Metrobank
You're in good hands

May 4, 2023

Ms. Alexandra D. Tom Wong
Officer-In-Charge, Disclosure Department
The Philippine Stock Exchange, Inc.
6/F PSE Tower
5th Avenue corner 28th Street
Bonifacio Global City, Taguig City

Dear Ms. Tom Wong:

We hereby submit a copy of our SEC Form 17-Q for the period ended March 31, 2023.

Very truly yours,

[redacted]

Renato K. De Borja, Jr.
Senior Vice President/Controller

cc: Philippine Dealing Exchange Corp.
29th Floor, BDO Equitable Tower
8751 Paseo de Roxas, 1226 Makati City

COVER SHEET

2 0 5 7 3

SEC Registration Number

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

(Company's Full Name)

Metrobank Plaza, Sen. Gil Puyat Avenue, Urdaneta Village, Makati City, Metro Manila

(Business Address: No. Street City/Town/Province)

Renato K. De Borja, Jr.

(Contact Person)

[redacted]

(Company Telephone Number)

1 2	3 1	17-Q		
Month	*Day*	(Form Type)	*Month*	*Day*
(Fiscal Year)			(Annual Meeting)	

NONE

(Secondary License Type, If Applicable)

Markets and Securities Regulation Department

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

As of 03.31.2023

2,956

Total No. of Stockholders

Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SEC Number 20573
File Number______

METROPOLITAN BANK & TRUST COMPANY
(Company's Full Name)

Metrobank Plaza, Sen. Gil Puyat Avenue, Urdaneta Village, Makati City, Metro Manila
(Company's Address)

[redacted]
(Telephone Number)

December 31
(Fiscal year ending)

17-Q
(Form Type)

(Amendment Designation, if applicable)

March 31, 2023
(Period Ended Date)

None
(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1.	For the quarterly period ended	:	**March 31, 2023**
2.	Commission Identification Number	:	**20573**
3.	BIR Tax Identification No.	:	**000-477-863**
4.	Exact name of issuer as specified in its charter	:	**METROPOLITAN BANK & TRUST COMPANY**
5.	Province, country or other jurisdiction of incorporation or organization	:	**Metro Manila, Philippines**
6.	Industry Classification Code	:	(SEC Use Only)
7.	Address of issuer's principal office	:	Metrobank Plaza, Sen. Gil Puyat Avenue, Urdaneta Village, Makati City, Metro Manila
8.	Issuer's telephone number, including area code	:	**(632)** [redacted]

9. Former name, former address and former fiscal year, if changed since last report: **N/A**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	No. of Shares of Common Stock Outstanding	Amount of Debt Outstanding (Unpaid Subscriptions)
Common Shares	**4,497,415,555 shares**	**None**

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

Yes [x] No [ ]

Stock Exchange	:	**Philippine Stock Exchange**
Class of Securities	:	**Common Shares**

12. Indicate by check mark whether the registrant:

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

Yes [x] No [ ]

b. Has been subject to such filing requirements for the past 90 days.

Yes [x] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Attached are the following:

Interim Condensed Consolidated Statements of Financial Position	-	Annex 1
Interim Condensed Consolidated Statements of Income	-	Annex 2 (page 1 of 2)
Interim Condensed Consolidated Statements of Comprehensive Income (Loss)	-	Annex 2 (page 2 of 2)
Interim Condensed Consolidated Statements of Changes in Equity	-	Annex 3
Interim Condensed Consolidated Statements of Cash Flows	-	Annex 4
General Notes to Interim Condensed Consolidated Financial Statements	-	Annex 5
Financial Indicators	-	Annex 6

Item 2. Management's Discussion and Analysis of Consolidated Financial Position and Results of Operations - Annex 7

PART II - OTHER INFORMATION

I. Control of Registrant

The following stockholders own more than 5% of the total outstanding number of shares issued as of March 31, 2023:

NAME OF STOCKHOLDER	TOTAL NUMBER OF SHARES HELD	PERCENT TO TOTAL NUMBER OF SHARES ISSUED
GT Capital Holdings, Inc.	1,670,611,010	37.15%
PCD Nominee Corporation (Filipino)*	1,278,986,212	28.44%
PCD Nominee Corporation (Non-Filipino)*	908,153,419	20.19%

* *There is no participant of PCD who is a beneficial owner of more than 5% of the total common shares issued by the Registrant.*

As of March 31, 2023, public ownership on the Bank was at 48.02%. Out of the total shares issued, 20.23% represents foreign ownership.

II. Pending Legal Proceedings

As of March 31, 2023, 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.

III. Board Resolutions

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

SIGNATURES

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

METROPOLITAN BANK & TRUST COMPANY
By:

[redacted]

RENATO K. DE BORJA, JR.
Senior Vice President/Controller

[redacted]

JOSHUA E. NAING
Senior Executive Vice President/Head of Financial and Control Sector

May 4, 2023

CITY OF TAGUIG

SUBSCRIBED AND SWORN to before me this MAY 0 4 2023, affiants exhibiting to me their respective Passport with the following details:

Names	Passport No.	Date/Place of Issue	Valid Until
JOSHUA E. NAING	[redacted]	[redacted]	[redacted]
RENATO K. DE BORJA, JR.	[redacted]	[redacted]	[redacted]

[redacted]

ATTY. JOAHN T. CO
APPOINTMENT NO. 51 (2022-2023)
NOTARY PUBLIC FOR TAGUIG CITY
UNTIL DECEMBER 31, 2023
16F Metrobank Center, 35th Street corner 7th Avenu
Bonifacio Global City, 1634, Taguig City

[redacted]

Doc. No. 477;
Page No. 87;
Book No. VIII;
Series of 2023

METROPOLITAN BANK & TRUST COMPANY
AND SUBSIDIARIES

Interim Condensed Consolidated Financial Statements
As of March 31, 2023 (Unaudited) and December 31, 2022 (Audited)
and for the quarters ended March 31, 2023 and 2022 (Unaudited)

ANNEX 1

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In Millions)

		(Unaudited)		(Audited)
		March 31, 2023		December 31, 2022
ASSETS				
Cash and Other Cash Items	₱	**27,041**	₱	40,683
Due from Bangko Sentral ng Pilipinas (BSP)		**248,572**		252,628
Due from Other Banks		**61,203**		75,472
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA) (Note 12)		**69,409**		73,744
Investment Securities at				
Fair Value Through Profit or Loss (FVTPL)		**65,870**		63,599
Fair Value Through Other Comprehensive Income (FVOCI)		**493,523**		530,464
Amortized Cost		**455,536**		317,776
Loans and Receivables		**1,382,597**		1,418,382
Property and Equipment		**28,133**		27,153
Investments in Associates and a Joint Venture		**6,379**		5,877
Goodwill		**5,194**		5,194
Investment Properties		**7,880**		7,901
Deferred Tax Assets		**13,076**		13,362
Other Assets		**14,778**		10,855
	₱	**2,879,191**	₱	2,843,090
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities				
Demand	₱	**550,387**	₱	581,473
Savings		**855,656**		898,078
Time		**831,144**		715,415
Long-Term Negotiable Certificates (Note 6)		**26,160**		26,158
		2,263,347		2,221,124
Bills Payable and Securities Sold Under Repurchase Agreements (SSURA) (Note 7)		**87,039**		91,322
Derivative Liabilities		**13,360**		16,865
Manager's Checks and Demand Drafts Outstanding		**6,641**		6,501
Income Taxes Payable		**2,706**		1,478
Accrued Interest and Other Expenses		**14,403**		13,956
Subordinated Debts (Note 8)		**1,169**		1,169
Bonds Payable (Note 9)		**83,143**		88,409
Non-equity Non-controlling Interest		**9,589**		10,139
Other Liabilities		**68,130**		64,037
		2,549,527		2,515,000
EQUITY				
Equity Attributable to Equity Holders of the Parent Company		**319,986**		318,508
Non-controlling Interest		**9,678**		9,582
		329,664		328,090
	₱	**2,879,191**	₱	2,843,090

