1,174
Total receivables from customers				
ECL allowance, January 1, 2021	16,419	15,242	18,739	50,400
Newly originated assets that remained in Stage 1 as at year-end	4,903	–	–	4,903
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	3,604	1,932	5,536
Assets derecognized or repaid	(9,165)	(4,016)	(2,290)	(15,471)
Amounts written off	–	–	(11,787)	(11,787)
Transfers to/(from) Stage 1	1,560	–	–	1,560
Transfers to/(from) Stage 2	–	(2,086)	–	(2,086)
Transfers to/(from) Stage 3	–	–	1,828	1,828
Changes in assumptions	(1,538)	3,924	10,523	12,909
ECL allowance, December 31, 2021	₱12,179	₱16,668	₱18,945	₱47,792

	Consolidated			
	Other Receivables			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2022				
ECL allowance, January 1, 2022	**₱465**	**₱18**	**₱1,133**	**₱1,616**
Newly originated assets that remained in Stage 1 as at year-end	**41**	**–**	**–**	**41**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**3**	**3**	**6**
Assets derecognized or repaid	**(31)**	**(3)**	**(686)**	**(720)**
Amounts written off	**–**	**–**	**(34)**	**(34)**
Transfers to/(from) Stage 1	**(403)**	**–**	**–**	**(403)**
Transfers to/(from) Stage 2	**–**	**4**	**–**	**4**
Transfers to/(from) Stage 3	**–**	**–**	**400**	**400**
Changes in assumptions	**(1)**	**(1)**	**4**	**2**
ECL allowance, December 31, 2022	**₱ 71**	**₱21**	**₱820**	**₱912**
2021				
ECL allowance, January 1, 2021	₱474	₱33	₱1,159	₱1,666
Newly originated assets that remained in Stage 1 as at year-end	47	–	–	47
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	7	2	9
Assets derecognized or repaid	(22)	(21)	(99)	(142)
Transfers to/(from) Stage 1	(31)	–	–	(31)
Transfers to/(from) Stage 2	–	(9)	–	(9)
Transfers to/(from) Stage 3	–	–	40	40
Changes in assumptions	(3)	8	31	36
ECL allowance, December 31, 2021	₱465	₱18	₱1,133	₱1,616

	Consolidated			
	Loan Commitments and Financial Guarantees			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2022				
ECL allowance, January 1, 2022	**₱826**	**₱378**	**₱1**	**₱1,205**
Newly originated assets that remained in Stage 1 as at year-end	**309**	**–**	**–**	**309**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**1**	**–**	**1**
Assets derecognized or repaid	**(122)**	**(41)**	**(1)**	**(164)**
Transfers to/(from) Stage 1	**103**	**–**	**–**	**103**
Transfers to/(from) Stage 2	**–**	**(102)**	**–**	**(102)**
Changes in assumptions	**(182)**	**20**	**–**	**(162)**
ECL allowance, December 31, 2022	**₱934**	**₱256**	**₱–**	**₱1,190**
2021				
ECL allowance, January 1, 2021	₱1,175	₱306	₱–	₱1,481
Newly originated assets that remained in Stage 1 as at year-end	199	–	–	199
Assets derecognized or repaid	(205)	(38)	–	(243)
Transfers to/(from) Stage 1	29	–	–	29
Transfers to/(from) Stage 2	–	(17)	–	(17)
Transfers to/(from) Stage 3	–	–	1	1
Changes in assumptions	(372)	127	–	(245)
ECL allowance, December 31, 2021	₱826	₱378	₱ 1	₱1,205

	Parent Company			
	Due from Other Banks	**Interbank Loans Receivable**	**Investment Securities at FVOCI**	**Investment Securities at Amortized Cost**
2022				
ECL allowance, January 1, 2022	**₱22**	**₱5**	**₱358**	**₱5**
Changes in assumptions	**1**	**10**	**383**	**447**
ECL allowance, December 31, 2022	**₱23**	**₱15**	**₱741**	**₱452**
2021				
ECL allowance, January 1, 2021	₱–	₱5	₱141	₱–
Changes in assumptions	22	–	217	5
ECL allowance, December 31, 2021	₱22	₱5	₱358	₱5

	Parent Company				
	Receivables from Customers				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
2022					
Commercial loans					
ECL allowance, January 1, 2022	**₱4,904**	**₱11,214**	**₱8,068**	**₱3,276**	**₱27,462**
Newly originated assets that remained in Stage 1 as at year-end	**3,301**	**–**	**–**	**–**	**3,301**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**1,379**	**1,849**	**–**	**3,228**
Assets derecognized or repaid	**(2,824)**	**(3,458)**	**(3,043)**	**(8)**	**(9,333)**
Amounts written off	**–**	**–**	**(284)**	**(1,638)**	**(1,922)**
Transfers to/(from) Stage 1	**(101)**	**–**	**–**	**–**	**(101)**
Transfers to/(from) Stage 2	**–**	**(1,437)**	**–**	**–**	**(1,437)**
Transfers to/(from) Stage 3	**–**	**–**	**4,373**	**–**	**4,373**
Changes in assumptions	**(22)**	**863**	**261**	**3**	**1,105**
ECL allowance, December 31, 2022	**5,258**	**8,561**	**11,224**	**1,633**	**26,676**
Residential mortgage loans					
ECL allowance, January 1, 2022	**96**	**396**	**1,316**	**–**	**1,808**
Newly originated assets that remained in Stage 1 as at year-end	**18**	**–**	**–**	**–**	**18**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**–**	**10**	**–**	**10**
Assets derecognized or repaid	**(21)**	**(91)**	**(304)**	**–**	**(416)**
Amounts written off	**–**	**–**	**(1)**	**–**	**(1)**
Transfers to/(from) Stage 1	**3**	**–**	**–**	**–**	**3**
Transfers to/(from) Stage 2	**–**	**(125)**	**–**	**–**	**(125)**
Transfers to/(from) Stage 3	**–**	**–**	**(217)**	**–**	**(217)**
Changes in assumptions	**25**	**15**	**96**	**–**	**136**
ECL allowance, December 31, 2022	**121**	**195**	**900**	**–**	**1,216**

(Forward)

	Parent Company				
	Receivables from Customers				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Auto loans					
ECL allowance, January 1, 2022	**₱77**	**₱288**	**₱664**	**₱–**	**₱1,029**
Newly originated assets that remained in Stage 1 as at year-end	**37**	**–**	**–**	**–**	**37**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**51**	**1**	**–**	**52**
Assets derecognized or repaid	**(43)**	**(125)**	**(258)**	**–**	**(426)**
Amounts written off	**–**	**–**	**(9)**	**–**	**(9)**
Transfers to/(from) Stage 1	**(4)**	**–**	**–**	**–**	**(4)**
Transfers to/(from) Stage 2	**–**	**(70)**	**–**	**–**	**(70)**
Transfers to/(from) Stage 3	**–**	**–**	**(34)**	**–**	**(34)**
Changes in assumptions	**8**	**2**	**13**	**–**	**23**
ECL allowance, December 31, 2022	**75**	**146**	**377**	**–**	**598**
Credit card					
ECL allowance, January 1, 2022	**2,410**	**2,633**	**1,695**	**–**	**6,738**
Newly originated assets that remained in Stage 1 as at year-end	**84**	**–**	**–**	**–**	**84**
Assets derecognized or repaid	**(19)**	**(85)**	**(57)**	**–**	**(161)**
Amounts written off	**–**	**–**	**(3,215)**	**–**	**(3,215)**
Transfers to/(from) Stage 1	**241**	**–**	**–**	**–**	**241**
Transfers to/(from) Stage 2	**–**	**(895)**	**–**	**–**	**(895)**
Transfers to/(from) Stage 3	**–**	**–**	**654**	**–**	**654**
Changes in assumptions	**63**	**1,466**	**3,293**	**–**	**4,822**
ECL allowance, December 31, 2022	**2,779**	**3,119**	**2,370**	**–**	**8,268**
Trade loans					
ECL allowance, January 1, 2022	**143**	**118**	**256**	**–**	**517**
Newly originated assets that remained in Stage 1 as at year-end	**440**	**–**	**–**	**–**	**440**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**7**	**224**	**–**	**231**
Assets derecognized or repaid	**(142)**	**(103)**	**(167)**	**–**	**(412)**
Transfers to/(from) Stage 1	**(1)**	**–**	**–**	**–**	**(1)**
Transfers to/(from) Stage 2	**–**	**1**	**–**	**–**	**1**
Changes in assumptions	**–**	**(9)**	**1**	**–**	**(8)**
ECL allowance, December 31, 2022	**440**	**14**	**314**	**–**	**768**
Other loans					
ECL allowance, January 1, 2022	**–**	**–**	**39**	**–**	**39**
Transfers to/(from) Stage 3	**–**	**–**	**2**	**–**	**2**
Changes in assumptions	**9**	**–**	**2**	**–**	**11**
ECL allowance, December 31, 2022	**9**	**–**	**43**	**–**	**52**
Total receivables from customers					
ECL allowance, January 1, 2022	**7,630**	**14,649**	**12,038**	**3,276**	**37,593**
Newly originated assets that remained in Stage 1 as at year-end	**3,880**	**–**	**–**	**–**	**3,880**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**1,437**	**2,084**	**–**	**3,521**
Assets derecognized or repaid	**(3,049)**	**(3,862)**	**(3,829)**	**(8)**	**(10,748)**
Amounts written off	**–**	**–**	**(3,509)**	**(1,638)**	**(5,147)**
Transfers to/(from) Stage 1	**138**	**–**	**–**	**–**	**138**
Transfers to/(from) Stage 2	**–**	**(2,526)**	**–**	**–**	**(2,526)**
Transfers to/(from) Stage 3	**–**	**–**	**4,778**	**–**	**4,778**
Changes in assumptions	**83**	**2,337**	**3,666**	**3**	**6,089**
ECL allowance, December 31, 2022	**₱8,682**	**₱12,035**	**₱15,228**	**₱1,633**	**₱37,578**
2021					
Commercial loans					
ECL allowance, January 1, 2021	₱9,524	₱9,165	₱6,467	₱3,013	₱28,169
Newly originated assets that remained in Stage 1 as at year-end	2,797	–	–	–	2,797
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	3,282	1,110	–	4,392
Assets derecognized or repaid	(7,312)	(3,102)	(891)	–	(11,305)
Amounts written off	–	–	(2)	–	(2)
Transfers to/(from) Stage 1	91	–	–	–	91
Transfers to/(from) Stage 2	–	(588)	–	–	(588)
Transfers to/(from) Stage 3	–	–	810	–	810
Changes in assumptions	(196)	2,457	574	263	3,098
ECL allowance, December 31, 2021	4,904	11,214	8,068	3,276	27,462

(Forward)

	Parent Company				
	Receivables from Customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Residential mortgage loans					
ECL allowance, January 1, 2021	₱434	₱828	₱317	₱–	₱1,579
Newly originated assets that remained in Stage 1 as at year-end	18	–	–	–	18
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	60	24	–	84
Assets derecognized or repaid	(326)	(82)	(25)	–	(433)
Transfers to/(from) Stage 1	(31)	–	–	–	(31)
Transfers to/(from) Stage 2	–	(466)	–	–	(466)
Transfers to/(from) Stage 3	–	–	959	–	959
Changes in assumptions	1	56	41	–	98
ECL allowance, December 31, 2021	96	396	1,316	–	1,808
Auto loans					
ECL allowance, January 1, 2021	222	175	183	–	580
Newly originated assets that remained in Stage 1 as at year-end	35	–	–	–	35
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	96	11	–	107
Assets derecognized or repaid	(166)	(43)	(33)	–	(242)
Transfers to/(from) Stage 1	(19)	–	–	–	(19)
Transfers to/(from) Stage 2	–	49	–	–	49
Transfers to/(from) Stage 3	–	–	501	–	501
Changes in assumptions	5	11	2	–	18
ECL allowance, December 31, 2021	77	288	664	–	1,029
Credit card					
ECL allowance, January 1, 2021	2,510	2,679	4,543	–	9,732
Newly originated assets that remained in Stage 1 as at year-end	56	–	–	–	56
Assets derecognized or repaid	(45)	(90)	(121)	–	(256)
Amounts written off	–	–	(11,058)	–	(11,058)
Transfers to/(from) Stage 1	532	–	–	–	532
Transfers to/(from) Stage 2	–	(872)	–	–	(872)
Transfers to/(from) Stage 3	–	–	339	–	339
Changes in assumptions	(643)	916	7,992	–	8,265
ECL allowance, December 31, 2021	2,410	2,633	1,695	–	6,738
Trade loans					
ECL allowance, January 1, 2021	310	221	371	–	902
Newly originated assets that remained in Stage 1 as at year-end	142	–	–	–	142
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	18	87	–	105
Assets derecognized or repaid	(309)	(100)	(205)	–	(614)
Changes in assumptions	–	(21)	3	–	(18)
ECL allowance, December 31, 2021	143	118	256	–	517
Other loans					
ECL allowance, January 1, 2021	9	–	38	–	47
Assets derecognized or repaid	(8)	–	–	–	(8)
Changes in assumptions	(1)	–	1	–	–
ECL allowance, December 31, 2021	–	–	39	–	39
Total receivables from customers					
ECL allowance, January 1, 2021	13,009	13,068	11,919	3,013	41,009
Newly originated assets that remained in Stage 1 as at year-end	3,048	–	–	–	3,048
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	3,456	1,232	–	4,688
Assets derecognized or repaid	(8,166)	(3,417)	(1,275)	–	(12,858)
Amounts written off	–	–	(11,060)	–	(11,060)
Transfers to/(from) Stage 1	573	–	–	–	573
Transfers to/(from) Stage 2	–	(1,877)	–	–	(1,877)
Transfers to/(from) Stage 3	–	–	2,609	–	2,609
Changes in assumptions	(834)	3,419	8,613	263	11,461
ECL allowance, December 31, 2021	₱7,630	₱14,649	₱12,038	₱3,276	₱37,593

	Parent Company			
	Other Receivables			
	Stage 1	Stage 2	Stage 3	Total
2022				
ECL allowance, January 1, 2022	**₱48**	**₱6**	**₱821**	**₱875**
Newly originated assets that remained in Stage 1 as at year-end	**26**	**–**	**–**	**26**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	**–**	**1**	**1**	**2**
Assets derecognized or repaid	**(23)**	**(3)**	**–**	**(26)**
Amounts written off	**–**	**–**	**(34)**	**(34)**
Transfers to/(from) Stage 2	**–**	**(1)**	**–**	**(1)**
Transfers to/(from) Stage 3	**–**	**–**	**2**	**2**
Changes in assumptions	**(2)**	**–**	**4**	**2**
ECL allowance, December 31, 2022	**₱49**	**₱3**	**₱794**	**₱846**
2021				
ECL allowance, January 1, 2021	₱6	₱22	₱846	₱874
Newly originated assets that remained in Stage 1 as at year-end	46	–	–	46
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	4	2	6
Assets derecognized or repaid	(5)	(17)	(28)	(50)
Transfers to/(from) Stage 1	1	–	–	1
Transfers to/(from) Stage 2	–	(3)	–	(3)
ECL allowance, December 31, 2021	₱48	₱6	₱820	₱874

	Parent Company			
	Loan Commitments and Financial Guarantees			
	Stage 1	Stage 2	Stage 3	Total
2022				
ECL allowance, January 1, 2022	**₱826**	**₱378**	**₱1**	**₱1,205**
New assets originated	**215**	**–**	**–**	**215**
Newly originated assets that remained in Stage 1 as at year-end	**–**	**1**	**–**	**1**
Assets derecognized or repaid	**(122)**	**(41)**	**(1)**	**(164)**
Transfers to/(from) Stage 1	**104**	**–**	**–**	**104**
Transfers to/(from) Stage 2	**–**	**(102)**	**–**	**(102)**
Changes in assumptions	**(182)**	**20**	**–**	**(162)**
ECL allowance, December 31, 2022	**₱ 841**	**₱256**	**₱–**	**₱1,097**
2021				
ECL allowance, January 1, 2021	₱1,175	₱306	₱–	₱1,481
New assets originated	199	–	–	199
Assets derecognized or repaid	(205)	(38)	–	(243)
Transfers to/(from) Stage 1	29	–	–	29
Transfers to/(from) Stage 2	–	(17)	–	(17)
Transfers to/(from) Stage 3	–	–	1	1
Changes in assumptions	(372)	127	–	(245)
ECL allowance, December 31, 2021	₱826	₱378	₱1	₱1,205

The amounts of “transfers to/(from)” include the changes in the ECL on the exposures transferred from one stage to another during the year.

