Metrobank

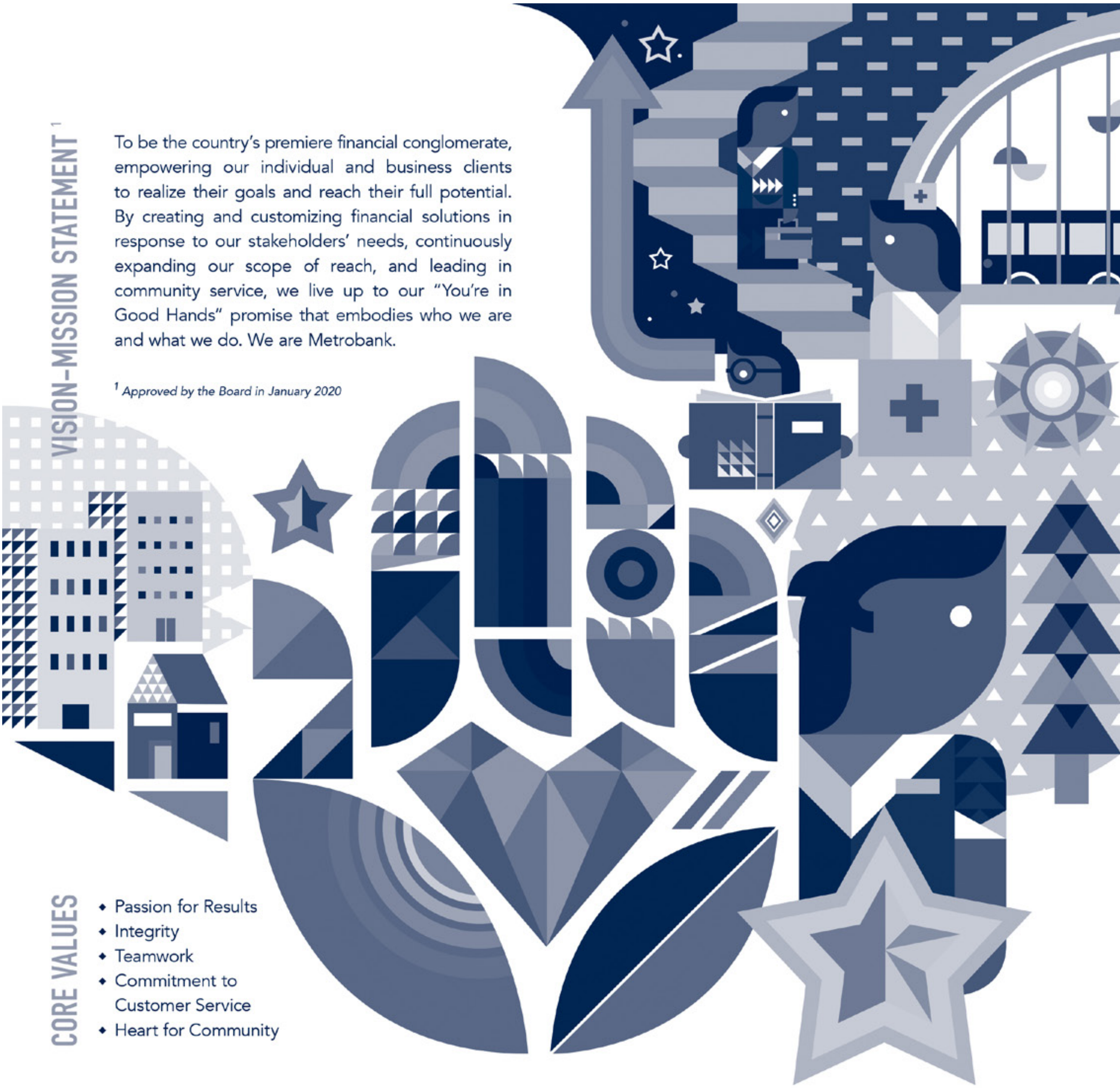
ENABLING COMMUNITIES

2023 FINANCIAL STATEMENTS

VISION-MISSION STATEMENT [1]

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

[1] *Approved by the Board in January 2020*



CORE VALUES

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

OUR COMMITMENT

We commit to be:

The Trusted Financial Partner. Our business relies on the principles of trust, honesty, and integrity as we serve our customers and help them attain their financial goals.