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In Millions, Except Earnings Per Share)

	(Unaudited)	
	Quarters Ended March 31	
	2023	2022
INTEREST INCOME ON		
Loans and receivables	₱ **23,588**	₱ 15,771
Trading and investment securities	**10,207**	5,391
Deposits with banks and others	**1,300**	698
	35,095	21,860
INTEREST AND FINANCE CHARGES		
Deposit liabilities	**7,920**	1,355
Bills payable and SSURA, bonds payable, subordinated debts and others	**2,306**	1,204
	10,226	2,559
NET INTEREST INCOME	**24,869**	19,301
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	**2,392**	2,049
NET INTEREST INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	**22,477**	17,252
OTHER INCOME		
Service charges, fees and commissions	**4,087**	3,604
Trading, securities and foreign exchange gains - net	**2,117**	2,309
Miscellaneous	**1,922**	2,406
	8,126	8,319
OTHER EXPENSES		
Compensation and fringe benefits	**6,737**	6,285
Occupancy and equipment-related cost	**493**	456
Miscellaneous	**9,665**	8,140
	16,895	14,881
INCOME BEFORE INCOME TAX	**13,708**	10,690
PROVISION FOR INCOME TAX	**3,093**	2,586
NET INCOME	₱ **10,615**	₱ 8,104
Attributable to :		
Equity holders of the Parent Company	₱ **10,482**	₱ 7,986
Non-controlling interest	**133**	118
	₱ **10,615**	₱ 8,104
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 14 of Annex 5)	₱ **2.33**	₱ 1.78

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In millions)

	Quarters Ended March 31	
	2023	2022
NET INCOME	₱ **10,615**	₱ 8,104
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX		
Items that may not be reclassified to profit or loss:		
Change in net unrealized gain (loss) on equity securities at FVOCI	**106**	(93)
Change in remeasurement loss on retirement plan	**(22)**	(4)
	84	(97)
Items that may be reclassified to profit or loss:		
Change in net unrealized gain (loss) on investment in debt securities at FVOCI	**4,789**	(9,160)
Change in equity in other comprehensive gain (loss) of investees	**234**	(11)
Translation adjustment and others	**(622)**	116
	4,401	(9,055)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	₱ **15,100**	₱ (1,048)
Attributable to:		
Equity holders of the Parent Company	₱ **14,967**	₱ (1,174)
Non-controlling interest	**133**	126
	₱ **15,100**	₱ (1,048)

ANNEX 3

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

As of March 31, 2023 and 2022
(In Million Pesos)
(Unaudited)

	Common Stock	Capital Paid in Excess of Par Value	Surplus	Surplus Reserves	Treasury Stocks	Net Unrealized Gain (Loss) on Investment Securities at FVOCI	Equity in Other Comprehensive Income (Loss) of Investees	Remeasurement Losses on Retirement Plan	Translation Adjustment and Others	TOTAL	Non-Controlling Interest	Total Equity
Balance, January 1, 2023	**₱89,948**	**₱85,252**	**₱176,374**	**₱2,613**	**(₱72)**	**(₱23,076)**	**(₱145)**	**(₱4,404)**	**(₱7,982)**	**₱318,508**	**₱9,582**	**₱328,090**
Total comprehensive income (loss) for the period	-	-	10,482	-	-	4,891	232	(16)	(622)	14,967	133	15,100
Transfer to surplus reserves	-	-	(32)	32	-	-	-	-	-	-	-	-
Cash dividends	-	-	(13,492)	-	-	-	-	-	-	(13,492)	(37)	(13,529)
Acquisition of Parent Company shares held by a mutual fund subsidiary	-	-	-	-	(1)	-	-	-	-	(1)	-	(1)
Disposal of Parent Company shares held by mutual fund subsidiary	-	-	-	-	4	-	-	-	-	4	-	4
Balance, March 31, 2023	**₱89,948**	**₱85,252**	**₱173,332**	**₱2,645**	**(₱69)**	**(₱18,185)**	**₱87**	**(₱4,420)**	**(₱8,604)**	**₱319,986**	**₱9,678**	**₱329,664**
Balance, January 1, 2022	**₱89,948**	**₱85,252**	**₱157,260**	**₱2,442**	**(₱70)**	**(₱3,751)**	**(₱118)**	**(₱4,747)**	**(₱7,711)**	**₱318,505**	**₱9,227**	**₱327,732**
Total comprehensive income (loss) for the period	-	-	7,986	-	-	(9,248)	(12)	(2)	102	(1,174)	126	(1,048)
Transfer to surplus reserves	-	-	(40)	40	-	-	-	-	-	-	-	-
Cash dividends	-	-	(13,492)	-	-	-	-	-	-	(13,492)	(37)	(13,529)
Acquisition of Parent Company shares held by a mutual fund subsidiary	-	-	-	-	(3)	-	-	-	-	(3)	-	(3)
Disposal of Parent Company shares held by mutual fund subsidiary	-	-	-	-	4	-	-	-	-	4	-	4
Balance, March 31, 2022	**₱89,948**	**₱85,252**	**₱151,714**	**₱2,482**	**(₱69)**	**(₱12,999)**	**(₱130)**	**(₱4,749)**	**(₱7,609)**	**₱303,840**	**₱9,316**	**₱313,156**

ANNEX 4

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Millions)