As of December 31, 2022 and 2021, the ECL allowances on loan commitments and financial guarantees are included in ‘Miscellaneous liabilities’ under ‘Other liabilities’ (Note 21).

The ECL allowance on accounts receivables of the Group and the Parent Company based on their aging as of December 31, 2022 and 2021 follows:

	Consolidated		Parent Company	
Age of accounts receivables	**2022**	2021	**2022**	2021
Up to 1 month	**₱103**	₱35	**₱57**	₱11
> 1 to 2 months	**7**	13	**1**	5
> 2 to 3 months	**9**	1	**1**	1
More than 3 months	**3,268**	3,269	**2,727**	2,727
Total ECL	**₱3,387**	₱3,318	**₱2,786**	₱2,744

Below is the breakdown of provision for (reversal of) credit and impairment losses:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Financial assets and other credit-related exposures:						
Loans and receivables	**₱7,777**	₱11,651	₱40,751	**₱5,740**	₱7,683	₱32,741
Investment securities at FVOCI	**29**	18	(13)	**–**	–	–
Interbank loans receivable	**(10)**	27	13	**–**	–	4
Due from other banks	**(13)**	–	7	**–**	–	–
Loan commitments and financial guarantees	**–**	–	–	**–**	–	–
	7,783	11,696	40,758	**5,740**	7,683	32,745
Non-financial assets:						
Investment properties	**104**	28	(3)	**–**	–	–
Investments in associates and a joint venture	**212**	132	–	**–**	–	–
Other assets	**13**	(22)	5	**–**	–	–
	329	138	2	**–**	–	–
	₱8,112	₱11,834	₱40,760	**₱5,740**	₱7,683	₱32,745

With the foregoing level of allowance for credit and impairment losses, management believes that the Group has sufficient allowance to take care of any losses that the Group may incur from the non-collection or non-realization of its receivables and other risk assets.

16. Deposit Liabilities

The LTNCDs of the Group and the Parent Company consist of the following:

BSP Approval	Interest Rate	Issue Date	Maturity Date	**2022**	2021
Parent Company					
August 12, 2016	3.50%	September 19, 2016	September 19, 2023	**₱8,650**	₱8,650
August 12, 2016	3.88%	July 20, 2017	July 20, 2024	**3,750**	3,750
July 19, 2018	5.38%	October 4, 2018	April 4, 2024	**8,680**	8,680
				21,080	21,080
PSBank					
December 8, 2016	3.50%	January 30, 2017	April 30, 2022	**–**	3,374
July 13, 2018	5.00%	August 9, 2018	February 9, 2024	**5,078**	5,067
				5,078	8,441
				₱26,158	₱29,521

On September 18, 2019, the BOD of the Parent Company approved the issuance of PHP LTNCDs of up to ₱25.0 billion in one or more tranches of at least ₱2.0 billion per tranche, and tenors of 5.5 years up to 10 years, subject to market conditions. On November 25, 2019, BSP Circular No. 1059 was issued which placed an indefinite moratorium on the issuance of LTNCD except for those approved by the BSP within the allowable period. On January 10, 2020, the BSP approved the Parent Company's application to issue up to ₱25.0 billion LTNCD over a period of one year from BSP approval. As of December 31, 2021, the BSP's approval has lapsed, hence, the Parent Company can no longer issue LTNCD.

As of December 31, 2022 and 2021, 19.18% and 17.86%, respectively, of the total interest-bearing deposit liabilities of the Group, and 11.32% and 11.10%, respectively, of the total interest-bearing deposit liabilities of the Parent Company are subject to periodic interest repricing. In 2022, 2021 and 2020 the remaining peso deposit liabilities (excluding LTNCDs above) of the Group and the Parent Company earn annual fixed interest rates ranging from 0.00% to 6.59%, while the remaining foreign currency-denominated deposit liabilities earn annual fixed interest rates ranging from 0.00% to

8.84%, from 0.00% to 3.75% and from 0.00% to 3.75%, respectively for the Group and from 0.00% to 8.84%, from 0.00% to 2.50%, and from 0.00% to 2.50%, respectively, for the Parent Company.

Interest expense on deposit liabilities consists of:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
CASA	**₱932**	₱1,155	₱2,193	**₱732**	₱935	₱1,861
Time	**9,277**	2,803	7,457	**5,482**	749	4,581
LTNCD	**1,211**	1,544	1,676	**915**	1,151	1,282
	₱11,420	₱5,502	₱11,326	**₱7,129**	₱2,835	₱7,724

Reserve Requirement
In 2020, BSP Circular Nos. 1082 and 1092 were issued reducing the reserve requirements against deposit and deposit substitute liabilities. Non-FCDU deposit liabilities of the Parent Company and deposit substitutes of FMIC and ORIX Metro are subject to required reserves of 12% from 14% effective reserve week April 3, 2020 while non-FCDU deposit liabilities of PSBank are subject to required reserves of 3% from 4% effective reserve week July 31, 2020. Reserves requirement for peso-denominated LTNCDs are still at 4%. The required reserves can be kept in the form of deposits maintained in the demand deposit accounts with the BSP and any government securities used as compliance until they mature. Further, BSP Circular No. 1100 issued in 2020 and amended by BSP Circular No. 1155 issued in 2022 allowing banks to use peso denominated loans that are granted after March 15, 2020 to (1) micro-small-and-medium-enterprises (MSMEs) and (2) large enterprises excluding banks and non-bank financial institutions with quasi-banking functions that met the definition of MSME/large enterprise as alternative compliance with the reserve requirements. The use of MSME loans/ loans to large enterprises as allowable alternative compliance with the reserve requirements shall be available until June 30, 2023.

Effective March 25, 2021, FMIC is no longer required to maintain a reserve requirement per BSP Circular Letter No. CL-2021-027. The Parent Company, PSBank and ORIX Metro were in compliance with the reserve requirements as of December 31, 2022 and 2021.

The total statutory and liquidity reserves (included in ‘Due from BSP’ account) as reported to the BSP are as follows:

	2022	2021
Parent Company	**₱215,074**	₱199,975
PSBank	**37,554**	52,427
ORIX Metro	**–**	855
	₱252,628	₱253,257

17. Bills Payable and Securities Sold Under Repurchase Agreements

This account consists of borrowings from:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
SSURA	**₱67,120**	₱50,798	**₱65,934**	₱50,798
Foreign banks	**14,367**	5,271	**8,151**	593
Local banks	**8,767**	11,320	**1,985**	556
Deposit substitutes	**1,068**	2,945	**386**	567
	₱91,322	₱70,334	**₱76,456**	₱52,514

Interbank borrowings with foreign and local banks are mainly short-term borrowings. Deposit substitutes pertain to borrowings from the public.

The following are the carrying values of government debt securities (Note 8) pledged and transferred under SSURA transactions of the Group and the Parent Company:

	Consolidated				Parent Company			
	2022		2021		2022		2021	
	Transferred Securities	**SSURA**	Transferred Securities	SSURA	**Transferred Securities**	**SSURA**	Transferred Securities	SSURA
Investment securities at FVOCI	**₱59,094**	**₱46,847**	₱61,994	₱50,798	**₱59,094**	**₱46,847**	₱61,994	₱50,798
Investment securities at amortized cost	**22,441**	**20,273**	–	–	**21,255**	**19,087**	–	–
	₱81,535	**₱67,120**	₱61,994	₱50,798	**₱80,349**	**₱65,934**	₱61,994	₱50,798

The Group's peso borrowings are subject to annual fixed interest rates ranging from 2.60% to 7.00%, from 3.50%% to 7.00% and from 0.25% to 6.50% in 2022, 2021 and 2020, respectively, while the Group's foreign currency-denominated borrowings are subject to annual fixed interest rates ranging from 0.00% to 6.58%, from 0.36% to 3.40% and from 0.21% to 7.00% in 2022, 2021 and 2020, respectively. For the Parent Company, the peso borrowings are subject to annual fixed interest rates ranging from 3.50% to 7.00% in 2022, 2021 and 2020 while the foreign currency-denominated borrowings are subject to annual fixed interest rates ranging from 0.00% to 6.58%, from 0.36% to 0.44% and from 0.21% to 4.28% in 2022, 2021 and 2020, respectively.

Interest expense on bills payable (included in the 'Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others' in the statements of income) in 2022, 2021 and 2020 amounted to ₱1.8 billion, ₱1.9 billion and ₱4.1 billion, respectively, for the Group and ₱1.1 billion, ₱512.7 million and ₱2.1 billion, respectively, for the Parent Company.

18. Accrued Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Accrued interest (Note 32)	**₱3,776**	₱1,477	**₱2,581**	₱878
Accrued other expenses	**10,180**	8,381	**7,621**	6,357
	₱13,956	₱9,858	**₱10,202**	₱7,235

Accrued other expenses include accruals for compensation and fringe benefits, rentals, percentage and other taxes, professional fees, advertising and information technology expenses and other expenses.

19. **Bonds Payable**

This account consists of the following scripless fixed rate bonds:

Issue Date	Maturity Date	Interest Rate	Face Value	Carrying Value 2022	2021
Parent Company					
Fixed Rated Bonds					
October 28, 2022	April 28, 2024	5.00%	₱23,717	**₱23,546**	₱–
June 4, 2021	September 4, 2026	3.60%	19,000	**18,894**	18,862
October 24, 2019	April 24, 2023	4.50%	13,750	**13,740**	13,706
April 11, 2019	April 11, 2022	6.30%	17,500	–	17,485
USD Senior Unsecured Notes					
July 15, 2020	January 15, 2026	2.125%	US$500	**27,581**	25,136
				83,761	75,189
Fixed Rated Bonds					
PSBank					
February 4, 2020	February 4, 2023	4.50%	4,650	**4,648**	4,634
				₱88,409	₱79,823

Specific terms of these bonds follow:

Parent Company

- ₱23.7 billion fixed rate bonds issued on October 28, 2022 with issue price at 100% face value, which bear an interest rate of 5.00% per annum, payable quarterly in arrears on January 28, April 28, July 28 and October 28 of each year, commencing on January 28, 2023. The bonds will mature on April 28, 2024. Total bond issuance costs amounted to ₱194.8 million.
- ₱19.0 billion fixed rate bonds issued on June 4, 2021 with issue price at 100% face value, which bear an interest rate of 3.60% per annum, payable quarterly in arrears on March 4, June 4, September 4 and December 4 of each year, commencing on September 4, 2021. The bonds will mature on September 4, 2026. Total bond issuance costs amounted to ₱156.0 million.
- ₱13.75 billion fixed rate bonds issued on October 24, 2019 with issue price at 100% face value, which bear an interest rate of 4.50% per annum, payable quarterly in arrears on January 24, April 24, July 24 and October 24 of each year, commencing on October 24, 2019. The bonds will mature on April 24, 2023. Total bond issuance costs amounted to ₱122.1 million.
- ₱17.5 billion fixed rate bonds issued on April 11, 2019 with issue price at 100% face value, which bear an interest rate of 6.30% per annum, payable quarterly in arrears on January 11, April 11, July 11 and October 11 of each year, commencing on July 11, 2019. The bonds matured on April 11, 2022. Total bond issuance costs amounted to ₱148.47 million.
- US$500 million senior unsecured notes issued on July 15, 2020 with issue price at 99.096% face value, which bear an interest rate of 2.125% per annum, payable semi-annually in arrears on January 15 and July 15 of each year, commencing on January 15, 2021. The bonds will mature on January 15, 2026. Total bond issuance costs amounted to ₱484.9 million.
- ₱11.25 billion fixed rate bonds issued on July 3, 2019 with bear an interest rate of 5.50% per annum. The bonds matured on July 3, 2021.
- ₱10.5 billion fixed rate bonds issued on June 24, 2020 with bear an interest rate of 3.00% per annum. The bonds matured on September 24, 2021.

PSBank

- ₱4.65 billion fixed rate bonds issued on February 4, 2020 with issue price at 100% face value, which bear an interest rate of 4.50% per annum, payable quarterly in arrears on February 4, May 4, August 4 and November 4 of each year, commencing on May 4, 2020. The bonds will mature on February 4, 2023. Total bond issuance costs amounted to ₱42.7 million.
- ₱6.30 billion fixed rate bonds issued on July 24, 2019 which bear an interest rate of 5.60% per annum. The bonds matured on July 24, 2021.

ORIX Metro

- ₱4.16 billion fixed rate bonds issued on November 15, 2019, which bear an interest rate of 4.55% per annum. The bonds matured on November 15, 2021.

Interest expense on bonds payable (included in 'Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others') in 2022, 2021 and 2020 amounted to ₱3.0 billion, ₱4.4 billion and ₱5.5 billion, respectively, for the Group, and ₱2.8 billion, ₱3.8 billion and ₱4.8 billion, respectively, for the Parent Company. As of December 31, 2022 and 2021, unamortized bond issue costs amounted to ₱585.7 million and ₱576.7 million, respectively, for the Group, and ₱584.1 million and ₱560.3 million, respectively, for the Parent Company.

Reserve Requirement

Peso-denominated bonds are subject to reserves equivalent to 3% in 2022 and 2021. The Parent Company and PSBank were in compliance with such requirements as of December 31, 2022 and 2021.

20. Subordinated Debts

This account consists of the Parent Company's Peso Notes:

			Carrying Value		Market Value	
	Maturity Date	**Face Value**	**2022**	2021	**2022**	2021
2023	December 20, 2023	₱1,170	**₱1,169**	₱1,168	**₱1,187**	₱1,061

2023 Peso Notes - issued by MCC on December 20, 2013 at 100.00% of the principal amount of ₱1.2 billion (absorbed by the Parent Company on January 3, 2020 relative to the merger as discussed in Note 11)

- Bear interest at 6.21% per annum payable quarterly in arrears every 20th of March, June, September and December each year, commencing on March 20, 2014.
- Basel III - compliant unsecured subordinated notes qualified as Tier 2 capital as approved by the BSP on February 17, 2013.
- In case of insolvency or liquidation of MCC, the notes will be subordinated in the right of payment of principal and interest to all depositors and other creditors of MCC, except those creditors expressed to rank equally with, or behind holders of the notes.
- If a non-viability trigger event occurs, MCC shall immediately write down some or all of the notes in accordance with the BSP's determination.
- Subject to the written approval of the BSP, MCC may redeem all and not less than the entire outstanding 2023 Notes, at a redemption price equal to the face value together with the accrued and unpaid interest based on the interest rate.

Parent Company 2025 Peso Notes - issued on August 8, 2014 at 100.00% of the principal amount of ₱6.5 billion

- The note bear interest at 5.25% per annum. As approved by the BSP on May 7, 2020, on August 8, 2020, the Parent Company redeemed the Notes ahead of its maturity.

As of December 31, 2022 and 2021, the Group are in compliance with the terms and conditions upon which these subordinated notes have been issued.

In 2022, 2021 and 2020, interest expense on subordinated debts included in 'Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others' amounted to ₱73.7 million, ₱73.7 million and ₱285.6 million (including amortization of debt issue cost and premium of ₱1.1 million, ₱1.1 million and ₱7.1 million).