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

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

An Institution with a Heart. We give back to the communities we serve, committed to making meaningful contributions to the economic and social development of our nation.

SUMMARY OF FINANCIAL STATEMENTS

In PHP millions, Except Per Share Amounts

At Year End	Consolidated			Parent		
	2023	2022	2021	2023	2022	2021
Total Assets	**3,104,902**	**2,843,090**	**2,502,816**	**2,766,366**	**2,489,749**	**2,161,296**
Loans and Receivables – Net	1,537,166	1,418,382	1,236,071	1,335,336	1,239,560	1,057,454
Investment Securities	1,082,117	911,839	783,410	947,612	758,811	661,162
Others	485,619	512,869	483,335	483,418	491,378	442,680
Total Liabilities	**2,738,164**	**2,515,000**	**2,175,084**	**2,409,016**	**2,170,556**	**1,842,106**
Deposit Liabilities	2,382,772	2,221,124	1,930,284	2,113,559	1,938,370	1,660,547
Demand	586,345	581,473	588,434	536,772	536,516	535,847
Savings	853,028	898,078	874,283	807,153	851,860	830,247
Time	925,885	715,415	438,046	757,204	528,914	273,373
Long-Term Negotiable Certificates of Deposit	17,514	26,158	29,521	12,430	21,080	21,080
Others	355,392	293,876	244,800	295,457	232,186	181,559
Total Equity	**366,738**	**328,090**	**327,732**	**357,350**	**319,193**	**319,190**
Attributable to:						
Equity Holders of the Parent Company	**356,665**	**318,508**	**318,505**	**357,350**	**319,193**	**319,190**
Non-Controlling Interest	10,073	9,582	9,227			
Book Value Per Share (BVPS)	**79.3**	**70.8**	**70.8**	**79.5**	**71.0**	**71.0**

For the Year	Consolidated			Parent		
	2023	2022	2021	2023	2022	2021
Net Interest Income	**104,970**	**85,529**	**75,049**	**88,785**	**70,328**	**59,082**
Interest Income	153,612	102,370	87,177	129,251	81,843	66,478
Interest Expense	48,642	16,841	12,128	40,466	11,515	7,396
Non-interest Income	**29,379**	**27,497**	**26,399**	**26,237**	**22,942**	**20,971**
Service Charges, Fees and Commissions	16,390	15,035	13,418	13,079	11,773	10,135
Foreign Exchange Gain (Loss) - Net	4,096	(2,427)	1,946	3,805	(2,697)	1,805
Leasing	2,019	1,990	1,904	159	162	183
Income from Trust Operations	1,220	1,541	1,655	1,173	1,494	1,609
Trading and Securities Gain (Loss) - Net	(94)	6,401	3,366	(128)	6,534	3,201
Other Non-interest Income[1]	5,748	4,957	4,110	8,149	5,676	4,038
Total Operating Income	**134,349**	**113,026**	**101,448**	**115,022**	**93,270**	**80,053**
Total Operating Expenses	**78,500**	**69,108**	**71,307**	**60,724**	**51,453**	**52,099**
Provision for Credit and Impairment Losses	8,978	8,112	11,834	6,661	5,740	7,683
Other Operating Expenses	69,522	60,996	59,473	54,063	45,713	44,416
Provision for Income Tax	**12,890**	**10,620**	**7,777**	**12,060**	**9,041**	**5,798**
Net Income	**42,959**	**33,298**	**22,364**	**42,238**	**32,776**	**22,156**
Attributable to:						
Equity Holders of the Parent Company	42,238	32,776	22,156			
Non-controlling Interest	721	522	208			
Basic/Diluted Earnings Per Share (EPS)	**9.39**	**7.29**	**4.93**			
Attributable to Equity Holders of the Parent Company						

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

For the Year	Consolidated			Parent		
	2023	2022	2021	2023	2022	2021
Net Interest Margin	3.9%	3.6%	3.4%	3.8%	3.5%	3.1%
Return on Average Equity	12.5%	10.3%	6.9%	12.5%	10.3%	6.9%
Return on Average Assets	1.4%	1.2%	0.9%	1.6%	1.4%	1.0%
Non-performing Loans Ratio	1.7%	1.9%	2.2%	1.4%	1.6%	1.5%
Capital Adequacy Ratio	18.3%	17.7%	20.1%	16.7%	15.7%	19.0%
Tier 1 Capital	17.4%	16.8%	19.3%	15.9%	14.9%	18.2%
Common Equity Tier 1	17.4%	16.8%	19.3%	15.9%	14.9%	18.2%