	(Unaudited) Quarters Ended March 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income tax	₱ **13,708**	₱ 10,690
Adjustments for :		
Provision for credit and impairment losses	**2,392**	2,049
Trading and securities gain on investment securities	**(62)**	(578)
Depreciation and amortization	**1,404**	1,255
Share in net income of associates and a joint venture	**(221)**	(120)
Profit from assets sold	**(133)**	(234)
Unrealized market valuation (gain)/loss on financial assets and liabilities at FVTPL	**463**	(1,202)
Gain on initial recognition of investment properties and chattel properties acquired in foreclosure	**(190)**	(415)
Amortization of software cost	**272**	213
Amortization of discount on subordinated debt and bonds payable	**139**	124
Dividends	**(133)**	(91)
Changes in operating assets and liabilities:		
Decrease (increase) in :		
Investment securities at FVTPL	**(6,239)**	(34,216)
Loans and receivables	**33,288**	15,557
Other assets	**(5,902)**	(1,547)
Increase (decrease) in:		
Deposit liabilities	**42,222**	111,815
Bills payable-deposit substitutes	**(877)**	(149)
Manager's checks and demand drafts outstanding	**140**	1,358
Accrued interest and other expenses	**448**	521
Non-equity non-controlling interest	**(550)**	539
Other liabilities	**(1,072)**	7,164
Net cash provided by operations	**79,097**	112,733
Dividends received	**133**	91
Income taxes paid	**(2,053)**	(1,397)
Net cash provided by operating activities	**77,177**	111,427
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Investment securities at FVOCI	**(151,212)**	(122,662)
Investments securities at amortized cost	**(136,329)**	(63,551)
Property and equipment	**(995)**	(768)
Proceeds from sale of:		
Investment securities at FVOCI	**192,894**	195,856
Property and equipment	**109**	93
Investment properties	**312**	450
Increase in interbank loans receivable and SPURA	**(2,361)**	(744)
Proceeds from maturity of investment securities at amortized cost	**312**	457
Cash dividends from investees	**-**	36
Net cash provided by (used in) investing activities	**(97,270)**	9,167
CASH FLOWS FROM FINANCING ACTIVITIES		
Settlements of bills payable	**(1,024,531)**	(198,871)
Availments of bills payable and SSURA	**1,021,125**	227,441
Maturity of bonds payable	**(4,650)**	-
Cash dividends paid	**(9,931)**	(9,931)
Payment of principal portion of lease liabilities	**(567)**	(496)
Proceeds from disposal of Parent Company shares by mutual fund subsidiaries	**4**	-
Acquisition of Parent Company shares by a mutual fund subsidiariy	**(1)**	1
Net cash provided by (used in) financing activities	**(18,551)**	18,144
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(38,644)**	138,738
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
Cash and other cash items	**40,683**	41,302
Due from BSP	**252,628**	253,257
Due from other banks	**75,513**	48,862
Interbank loans receivable and SPURA	**65,786**	56,062
	434,610	399,483
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and other cash items	**27,041**	33,065
Due from BSP	**248,572**	362,421
Due from other banks	**61,264**	71,603
Interbank loans receivable and SPURA (Note 13)	**59,089**	71,132
	₱ **395,966**	₱ 538,221

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
GENERAL NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Metropolitan Bank & Trust Company ("Metrobank," "the Bank" or "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 Bank'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 Bank and its subsidiaries (the Group) are engaged in all aspects of banking, financing, leasing, real estate and stock brokering. As of March 31, 2023, the Group has 952 branches, 1,281 Automated Teller Machines (ATMs) in the branches (on-site) and 1,035 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 deposit, 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 unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Groups' annual audited financial statements as at December 31, 2022.

The unaudited interim condensed 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 unaudited interim condensed consolidated financial statements are presented in Philippine Peso (PHP), the Bank's functional currency, and all values are rounded to the nearest million pesos (₱000,000) except when otherwise indicated.

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.

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 unaudited interim condensed consolidated financial statements include the financial statements of the Bank and of its subsidiaries and are prepared for the same reporting period as the Bank using consistent accounting policies.

The following are the wholly and majority-owned foreign and domestic subsidiaries of the Bank as of March 31, 2023:

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

* In process of dissolution.
** In process of liquidation

All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full at consolidation. 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 period, if any, are included in the unaudited interim condensed consolidated statement of income and unaudited interim condensed consolidated statement 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 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.

Entity with significant influence over the Group
GT Capital Holdings, Inc. (GT Capital) holds 37.15% of the total shares of the Bank as of March 31, 2023 and December 31, 2022.

Changes in Accounting Policies
The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the audited annual consolidated financial statements as of and for the year ended December 31, 2021, except for the adoption of the following amended standards, which became effective beginning January 1, 2022.

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

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.

Significant Accounting Judgments and Estimates
The preparation of the financial statements in compliance with PAS 34 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 continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant accounting judgments and estimates of the Group have been disclosed in the 2022 audited financial statements.

3. Financial Risk Management

Compared with December 31, 2022, there have been no changes in the financial risk exposures that materially affect the unaudited interim condensed consolidated financial statements of the Group as of March 31, 2023. The Group has exposures to the following risks from its use of financial instruments: (a) credit; (b) liquidity; and (c) market risks. Related discussions below should be read in conjunction with Note 4, Financial Risk and Capital Management, of the Group's 2022 audited financial statements.

Risk management framework
The Board of Directors (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.

<u>Liquidity Risk</u>
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.

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.

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 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 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.

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.

4. Fair Value Measurement

Financial Instruments

The methods and assumptions used by the Group in estimating the fair values of financial assets and financial liabilities have been consistently applied in the unaudited interim condensed consolidated financial statements. These 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, Foreign Exchange (FX) rates, Credit Default Swap (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.

The following tables summarize the carrying amounts and fair values of the financial assets and liabilities:

	March 31, 2023 (Unaudited)				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
FVTPL investments					
Debt securities					
Treasury notes and bonds	₱19,949	₱19,949	₱-	₱-	₱19,949
Government	10,453	10,453	-	-	10,453
BSP	4,717	4,717	-	-	4,717
Private	3,873	3,873	-	-	3,873
Treasury bills	1,508	1,508	-	-	1,508
	40,500	40,500	-	-	40,500
Equity securities	6,055	6,055	-	-	6,055

	March 31, 2023 (Unaudited)				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Derivative assets					
Cross currency swaps	10,004	-	10,004	-	10,004
Currency forwards	6,093	-	6,093	-	6,093
Interest rate swaps	2,843	-	2,843	-	2,843
Call option	224	-	224	-	224
Put option	137	-	137	-	137
Bond futures	14	-	14	-	14
	19,315	-	19,315	-	19,315
	65,870	46,555	19,315	-	65,870
Investment securities at FVOCI					
Debt securities					
Treasury notes and bonds	329,850	329,607	243	-	329,850
Government	73,871	67,594	6,277	-	73,871
Private	44,034	43,980	54	-	44,034
BSP	43,903	43,903	-	-	43,903
	491,658	485,084	6,574	-	491,658
Equity securities	1,865	1,641	224	-	1,865
	493,523	486,725	6,798	-	493,523
	₱559,393	₱533,280	₱26,113	₱-	₱559,393
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Treasury notes and bonds	₱402,578	₱395,319	₱7,735	₱-	₱403,054
Government	49,675	47,437	292	-	47,729
Private	3,164	3,080	-	-	3,080
Treasury bills	119	117	-	-	117
	455,536	445,953	8,027	-	453,980
Loans and receivable – net					
Receivables from customers					
Commercial loans	1,027,352	-	-	1,009,091	1,009,091
Credit card	100,902	-	-	100,902	100,902
Residential mortgage loans	89,961	-	-	111,595	111,595
Auto loans	79,869	-	-	91,502	91,502
Trade	49,734	-	-	49,734	49,734
Others	11,716	-	-	12,416	12,416
	1,359,534	-	-	1,375,240	1,375,240
Unquoted debt securities	590	-	-	601	601
Sales contract receivable	38	-	-	38	38
	1,360,162	-	-	1,375,879	1,375,879
Others assets	371	-	-	471	471
	₱1,816,069	₱445,953	₱8,027	₱1,376,350	₱1,830,330
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial Liabilities at FVTPL					
Derivative liabilities					
Cross currency swaps	₱6,217	₱-	₱6,217	₱-	₱6,217
Currency forwards	5,227	-	5,227	-	5,227
Interest rate swaps	1,434	-	1,434	-	1,434
Call option	236	-	236	-	236
Put option	143	-	143	-	143
Bond futures	78	-	78	-	78
Credit default swaps	25	-	25	-	25
Non-equity Non-controlling interest	9,589	-	9,589	-	9,589
	₱22,949	₱-	₱22,949	₱-	₱22,949