21. Non-equity Non-controlling Interest and Other Liabilities

Non-equity Non-controlling Interest

This account arises when mutual funds are consolidated and where the Group holds less than 100.00% of the investment in these funds. When this occurs, the Group acquires a liability in respect of non-controlling interests in the funds of which the Group has control. Such non-controlling interests are distinguished from equity non-controlling interests in that the Group does not hold an equity stake in such funds. Further, income (loss) attributable to non-equity non-controlling interests amounting to ₱462.7 million, (₱152.4 million), and ₱115.0 million in 2022, 2021 and 2020, respectively, is included under 'Trading and securities gain - net' in the statements of income (Note 8).

Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Accounts payable	**₱22,660**	₱19,329	**₱13,665**	₱10,367
Marginal deposits	**14,864**	13,425	**894**	153
Bills purchased - contra (Note 9)	**8,209**	6,233	**8,209**	6,233
Lease liability (Note 13)	**5,661**	5,084	**3,845**	3,185
Other credits	**1,628**	1,635	**1,459**	1,463
Outstanding acceptances	**1,287**	2,729	**1,287**	2,729
Deferred revenues (Note 25)	**1,273**	1,158	**1,273**	1,158
Deposits on lease contracts	**979**	1,153	**–**	–
Withholding taxes payable	**789**	502	**651**	433
Retirement liability (Note 27)	**72**	57	**–**	–
Miscellaneous (Notes 11 and 15)	**6,615**	6,199	**5,666**	5,189
	₱64,037	₱57,504	**₱36,949**	₱30,910

Deferred revenues include deferral and recognition of loyalty points program transactions and membership fees and dues for credit card business.

As of December 31, 2022 and 2021, miscellaneous liabilities of the Group include dividends payable amounting to ₱89.5 million.

22. Maturity Profile of Assets and Liabilities

The following tables present the assets and liabilities by contractual maturity and settlement dates:

	Consolidated					
	2022			2021		
	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	**₱40,683**	**₱–**	**₱40,683**	₱41,302	₱–	₱41,302
Due from BSP	**252,628**	**–**	**252,628**	253,257	–	253,257
Due from other banks	**75,513**	**–**	**75,513**	48,862	–	48,862
Interbank loans receivable and SPURA	**73,563**	**200**	**73,763**	69,775	700	70,475
Investment securities at FVTPL	**50,566**	**13,033**	**63,599**	43,752	7,040	50,792
Investment securities at FVOCI	**180,368**	**350,096**	**530,464**	165,809	482,999	648,808
Investment securities at amortized cost	**6,089**	**312,158**	**318,247**	4,738	79,103	83,841
Loans and receivables (Note 9)						
Receivables from customers	**717,539**	**739,190**	**1,456,729**	635,890	643,604	1,279,494
Unquoted debt securities	**704**	**499**	**1,203**	704	697	1,401
Accrued interest receivable	**15,787**	**1**	**15,788**	12,399	–	12,399
Accounts receivable	**9,333**	**–**	**9,333**	8,014	–	8,014
Sales contract receivable	**19**	**12**	**31**	20	21	41
Other receivables	**281**	**–**	**281**	138	180	318
Other assets (Note 14)						
Investments in SPVs	**8,857**	**–**	**8,857**	8,857	–	8,857
Interoffice float items	**740**	**–**	**740**	303	–	303
Returned checks and other cash items	**345**	**–**	**345**	640	–	640
Other investments	**–**	**26**	**26**	–	26	26
	1,433,015	**1,415,215**	**2,848,230**	1,294,460	1,214,370	2,508,830
Non-Financial Assets - at gross						
Property and equipment (Note 10)	**–**	**57,804**	**57,804**	–	54,079	54,079
Investments in associates and a JV (Note 11)	**–**	**6,760**	**6,760**	–	6,523	6,523
Investment properties (Note 12)	**–**	**10,441**	**10,441**	–	9,881	9,881
Deferred tax assets (Note 28)	**–**	**13,362**	**13,362**	–	13,094	13,094
Goodwill (Note 11)	**–**	**6,403**	**6,403**	–	5,194	5,194
Assets held under joint operations (Note 14)	**–**	**219**	**219**	–	219	219
Residual value of leased asset (Note 14)	**268**	**355**	**623**	347	392	739
Other assets (Note 14)	**2,815**	**14,762**	**17,577**	3,043	15,068	18,111
	3,083	**110,106**	**113,189**	3,390	104,450	107,840
	₱1,436,098	**₱1,525,321**	**2,961,419**	₱1,297,850	₱1,318,820	2,616,670
Less:						
Unearned discounts and capitalized interest (Note 9)			**13,538**			12,870
Accumulated depreciation and amortization (Notes 10, 12 and 14)			**38,991**			35,765
Allowance for credit and impairment losses (Notes 10, 11, 12, 14, and 15)			**65,800**			65,219
			₱2,843,090			₱2,502,816
Financial Liabilities						
Deposit liabilities						
Demand	**₱581,473**	**₱–**	**₱581,473**	₱588,434	₱–	₱588,434
Savings	**898,078**	**–**	**898,078**	874,283	–	874,283
Time	**696,549**	**18,866**	**715,415**	413,269	24,777	438,046
LTNCD (Note 16)	**8,650**	**17,508**	**26,158**	3,375	26,146	29,521
	2,184,750	**36,374**	**2,221,124**	1,879,361	50,923	1,930,284
Bills payable and SSURA (Note 17)	**89,409**	**1,913**	**91,322**	62,354	7,980	70,334
Derivative liabilities (Note 8)	**8,870**	**7,995**	**16,865**	3,854	4,495	8,349
Manager's checks and demand drafts outstanding	**6,501**	**–**	**6,501**	5,396	–	5,396
Accrued interest and other expenses	**12,869**	**–**	**12,869**	8,875	–	8,875
Bonds payable (Note 19)	**18,388**	**70,021**	**88,409**	17,485	62,338	79,823
Subordinated debts (Note 20)	**1,169**	**–**	**1,169**	–	1,168	1,168
Non-equity non-controlling interest (Note 21)	**10,139**	**–**	**10,139**	10,619	–	10,619
Other liabilities (Note 21)						
Accounts payable	**22,660**	**–**	**22,660**	19,329	–	19,329
Marginal deposits	**14,864**	**–**	**14,864**	13,425	–	13,425
Bills purchased - contra	**8,209**	**–**	**8,209**	6,233	–	6,233
Lease liability	**1,491**	**4,170**	**5,661**	1,367	3,717	5,084
Outstanding acceptances	**1,287**	**–**	**1,287**	2,729	–	2,729
Deposits on lease contracts	**441**	**538**	**979**	614	539	1,153
Dividends payable	**90**	**–**	**90**	90	–	90
	2,381,137	**121,011**	**2,502,148**	2,031,731	131,160	2,162,891

(Forward)

	Consolidated					
	2022			2021		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Non-Financial Liabilities						
Retirement liability (Notes 21 and 27)	**₱–**	**₱72**	**₱72**	₱–	₱57	₱57
Income taxes payable	**1,478**	**–**	**1,478**	1,749	–	1,749
Accrued interest and other expenses	**1,087**	**–**	**1,087**	983	–	983
Withholding taxes payable (Note 21)	**789**	**–**	**789**	502	–	502
Deferred tax and other liabilities (Notes 21 and 28)	**7,797**	**1,629**	**9,426**	7,251	1,651	8,902
	11,151	**1,701**	**12,852**	10,485	1,708	12,193
	₱2,392,288	**₱122,712**	**₱2,515,000**	₱2,042,216	₱132,868	₱2,175,084

	Parent Company					
	2022			2021		
	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	**₱38,701**	**₱–**	**₱38,701**	₱38,452	₱–	₱38,452
Due from BSP	**215,074**	**–**	**215,074**	199,974	–	199,974
Due from other banks	**56,698**	**–**	**56,698**	36,240	–	36,240
Interbank loans receivable and SPURA	**65,350**	**200**	**65,550**	55,299	700	55,999
Investment securities at FVTPL	**42,623**	**13,033**	**55,656**	34,935	7,040	41,975
Investment securities at FVOCI	**73,980**	**344,067**	**418,047**	84,445	477,356	561,801
Investment securities at amortized cost	**3,883**	**281,677**	**285,560**	160	57,231	57,391
Loans and receivables						
Receivables from customers	**655,840**	**616,580**	**1,272,420**	571,420	523,102	1,094,522
Unquoted debt securities	**386**	**170**	**556**	386	198	584
Accrued interest receivable	**12,240**	**1**	**12,241**	8,062	–	8,062
Accounts receivable	**6,500**	**–**	**6,500**	5,372	–	5,372
Sales contract receivable	**13**	**7**	**20**	15	8	23
Other receivables	**3**	**–**	**3**	5	–	5
Other assets						
Investments in SPVs	**8,857**	**–**	**8,857**	8,857	–	8,857
Interoffice float items	**1,074**	**–**	**1,074**	377	–	377
Returned checks and other cash items	**333**	**–**	**333**	611	–	611
	1,181,555	**1,255,735**	**2,437,290**	1,044,610	1,065,635	2,110,245
Non-Financial Assets - at gross						
Investments in subsidiaries	**–**	**71,754**	**71,754**	–	69,321	69,321
Property and equipment	**–**	**40,504**	**40,504**	–	37,463	37,463
Investments in associates	**–**	**662**	**662**	–	675	675
Investment properties	**–**	**4,891**	**4,891**	–	4,805	4,805
Deferred tax assets	**–**	**12,274**	**12,274**	–	11,891	11,891
Assets held under joint operations	**–**	**219**	**219**	–	219	219
Other assets	**1,784**	**11,541**	**13,325**	1,522	12,072	13,594
	1,784	**141,845**	**143,629**	1,522	136,446	137,968
	₱1,183,339	**₱1,397,580**	**2,580,919**	₱1,046,132	₱1,202,081	2,248,213
Less:						
Unearned discounts and capitalized interest			**10,970**			9,903
Accumulated depreciation and amortization			**25,905**			23,149
Allowance for credit and impairment losses			**54,295**			53,865
			₱2,489,749			₱2,161,296
Financial Liabilities						
Deposit liabilities						
Demand	**₱536,516**	**₱–**	**₱536,516**	₱535,847	₱–	₱535,847
Savings	**851,860**	**–**	**851,860**	830,247	–	830,247
Time	**527,987**	**927**	**528,914**	272,442	931	273,373
LTNCD (Note 16)	**8,650**	**12,430**	**21,080**	–	21,080	21,080
	1,925,013	**13,357**	**1,938,370**	1,638,536	22,011	1,660,547
Bills payable and SSURA (Note 17)	**76,446**	**10**	**76,456**	52,094	420	52,514
Derivative liabilities (Note 8)	**8,860**	**7,995**	**16,855**	3,696	4,495	8,191
Manager's and demand drafts outstanding	**5,487**	**–**	**5,487**	4,803	–	4,803
Accrued interest and other expenses	**9,115**	**–**	**9,115**	6,252	–	6,252
Bonds payable (Note 19)	**13,740**	**70,021**	**83,761**	17,485	57,704	75,189
Subordinated debts (Note 20)	**1,169**	**–**	**1,169**	–	1,168	1,168
Other liabilities (Note 21)						
Accounts payable	**13,665**	**–**	**13,665**	10,367	–	10,367
Bills purchased - contra	**8,209**	**–**	**8,209**	6,233	–	6,233
Lease liability	**792**	**3,053**	**3,845**	753	2,432	3,185
Outstanding acceptances	**1,287**	**–**	**1,287**	2,729	–	2,729
Marginal deposits	**894**	**–**	**894**	153	–	153
	2,064,677	**94,436**	**2,159,113**	1,743,101	88,230	1,831,331
Non-Financial Liabilities						
Income taxes payable	**1,307**	**–**	**1,307**	1,549	–	1,549
Accrued interest and other expenses	**1,087**	**–**	**1,087**	983	–	983
Withholding taxes payable (Note 21)	**651**	**–**	**651**	433	–	433
Other liabilities (Note 21)	**6,939**	**1,459**	**8,398**	6,347	1,463	7,810
	9,984	**1,459**	**11,443**	9,312	1,463	10,775
	₱2,074,661	**₱95,895**	**₱2,170,556**	₱1,752,413	₱89,693	₱1,842,106

23. **Capital Stock**

As of December 31, 2022 and 2021, this account consists of (amounts in millions, except par value and number of shares):

	Shares	Amount
Authorized		
Common stock – ₱20.00 par value	**6,000,000,000**	
Preferred stock – ₱20.00 par value	**1,000,000,000**	
Common stock issued and outstanding		
Balance at January 1 and December 31	**4,497,415,555**	**₱89,948**

As of December 31, 2022 and 2021, treasury shares totaling 1,328,487 and 1,280,855, respectively, represent shares of the Parent Company held by FMIC's mutual fund subsidiary (Note 32).

Preferred shares are non-voting except as provided by law; have preference over Common Shares in the distribution of dividends; subject to such terms and conditions as may be determined by the BOD and to the extent permitted by applicable law, may or may not be redeemable; and shall have such other features as may be determined by the BOD at the time of issuance.

On March 15, 2013, the BOD of the Parent Company approved (a) the amendment of the Articles of Incorporation (AOI) to increase the authorized capital stock and (b) the declaration of 30.00% stock dividend, which were ratified by the stockholders representing at least 2/3 of the outstanding capital stock on April 15, 2013. These were subsequently approved by the BSP on May 15, 2013 and by the SEC on August 13, 2013. Following this, the authorized capital stock of the Parent Company increased from ₱50.0 billion to ₱100.0 billion consisting of 4.0 billion common shares and 1.0 billion preferred shares, both with par value of ₱20.00 per share. The 30.00% stock dividend equivalent to 633,415,049 common shares amounting to ₱12.7 billion represents at least the minimum 25.00% subscribed and paid-up capital for the increase in the authorized capital stock referred to above which was issued/paid on September 16, 2013 with record date on September 3, 2013. On September 10, 2013, the PSE approved the listing of such additional common shares.

On January 21, 2015, the Parent Company's BOD approved the Stock Rights Offer (SRO) by way of issuance from the unissued portion of the authorized capital stock which was noted by BSP with the issuance of a letter of no objection to the Rights Issue on February 17, 2015. On February 24, 2015, the SEC confirmed the exemption of this issuance of ₱32.0 billion worth of common shares from the registration requirements under Section 8 of the SRC. On February 25, 2015, the PSE approved the listing of up to 500.0 million common shares to cover the SRO to all stockholders of record as of March 18, 2015. On April 7, 2015, following regulatory approvals, the Parent Company concluded the ₱32.0 billion SRO, involving 435,371,720 common shares with par value of ₱20.00 priced at ₱73.50 per share and listed with the PSE on the same date. The difference between the issued price and the par value is recognized as 'Capital paid in excess of par value'.

On January 17, 2018, the Parent Company's BOD approved the SRO by way of issuance of up to a maximum of 819,827,214 common shares to raise additional capital of up to ₱60.0 billion. This was noted by the BSP with the issuance of a letter of no objection to the rights issue on January 29, 2018. On April 4, 2018, following the regulatory approvals, the Parent Company concluded the ₱60.0 billion SRO, involving 799,842,250 common shares with par value of ₱20.00 priced at ₱75.00 per share and listed on the PSE on April 12, 2018. Transaction costs on the SRO amounting to ₱878.2 million were charged against 'Capital paid in excess of par value'.

On February 13, 2019, the BOD of the Parent Company approved (a) the amendment of the AOI to increase the authorized capital stock from ₱100.0 billion to ₱140.0 billion and (b) the declaration of a 13% stock dividend equivalent to 517,401,955 shares amounting to ₱10.3 billion representing the minimum 25% subscription and paid-up capital for the increase in the authorized capital stock which were ratified by the stockholders representing at least 2/3 of the outstanding capital stock on April 24, 2019. These were approved by the BSP on August 8, 2019 and by the SEC on October 4, 2019. Following this, the authorized capital stock of the Parent Company increased from ₱100.0 billion to ₱140.0 billion consisting of 6.0 billion common shares and 1.0 billion preferred shares, both with par value of ₱20.0 per share. On October 16, 2019, the Parent Company received the SEC Order fixing the Record Date of the 13% stock dividend on October 31, 2019. The 13% stock dividend was issued on November 26, 2019 with record date on October 31, 2019. On November 19, 2019, the PSE approved the listing of such stock dividend.