RESULTS OF OPERATIONS

Metropolitan Bank & Trust Co. (Metrobank) posted record earnings of PHP42.2 billion, 28.9% higher year-on-year. The Bank's net interest income grew by 22.7% fueled by higher loan demand and better net interest margin of 3.9%. Non-interest income increased by 6.8% to PHP29.4 billion, largely driven by the expanding consumer business. Trading and forex gains were steady at PHP4.0 billion. The robust revenue growth offset the 14.0% increase in other operating expenses, which was driven by transaction-related taxes, other costs and higher manpower in line with capacity expansion. Cost to income ratio eased to 52.1% from 54.3% in 2022.

The bank increased provisions for credit losses by 10.7% to PHP9.0 billion in 2023, bringing NPL cover to 180.3%.

Metrobank ended 2023 with a share price of PHP51.3 per share for a market capitalization of PHP230.7 billion.

FINANCIAL CONDITION

Total consolidated assets expanded by 9.2% to PHP3.1 trillion in 2023, maintaining its status as the country's second largest private universal bank. Gross loans rose by 7.6% year-on-year, with consumer portfolio increasing by 15.9% on strong discretionary spending, outpacing the 5.5% rise in commercial loans. Meanwhile, total deposits grew by 7.3% from the previous year to PHP2.4 trillion with low-cost current and savings accounts (CASA) accounting for 60.4% or PHP1.4 trillion.

Asset quality continued to improve. Non-performing loans (NPLs) ratio eased to 1.7% from 1.9% in 2022, well below the banking system's 3.3% NPL ratio. Moreover, the Bank's NPL cover remained substantial at 180.3%, reflecting its ability to weather any risks to the loan portfolio.

The Bank's total equity stood at PHP356.7 billion, while capital ratios remain to be one of the highest in the industry, with Capital Adequacy Ratio (CAR) at 18.3% and Common Equity Tier 1 (CET1) ratio at 17.4%, all well-above the minimum regulatory requirements.

SUPPLEMENTARY MANAGEMENT DISCUSSION

The capital to risk assets ratios of the Group and the Parent Company as reported to the BSP as of December 31, 2023 and 2022 based on Basel III are shown in the table below:

	Group		Parent Company	
	December 31			
	2023	2022	**2023**	2022
	(In Millions)			
Tier 1 Capital	**₱ 355,786**	₱ 316,142	**₱ 345,921**	₱ 306,824
Common Equity Tier 1 Capital (CET1)	**355,786**	316,142	**345,921**	306,824
Less: Required deductions	**33,739**	33,001	**101,305**	101,457
Net Tier 1 Capital	**322,047**	283,141	**244,616**	205,367
Tier 2 Capital	**15,532**	14,337	**12,724**	11,935
Total Qualifying Capital	**₱ 337,579**	₱ 297,478	**₱ 257,340**	₱ 217,302
Credit Risk-Weighted Assets	**₱ 1,550,881**	₱ 1,429,964	**₱ 1,296,218**	₱ 1,191,825
Market Risk-Weighted Assets	**106,231**	68,546	**91,609**	55,124
Operational Risk-Weighted Assets	**189,471**	184,027	**152,223**	135,512
Risk Weighted Assets	**₱ 1,846,583**	₱ 1,682,537	**₱ 1,540,050**	₱ 1,382,461

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

CET1 Ratio:				
CET1 Capital	**₱ 322,047**	₱ 283,141	**₱ 244,616**	₱ 205,367
Risk-Weighted Assets	**1,846,583**	1,682,537	**1,540,050**	1,382,461
CET1 Ratio	**17.44%**	16.83%	**15.88%**	14.86%
Minimum CET1 Ratio	**6.00%**	6.00%	**6.00%**	6.00%
Capital Conservation Buffer	**11.44%**	10.83%	**9.88%**	8.86%
Countercyclical Capital Buffer*	**0.00%**	0.00%	**0.00%**	0.00%
Tier 1 Capital Ratio:				
Tier 1 Capital	**₱ 322,047**	₱ 283,141	**₱ 244,616**	₱ 205,367
Risk-Weighted Assets	**1,846,583**	1,682,537	**1,540,050**	1,382,461
Tier 1 Capital Ratio	**17.44%**	16.83%	**15.88%**	14.86%
Total Capital Ratio:				
Total Qualifying Capital	**₱ 337,579**	₱ 297,478	**₱ 257,340**	₱ 217,302
Risk-Weighted Assets	**1,846,583**	1,682,537	**1,540,050**	1,382,461
Total Capital Ratio	**18.28%**	17.68%	**16.71%**	15.72%