	March 31, 2023 (Unaudited)				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	₱831,144	₱-	₱-	₱833,721	₱833,721
LTNCD	26,160	20,899	-	5,296	26,195
	857,304	20,899	-	839,017	859,916
Bills payable and SSURA	87,039	-	-	87,291	87,291
Bonds payable	83,143	80,565	-	-	80,565
Subordinated debts	1,169	-	-	1,178	1,178
Other liabilities					
Deposits on lease contracts	928	-	-	876	876
	₱1,029,583	₱101,464	₱-	₱928,362	₱1,029,826

	December 31, 2022 (Audited)				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
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
Interest rate swaps	3,618	-	3,618	-	3,618
Call option	288	-	288	-	288
Put option	138	-	138	-	138
Bond futures	34	-	34	-	34
	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
BSP	67,857	67,857	-	-	67,857
Private	50,037	49,704	333	-	50,037
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					
Treasury notes and bonds	₱269,501	₱257,739	₱6,553	₱-	₱264,292
Government	44,542	42,078	304	-	42,382
Private	3,484	3,379	-	-	3,379
Treasury bills	249	248	-	-	248
	317,776	303,444	6,857	-	310,301

	December 31, 2022 (Audited)				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Loans and receivable – 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
Others 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
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Cross currency swaps	₱7,721	₱-	₱7,721	₱-	₱7,721
Currency forwards	7,315	-	7,315	-	7,315
Interest rate swaps	1,383	-	1,383	-	1,383
Call option	286	-	286	-	286
Put option	142	-	142	-	142
Credit default swaps	15	-	15	-	15
Bond futures	3	-	3	-	3
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
Bonds payable	88,409	81,388	-	4,631	86,019
Subordinated debts	1,169	-	-	1,187	1,187
Other liabilities					
Deposits on lease contracts	979	-	-	931	931
	₱923,452	₱102,335	₱-	₱821,591	₱923,926

As of March 31, 2023 and December 31, 2022, there were no transfers between levels of the fair value hierarchy.

5. 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 interest income and interest 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 as of and for the periods ended March 31, 2023 and 2022.

	Consumer Banking	Corporate Banking	Investment Banking	Treasury	Branch Banking	Others	Total
Period Ended March 31, 2023 (Unaudited)							
Results of Operations							
Net interest income (expense)							
Third party	**₱5,204**	**₱13,790**	**₱-**	**₱5,288**	**₱18**	**₱569**	**₱24,869**
Intersegment	**(1,289)**	**(10,288)**	**-**	**3,120**	**8,457**	**-**	**-**
Net interest income after intersegment transaction	**3,915**	**3,502**	**-**	**8,408**	**8,475**	**569**	**24,869**
Non-interest income	**2,280**	**373**	**2**	**1,797**	**1,676**	**1,777**	**7,905**
Revenue - net of interest expense	**6,195**	**3,875**	**2**	**10,205**	**10,151**	**2,346**	**32,774**
Non-interest expense	**2,718**	**1,565**	**-**	**1,449**	**6,444**	**7,111**	**19,287**
Income (loss) before share in net income of associates and a joint venture	**3,477**	**2,310**	**2**	**8,756**	**3,707**	**(4,765)**	**13,487**
Share in net income (loss) of associates and a joint venture	**-**	**48**	**-**	**-**	**-**	**173**	**221**
Provision for income tax	**50**	**(163)**	**-**	**(1,961)**	**52**	**(1,071)**	**(3,093)**
Non-controlling interest in net income of consolidated subsidiaries	**-**	**-**	**-**	**-**	**-**	**(133)**	**(133)**
Net income (loss)	**₱3,527**	**₱2,195**	**₱2**	**₱6,795**	**₱3,759**	**(₱5,796)**	**₱10,482**
Statement of Financial Position							
Total assets	**₱193,657**	**₱1,059,623**	**₱-**	**₱1,163,141**	**₱175,207**	**₱287,563**	**₱2,879,191**
Total liabilities	**₱109,279**	**₱1,006,274**	**₱-**	**₱1,099,649**	**₱267,596**	**₱66,729**	**₱2,549,527**
Other Segment Information							
Capital expenditures	**₱54**	**₱7**	**₱-**	**₱83**	**₱14**	**₱1,005**	**₱1,163**
Depreciation and amortization	**₱88**	**₱82**	**₱-**	**₱15**	**₱547**	**₱944**	**₱1,676**
Provision for credit and impairment losses	**₱785**	**₱901**	**₱-**	**(₱5)**	**₱562**	**₱149**	**₱2,392**

	Consumer Banking	Corporate Banking	Investment Banking	Treasury	Branch Banking	Others	Total
Period Ended March 31, 2022 (Unaudited)							
Results of Operations							
Net interest income (expense)							
Third party	₱3,523	₱7,859	₱-	₱5,357	₱2,015	₱547	₱19,301
Intersegment	(568)	(5,081)	-	(1,160)	6,809	-	-
Net interest income after intersegment transaction	2,955	2,778	-	4,197	8,824	547	19,301
Non-interest income	1,983	292	28	2,098	1,563	2,235	8,199
Revenue - net of interest expense	4,938	3,070	28	6,295	10,387	2,782	27,500
Non-interest expense	3,466	1,206	1	956	5,371	5,930	16,930
Income (loss) before share in net income of associates and a joint venture	1,472	1,864	27	5,339	5,016	(3,148)	10,570
Share in net income of associates and a joint venture	-	21	-	-	-	99	120
Provision for income tax	(86)	(98)	-	(1,074)	(149)	(1,179)	(2,586)
Non-controlling interest in net income of consolidated subsidiaries	-	-	-	-	-	(118)	(118)
Net income (loss)	₱1,386	₱1,787	₱27	₱4,265	₱4,867	(₱4,346)	₱7,986
Statement of Financial Position							
Total assets	₱165,118	₱925,956	₱-	₱1,155,524	₱169,790	₱227,447	₱2,643,835
Total liabilities	₱87,408	₱889,402	₱-	₱1,083,036	₱261,931	₱8,902	₱2,330,679
Other Segment Information							
Capital expenditures	₱69	₱9	₱-	₱15	₱7	₱1,058	₱1,158
Depreciation and amortization	₱92	₱79	₱-	₱15	₱531	₱751	₱1,468
Provision for credit and impairment losses	₱1,712	₱64	₱-	₱-	₱84	₱189	₱2,049

Non-interest income consists of service charges, fees and commissions, profit from assets sold, trading and securities gain-net, and 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.

6. Long-Term Negotiable Certificates of Deposit (LTNCD)

As of March 31, 2023 and December 31, 2022, the total outstanding LTNCDs of the Group amounted to ₱26.16 billion. Significant terms of these LTNCDs have been disclosed in the 2022 audited financial statements.

7. Securities Sold Under Repurchase Agreement

Following are the carrying values of the government debt securities pledged and transferred under SSURA transactions of the Group (included under Bills Payable and Securities Sold under Repurchase Agreements):

	March 31, 2023 (Unaudited)		December 31, 2022 (Audited)	
	Transferred Securities	**SSURA**	Transferred Securities	SSURA
Investment securities at				
FVOCI	**₱67,803**	**₱55,141**	₱59,094	₱46,847
Amortized cost	**14,969**	**13,921**	22,441	20,273
	₱82,772	**₱69,062**	₱81,535	₱67,120

8. Subordinated Debts

As of March 31, 2023 and December 31, 2022, the total outstanding subordinated debt of the Group amounted to ₱1.17 billion and will mature on December 20, 2023. Significant terms of this Peso Note has been disclosed in the 2022 audited financial statements.