All issued and outstanding shares of the Parent Company are listed with the PSE (Note 1). As of December 31, 2022 and 2021, there are 2,954 and 2,979 holders, respectively, of the listed shares of the Parent Company, with share price closed at ₱54.00 and ₱55.70 a share, respectively.

The history of share issuances during the last ten years follows:

Year	Issuance	Listing Date	Number of Shares Issued
2019	Stock dividend	November 26, 2019	517,400,519
2018	Stock rights	April 12, 2018	799,842,250
2015	Stock rights	April 7, 2015	435,371,720
2013	Stock dividend	September 16, 2013	633,415,049

Details of the Parent Company's cash dividend distributions from 2020 to 2022 follow:

Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
February 23, 2022	₱0.80 (regular)	₱3,598	September 9, 2022	September 23, 2022
February 23, 2022	0.80 (regular)	3,598	March 17, 2022	March 31, 2022
February 23, 2022	1.40 (special)	6,296	March 17, 2022	March 31, 2022
February 17, 2021	1.00 (regular)	4,497	March 5, 2021	March 18, 2021
February 17, 2021	3.00 (special)	13,492	March 5, 2021	March 18, 2021
February 19, 2020	1.00	4,497	March 6, 2020	March 20, 2020

On February 23, 2022, the BOD of the Parent Company approved a new dividend policy of increasing the regular cash dividends from ₱1.00 to ₱1.60 per share for the year, payable on semi-annual basis at ₱0.80 per share.

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following BSP guidelines.

24. Surplus Reserves

This account consists of:

	2022	2021
Reserve for trust business (Note 29)	**₱2,046**	₱1,897
Reserve for self-insurance	**567**	545
	₱2,613	₱2,442

In compliance with existing BSP regulations, 10.0% of the Parent Company's income from trust business is appropriated to surplus reserves. This yearly appropriation is required until the surplus reserve for trust business equals 20.0% of the Parent Company's regulatory net worth.

Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation by and other unlawful acts of the Parent Company's personnel or third parties.

25. Other Operating Income and Expenses

Service Charges, Fees and Commissions

The table below presents the disaggregation of service charges, fees and commission by business segment:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Consumer banking	**₱7,234**	₱5,749	₱5,072	**₱6,735**	₱5,247	₱4,618
Branch banking	**3,978**	3,391	3,040	**2,860**	2,428	2,306
Corporate banking	**920**	876	850	**851**	801	737
Investment banking/treasury	**823**	698	618	**658**	374	434
Others*	**2,080**	2,704	2,123	**669**	1,285	896
	₱15,035	₱13,418	₱11,703	**₱11,773**	₱10,135	₱8,991

**Others include the remittance business of the Group and the Parent Company.*

The remaining performance obligations on revenue contracts with customers of the Group under PFRS 15, which are expected to be recognized beyond one year amounting to ₱757.1 million and ₱660.5 million (included in 'Deferred revenues' under 'Other liabilities') as of December 31, 2022 and 2021, respectively, refer to the customer loyalty program of the Parent Company. The customer loyalty points have no expiration and redemptions can go beyond one year.

Miscellaneous Income and Expenses

In 2022, 2021 and 2020, miscellaneous income includes gain on initial recognition of investment properties and other non-financial assets amounting to ₱1.3 billion, ₱812.5 million and ₱127.1 million, respectively, for the Group, and ₱82.7 million, ₱41.0 million and ₱14.6 million, respectively, for the Parent Company; recovery on charged-off assets amounting to ₱1.2 billion, ₱1.4 billion and ₱691.6 million, respectively, for the Group, and ₱858.5 million, ₱1.0 billion and ₱449.3 million, respectively, for the Parent Company; and IT service fees and other income amounting to ₱645.4 million, ₱797.2 million and ₱360.5 million, respectively, for the Group, and ₱328.2 million, ₱565.5 million and ₱269.6 million, respectively, for the Parent Company (Note 32).

Miscellaneous expenses consist of:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Insurance	**₱4,063**	₱3,897	₱3,592	**₱3,454**	₱3,232	₱2,985
Security, messengerial and janitorial	**3,458**	3,540	3,500	**2,975**	3,110	2,986
Information technology (Note 32)	**2,020**	1,555	1,574	**1,688**	1,286	1,379
Management, professional and supervision fees	**1,411**	1,471	1,771	**1,139**	1,220	1,539
Advertising	**1,380**	809	512	**1,288**	767	439
Litigation (Note 12)	**906**	985	911	**427**	469	512
Repairs and maintenance	**659**	625	695	**242**	316	416
Communications	**539**	624	602	**304**	364	372
Stationery and supplies used	**411**	356	465	**300**	279	333
Transportation and travel	**349**	291	658	**283**	231	517
Entertainment, amusement and representation (EAR) (Note 28)	**336**	215	300	**284**	167	251
Others*	**3,438**	3,528	3,100	**2,531**	2,585	2,327
	₱18,970	₱17,896	₱17,680	**₱14,915**	₱14,026	₱14,056

** Other expenses mainly include membership fees, donation, freight charges and other business expenses.*

26. Notes to Statements of Cash Flows

The amounts of interbank loans receivable and SPURA, gross of allowance for credit losses, considered as cash and cash equivalents follow:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Interbank loans receivable and SPURA	**₱73,763**	₱70,475	₱79,408	**₱65,550**	₱55,999	₱57,210
Interbank loans receivable and SPURA not considered as cash and cash equivalents	**(7,977)**	(14,413)	(32,739)	**(5,993)**	(9,971)	(27,369)
	₱65,786	₱56,062	₱46,669	**₱59,557**	₱46,028	₱29,841

Significant non-cash transactions of the Group and the Parent Company include:

- Additions to ROU assets as disclosed in Note 10;
- Foreclosures of properties or additions to investment and chattel properties as disclosed in Notes 12 and 14, respectively;
- Reclassifications of BUC and Furniture, Fixtures and Equipment (FFE) (Note 10);
- Impact of merger (Note 11); and
- Reclassifications of software cost from customized system development costs (Note 14).

The table below provides for the changes in liabilities arising from financing activities in 2022, 2021 and 2020:

	Consolidated			
	Beginning	**Net Cash Flows**	**Others**	**Ending**
2022				
Bills payable and SSURA (Note 17)	**₱70,334**	**₱23,432**	**(₱2,444)**	**₱91,322**
Bonds payable (Note 19)	**79,823**	**6,023**	**2,563**	**88,409**
Subordinated debts (Note 20)	**1,168**	**–**	**1**	**1,169**
Dividends payable (Note 21)	**90**	**–**	**–**	**90**
Total liabilities from financing activities	**₱151,415**	**₱29,455**	**₱120**	**₱180,990**
2021				
Bills payable and SSURA (Note 17)	₱139,614	(₱63,687)	(₱5,593)	₱70,334
Bonds payable (Note 19)	91,397	(13,366)	1,792	79,823
Subordinated debts (Note 20)	1,167	–	1	1,168
Dividends payable (Note 21)	90	–	–	90
Total liabilities from financing activities	₱232,268	(₱77,053)	(₱3,800)	₱151,415
2020				
Bills payable and SSURA (Note 17)	₱238,281	(₱44,680)	(₱53,987)	₱139,614
Bonds payable (Note 19)	80,486	10,869	42	91,397
Subordinated debts (Note 20)	7,660	(6,500)	7	1,167
Notes payable (Note 21)	2,592	(2,592)	–	–
Dividends payable (Note 21)	90	–	–	90
Total liabilities from financing activities	₱329,109	(₱42,903)	(₱53,938)	₱232,268

	Parent Company				
	Beginning	**Net Cash Flows**	**Impact of Merger** (see Note 11)	**Others**	**Ending**
2022					
Bills payable and SSURA (Note 17)	**₱52,514**	**₱24,123**	**₱–**	**(₱181)**	**₱76,456**
Bonds payable (Note 19)	**75,189**	**6,023**	**–**	**2, 549**	**83,761**
Subordinated debts (Note 20)	**1,168**	**–**	**–**	**1**	**1,169**
Total liabilities from financing activities	**₱128,871**	**₱30,146**	**₱–**	**₱2,369**	**₱161,386**
2021					
Bills payable and SSURA (Note 17)	₱108,651	(₱54,808)	₱–	(₱1,329)	₱52,514
Bonds payable (Note 19)	76,355	(2,906)	–	1,740	75,189
Subordinated debts (Note 20)	1,167	–	–	1	1,168
Total liabilities from financing activities	₱186,173	(₱57,714)	₱–	₱412	₱128,871

	Parent Company				
	Beginning	Net Cash Flows	Impact of Merger (see Note 11)	Others	Ending
2020					
Bills payable and SSURA (Note 17)	₱139,072	(₱87,421)	₱65,389	(₱8,389)	₱108,651
Bonds payable (Note 19)	70,110	6,219	–	26	76,355
Subordinated debts (Note 20)	6,494	(6,500)	1,166	7	1,167
Total liabilities from financing activities	₱215,676	(₱87,702)	₱66,555	(₱8,356)	₱186,173

Others include the effect of cash flows of liabilities arising from operating activities.

27. Retirement Plan and Other Employee Benefits

The Parent Company and most of its subsidiaries have funded non-contributory defined benefit retirement plans covering all their respective permanent and full-time employees. Benefits are based on the employee's years of service and final plan salary.

For employees of the Parent Company, retirement from service is compulsory upon the attainment of the 55th birthday or 30th year of service, whichever comes first.

The existing regulatory framework, RA No. 7641, *Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The Parent Company and most of its subsidiaries meet the minimum retirement benefit specified under RA No. 7641.

The principal actuarial assumptions used in determining retirement liability of the Parent Company and significant subsidiaries are shown below:

	Parent Company	**FMIC**	**PSBank**	**ORIX Metro**
As of January 1, 2022				
Average remaining working life	**11 years**	**7 to 10 years**	**9 years**	**11 to 24 years**
Discount rate	**5.06%**	**4.75% to 5.13%**	**4.94%**	**5.0% to 5.6%**
Future salary increases	**6.00%**	**4.0% to 5.0%**	**4.00%**	**7.00%**
As of January 1, 2021				
Average remaining working life	9 years	7 to 9 years	10 years	13 to 26 years
Discount rate	3.58%	3.38% to 3.68%	3.56%	3.5% to 3.9%
Future salary increases	6.00%	4.0% to 5.0%	4.00%	7.00%

Discount rates used in computing for the present value of the DBO of the Parent Company and significant subsidiaries as of December 31, 2022 and 2021 follow:

	Parent Company	**FMIC**	**PSBank**	**ORIX Metro**
2022	**7.12%**	**6.95% to 7.20%**	**7.11%**	**7.6%**
2021	5.06%	4.75% to 5.13%	4.94%	5.0% to 5.6%

The net retirement liability (asset) of the Group and the Parent Company is presented in the following accounts in the statements of financial position:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Other assets (Note 14)	**(₱487)**	(₱1,354)	**(₱95)**	(₱987)
Other liabilities (Note 21)	**72**	57	**–**	–
	(₱415)	(₱1,297)	**(₱95)**	(₱987)

The defined benefit plan exposes the Group and the Parent Company to actuarial risk, such as longevity risk, interest rate risk and market (investment risk).

The fair value of plan assets by each class as at the end of the statement of financial position date are as follows:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Cash and cash equivalents	**₱44**	₱–	**₱44**	₱–
Deposits in banks (Note 32)	**901**	129	**–**	10
Investment securities				
Debt securities (Note 32)	**18,925**	20,921	**15,689**	16,927
Equity securities (Note 32)	**3,871**	4,409	**3,642**	4,150
Unit investment trust fund and others (Note 32)	**449**	540	**395**	513
Total investment securities	**23,245**	25,870	**19,726**	21,590
Other assets	**251**	193	**224**	169
Total assets	**24,441**	26,192	**19,994**	21,769
Total liabilities and expected withdrawals	**(14)**	(12)	**(11)**	–
Fair value of net plan assets	**₱24,427**	₱26,180	**₱19,983**	₱21,769

Changes in net defined benefit liability (asset) are as follows:

Consolidated	**Present Value of DBO**	**Fair Value of Plan Assets**	**Net Retirement Liability/(Asset)**
January 1, 2022	**₱24,883**	**(₱26,180)**	**(₱1,297)**
Net benefit cost			
Current service cost	**1,913**	**–**	**1,913**
Past service cost	**(17)**	**–**	**(17)**
Net interest	**1,230**	**(1,310)**	**(80)**
Sub-total	**3,126**	**(1,310)**	**1,816**
Benefits paid	**(1,754)**	**1,754**	**–**
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	**–**	**1,718**	**1,718**
Actuarial changes arising from experience adjustments	**(559)**	**–**	**(559)**
Actuarial changes arising from changes in financial/demographic assumptions	**(1,684)**	**93**	**(1,591)**
Sub-total	**(2,243)**	**1,811**	**(432)**
Contributions paid	**–**	**(502)**	**(502)**
December 31, 2022	**₱24,012**	**(₱24,427)**	**(₱415)**

Parent Company	**Present Value of DBO**	**Fair Value of Plan Assets**	**Net Retirement Liability/(Asset)**
January 1, 2022	**₱20,782**	**(₱21,769)**	**(₱987)**
Net benefit cost			
Current service cost	**1,582**	**–**	**1,582**
Net interest	**1,034**	**(1,083)**	**(49)**
Sub-total	**2,616**	**(1,083)**	**1,533**
Benefits paid	**(1,377)**	**1,377**	**–**
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	**–**	**1,492**	**1,492**
Actuarial changes arising from experience adjustments	**(654)**	**–**	**(654)**
Actuarial changes arising from changes in financial/demographic assumptions	**(1,479)**	**–**	**(1,479)**
Sub-total	**(2,133)**	**1,492**	**(641)**
December 31, 2022	**₱19,888**	**(₱19,983)**	**(₱95)**

Consolidated	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability/(Asset)
January 1, 2021	₱26,620	(₱28,847)	(₱2,227)
Net benefit cost			
Current service cost	2,070	–	2,070
Net interest	880	(967)	(87)
Sub-total	2,950	(967)	1,983
Benefits paid	(2,938)	2,938	–
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	–	1,150	1,150
Actuarial changes arising from experience adjustments	2,157	–	2,157
Actuarial changes arising from changes in financial/demographic assumptions	(3,906)	22	(3,884)
Sub-total	(1,749)	1,172	(577)
Contributions paid	–	(476)	(476)
December 31, 2021	₱24,883	(₱26,180)	(₱1,297)

Parent Company	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability/(Asset)
January 1, 2021	₱22,258	(₱24,699)	(₱2,441)
Net benefit cost			
Current service cost	1,689	–	1,689
Net interest	728	(815)	(87)
Sub-total	2,417	(815)	1,602
Benefits paid	(2,680)	2,680	–
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	–	1,065	1,065
Actuarial changes arising from experience adjustments	2,052	–	2,052
Actuarial changes arising from changes in financial/demographic assumptions	(3,265)	–	(3,265)
Sub-total	(1,213)	1,065	(148)
December 31, 2021	₱20,782	(₱21,769)	(₱987)

In 2022, 2021 and 2020, deferred tax on remeasurements on retirement plans charged to OCI amounted to ₱108.0 million, ₱413.8 million, and ₱215.6 million, respectively, for the Group, and ₱160.0 million, ₱323.8 million and ₱139.9 million, respectively, for the Parent Company (Note 28).