9. Bonds Payable

This account consists of the following:

Issue Date	Maturity Date	Interest Rate	Face Value	Carrying value March 31, 2023 (Unaudited)	Carrying value December 31, 2022 (Audited)
Parent Company					
Fixed Rate Bonds:					
October 28, 2022	April 28, 2024	5.00%	₱23,717	**₱23,579**	₱23,546
June 4, 2021	September 4, 2026	3.60%	19,000	**18,901**	18,894
October 24, 2019	April 24, 2023	4.50%	13,750	**13,748**	13,740
USD Senior Unsecured Note:					
July 15, 2020	January 15, 2026	2.125%	US$500	**26,915**	27,581
				83,143	83,761
Fixed Rate Bonds:					
PSBank					
February 4, 2020	February 4, 2023	4.50%	4,650	-	4,648
				₱83,143	₱88,409

Significant terms of these bonds have been disclosed in the 2022 audited financial statements.

The ₱4.63 billion fixed rate bonds issued by PSBank on February 4, 2020 which bear an interest rate of 4.50% per annum matured on February 4, 2023.

10. Capital Stock

As of March 31, 2023 and December 31, 2022, this account consists of (amount 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	**4,497,415,555**	**₱89,948**

As of March 31, 2023 and December 31, 2022, treasury shares totaling 1,277,775 and 1,328,487, respectively, represent shares of the Parent Company held by mutual fund subsidiary of FMIC.

Details of the Bank's cash dividend distributions from 2021 to 2023 follow:

Date of Declaration	Per Share	Total Amount (In Millions)	Record date	Payment date
February 22, 2023	₱0.80 (regular)	₱3,598	March 17, 2023	March 31, 2023
February 22, 2023	1.40 (special)	6,296	March 17, 2023	March 31, 2023
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

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 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.

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.

Significant information on capital issuances have been disclosed in the 2022 audited financial statements.

11. 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.

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 monthly or as the need arises. On the other hand, RPTMC members are appointed annually by the President, composed of at least six (6) 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 others 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.

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 Bank, PSBank, FMIC and ORIX Metro.

BSP Circular Nos. 560, 654 and 914 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 March 31, 2023 and December 31, 2022, 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 13.13% and 13.50%, 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.

Details on significant related party transactions of the Group as of March 31, 2023, December 31, 2022 and March 31, 2022 follow (transactions with subsidiaries have been eliminated in the unaudited interim condensed consolidated financial statement):

Category	Amount	Terms and Conditions/Nature
Transactions Affecting Statements of Financial Position		
March 31, 2023 (Unaudited)		
Entity with Significant Influence Over the Group		
Outstanding Balance:		
Deposit liabilities*	**₱2,778**	With annual fixed interest rates ranging from 0.00% to 5.25% including time deposits with maturity terms of 30 to 34 days
Volume:		
Deposit liabilities	**(6,267)**	Generally similar to terms and conditions above
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	**₱8,218**	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 1.30% to 5.05% with maturity terms from 36 to 273 days
Receivables from customers*	**3,081**	Unsecured, with ECL of ₱12.55 million With annual fixed interest rates from 0.00% to 6.15% and maturity terms from 3 to 298 days
Accounts receivable	**114**	Non-interest bearing receivables on remittance and rental fees
Deposit liabilities*	**5,576**	With annual fixed interest rates ranging from 0.00% to 6.50% including time deposits with maturity terms ranging from 3 to 91 days
Treasury stock	**69**	Parent Company's shares held by FMIC's mutual fund subsidiary

Category	Amount	Terms and Conditions/Nature
Volume:		
Interbank loans receivable	**(2,988)**	Generally similar to terms and conditions above
Receivables from customers	**(256)**	Generally similar to terms and conditions above
Accounts receivable	**(106)**	Generally similar to terms and conditions above
Deposit liabilities	**(415)**	Generally similar to terms and conditions above
Securities transactions		
Purchases	**12,941**	Outright purchases of investment securities at FVTPL and FVOCI
Sales	**18,230**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**3,337**	Outright purchases of foreign currency
Sell	**1,268**	Outright sale of foreign currency
Associates		
Outstanding Balance:		
Receivable from customers*	**₱1,612**	Unsecured, with ECL of ₱7.25 million; with annual fixed interest rates ranging from 3.95 % to 5.80% and maturity terms from 95 to 273 days
Deposit liabilities*	**2,145**	With annual fixed interest rates ranging from 0.00% to 5.13% including time deposits with maturity terms from 31 to 357 days
Volume:		
Receivable from customers	**905**	Generally similar to terms and conditions above
Deposit liabilities	**68**	Generally similar to terms and conditions above
Securities transactions		
Outright sales	**835**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Sell	**275**	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	**₱35,752**	Secured - ₱7.24 billion, unsecured - ₱28.52 billion, with ECL of ₱192.67 million and with annual fixed interest rates ranging from 0.00% to 7.89% and maturity terms from 3 days to 5 years
Assets held under joint operations	**219**	Parcels of land and former branch sites of the Parent Company contributed to joint operations
Deposit liabilities*	**29,229**	With annual fixed rates ranging from 0.00% to 5.88% including time deposits with maturity terms from 3 to 359 days
Volume:		
Receivables from customers	**1,119**	Generally similar to terms and conditions above
Deposit liabilities	**(1,909)**	Generally similar to terms and conditions above
Contingent		
Unused commercial LCs	**24**	LC transactions with various terms
Foreign currency		
Buy	**113**	Outright purchases of foreign currency
Sell	**15,035**	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	**₱112**	Secured - ₱84.84 million, unsecured - ₱27.22 million, no impairment. With annual fixed interest rate ranging from 0.00% to 9.00% and maturity terms from 1 to 19 years
Deposit liabilities	**258**	With various terms and with minimum annual interest rate of 0.00%
Volume:		
Receivable from customers	**(5)**	Generally similar to terms and conditions above
Deposit liabilities	**(74)**	Generally similar to terms and conditions above

December 31, 2022 (Audited)		
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 from 30 to 34 days
Volume:		
Deposit liabilities	**7,717**	Generally similar to terms and conditions above
Bills payable	**(108)**	Generally similar to terms and conditions above

Category	Amount	Terms and Conditions/Nature
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
Receivables from customers*	**3,337**	Unsecured, with ECL of P4.50 million. With annual fixed interest rates ranging from 0.00% to 5.50% and maturity terms ranging from 5 to 210 days
Accounts receivable	**220**	Non-interest bearing receivables on remittance and rental fees
Other receivables	**15**	Non-interest bearing receivables on remiitance
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
Treasury stock	**72**	Parent Company's shares held by FMIC's mutual fund subsidiary
Dividends declared	**1,132**	Dividend declared by PSBank
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
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
Deposit liabilities*	**2,077**	With annual fixed interest rates ranging from 0.00% to 5.13% including time deposits with maturity terms from 31 to 357 days
Volume:		
Receivable from customers	**66**	Generally similar to terms and conditions above
Deposit liabilities	**(27)**	Generally similar to terms and conditions above
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
Assets held under joint operations	**219**	Parcels of land and former branch sites of the Parent Company contributed to joint operations
Deposit liabilities*	**31,138**	With annual fixed interest rates ranging from 0.00% to 4.88% including time deposits with maturity terms from 5 to 359 days
Volume:		
Receivable from customers	**3,270**	Generally similar to terms and conditions above
Deposit liabilities	**8,985**	Generally similar to terms and conditions above
Contingent		
Unused commercial LC's	**58**	LC transactions with various terms
Foreign currency		
Buy	**9,308**	Outright purchases of foreign currency
Sell	**120,202**	Outright sale of foreign currency