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the balance of DBO as of December 31, 2022 and 2021, assuming all other assumptions were held constant:

	Parent Company	FMIC	PSBank	ORIX Metro
As of December 31, 2022				
Discount rate				
+100 basis points (bps)	**(₱1,102)**	**(₱14)**	**(₱220)**	**(₱56)**
- 100 bps	**1,231**	**16**	**249**	**66**
Salary increase rate				
+100 bps	**1,131**	**17**	**266**	**65**
- 100 bps	**(1,041)**	**(17)**	**(239)**	**(57)**
Turnover rate				
+20% of actual rate	**(189)**	**(4)**	**(4)**	**–**
-20% of actual rate	**195**	**6**	**4**	**–**
As of December 31, 2021				
Discount rate				
+100 basis points (bps)	(₱1,822)	(₱20)	(₱233)	(₱62)
- 100 bps	2,111	23	265	73
Salary increase rate				
+100 bps	1,928	24	280	72
- 100 bps	(1,703)	(23)	(250)	(62)
Turnover rate				
+20% of actual rate	(320)	(7)	(24)	–
-20% of actual rate	348	7	27	–

The Group and the Parent Company expect to contribute to the defined benefit retirement plans the required funding for normal cost in 2023 amounting to ₱2.4 billion and ₱2.0 billion, respectively.

The average duration of the DBO of the Group as of December 31, 2022 and 2021 are as follows:

	Parent Company	FMIC	PSBank	ORIX Metro
2022	**8.26 years**	**6.57 to 11.04 years**	**9.27 years**	**8.2 to 10.3 years**
2021	12.93 years	9.18 to 18.64 years	12.12 years	9.4 to 11 years

Shown below is the maturity analysis of the undiscounted benefit payments:

	Parent Company	FMIC	PSBank	ORIX Metro
As of December 31, 2022				
Less than 1 year	**₱3,241**	**₱30**	**₱283**	**₱52**
More than 1 year to 5 years	**11,414**	**176**	**1,408**	**248**
More than 5 years to 10 years	**11,525**	**249**	**2,247**	**284**
More than 10 years to 15 years	**13,006**	**208**	**2,719**	–
More than 15 years to 20 years	**13,189**	**160**	**2,489**	–
More than 20 years	**14,277**	**160**	**1,745**	–
As of December 31, 2021				
Less than 1 year	₱869	₱21	₱251	₱46
More than 1 year to 5 years	6,936	194	1,239	212
More than 5 years to 10 years	13,091	234	1,893	269
More than 10 years to 15 years	12,202	167	2,082	–
More than 15 years to 20 years	17,146	173	2,075	–
More than 20 years	36,350	249	1,361	–

In addition, the Parent Company has a Provident Plan which is a supplementary contributory retirement plan to and forms part of the main plan, the Retirement Plan, for the exclusive benefit of eligible employees of the Parent Company in the Philippines. Based on the provisions of the plan, upon retirement or resignation, a member shall be entitled to receive as retirement or resignation benefits 100.00% of the accumulated value of the personal contribution plus a percentage of the accumulated value arising from the Parent Company's contributions in accordance with the completed number of years serviced. The Parent Company's contribution to the Provident Fund in 2022 and 2021 amounted to ₱321.2 million and ₱334.9 million, respectively.

As of December 31, 2022 and 2021, the retirement funds of the Group's employees amounting to ₱24.4 billion and ₱26.2 billion, respectively, are being managed by its trust banking unit. The Parent Company has a Trust Committee that is mandated to approve the plan, trust agreement, investment plan, including any amendments or modifications thereto, and other activities of the retirement plan. Certain members of the BOD of the Parent Company are represented in the Trust Committee.

28. Income and Other Taxes

Under Philippine tax laws, the Parent Company and its domestic subsidiaries are subject to percentage and other taxes (presented as 'Taxes and licenses' in the statements of income), as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp tax (DST). Income taxes include regular corporate income tax (RCIT) and 20%.00 final taxes paid, which is final withholding tax on gross interest income from government securities and other deposit substitutes.

On March 26, 2021, Republic Act (RA) No. 11534, otherwise known as Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law. CREATE reduced the RCIT rate for large corporations from 30.00% to 25.00% effective July 1, 2020. With the implementation of this Act, the allowable deduction for interest expense was reduced from 33% to 20% of the interest income subjected to final tax.

The regulations also provide for MCIT of 2.00% (prior to CREATE) and 1.00% (from July 1, 2020 to June 30, 2023 before reverting to 2.00%) on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against the Parent Company's and its domestic subsidiaries' income tax liability and taxable income, respectively, over a three-year period from the year of inception. For the taxable years 2020 and 2021, the NOLCO incurred can be carried over as a deduction for the next five (5) consecutive taxable years, pursuant to Revenue Regulations (RR) No. 25-2020.

Current tax regulations also provide for the ceiling on the amount of EAR expense (Note 25) that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Parent Company and its domestic subsidiaries is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue.

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is subject to 10.00% income tax. In addition, interest income on deposit placements with other FCDUs and offshore banking units (OBUs) is taxed at 15.00%. Income derived by the FCDU from foreign currency-denominated transactions with non-residents, OBUs, local commercial banks including branches of foreign banks, is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

Following are the applicable taxes and tax rates for the foreign branches of the Parent Company:

Foreign Branches	**Tax Rates**
USA - New York Branch	21.00% federal income tax; 8.85% state tax; city tax of 7.25% in 2022 and 6.50% in 2020-2021 ; 2.175% MTA tax
Japan - Tokyo and Osaka Branches	23.20% income tax; various rates for business taxes and local business taxes,
Korea - Seoul and Pusan Branches	22.00% income tax; 0.50% education tax,
Taiwan - Taipei Branch	20.00% income tax; 5.00% gross business receipts tax; 5.0% value-added tax

The provision for income tax consists of:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Current:						
Final tax	**₱5,323**	₱3,488	₱3,991	**₱4,535**	₱3,060	₱3,627
RCIT*	**3,423**	2,702	7,729	**2,913**	2,317	6,696
MCIT	**2**	2	5	**–**	–	–
	8,748	6,192	11,725	**7,448**	5,377	10,323
Deferred*	**1,872**	1,585	(4,679)	**1,593**	421	(3,413)
	₱10,620	₱7,777	₱7,046	**₱9,041**	₱5,798	₱6,910

** Includes income taxes of foreign subsidiaries.*

Components of net deferred tax assets of the Group and the Parent Company follow:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Deferred tax asset on:				
Allowance for credit and impairment losses	**₱9,278**	₱9,140	**₱8,398**	₱7,915
Unamortized past service cost	**1,743**	1,943	**1,466**	1,745
Unrealized mark-to-market losses	**1,272**	–	**1,047**	–
Accrued Expenses	**693**	586	**627**	436
Unrealized foreign exchange losses	**396**	1,842	**408**	1,847
Accumulated depreciation of investment properties	**245**	267	**116**	127
Deferred membership/awards	**278**	213	**278**	214
Retirement liability	**179**	15	**–**	–
NOLCO	**3**	–	**–**	–
MCIT	**1**	–	**–**	–
Others	**180**	313	**100**	67
	14,268	14,319	**12,440**	12,351
Deferred tax liability on:				
Unrealized gain on initial measurement of investment properties	**541**	441	**132**	122
Leasing Income differential between finance and operating lease	**266**	–	**–**	–
Retirement asset	**84**	255	**24**	247
Unrealized mark-to-market gains	**–**	93	**–**	91
Others	**15**	436	**10**	–
	906	1,225	**166**	460
Net deferred tax assets	**₱13,362**	₱13,094	**₱12,274**	₱11,891

In 2022 and 2021, deferred tax credited to OCI amounted to ₱2.14 billion and ₱650.2 million, respectively, for the Group, and ₱1.98 billion and ₱918.2 million, respectively, for the Parent Company.

The Parent Company and certain subsidiaries did not recognize deferred tax assets on the following temporary differences:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Allowance for credit and impairment losses	**₱14,781**	₱10,214	**₱8,857**	₱8,857
NOLCO	**1,465**	912	**435**	58
MCIT	**7**	13	–	–
	₱16,253	₱11,139	**₱9,292**	₱8,915

The Group believes that it is not reasonably probable that the tax benefits of these temporary differences will be realized in the future.

There are no income tax consequences attaching to the payment of dividends by the Group to its shareholders. There are no temporary differences arising from undistributed profits of subsidiaries, branches, associates and a JV.

Details of the excess MCIT credits of the Group follow:

		Consolidated		
Inception Year	Expiry Year	Amount	Used/Expired	Balance
2019	2022	₱6	₱6	₱–
2020	2023	5	–	5
2021	2024	2	–	2
2022	2025	1	–	1
		₱14	₱6	₱8

As of December 31, 2022, details of the Group and the Parent Company's NOLCO follow:

		Consolidated			Parent Company		
Inception Year	Expiry Year	Amount	Used/Expired	Balance	Amount	Used/Expired	Balance
2019	2022	₱272	₱272	₱–	₱–	₱–	₱–
2020	2025	233	35	198	–	–	–
2021	2026	407	–	407	58	–	58
2022	2025	873	–	873	377	–	377
		₱1,785	₱307	₱1,478	₱435	₱–	₱435

A reconciliation of the statutory income tax rates and the effective income tax rates follows:

	Consolidated			**Parent Company**		
	2022	2021	2020	**2022**	2021	2020
Statutory income tax rate	**25%**	25.00%	30.00%	**25%**	25.00%	30.00%
Tax effects of:						
Tax-paid, tax-exempt and other non-taxable income	**(3.06)**	(4.68)	(34.94)	**(2.46)**	(2.72)	(31.02)
Non-deductible interest expense	**2.63**	2.97	8.16	**2.75**	2.86	7.99
FCDU income	**(1.90)**	(3.34)	(3.24)	**(2.42)**	(3.28)	(2.90)
Change in unrecognized deferred tax assets	**0.10**	9.62	14.45	**–**	5.19	12.29
Effect of change in tax rate	**–**	(7.29)	–	**–**	(6.31)	–
Others - net	**1.41**	3.52	19.09	**(1.25)**	–	16.96
Effective income tax rate	**24.18%**	25.80%	33.52%	**21.62%**	20.74%	33.32%

29. Trust Operations

Properties held by the Parent Company and PSBank in fiduciary or agency capacity for their customers are not included in the accompanying statements of financial position since these are not their resources.

In compliance with current banking regulations relative to the Parent Company and PSBank's trust functions, the following are government securities deposited with the BSP:

	Consolidated		**Parent Company**	
	2022	2021	**2022**	2021
Investment securities at amortized cost	**₱7,511**	₱6,297	**₱7,511**	₱6,297
Investment securities at FVOCI	**181**	128	**–**	–
	₱7,692	₱6,425	**₱7,511**	₱6,297

30. Commitments and Contingent Liabilities

In the normal course of the Group's operations, there are various outstanding commitments and contingent liabilities which are not reflected in the accompanying financial statements. No material losses are anticipated as a result of these transactions. The summary of contingencies and commitments at their peso-equivalent contractual amounts arising from off-balance sheet items follows:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Trust Banking Group accounts (Note 29)	**₱510,510**	₱589,145	**₱505,715**	₱578,216
Credit card lines	**233,331**	188,099	**233,331**	188,099
Unused commercial letters of credit (Note 32)	**49,097**	48,813	**45,740**	47,386
Undrawn commitments - facilities to lend	**24,578**	14,898	**24,578**	14,898
Bank guaranty with indemnity agreement (Note 32)	**18,023**	14,563	**18,023**	14,563
Credit line certificate with bank commission	**4,771**	5,116	**4,771**	5,116
Outstanding guarantees	**3,769**	4,598	**3,769**	4,598
Inward bills for collection	**2,071**	3,165	**2,071**	3,164
Outstanding shipside bonds/airway bills	**1,294**	1,208	**1,294**	1,208
Late deposits/payments received	**1,047**	185	**1,047**	185
Outward bills for collection	**710**	848	**707**	847
Confirmed export letters of credits	**278**	781	**43**	40
Others	**35,709**	25,475	**1,004**	744
	₱885,188	₱896,894	**₱842,093**	₱859,064

Several suits and claims relating to the Group's lending operations and labor-related cases remain unsettled. In the opinion of management, these suits and claims, if decided adversely, will not involve sums having a material effect on the Group's financial statements.

31. Earnings per Share

The basis of calculation for earnings per share attributable to equity holdings of the Parent Company follows (amounts in millions, except for earnings per share):

	2022	2021	2020
a. Net income attributable to equity holders of the Parent Company	**₱32,776**	₱22,156	₱13,831
b. Weighted average number of outstanding common shares of the Parent Company	**4,496**	4,496	4,496
c. Basic/diluted earnings per share (a/b)	**₱7.29**	₱4.93	₱3.08

32. 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 or if they are subjected to common control or common significant influence such as subsidiaries and associates of subsidiaries or other related parties. Related parties may be individuals or corporate entities and are classified as entities with significant influence, subsidiaries, associates, other related parties and key personnel (Notes 2 and 11).

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

The Parent Company has a Related Party Transactions Committee (RPTC) and a Related Party Transactions Management Committee (RPTMC), both of which are created to assist the BOD in ensuring that transactions with related parties are reviewed to assess risks and are subjected to appropriate restrictions to ensure that these are conducted at arm's-length terms and that corporate or business resources of the Parent Company are not misappropriated or misapplied. After appropriate review, RPTMC (through RPTC) and RPTC disclose all information and endorses to the BOD with recommendations, the proposed related party transactions. The members of the RPTC are appointed annually by the BOD, composed of at least three (3) Board non-executive members, two (2) of whom should be independent directors, including the Chairman. Currently, RPTC is composed of three (3) independent directors (including the Committee's Chairman); the head of Internal Audit Group (as Resource Person); and the Compliance Officer (as the Committee Secretary) and meets bi-monthly or as the need arises. On the other hand, RPTMC members are appointed annually by the President, composed of at least four (4) members. RPTC's and RPTMC's review of the proposed related party transactions considers the following:

a. Identity and relationship of the parties involved in the transaction;
b. Terms of the transaction and whether these are no less favorable than terms generally available to an unrelated third party under the same circumstances;
c. Business purpose, timing, rationale and benefits of the transaction;
d. Approximate monetary value of the transaction and the approximate monetary value of the related party's interest in the transaction;
e. Valuation methodology used and alternative approaches to valuation of the transaction;
f. Information concerning potential counterparties in the transaction;
g. Description of provisions or limitations imposed as a result of entering into the transaction;
h. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the transaction;
i. Impact to a director's independence;
j. Extent that such transaction or relationship would present an improper conflict of interest; and
k. The availability of other sources of comparable products or services.

Further, no director or officer participates in any discussion of a related party transaction for which he, she, or any member of his or her immediate family is a related party, including transactions of subordinates, except in order to provide material information on the related party transaction to RPTC.

Major subsidiaries, which include FMIC, PSBank, and MBCL, have their own respective RPTCs which assist their respective BODs in ensuring that transactions with related parties are reviewed to assess risks and are subjected to appropriate restrictions to ensure that these are conducted at arm's-length terms and that their corporate or business resources are not misappropriated or misapplied.

Details on significant related party transactions of the Group and the Parent Company follow (transactions with subsidiaries have been eliminated in the consolidated financial statements):

	Consolidated	
Category	**Amount**	**Terms and Conditions/Nature**
2022		
Entity with Significant Influence Over the Group		
Outstanding Balance:		
Deposit liabilities*	**₱9,045**	With annual fixed interest rates ranging from 0.00% to 4.88%, including time deposits with maturity terms ranging from 30 to 34 days (Note 16)
Amount/Volume:		
Deposit liabilities	**7,717**	Generally similar to terms and conditions above
Bills payable	**(108)**	Generally similar to terms and conditions above
Interest expense	**12**	Interest expense on deposit liabilities (Note 16)
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	**11,206**	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 1.10% to 5.05% with maturity terms from 31 to 243 days (Note 7)
Receivables from customers*	**3,337**	Unsecured, with ECL of ₱4.50 million; With annual fixed interest rates ranging from 0.00% to 5.50% and maturity terms ranging from 5 to 210 days (Note 9)
Accounts receivable	**220**	Non-interest bearing receivables on remittance and rental fees (Note 9)
Other receivables	**15**	Non-interest bearing receivables on remittance (Note 9)
Deposit liabilities*	**5,991**	With annual fixed interest rates ranging from 0.00% to 5.00% including time deposits with maturity terms ranging from 5 to 91 days (Note 16)
Treasury stock	**72**	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
Dividends declared	**1,132**	Dividend declared by PSBank (Note 11)
Amount/Volume:		
Interbank loans receivable	**2,442**	Generally similar to terms and conditions above
Receivables from customers	**3,002**	Generally similar to terms and conditions above
Accounts receivable	**84**	Generally similar to terms and conditions above
Deposit liabilities	**(279)**	Generally similar to terms and conditions above
Bills payable	**(40)**	Generally similar to terms and conditions above
Interest income	**157**	Interest income on receivables from customers and interbank loan receivables (Notes 7 and 9)
Service charges, fees and commissions	**38**	Income on transactional fees
Trading and securities gain - net	**540**	Net gain from securities transactions (Note 8)
Foreign exchange gain - net	**16**	Net gain from foreign exchange transactions
Leasing income	**26**	Income from leasing agreements with various lease terms
Miscellaneous income	**151**	Information technology services and other fees (Note 25)
Interest expense	**33**	Interest expense on deposit liabilities and bills payable (Note 16 and 17)
Securities transactions		
Purchases	**39,085**	Outright purchases of investment securities at FVTPL and FVOCI
Sales	**49,996**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**13,937**	Outright purchases of foreign currency
Sell	**4,745**	Outright sale of foreign currency
Associates		
Outstanding Balance:		
Receivables from customers	**₱707**	Unsecured, with ECL of ₱1.58 million; With annual fixed interest rates ranging from 0.00% to 5.55% and maturity terms ranging from 60 to 273 days (Note 9)
Deposit liabilities*	**2,077**	With annual fixed interest rates ranging from 0.00% to 5.13% including time deposits with maturity terms ranging from 31 to 357 days (Note 16)
Amount/Volume:		
Receivables from customers	**66**	Generally similar to terms and conditions above
Deposit liabilities	**(27)**	Generally similar to terms and conditions above
Interest Income	**13**	Interest income on receivables from customers (Note 9)
Trading and securities gain - net	**6**	Net gain from securities transactions (Note 8)

(Forward)

	Consolidated	
Category	**Amount**	**Terms and Conditions/Nature**
Leasing income	**₱21**	Income from leasing agreements with various lease terms
Interest expense	**2**	Interest expense on deposit liabilities
Securities transactions		
Outright purchases	**342**	Outright purchases of FVTPL securities and FVOCI investments
Outright sales	**1,210**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**335**	Outright purchases of foreign currency
Sell	**935**	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	**₱34,633**	Secured - ₱7.18 billion, unsecured - ₱27.46 billion, with ECL of ₱98.59 million. With annual fixed interest rates ranging from 0.00% to 6.84% and maturity terms ranging from 2 days to 5 years (Note 9)
Assets held under joint operations	**219**	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	**31,138**	With annual fixed interest rates ranging from 0.00% to 4.88% including time deposits with maturity terms ranging from 5 to 359 days (Note 16)
Amount/Volume:		
Receivables from customers	**3,270**	Generally similar to terms and conditions above
Deposit liabilities	**8,985**	Generally similar to terms and conditions above
Interest income	**1,261**	Interest income on receivables from customers (Note 9)
Foreign exchange loss - net	**(160)**	Net loss from foreign exchange transactions
Interest expense	**59**	Interest expense on deposit liabilities (Note 16)
Lease payments	**40**	Payments for leasing agreements with various lease terms.
Contingent		
Unused commercial LCs	**58**	LC transactions with various terms
Foreign currency		
Buy	**9,308**	Outright purchases of foreign currency
Sell	**120,202**	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	**₱117**	Secured - ₱89.88 million, unsecured - ₱27.46 million, no impairment; With annual fixed interest rates ranging from 0.00% to 9.00% and maturity terms from 1 to 19 years (Note 9)
Deposit liabilities	**332**	With various terms and minimum annual interest rate of 0.00% (Note 16)
Amount/Volume:		
Receivables from customers	**26**	Generally similar to terms and conditions above
Deposit liabilities	**63**	Generally similar to terms and conditions above
Interest income	**3**	Interest income on receivables from customers (Note 9)
2021		
Entity with Significant Influence Over the Group		
Outstanding Balance:		
Deposit liabilities*	₱1,328	With annual fixed interest rates ranging from 0.00% to 0.30%, including time deposits with maturity terms from 22 to 31 days (Note 16)
Bills payable*	108	Peso borrowings subject to annual fixed interest rates of 0.13% with maturity term of 33 days (Note 17)
Amount/Volume:		
Deposit liabilities	(658)	Generally similar to terms and conditions above
Bills payable	1	Generally similar to terms and conditions above
Interest expense	1	Interest expense on deposit liabilities and bills payable (Notes 16 and 17)
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	8,764	Foreign currency-denominated lending, which earn annual fixed interest rates ranging from 0.43% to 3.30% with maturity terms from 17 to 359 days (Note 7)
Investment securities at		
FVTPL	2	Treasury notes and private bonds purchased from FMIC
FVOCI	20	Treasury note purchased from PSBank
Receivables from customers*	335	Unsecured, with ECL of ₱1.0 million; with annual fixed interest rates ranging from 0.00% to 3.50% and maturity terms from 3 to 179 days (Note 9)

(Forward)

	Consolidated	
Category	Amount	Terms and Conditions/Nature
Accounts receivable	₱136	Non-interest bearing receivables on service fees, remittance, rental fees and common use service area fees (Note 9)
Other receivables	3	Accrued rent receivable from PSBank
Deposit liabilities*	6,270	With annual fixed interest rates ranging from 0.00% to 0.25%, including time deposits with maturity terms of 59 days (Note 16)
Bills payable*	40	Peso borrowings subject to annual fixed interest rates of 0.13% with maturity terms from 30 to 31 days (Note 17)
Treasury stock	70	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
Dividends declared	1,132	Dividend declared by PSBank (Note 11)
Amount/Volume:		
Interbank loans receivable	2,352	Generally similar to terms and conditions above
Receivables from customers	(4,636)	Generally similar to terms and conditions above
Accounts receivable	(8)	Generally similar to terms and conditions above
Deposit liabilities	2,897	Generally similar to terms and conditions above
Bills payable	3	Generally similar to terms and conditions above
Interest income	206	Interest income on receivables from customers and interbank loan receivables (Notes 7 and 9)
Service charges, fees and commissions	31	Income on transactional fees
Trading and securities gain - net	36	Net gain from securities transactions (Note 8)
Foreign exchange gain - net	6	Net gain from foreign exchange transactions
Leasing income	22	Income from leasing agreements with various lease terms
Miscellaneous income	180	Information technology services and other fees
Interest expense	14	Interest expense on deposit liabilities, bills payable (Notes 16 and 17)
Securities transactions		
Purchases	15,071	Outright purchases of investment securities at FVTPL and FVOCI
Sales	20,714	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	12,281	Outright purchases of foreign currency
Sell	4,295	Outright sale of foreign currency
Associates		
Outstanding Balance:		
Receivables from customers	₱641	Unsecured; with annual fixed interest rates of 2.34% and maturity terms of 60 days
Deposit liabilities*	2,104	With annual fixed interest rates ranging from 0.00% to 0.25%, including time deposits with maturity terms from 31 to 357 days (Note 16)
Amount/Volume:		
Receivables from customers	635	Generally similar to terms and conditions above
Deposit liabilities	(819)	Generally similar to terms and conditions above
Interest Income	10	Interest income on receivables from customers (Note 9)
Trading and securities gain - net	1	Net gain from securities transactions (Note 8)
Leasing income	18	Income from leasing agreements with various lease terms
Securities transactions		
Outright purchases	15	Outright purchases of FVTPL securities and FVOCI investments
Outright sales	3,121	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Sell	1,318	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	₱31,363	Secured - ₱5.4 billion, unsecured - ₱25.9 billion, with ECL of ₱143.0 million; with annual fixed interest rates ranging from 2.50% to 5.00% and maturity terms from 30 days to 5 years (Note 9)
Assets held under joint operations	219	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	22,153	With annual fixed interest rates ranging from 0.00% to 1.83%, including time deposits with maturity terms from 1 to 182 days (Note 16)

(Forward)

	Consolidated	
Category	Amount	Terms and Conditions/Nature
Amount/Volume:		
Receivables from customers	(₱2,642)	Generally similar to terms and conditions above
Deposit liabilities	3,797	Generally similar to terms and conditions above
Bills payable	(77)	Generally similar to terms and conditions above
Interest income	1,028	Interest income on receivables from customers (Note 9)
Foreign exchange loss - net	(59)	Net loss from foreign exchange transactions
Leasing income	8	Income from leasing agreements with various lease terms
Interest expense	2	Interest expense on deposit liabilities and bills payable (Notes 16 and 17)
Contingent		
Unused commercial LCs	10	LC transactions with various terms
Others	2	Bank guaranty with indemnity agreement
Securities transactions - outright purchases	26	Outright purchases of FVTPL securities and FVOCI investments
Foreign currency		
Buy	324	Outright purchases of foreign currency
Sell	71,710	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	₱91	Secured - ₱64.5 million, unsecured - ₱26.7 million, no impairment; with annual fixed interest rates ranging from 0.00% to 9.00% and maturity terms from 1 to 19 years (Note 9)
Deposit liabilities	269	With various terms and minimum annual interest rate of 0.00% (Note 16)
Amount/Volume:		
Receivables from customers	8	Generally similar to terms and conditions above
Deposit liabilities	(45)	Generally similar to terms and conditions above
Interest income	3	Interest income on receivables from customers (Note 9)
2020		
Entity with Significant Influence Over the Group		
Outstanding Balance:		
Deposit liabilities*	₱1,986	With annual fixed interest rates ranging from 0.00% to 0.30%, including time deposits with maturity terms from 30 to 39 days (Note 16)
Bills payable*	107	Peso borrowings subject to annual fixed interest rates of 0.88% with maturity term of 70 days (Note 17)
Amount/Volume:		
Deposit liabilities	(385)	Generally similar to terms and conditions above
Bills payable	(105)	Generally similar to terms and conditions above
Interest expense	2	Interest expense on deposit liabilities and bills payable (Notes 16 and 17)
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	6,412	Foreign currency-denominated lending, which earn annual fixed interest rates ranging from 0.00% to 3.45% with maturity terms from 17 to 212 days (Note 7)
Investment securities at		
FVTPL	83	Treasury notes and private bonds purchased from FMIC and PSBank
FVOCI	1,218	Treasury note purchased from PSBank
Receivables from customers*	4,971	Unsecured, with ECL of ₱35.0 million; with annual fixed interest rates ranging from 1.13% to 1.37% and maturity terms from 1 day to 3 years (Note 9)
Accounts receivable	144	Non-interest bearing receivables on service fees, underwriting fees, remittance, rental fees and common use service area fees (Note 9)
Other receivables	3	Accrued rent receivable from PSBank and ORIX
Derivative assets	751	Swaps bought with various terms (Note 8)
Deposit liabilities*	3,373	With annual fixed interest rates ranging from 0.00% to 0.30%, including time deposits with maturity terms of 40 days (Note 16)
Bills payable*	37	Peso borrowings subject to annual fixed interest rates ranging from 0.75% to 1.00% with maturity terms from 90 to 97 days (Note 17)
Treasury stock	65	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
Dividends declared	1,103	Dividend declared by PSBank (Note 11)

(Forward)

Category	Consolidated Amount	Terms and Conditions/Nature
Amount/Volume:		
Interbank loans receivable	(₱466)	Generally similar to terms and conditions above
Receivables from customers	(11,108)	Generally similar to terms and conditions above
Accounts receivable	(50)	Generally similar to terms and conditions above
Deposit liabilities	(856)	Generally similar to terms and conditions above
Bills payable	(102)	Generally similar to terms and conditions above
Interest income	172	Interest income on receivables from customers and interbank loan receivables (Notes 7 and 9)
Service charges, fees and commissions	29	Income on transactional fees, including underwriting fees
Trading and securities gain - net	38	Net gain from securities transactions (Note 8)
Foreign exchange loss - net	(31)	Net loss from foreign exchange transactions
Leasing income	27	Income from leasing agreements with various lease terms
Miscellaneous income	231	Information technology services and other fees
Interest expense	34	Interest expense on deposit liabilities, bills payable and bonds payable (Notes 16, 17 and 19)
Contingent - derivatives	5,450	Swaps bought with various terms
Securities transactions		
Purchases	69,454	Outright purchases of investment securities at FVTPL and FVOCI
Sales	10,880	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	10,644	Outright purchases of foreign currency
Sell	3,833	Outright sale of foreign currency
Associates		
Outstanding Balance:		
Deposit liabilities*	₱2,923	With annual fixed interest rates ranging from 0.00% to 0.25%, including time deposits with maturity terms from 31 to 35 days (Note 16)
Amount/Volume:		
Receivables from customers	(1,301)	Generally similar to terms and conditions above
Accounts receivable	(1)	Generally similar to terms and conditions above
Deposit liabilities	1,508	Generally similar to terms and conditions above
Interest Income	31	Interest income on receivables from customers (Note 9)
Trading and securities gain - net	43	Net gain from securities transactions (Note 8)
Foreign exchange loss - net	(2)	Net loss from foreign exchange transactions
Leasing income	24	Income from leasing agreements with various lease terms
Interest expense	2	Interest expense on deposit liabilities (Note 16)
Securities transactions		
Outright purchases	1,124	Outright purchases of FVTPL securities and FVOCI investments
Outright sales	5,258	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	178	Outright purchases of foreign currency
Sell	1,929	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	₱34,005	Secured - ₱5.4 billion, unsecured - ₱28.6 billion, with ECL of ₱220.0 million; with annual fixed interest rates ranging from 2.50% to 5.00% and maturity terms from 30 days to 5 years (Note 9)
Assets held under joint operations	219	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	18,356	With annual fixed interest rates ranging from 0.00% to 1.00%, including time deposits with maturity terms from 6 days to 359 days (Note 16)
Bills payable*	77	Peso-denominated borrowings with annual fixed interest rates ranging from 0.63% to 1.13% and maturity terms from 66 to 182 days
Amount/Volume:		
Receivables from customers	1,778	Generally similar to terms and conditions above
Accounts receivable	(2)	Generally similar to terms and conditions above
Deposit liabilities	4,466	Generally similar to terms and conditions above
Bills payable	77	Generally similar to terms and conditions above
Interest income	1,484	Interest income on receivables from customers (Note 9)
Foreign exchange gain - net	–	Net gain from foreign exchange transactions
Leasing income	15	Income from leasing agreements with various lease terms
Interest expense	12	Interest expense on deposit liabilities and bills payable (Notes 16 and 17)

(Forward)

	Consolidated	
Category	Amount	Terms and Conditions/Nature
Contingent		
Unused commercial LCs	₱35	LC transactions with various terms
Foreign currency		
Buy	273	Outright purchases of foreign currency
Sell	95	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	₱83	Secured - ₱57 million, unsecured - ₱25.8 million, no impairment; with annual fixed interest rates ranging from 0.00% to 10.00% and maturity terms from 1 year to 15 years (Note 9)
Deposit liabilities	314	With various terms and minimum annual interest rate of 0.00% (Note 16)
Amount/Volume:		
Receivables from customers	(2)	Generally similar to terms and conditions above
Deposit liabilities	147	Generally similar to terms and conditions above
Interest income	3	Interest income on receivables from customers (Note 9)