Category	Amount	Terms and Conditions/Nature
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
Deposit liabilities	**332**	With various terms and minimum annual interest rate of 0.00%
Volume:		
Receivables from customers	**26**	Generally similar to terms and conditions above
Deposit liabilities	**63**	Generally similar to terms and conditions above

Transactions Affecting Statements of Income

March 31, 2023 (Unaudited) - Amount		
Entity with Significant Influence Over the Group		
Interest expense	**₱4**	On deposit liabilities
Subsidiaries		
Interest income	**₱97**	On receivables from customers and interbank loans receivables
Service charges, fees and commissions	**5**	Income on transactional fees
Trading and securities gain - net	**234**	Net gain from securities transactions
Foreign exchange loss – net	**(2)**	Net loss from foreign exchange transactions
Leasing income	**8**	From leasing agreements with various lease terms
Miscellaneous income	**83**	Information technology and other fees
Interest expense	**29**	On deposit liabilities and bills payable
Associates		
Interest income	**₱12**	On receivables from customers
Leasing income	**5**	From leasing agreements with various lease terms
Other Related Parties		
Interest income	**₱503**	On receivables from customers
Foreign exchange gain - net	**155**	Net gain from foreign exchange transactions
Interest expense	**25**	On deposit liabilities
Key Personnel		
Interest income	**₱2**	On receivables from customers

March 31, 2022 (Unaudited) - Amount		
Subsidiaries		
Interest income	**₱45**	On receivables from customers and interbank loans receivables
Service charges, fees and commissions	**13**	Income on transactional fees
Trading and securities gain - net	**14**	Net gain from securities transactions
Foreign exchange loss - net	**(3)**	Net loss from foreign exchange transactions
Leasing income	**6**	From leasing agreements with various lease terms
Miscellaneous income	**36**	Information technology and other fees
Associates		
Interest income	**₱2**	On receivables from customers
Leasing income	**5**	From leasing agreements with various lease terms
Other Related Parties		
Interest income	**₱214**	On receivables from customers
Foreign exchange loss - net	**(37)**	Net loss from foreign exchange transactions
Interest expense	**2**	On deposit liabilities and bills payable
Key Personnel		
Interest income	**₱1**	On receivables from customers

* including accrued interest

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. 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 risks; and other management services rendered, these are conducted in the normal course of business, at arms-length transactions and are generally settled in cash. The amounts and related volumes and changes are presented in the summary above.

Government bonds with total face value of ₱60.0 million (classified as 'Investment securities at amortized cost' as of March 31, 2023 and December 31, 2022) are pledged by PSBank to the Parent Company to secure the latter's payroll account with PSBank. Also, as of March 31, 2023 and December 31, 2022, 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 deposits to the Parent Company.

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 ₱32.4 million for the periods ended March 31, 2023 and 2022. As of March 31, 2023 and 2022, the Parent Company sold securities totaling ₱2.7 billion and ₱1.2 billion, respectively, to its related party retirement plans and recognized ₱444.0 thousand trading loss in 2023 and minimal trading gain in 2022 and has also purchased securities totaling ₱1.7 billion and ₱328.4 billion as of March 31, 2023 and 2022, respectively. Further, as of March 31, 2023 and December 31, 2022, the total outstanding deposit liabilities of the Group to these related party retirement funds amounted to ₱2.4 billion and ₱515.2 million, respectively. Interest expense on deposit liabilities amounted to ₱18.3 million and ₱0.1 million in March 31, 2023 and 2022, respectively.

As of March 31, 2023 and December 31, 2022, the related party retirement plans also hold investments in: (a) the equity shares of various companies within the Group amounting to ₱191.3 million and ₱181.8 million, respectively, with unrealized trading losses of ₱60.0 million and ₱76.0 million, respectively; (b) mutual funds and trust funds of various companies within the Group amounting to ₱450.1 million and ₱440.7 million, respectively, with unrealized trading losses of ₱3.7 million and ₱6.2 million, respectively. Further, for the period ended March 31, 2023 and 2022, disposals of various investments in equity shares, mutual and trust funds realized net trading losses amounting to ₱1.2 million and realized net trading gains amounting to ₱0.5 million, respectively.

12. Notes to Statements of Cash Flows

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

	March 31	
	2023	2022
Interbank loans receivables and SPURA	**₱69,425**	₱86,295
Interbank loans receivables and SPURA not considered as cash and cash equivalents	**(10,336)**	(15,163)
	₱59,089	₱71,132

13. 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 unaudited interim condensed consolidated financial statements. No material losses are anticipated to be recognized as a result of these transactions.

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

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Trust Banking Group accounts	**₱504,797**	₱510,510
Credit card lines	**252,844**	233,331
Unused commercial letters of credit	**51,911**	49,097
Undrawn commitments - facilities to lend	**19,493**	24,578
Bank guaranty with indemnity agreement	**16,436**	18,023
Outstanding guarantees	**6,767**	3,769
Credit line certificate with bank commission	**5,182**	4,771
Inward bills for collection	**1,669**	2,071
Outstanding shipside bonds/airway bills	**1,299**	1,294
Outward bills for collection	**933**	710
Late deposits/payments received	**544**	1,047
Confirmed export letters of credits	**159**	278
Others	**32,242**	35,709
	₱894,276	₱885,188

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.

14. **Financial Performance**

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):

	For the Period Ended March 31		For the Year Ended
	2023	2022	December 31, 2022
	(Unaudited)		(Audited)
a. Net income attributable to equity holders of the Parent Company	**₱10,482**	₱7,986	₱32,776
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)	**₱2.33**	₱1.78	₱7.29

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

The following basic ratios measure the financial performance of the Group:

	For the Period Ended March 31		For the Year Ended
	2023	2022	December 31, 2022
	(Unaudited)		(Audited)
Return on average equity	**13.13%**	10.27%	10.29%
Return on average assets	**1.47%**	1.24%	1.23%
Net interest margin on average earning assets	**3.86%**	3.32%	3.56%

15. **Other Matters**

The Group has no significant matters to report on the following during the period ended March 31, 2023:

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 interim operations;
c. Issuances, repurchases and repayments of debt and equity securities except for the maturity of the ₱4.65 billion fixed rate bonds of PSBank as discussed in Note 9;
d. Unusual items as to nature, size or incidents affecting assets, liabilities, equity, net income or cash flows except for the payments of cash dividends by the Parent Company as discussed in Note 10; and
e. Effect of changes in the composition of the Group during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

16. **Subsequent Event**

a. The ₱13.75 billion fixed rate bonds issued by the Parent Company on October 24, 2019 which bear an interest rate of 4.50% per annum matured on April 24, 2023.

b. On April 27, 2023, the BOD of PSBank declared a 7.50% regular cash dividend for the first quarter of 2023 amounting to ₱320.14 million or ₱0.75 per share payable on May 29, 2023 to all stockholders of record as of May 15, 2023.