* *Includes accrued interest*

	Parent Company	
Category	**Amount**	**Terms and Conditions/Nature**
2022		
Entities with Significant Influence		
Outstanding Balance:		
Deposit liabilities*	**₱9,045**	With annual fixed interest rate ranging from 0.00% to 4.88% including time deposits with maturity terms ranging from 30 to 34 days (Note 16)
Amount/Volume:		
Deposit liabilities	**7,717**	Generally similar to terms and conditions above
Interest expense	**12**	Interest expense on deposit liabilities (Note 16)
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	**11,206**	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 1.10% to 5.05% with maturity terms from 31 to 243 days with minimal expected credit loss (Note 7)
Receivables from customers*	**3,337**	Unsecured, with ECL of ₱4.50 million; With annual fixed interest rates ranging from 0.00% to 5.50% and maturity terms ranging from 5 to 210 days (Note 9)
Accounts receivable	**184**	Non-interest bearing receivables on remittance and rental fees (Note 9)
Other receivables	**15**	Non-interest bearing receivables on remittance (Note 9)
Deposit liabilities*	**5,991**	With annual fixed interest rates ranging from 0.00% to 5.00% including time deposits with maturity terms ranging from 5 to 91 days (Note 16)
Treasury stock	**72**	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
Dividends declared	**1,132**	Dividends declared by PSBank (Note 11)
Amount/Volume:		
Interbank loans receivable	**2,442**	Generally similar to terms and conditions above
Receivables from customers	**3,083**	Generally similar to terms and conditions above
Accounts receivable	**51**	Generally similar to terms and conditions above
Deposit liabilities	**(279)**	Generally similar to terms and conditions above
Interest income	**157**	Interest income on receivables from customers and interbank loans receivables (Note 7 and 9)
Service charges, fees and commissions	**3**	Income from transactional fees
Trading and securities gain - net	**539**	Net gain from securities transactions (Note 8)
Foreign exchange gain - net	**16**	Net gain from foreign exchange transactions
Leasing income	**8**	Income from leasing agreements with various lease terms
Miscellaneous income	**150**	Information technology services and other fees (Note 25)
Interest expense	**33**	Interest expense on deposit liabilities (Note 16)
Securities transactions		
Purchases	**37,043**	Outright purchases of investment securities at FVTPL and FVOCI
Sales	**49,841**	Outright sale of investment securities at FVTPL and FVOCI

(Forward)

Category	Amount	Terms and Conditions/Nature
	Parent Company	
Foreign currency		
Buy	**₱13,937**	Outright purchases of foreign currency
Sell	**4,745**	Outright sale of foreign currency
Associates		
Outstanding Balance:		
Receivables from customers	**₱707**	Unsecured, with ECL of P1.58 million; With annual fixed interest rates ranging from 0.00% to 5.55% and maturity terms ranging from 60 to 273 days (Note 9)
Deposit liabilities*	**1,958**	With annual fixed interest rates ranging from 0.00% to 5.13% including time deposits with maturity terms from 32 to 357 days (Note 16)
Amount/Volume:		
Receivables from customers	**66**	Generally similar to terms and conditions above
Deposit liabilities	**256**	Generally similar to terms and conditions above
Interest Income	**13**	Interest income on receivables from customers
Trading and securities gain - net	**6**	Net gain from securities transactions (Note 8)
Leasing income	**3**	Income from leasing agreements with various lease terms
Interest expense	**2**	Interest expense on deposit liabilities (Note 16)
Securities transactions		
Outright purchases	**140**	Outright purchases of HFT securities and AFS investments
Outright sales	**263**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**335**	Outright purchase of foreign currency
Sell	**935**	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	**₱34,633**	Secured - ₱7.18 billion, unsecured - ₱27.46 billion, with ECL of ₱98.59 million; With annual fixed interest rates ranging from 0.00% to 6.84% and maturity terms ranging from 2 days to 5 years (Note 9)
Assets held under joint operations	**219**	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	**28,732**	With annual fixed interest rates ranging from 0.00% to 4.88% including time deposits with maturity terms ranging from 5 to 359 days (Note 16)
Amount/Volume:		
Receivables from customers	**3,270**	Generally similar to terms and conditions above
Deposit liabilities	**14,067**	Generally similar to terms and conditions above
Interest income	**1,261**	Interest income on receivables from customers (Note 9)
Foreign exchange loss - net	**(160)**	Net loss from foreign exchange transactions
Interest expense	**59**	Interest expense on deposit liabilities (Note 16)
Lease Payments	**40**	Payments for leasing agreements with various lease terms
Contingent		
Unused commercial LCs	**58**	LC transactions with various terms
Foreign currency		
Buy	**9,308**	Outright purchases of foreign currency
Sell	**120,202**	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	**₱105**	Secured - ₱88.89 million and unsecured - ₱15.96 million, no impairment; With annual fixed interest rates ranging from 0.00% to 9.00% and maturity terms from 1 to 19 years (Note 9)
Deposit liabilities	**332**	With various terms and minimum annual interest rate of 0.00% (Note 16)
Amount/Volume:		
Receivables from customers	**26**	Generally similar to terms and conditions above
Deposit liabilities	**63**	Generally similar to terms and conditions above
Interest income	**2**	Interest income on receivables from customers (Note 9)

Category	Parent Company Amount	Terms and Conditions/Nature
2021		
Entities with Significant Influence		
Outstanding Balance:		
Deposit liabilities*	₱1,328	With annual fixed interest rate ranging from 0.00% to 0.30%, including time deposits with maturity terms of 22 to 31 days (Note 16)
Amount/Volume:		
Deposit liabilities	(658)	Generally similar to terms and conditions above
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	8,764	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 0.43% to 3.30% with maturity terms from 17 to 359 days with minimal expected credit loss (Note 7)
Investment Securities at		
FVTPL	2	Treasury notes and private bonds purchased from FMIC
FVOCI	20	Treasury note purchased from PSBank
Receivables from customers*	254	Unsecured, with ECL of ₱1.0 million; With annual fixed interest rates ranging from 0.00% to 3.50% and maturity terms from 3 to 179 days (Note 9)
Accounts receivable	133	Non-interest bearing receivables on service fees, remittance, rental fees and common use service area fees (Note 9)
Other receivables	3	Accrued rent receivable from PSBank
Deposit liabilities*	6,270	With annual fixed interest rates ranging from 0.00% to 0.25%, including time deposits with maturity terms of 59 days (Note 16)
Treasury stock	70	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
Dividend declared	1,132	Dividend declared by PSBank (Note 11)
Amount/Volume:		
Interbank loans receivable	2,352	Generally similar to terms and conditions above
Receivables from customers	(4,717)	Generally similar to terms and conditions above
Accounts receivable	13	Generally similar to terms and conditions above
Deposit liabilities	2,897	Generally similar to terms and conditions above
Interest income	206	Interest income on receivables from customers and interbank loans receivables (Note 9)
Service charges, fees and commissions	3	Income from transactional fees
Trading and securities gain - net	36	Net gain from securities transactions (Note 8)
Foreign exchange gain - net	6	Net gain from foreign exchange transactions
Leasing income	6	Income from leasing agreements with various lease terms
Miscellaneous income	180	Information technology services and other fees (Note 25)
Interest expense	2	Interest expense on deposit liabilities, bills payable and interbank loans payable (Notes 16 and 17)
Securities transactions		
Purchases	11,800	Outright purchases of investment securities at FVTPL and FVOCI
Sales	20,634	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	12,281	Outright purchases of foreign currency
Sell	4,295	Outright sale of foreign currency
Associates		
Outstanding Balance:		
Receivables from customers	₱641	Unsecured; with annual fixed interest rates of 2.34% and maturity terms of 60 days
Deposit liabilities*	1,702	With annual fixed interest rates ranging from 0.00% to 0.25%, including time deposits with maturity terms of 34 to 357 days (Note 16)
Amount/Volume:		
Receivables from customers	635	Generally similar to terms and conditions above
Deposit liabilities	(350)	Generally similar to terms and conditions above
Interest Income	10	Interest income on receivables from customers (Note 9)
Leasing income	1	Income from leasing agreements with various lease terms
Securities transactions		
Outright purchases	15	Outright purchases of investment securities at FVTPL and FVOCI
Outright sales	845	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Sell	1,318	Outright sale of foreign currency

Category	Parent Company Amount	Terms and Conditions/Nature
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	₱31,363	Secured - ₱5.4 billion, unsecured - ₱25.9 billion, with ECL of ₱143.0 million; with annual fixed interest rates ranging from 2.50% to 5.00% and maturity terms from 30 days to 5 years (Note 9)
Assets held under joint operations	219	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	₱14,665	With annual fixed interest rates ranging from 0.00% to 0.40%, including time deposits with maturity terms of 3 to 182 days (Note 16)
Amount/Volume:		
Receivables from customers	(2,641)	Generally similar to terms and conditions above
Deposit liabilities	(3,389)	Generally similar to terms and conditions above
Interest income	1,028	Interest income on receivables from customers
Foreign exchange loss - net	(59)	Net loss from foreign exchange transactions
Leasing income	8	Income from leasing agreements with various lease terms
Interest expense	1	Interest expense on deposit liabilities (Note 16)
Contingent		
Unused commercial LCs	10	LC transactions with various terms
Others	2	Bank guaranty with indemnity agreement
Foreign currency		
Buy	324	Outright purchases of foreign currency
Sell	71,710	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	₱91	Secured - ₱64.5 million, unsecured - ₱26.7 million, no impairment; with annual fixed interest rates ranging from 0.00% to 9.00% and maturity terms from 1 to 19 years (Note 9)
Deposit liabilities	269	With various terms and minimum annual interest rate of 0.00% (Note 16)
Amount/Volume:		
Receivables from customers	8	Generally similar to terms and conditions above
Deposit liabilities	(45)	Generally similar to terms and conditions above
Interest income	3	Interest income on receivables from customers (Note 9)
2020		
Entities with Significant Influence		
Outstanding Balance:		
Deposit liabilities*	₱1,986	With annual fixed interest rate ranging from 0.00% to 0.30%, including time deposits with maturity terms of 30 to 39 days (Note 16)
Amount/Volume:		
Deposit liabilities	(385)	Generally similar to terms and conditions above
Interest expense	1	Interest expense on deposit liabilities (Note 16)
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	₱6,412	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 0.00% to 3.45% with maturity terms from 17 to 212 days with minimal expected credit loss (Note 7)
Investment Securities at		
FVTPL	83	Treasury notes and private bonds purchased from FMIC and PSBank
FVOCI	1,218	Treasury note purchased from PSBank
Receivables from customers*	4,971	Unsecured, with ECL of ₱35.0 million; with annual fixed interest rates ranging from 1.13% to 1.37% and maturity terms from 1 day to 3 years (Note 9)
Accounts receivable	120	Non-interest bearing receivables on service fees, underwriting fees, remittance, rental fees and common use service area fees (Note 9)
Other receivables	3	Accrued rent receivable from PSBank and Orix
Derivative assets	751	Swaps bought with various terms (Note 8)
Deposit liabilities*	3,373	With annual fixed interest rates ranging from 0.00% to 0.30%, including time deposits with maturity terms of 40 days (Note 16)

(Forward)

Category	Parent Company Amount	Terms and Conditions/Nature
Treasury stock	65	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
Dividend declared	1,103	Dividend declared by PSBank (Note 11)
Amount/Volume:		
Interbank loans receivable	734	Generally similar to terms and conditions above
Receivables from customers	(11,108)	Generally similar to terms and conditions above
Accounts receivable	(16)	Generally similar to terms and conditions above
Deposit liabilities	(856)	Generally similar to terms and conditions above
Interest income	159	Interest income on receivables from customers and interbank loans receivables (Note 9)
Service charges, fees and commissions	3	Income from transactional fees
Trading and securities gain - net	28	Net gain from securities transactions (Note 8)
Foreign exchange loss - net	(31)	Net loss from foreign exchange transactions
Leasing income	5	Income from leasing agreements with various lease terms
Miscellaneous income	219	Information technology services and other fees (Note 25)
Interest expense	22	Interest expense on deposit liabilities, bills payable and interbank loans payable (Notes 16 and 17)
Contingent - derivatives	5,450	Swaps with various terms
Securities transactions		
Purchases	65,038	Outright purchases of investment securities at FVTPL and FVOCI
Sales	10,880	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	10,644	Outright purchases of foreign currency
Sell	3,833	Outright sale of foreign currency
Associates		
Outstanding Balance:		
Deposit liabilities*	₱2,052	With annual fixed interest rates ranging from 0.00% to 0.25%, including time deposits with maturity terms of 31 to 35 days (Note 16)
Amount/Volume:		
Receivables from customers	(1,301)	Generally similar to terms and conditions above
Deposit liabilities	661	Generally similar to terms and conditions above
Interest Income	31	Interest income on receivables from customers (Note 9)
Trading and securities gain - net	42	Net gain from securities transactions
Foreign exchange loss - net	(2)	Net loss from foreign exchange transactions
Leasing income	10	Income from leasing agreements with various lease terms
Securities transactions		
Outright sales	2,290	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	178	Outright purchases of foreign currency
Sell	1,929	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	₱34,004	Secured - ₱5.4 billion, unsecured - ₱28.6 billion, with ECL of ₱220.0 million; with annual fixed interest rates ranging from 2.50% to 5.00% and maturity terms from 30 days to 5 years (Note 9)
Assets held under joint operations	219	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	18,054	With annual fixed interest rates ranging from 0.00% to 1.00%, including time deposits with maturity terms of 6 days to 359 days (Note 16)
Amount/Volume:		
Receivables from customers	1,777	Generally similar to terms and conditions above
Deposit liabilities	4,677	Generally similar to terms and conditions above
Interest income	1,484	Interest income on receivables from customers
Foreign exchange gain – net	–	Net gain from foreign exchange transactions
Leasing income	15	Income from leasing agreements with various lease terms
Interest expense	2	Interest expense on deposit liabilities (Note 16)
Contingent		
Unused commercial LCs	35	LC transactions with various terms
Foreign currency		
Buy	273	Outright purchases of foreign currency
Sell	95	Outright sale of foreign currency

Category	Parent Company Amount	Terms and Conditions/Nature
Key Personnel		
Outstanding Balance:		
Receivables from customers	₱72	Secured - ₱55 million and unsecured - ₱17 million, no impairment; with annual fixed interest rates ranging from 0.00% to 10.00% and maturity terms of 2 to 15 years (Note 9)
Deposit liabilities	314	With various terms and annual interest rate of 0.00% (Note 16)
Amount/Volume:		
Receivables from customers	2	Generally similar to terms and conditions above
Deposit liabilities	147	Generally similar to terms and conditions above
Interest income	2	Interest income on receivables from customers (Note 9)

* *Includes accrued interest*

As of December 31, 2022 and 2021, government bonds with total face value of ₱60.0 million (classified as 'Investment securities at amortized cost as of December 31, 2022 and 'Investment securities at FVOCI' as of December 31, 2021), are pledged by PSBank to the Parent Company to secure the latter's payroll account with PSBank. Also, the Parent Company has assigned to PSBank government securities with total face value of ₱3.5 billion (classified as 'Investment securities at amortized cost') to secure PSBank's deposits to the Parent Company.

Receivables from customers and deposit liabilities and their related statement of financial position and statement of income accounts resulted from the lending and deposit-taking activities of the Group and the Parent Company. Together with the sale of investment properties, borrowings, contingent accounts including derivative transactions, outright purchases and sales of securities and foreign currency buy and sell, leasing of office premises, securing of insurance coverage on loans and property risk, and other management services rendered, these are conducted in the normal course of business, at arm's-length transactions and are generally settled in cash. The amounts and related volumes and changes are presented in the summary above. Terms of receivables from customers, deposit liabilities and borrowings are also disclosed in Notes 9, 16 and 17, respectively, while other related party transactions above have been referred to their respective note disclosures.

The compensation of the key management personnel of the Group and the Parent Company follows:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Short-term employee benefits	**₱4,232**	₱3,817	₱3,879	**₱3,303**	₱2,902	₱3,120
Post-employment benefits	**135**	120	132	**81**	84	73
	₱4,367	₱3,937	₱4,011	**₱3,384**	₱2,986	₱3,193

Director's fees and bonuses of the Parent Company in 2022, 2021 and 2020 amounted to ₱68.1 million, ₱68.0 million and ₱69.0 million, respectively.