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
FINANCIAL INDICATORS
AS OF AND FOR THE PERIOD ENDED MARCH 31, 2023 AND 2022

	RATIO	FORMULA	2023	2022
a)	Liquidity Ratio	Liquid Assets / Total Assets	49.36%	51.21%
b)	Loans to Deposits Ratio	Total Loans / Total Deposit Liabilities	62.78%	61.87%
c)	Debt to Equity Ratio	Total Liabilities / Total Equity Attributable to Equity Holders of the Parent Company	796.76%	767.07%
d)	Asset to Equity Ratio	Total Assets / Total Equity Attributable to Equity Holders of the Parent Company	899.79%	870.14%
e)	Return on Average Equity	Net Income Attributable to Equity Holders of the Parent Company / Average Equity	13.13%	10.27%
f)	Return on Average Assets	Net Income Attributable to Equity Holders of the Parent Company / Average Assets	1.47%	1.24%
g)	Net Interest Margin on Average Earning Assets	Net Interest Income / Average Earning Assets	3.86%	3.32%
h)	Operating Efficiency Ratio	Total Operating Expenses / Net Operating Income	51.55%	54.11%
i)	Interest Coverage Ratio	Earnings Before Interest and Taxes / Interest Expense	234.06%	517.80%
j)	Net Profit Margin	Net Income / Total Gross Income	24.56%	26.85%
k)	Capital Adequacy Ratio	Total Qualifying Capital / Total Risk-Weighted Assets	17.61%	18.45%
l)	Common Equity Tier 1 Ratio	Net Tier 1 Capital / Total Risk-Weighted Assets	16.77%	17.60%

METROPOLITAN BANK & TRUST COMPANY
SEC FORM 17 – Q
FOR THE PERIOD ENDED MARCH 31, 2023

ITEM 2 – MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED FINANCIAL POSITION AND RESULTS OF OPERATIONS

Key Performance Indicators

Financial Ratios

The following ratios measure the financial performance of the Group, the Bank, and significant subsidiaries:

	For the Period Ended March 31, 2023 (Unaudited)				
	Group	**Metrobank**	**FMIC**	**ORIX METRO**	**PSBank**
Earnings per share	₱2.33	₱2.33	₱0.57	₱0.64	₱2.29
Return on equity	13.13%	13.10%	4.82%	1.89%	10.43%
Return on assets	1.47%	1.67%	2.37%	0.81%	1.50%
Operating efficiency ratio	51.55%	48.79%	81.18%	81.97%	58.42%
Non-performing loans ratio	1.79%	1.49%	Nil	16.49%	3.18%

	For the Period Ended March 31, 2022 (Unaudited)				
	Group	**Metrobank**	**FMIC**	**ORIX METRO**	**PSBank**
Earnings per share	₱1.78	₱1.78	₱0.24	₱0.54	₱2.08
Return on equity	10.27%	10.24%	2.84%	1.64%	10.10%
Return on assets	1.24%	1.43%	1.32%	0.58%	1.35%
Operating efficiency ratio	54.11%	50.98%	105.40%	75.49%	59.49%
Non-performing loans ratio	2.16%	1.60%	Nil	18.24%	4.96%

Earnings Per Share
Basic earnings per share (EPS) is computed by dividing the net income by the weighted average number of common shares outstanding after giving retroactive effect to stock dividends declared, stock rights exercised and stock splits made during the period, if any. As of March 31, 2023 and 2022, the Parent Company had no shares of stock that had a dilutive effect on its basic earnings per share.

The increase in the Group's EPS from ₱1.78 to ₱2.33 was due to the 31.25% increase in net income attributable to the equity holders of the Parent Company from ₱7.99 billion for the period ended March 31, 2022 to ₱10.48 billion for the same period in 2023.

Return on Equity
Return on equity (ROE) or the ratio of annualized net income to average capital funds (equity attributable to equity holders of the Parent Company) measures the return on capital provided by the stockholders.

ROE of the Group for the period ended March 31, 2023 was higher at 13.13% compared with 10.27% for the same period in 2022 due to the combined effect of the 31.25% increase in the net income attributable to equity holders of the Parent Company and the 2.59% increase in average equity.

Return on Assets
Return on assets (ROA) or the ratio of annualized net income to average total assets, measures the return on money provided by both stockholders and creditors, as well as how efficiently all assets are managed.

ROA went up to 1.47% for the period ended March 31, 2023 from 1.24% for the same period in 2022 due to the net effect of the 31.25% increase in the net income attributable to equity holders of the Parent Company and the 11.18% increase in average assets.

Operating Efficiency Ratio
Operating efficiency ratio represents the ratio of total operating expenses (excluding provisions for credit and impairment losses and income tax) to total operating income (excluding share in net income of associates and a joint venture).

For the period ended March 31, 2023, the Group's operating efficiency ratio improved to 51.55% from 54.11% for the same period in 2022 on account of the 19.18% increase in operating income although operating expenses increased by 13.53%.

Non-Performing Loans Ratio
Non-performing loans (NPL) ratio represents the ratio of NPLs to gross loan portfolio, excluding interbank loans receivable.

As of March 31, 2023 and 2022, NPL ratio of the Group was at 1.79% and 2.16%, respectively.

Liquidity
To ensure that funds are more than adequate to meet its obligations, the Bank proactively monitors its liquidity position daily. Based on this system of monitoring, the Bank does not anticipate having any cash flow or liquidity problem within the next twelve months. As of March 31, 2023, the contractual maturity profile shows that the Bank has at its disposal about ₱1.20 trillion of cash inflows in the next twelve months from its portfolio of cash, placements with banks, debt securities and receivable from customers. This will cover 60.88% of the ₱1.97 trillion total deposits maturing during the same period. These cash inflows exclude securities in FVTPL and FVOCI with maturities beyond one year but may easily be liquidated in an active secondary market. Inclusive of these securities, the total financial assets will cover 73.29% of the total deposits maturing during the same period. On the other hand, historical balances of deposits showed that no substantial portion has been withdrawn in one year.

Events That Will Trigger Material Direct or Contingent Financial Obligation
These events are discussed in Annex 5 under Note 13 - Commitments and Contingent Liabilities of the General Notes to the Interim Condensed Consolidated Financial Statements.

Material Off-Balance Sheet Transactions, Arrangements or Obligations
The summary of contingencies and commitments at their peso-equivalent contractual amounts arising from off-balance sheet items are discussed in Annex 5 under Note 13 - Commitments and Contingent Liabilities of the General Notes to the Interim Condensed Consolidated Financial Statements. Likewise, the summary of obligations are discussed in Note 6 - LTNCD; Note 8 – Subordinated Debts; Note 9 - Bonds Payable and Note 10 - Capital Stock.

Material Commitments for Capital Expenditures
For the year 2023, the Bank estimates to incur capital expenditures of about ₱3.0 to ₱5.0 billion, of which 70% is estimated to be incurred for information technology.
.

Material Events or Uncertainties

The registrant has nothing to report on the following for the period ended March 31, 2023:

1. Any known trends or demands, commitments, events or uncertainties that will have a material impact on liquidity or that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations, except as disclosed in Annex 5 under Note 15 - Other Matters; and Note 16 - Subsequent Events of the General Notes to the Interim Condensed Consolidated Financial Statements;

2. Any seasonal aspects that had a material effect on the financial condition or results of operations; and

3. Any significant element of income or loss that did not arise from continuing operations.

Material Changes in Financial Statements Accounts

Financial Condition

March 31, 2023 (Unaudited) vs. December 31, 2022 (Audited)
The unaudited consolidated total assets and total liabilities of the Metrobank Group as of March 31, 2023 stood at ₱2.88 trillion and ₱2.55 trillion, respectively. Compared with the audited figures as of December 31, 2022, total assets and total liabilities went up by ₱36.10 billion or 1.27% and by ₱34.53 billion or 1.37%, respectively. On the other hand, equity attributable to equity holders of the Parent Company was higher by ₱1.48 billion or 0.46% from ₱318.51 billion to ₱319.99 billion.

Cash and Other Cash Items decreased by ₱13.64 billion or 33.53% due to the lower level of cash requirements of the Parent Company and PSBank compared with that of year-end due to the holiday seasons. Due from BSP which represents 8.63% of the Group's total assets decreased by 1.61% on account of lower level of term deposit placements. Due from Other Banks decreased by ₱14.27 billion or 18.91% as a result of the net movements in the balances maintained with various local and foreign banks. Interbank Loans Receivable and SPURA went down by ₱4.33 billion or 5.88% due to the ₱4.86 billion decrease in SPURA.

Total investment securities which consisted of FVTPL, FVOCI and securities at amortized cost represents 35.25% and 32.07% of the Group's total assets as of March 31, 2023 and December 31, 2022, respectively, went up by ₱103.09 billion or 11.31%. The increase was due to the net effect of the growth in the portfolios of FVTPL and securities at amortized cost and lower FVOCI securities portfolio. Securities at amortized cost went up by ₱137.76 billion particularly on treasury notes and government bonds. FVTPL securities consist of HFT securities and derivative assets amounting to ₱46.56 billion and ₱19.31 billion, respectively, as of March 31, 2023 and ₱39.16 billion and ₱24.44 billion, respectively, as of December 31, 2022. FVOCI securities decreased by ₱36.94 billion due to lower portfolio of debt securities.

Net loans and receivables, representing 48.02% and 49.89% of the Group's total assets as of March 31, 2023 and December 31, 2022, respectively, went down by ₱35.79 billion or 2.52% due to lower demand on corporate and commercial loans.

Investments in Associates and a Joint Venture went up by ₱0.50 billion or 8.54% due to the net income recognized from the associates of FMIC. Other Assets increased by ₱3.92 billion or 36.14% from ₱10.86 billion to ₱14.78 billion primarily due to the net movements in miscellaneous assets and prepaid expenses.

Deposit liabilities represent 88.78% and 88.32% of the consolidated total liabilities as of March 31, 2023 and December 31, 2022, respectively, wherein, low cost deposits represent 62.12% and 66.61% of the Group's total deposits, respectively. The Group's deposit level, sourced by the Bank, PSBank and MBCL reached ₱2.26 trillion as of March 31, 2023, an increase of ₱42.22 billion or 1.90% from ₱2.22

trillion as of December 31, 2022. The increment came from time deposits by ₱115.73 billion while CASA deposits went down by ₱73.51 billion.

Derivative Liabilities which represent mark-to-market of foreign currency forwards, interest rate swaps, cross currency swaps, foreign currency options, bond futures and credit default swaps with negative fair value decreased by ₱3.51 billion or 20.78%. Income taxes payable increased by ₱1.23 billion or 83.09% due to accrual of corporate income tax for 2023.

Bonds payable decreased by ₱5.27 billion or 5.96% due to maturity of the ₱4.65 billion fixed rate bonds of PSBank in February 2023 and the movement in the peso value of the USD denominated senior unsecured notes issued by the Parent Company. Non-equity Non-controlling Interest representing the portion of net income and net assets of the mutual fund subsidiaries of FMIC not attributed to the Group went down by ₱0.55 billion or 5.42% on account of the net decrease in income of these mutual funds. Other Liabilities increased by ₱4.09 billion or 6.39% primarily due to the increases in lease liability, dividends payable and withholding taxes payable offset by the decrease in deferred tax liability.

Equity attributable to equity holders of the Parent Company increased by ₱1.48 billion or 0.46% primarily due to the ₱10.48 billion net income reported during the period and the ₱4.89 billion decrease in net unrealized loss recognized in investments securities at FVOCI offset by the ₱13.49 billion total cash dividends declared by the Bank.

Results of Operations

<u>Quarter Ended March 2023 vs. Quarter Ended March 2022 (Unaudited)</u>

Net income attributable to equity holders of the Parent Company for the quarter ended March 31, 2023 amounted to ₱10.48 billion and improved by ₱2.50 billion or 31.25% from the ₱7.99 billion net income reported in the same quarter of the previous year. The improvement was driven by the following:

> Interest income went up by ₱13.24 billion or 60.54% on account of higher interest income on loans and receivables by ₱7.82 billion, on investment securities by ₱4.82 billion and on deposit with banks and others by ₱0.60 billion. Meanwhile, increase in interest expense on deposit liabilities by ₱6.57 billion and in interest expense on borrowings by ₱1.10 billion accounted for the increase of ₱7.67 billion or 299.61% in interest and finance charges. As a result, net interest income improved by ₱5.57 billion or by 28.85%.
>
> Other operating income of ₱8.13 billion decreased by ₱0.19 billion or 2.32% from ₱8.32 billion in 2022 on account of the ₱2.12 billion net trading, securities and foreign exchange gain realized for the quarter compared with ₱2.31 billion gain reported for the same quarter of 2022 and ₱0.48 billion decreased in miscellaneous income particularly on ROPA booking and sales offset by the increase in fee-based income by ₱0.48 billion.
>
> Total operating expenses increased by ₱2.01 billion or 13.53% from ₱14.88 billion to ₱16.90 billion primarily on account of the increases in manpower cost by ₱0.45 billion, taxes and licenses by ₱0.82 billion, security, messengerial and janitorial expenses by ₱0.30 billion and insurance expense by ₱0.11 billion. Total provision for credit and impairment losses of the Group amounted to ₱2.39 billion for the quarter ended March 31, 2023 or ₱0.34 billion higher compared with ₱2.05 billion provision in 2022. Provision for income tax was higher by ₱0.51 billion from ₱2.59 billion to ₱3.09 billion due to net movements in corporate, final and deferred income taxes.
>
> Income attributable to non-controlling interests went up to ₱0.13 billion from ₱0.12 billion or by ₱0.02 billion or 12.71% due to higher net income of majority owned subsidiaries.

Total comprehensive income went up by ₱16.15 billion from a loss of ₱1.05 billion for the quarter ended March 31, 2022 to a gain of ₱15.10 billion for the same quarter in 2023 due to the net effect of the higher net income and lower net unrealized loss recognized on FVOCI investments partially offset by the loss in translation adjustment and others. This caused the total comprehensive income attributable to equity holders of the Parent Company to increase by ₱16.14 billion from a loss of ₱1.17 billion for the quarter ended March 31, 2022 to a gain of ₱14.97 billion for the quarter ended March 31, 2023. Total comprehensive income attributable to non-controlling interest increased by ₱0.01 billion or 5.56%.

METROPOLITAN BANK & TRUST COMPANY
(CONSOLIDATED)

AGING OF ACCOUNTS RECEIVABLE
(IN MILLIONS)
AS OF MARCH 31, 2023

NO. OF DAYS OUTSTANDING		AMOUNT
1-90	₱	4,551
91-180		94
181-360		178
OVER 360		3,928
GRAND TOTAL	₱	8,751