Transactions with Retirement Plans

Under PFRS, certain post-employment benefit plans are considered as related parties. The Parent Company has business relationships with a number of related party retirement plans pursuant to which it provides trust and management services to these plans. Certain trustees of the plans are either officers or directors of the Parent Company and/or the subsidiaries. Income earned by the Parent Company from such services amounted to ₱127.0 million, ₱98.2 million and ₱99.6 million in 2022, 2021 and 2020, respectively. In 2022, 2021 and 2020, the Parent Company purchased securities totaling ₱7.4 billion, ₱4.9 billion and ₱938.7 million, respectively, from its related party retirement plans and also sold securities totaling ₱13.0 billion, ₱6.1 billion and ₱3.4 billion, respectively, and recognized net trading loss of ₱8.0 million in 2022, and net trading gains of

₱15.1 million and ₱46.6 million in 2021 and 2020, respectively. Further, as of December 31, 2022 and 2021, the total outstanding deposit liabilities of the Group from these related party retirement funds amounted to ₱515.20 million and ₱73.1 million, respectively. Interest expense on deposit liabilities amounted to ₱2.9 million, ₱0.4 million and ₱1.6 million in 2022, 2021 and 2020, respectively.

As of December 31, 2022 and 2021, the related party retirement plans also hold investments in the equity shares of various companies within the Group amounting to ₱181.8 million and ₱235.9 million, respectively, with unrealized trading losses of ₱76.0 million and ₱64.3 million, respectively, and investments in mutual funds and trust funds of various companies within the Group amounting to ₱440.7 million and ₱749.5 million, respectively, with unrealized trading losses of ₱6.2 million and ₱0.5 million, respectively. Further as of December 31, 2021, investments in the corporate bonds of the Parent Company by the related party retirement plans amounted to ₱1.6 billion with unrealized trading gain of ₱13.0 million. In 2022, 2021 and 2020, realized trading gains/(losses) recognized by the related party retirement plans amounted to (₱3.7 million), ₱2.2 million and ₱11.2 million, respectively and dividend income recognized amounted to ₱1.2 million, ₱1.5 million, and ₱2.8 million, respectively.

33. Foreign Exchange

Closing rates as of December 31 and WAR for each of the year ended December 31 are as follows:

	BAP		
	2022	2021	2020
Closing	**₱55.76**	₱51.00	₱48.02
WAR	**54.50**	49.28	49.63

34. Other Matters

The Group has no significant matters to report in 2022 on the following:

a. Known trends, events or uncertainties that would have material impact on liquidity and on the sales or revenues.
b. Explanatory comments about the seasonality or cyclicality of operations.
c. Issuances, repurchases and repayments of debt and equity securities except for the issuance of the ₱23.72 billion fixed rate bonds of the Parent Company and maturities of the ₱3.38 billion LTNCD of PSBank and ₱17.50 billion fixed rate bonds of the Parent Company as discussed in Notes 16 and 19.
d. Unusual items as to nature, size or incidents affecting assets, liabilities, equity, net income or cash flows except for the payment of cash dividends by the Parent Company, as discussed in Note 23; and
e. Effect of changes in the composition of the Group during the year, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations except as discussed in Note 11.

35. **Subsequent Events**

a. On January 26, 2023, the BOD of PSBank declared 7.50% regular cash dividend for the fourth quarter of 2022 amounting to ₱320.14 million or ₱0.75 per share, payable on February 27, 2023 to all stockholders of record as of February 10, 2023.
b. On February 4, 2023, the ₱4.65 billion fixed rated bonds of PSBank matured.
c. On February 22, 2023, the BOD of the Parent Company approved the declaration of cash dividend amounting to ₱13.49 billion or ₱3.00 per share consisting of a regular cash dividend of ₱1.60 per share payable on a semi-annual basis at ₱0.80 per share and a special cash dividend of ₱1.40 per share. The first tranche of the regular cash dividend of ₱0.80 per share and the special cash dividend of ₱1.40 per share are payable on March 31, 2023 to all stockholders of record as of March 17, 2023. Record and payment dates for the second tranche of the regular cash dividend of ₱0.80 per share will be determined during the regular meeting of the BOD of the Parent Company in August 2023.

36. **Approval of the Release of the Financial Statements**

The accompanying financial statements of the Group and of the Parent Company were authorized for issue by the BOD on February 22, 2023.

37. **Report on the Supplementary Information Required under BSP Circular No. 1074**

Supplementary Information Under BSP Circular No. 1074
On January 8, 2020, the Monetary Board approved the amendments to the relevant provisions of the Manual of Regulations for Banks and Manual of Regulations for Foreign Exchange Transactions. Among the provisions is the requirement to include the following additional information to the Audited Financial Statements.

a. Quantitative indicators of financial performance
The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			Parent Company		
	2022	2021	2020	**2022**	2021	2020
Return on average equity [(1)]	**10.29%**	6.89%	4.36%	**10.27 %**	6.88%	4.29%
Return on average assets [(2)]	**1.23%**	0.89%	0.56%	**1.41%**	1.03%	0.65%
Net interest margin on average earning assets [(3)]	**3.56%**	3.39%	3.98%	**3.47%**	3.14%	3.76%

[(1)] Net income attributable to equity holders of the Parent Company for the year divided by average total equity attributable to the Parent Company.
[(2)] Net income attributable to equity holders of the Parent Company for the year divided by average total assets.
[(3)] Net interest income for the year divided by average interest-earning assets.

b. Description of capital instrument issued
The Group and the Parent Company consider its common stock and subordinated debts as capital instruments eligible as Tier 1 and Tier 2 capitals.

c. *Significant Credit Exposures*

Significant credit exposures as to industry, gross of unearned discount and capitalized interest, follows:

	Consolidated				Parent Company			
	2022		2021		**2022**		2021	
	Amount	**%**	Amount	%	**Amount**	**%**	Amount	%
Real estate activities	**₱218,151**	**14.98**	₱226,704	17.72	**₱180,654**	**14.20**	₱186,256	17.02
Wholesale and retail trade, repair of motor vehicles and motorcycles	**214,484**	**14.73**	160,593	12.55	**196,394**	**15.43**	152,289	13.91
Manufacturing	**189,407**	**13.00**	162,123	12.67	**185,372**	**14.57**	160,430	14.66
Financial and insurance activities	**141,035**	**9.68**	121,358	9.48	**137,208**	**10.78**	120,308	10.99
Information and communication	**111,759**	**7.67**	91,774	7.17	**111,661**	**8.78**	91,670	8.38
Electricity, gas, steam and air conditioning supply	**64,833**	**4.45**	52,917	4.14	**63,006**	**4.95**	50,953	4.65
Construction	**59,114**	**4.06**	42,204	3.30	**43,200**	**3.40**	35,933	3.28
Activities of household employees	**54,733**	**3.76**	114,104	8.92	**51,791**	**4.07**	52,427	4.79
Transportation and storage	**46,545**	**3.20**	31,420	2.46	**38,659**	**3.04**	22,977	2.10
Accommodation and food service activities	**21,617**	**1.49**	21,742	1.70	**21,404**	**1.68**	21,399	1.95
Agriculture, forestry, and fishing	**20,805**	**1.43**	19,240	1.50	**18,939**	**1.49**	17,614	1.61
Professional scientific and technical activities	**15,404**	**1.06**	1,363	0.11	**927**	**0.07**	1,124	0.10
Administrative and support service activities	**14,185**	**0.97**	5,185	0.41	**4,271**	**0.34**	4,714	0.43
Water supply, sewerage, waste management and remediation activities	**5,729**	**0.39**	4,897	0.38	**5,675**	**0.45**	4,821	0.44
Other service activities	**3,752**	**0.25**	4,325	0.33	**312**	**0.02**	186	0.02
Human health and social work activities	**2,950**	**0.20**	4,130	0.32	**2,655**	**0.21**	3,688	0.34
Arts, entertainment and recreation	**1,172**	**0.08**	590	0.05	**793**	**0.06**	496	0.05
Mining and quarrying	**1,034**	**0.07**	1,090	0.09	**553**	**0.04**	529	0.05
Education	**801**	**0.05**	817	0.06	**683**	**0.05**	680	0.06
Others	**269,219**	**18.48**	212,918	16.64	**208,263**	**16.37**	166,028	15.17
	₱1,456,729	**100.00**	₱1,279,494	100.00	**₱1,272,420**	**100.00**	₱1,094,522	100.00

The Group considers that concentration of credit exists when total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio.

d. *Breakdown of loans*

The following table shows information relating to receivables from customers by collateral, gross of unearned discounts and capitalized interest:

	Consolidated				Parent Company			
	2022		2021		**2022**		2021	
	Amount	**%**	Amount	%	**Amount**	**%**	Amount	%
Secured by:								
Other securities	**₱263,540**	**18.09**	₱242,086	18.92	**₱263,540**	**20.71**	₱242,086	22.12
Real estate	**90,259**	**6.20**	94,001	7.34	**59,898**	**4.71**	61,037	5.58
Chattel	**86,128**	**5.91**	91,882	7.18	**17,760**	**1.40**	17,796	1.63
Deposit hold-out	**42,721**	**2.93**	41,402	3.24	**42,124**	**3.31**	40,884	3.73
Equity securities	**45,867**	**3.15**	6,663	0.52	**5,270**	**0.41**	5,507	0.50
Others	**14,958**	**1.03**	10,732	0.84	**374**	**0.03**	304	0.03
	543,473	**37.31**	486,766	38.04	**388,966**	**30.57**	367,614	33.59
Unsecured	**913,256**	**62.69**	792,728	61.96	**883,454**	**69.43**	726,908	66.41
	₱1,456,729	**100.00**	₱1,279,494	100.00	**₱1,272,420**	**100.00**	₱1,094,522	100.00

Non-performing loans (NPLs) included in the total loan portfolio of the Group and the Parent Company, as reported to the BSP, are presented below:

	Consolidated		Parent Company	
	2022	2021	**2022**	2021
Gross NPLs	**₱27,341**	₱27,354	**₱20,146**	₱16,507
Less allowance for credit losses	**19,013**	18,101	**15,472**	13,546
Net carrying amount	**₱8,328**	₱9,253	**₱4,674**	₱2,961

Under banking regulations, loan accounts shall be considered non-performing, even without any missed contractual payments, when they are considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal or 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 ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement. Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Moreover, NPLs shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least six (6) months; or (b) written-off. Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after they have become past due.

e. *Information on related party loans*

In the ordinary course of business, the Group has loan transactions with investees and with certain directors, officers, stockholders and related interests (DOSRI) based on BSP Circular No. 423 dated March 15, 2004, as amended. 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 lending company within the Group. In the aggregate, loans to DOSRI generally should not exceed the respective total equity or 15.00% of the respective total loan portfolio, whichever is lower, of the Parent Company, PSBank, FMIC, and ORIX Metro.

The following table shows information on related party loans as reported to the BSP:

	2022		2021	
	DOSRI Loans	**Related Party Loans**	DOSRI Loans	Related Party Loans
Consolidated				
Total outstanding loans	**₱8,425**	**₱59,310**	₱7,899	₱39,208
Percent of DOSRI/Related Party Loans to total loan portfolio	**0.56%**	**3.91%**	0.59%	2.93%
Percent of unsecured DOSRI/Related Party Loans to total DOSRI/Related Party Loans	**8.70%**	**97.89%**	18.76%	95.12%
Percent of past due DOSRI/Related Party Loans to total DOSRI/Related Party Loans	**0.01%**	**1.41%**	0.01%	0.00%
Percent of non-performing DOSRI/Related Party Loans to total DOSRI/Related Party Loans	**0.01%**	**1.41%**	0.01%	0.00%
Parent Company				
Total outstanding loans	**₱8,197**	**₱59,310**	₱7,668	₱39,128
Percent of DOSRI/Related Party Loans to total loan portfolio	**0.62%**	**4.47%**	0.67%	3.43%
Percent of unsecured DOSRI/Related Party Loans to total DOSRI/Related Party Loans	**6.32%**	**97.89%**	16.51%	95.11%
Percent of past due DOSRI/Related Party Loans to total DOSRI/Related Party Loans	**0.00%**	**1.41%**	0.00%	0.00%
Percent of non-performing DOSRI/Related Party Loans to total DOSRI/Related Party Loans	**0.00%**	**1.41%**	0.00%	0.00%

BSP Circular Nos. 560 and 654 provide the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks which require that the total outstanding loans, other credit accommodations and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.00%, while a separate individual limit of 25.00% for those engaged in energy and power generation, of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.00% or 12.50%, respectively, 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, except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank as reported to the BSP. As of December 31, 2022 and 2021, the total outstanding loans, other credit accommodations and guarantees to each of the Parent Company's subsidiaries and affiliates did not exceed 10.00% of the Parent Company's net worth, as reported to the BSP, and the unsecured portion did not exceed 5.00% of such net worth wherein the total outstanding loans, other credit accommodations and guarantees to all such subsidiaries and affiliates represent 13.50% and 11.51%, respectively, of the Parent Company's net worth. The Parent Company has no outstanding loans, other credit accommodations and guarantees to subsidiaries and affiliates engaged in energy and power generation.

Total interest income on DOSRI loans in 2022, 2021 and 2020 amounted to ₱206.6 million, ₱255.9 million and ₱367.8 million, respectively, for the Group, and ₱201.2 million, ₱250.3 million and ₱366.0 million, respectively, for the Parent Company.

f. *Secured Liabilities and Assets Pledged as Security*

The following are the carrying values of government debt securities pledged and transferred under SSURA transactions of the Group and the Parent Company:

	Consolidated				**Parent Company**			
	2022		2021		**2022**		2021	
	Transferred Securities	**SSURA**	Transferred Securities	SSURA	**Transferred Securities**	**SSURA**	Transferred Securities	SSURA
Investment securities at FVOCI	**₱59,094**	**₱46,847**	₱61,994	₱50,798	**₱59,094**	**₱46,847**	₱61,994	₱50,798
Investment securities at amortized cost	**22,441**	**20,273**	–	–	**21,255**	**19,087**	–	–
	₱81,535	**₱67,120**	₱61,994	₱50,798	**₱80,349**	**₱65,934**	₱61,994	₱50,798

g. *Contingencies and commitments arising from off-balance sheet items*

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

	Consolidated		**Parent Company**	
	2022	2021	**2022**	2021
Trust Banking Group accounts (Note 29)	**₱510,510**	₱589,145	**₱505,715**	₱578,216
Credit card lines	**233,331**	188,099	**233,331**	188,099
Unused commercial letters of credit (Note 32)	**49,097**	48,813	**45,740**	47,386
Undrawn commitments - facilities to lend	**24,578**	14,898	**24,578**	14,898
Bank guaranty with indemnity agreement (Note 32)	**18,023**	14,563	**18,023**	14,563
Credit line certificate with bank commission	**4,771**	5,116	**4,771**	5,116
Outstanding guarantees	**3,769**	4,598	**3,769**	4,598
Inward bills for collection	**2,071**	3,165	**2,071**	3,164
Outstanding shipside bonds/airway bills	**1,294**	1,208	**1,294**	1,208
Outward bills for collection	**710**	848	**707**	847
Confirmed export letters of credits	**278**	781	**43**	40
Late deposits/payments received	**1,047**	185	**1,047**	185
Others	**35,709**	25,475	**1,004**	744
	₱885,188	₱896,894	**₱842,093**	₱859,064

38. **Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010**

Supplementary Information Under RR No. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 to amend certain provisions of RR No. 21-2002 which provides that starting 2010, the notes to financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

The Parent Company reported the following types of taxes for the year ended December 31, 2022 included under 'Taxes and licenses' account in the statement of income:

GRT	₱3,604
DST	1,846
Local taxes	213
Real estate tax	141
Others	332
	₱6,136

Details of the total withholding taxes remittances for the taxable year December 31, 2022 follow:

Taxes withheld on compensation	₱2,682
Final withholding taxes	2,589
Expanded withholding taxes	949
	₱6,220

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