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

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

The main features of capital instruments issued by the Group and Parent Company that are eligible as Tier I capital and Tier 2 capital are presented in Notes 23 and 20, respectively, of the 2023 audited financial statements.

The components of Tier 1 capital and regulatory adjustments/deductions as of December 31, 2023 and 2022 based on BASEL III, follow:

	Group		Parent Company	
	December 31			
	2023	2022	**2023**	2022
	(In Millions)			
CET1 Capital/Core Tier 1 Capital				
Paid-up common stock	**₱ 89,948**	₱ 89,948	**₱ 89,948**	₱ 89,948
Additional paid-in capital	**79,311**	79,311	**79,311**	79,311
Retained earnings	**201,979**	172,674	**201,979**	172,674
Net unrealized losses on investment securities at FVOCI	**(9,808)**	(21,565)	**(9,808)**	(21,565)
Cumulative foreign currency translation	**1,928**	2,525	**1,928**	2,525
Remeasurements of net defined benefit liability/(asset)	**(6,290)**	(3,741)	**(6,289)**	(3,741)
Share in net unrealized losses on investment securities at FVOCI of subsidiaries and associates	**(762)**	(1,942)	**(762)**	(1,942)
Share in net unrealized losses on Cash Flow Hedge of subsidiaries and associates	**(11)**	(11)	**(11)**	(11)
Share in net unrealized losses on retirement liability of subsidiaries and associates	**(388)**	(388)	**(388)**	(388)
Share in revaluation increment of investment properties of subsidiaries	**1**	1	**1**	1
Other Equity reserves	**(9,987)**	(9,988)	**(9,988)**	(9,988)
Non-controlling interest	**9,865**	9,318		
Sub-total	**355,786**	316,142	**345,921**	306,824
Less regulatory adjustments to CET1 capital/deductions from Core Tier 1 capital:				
Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI and unsecured loans, other credit accommodations and guarantees granted to subsidiaries	**484**	1,015	**10,623**	15,104
Deferred tax assets (net of allowance for impairment and associated deferred tax liability, if any)	**13,872**	13,370	**11,805**	12,274
Goodwill (net of allowance for impairment)	**3,667**	3,667	**3,632**	3,632
Other intangible assets (net of allowance for impairment)	**3,323**	3,499	**2,995**	3,119
Defined benefit pension fund assets (liabilities)	**34**		**34**	
Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any (for solo basis only and as applicable)			**71,611**	66,767
Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any (for both solo and consolidated bases and as applicable)	**2,989**	2,522		
Significant minority investments (10%-50% of voting stock) in banks and quasi-banks, and other financial allied undertakings after deducting related goodwill, if any (for both solo and consolidated bases)	**2,900**	2,846	**15**	15
Significant minority investments (10%-50% of voting stock) in securities dealers/brokers and insurance companies after deducting related goodwill, if any (for both solo and consolidated bases)	**4,149**	3,269		
Minority investments (below 10% of voting stock) in subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies) after deducting related goodwill, if any (for both solo and consolidated bases)	**482**	452		
Other equity investments in non-financial allied undertakings and non-allied undertakings	**1,839**	2,361	**590**	546
Total regulatory adjustments to CET1 capital	**33,739**	33,001	**101,305**	101,457
CET1 Capital/Core Tier 1 Capital	**₱ 322,047**	₱ 283,141	**₱ 244,616**	₱ 205,367

The components of Tier 2 capital as of December 31, 2023 and 2022 follow:

	Group		Parent Company	
	December 31			
	2023	2022	**2023**	2022
	(In Millions)			
Tier 2 Capital				
General loan loss provision	**₱ 15,532**	₱ 14,337	**₱ 12,724**	₱ 11,935
Total Tier 2 capital	**₱ 15,532**	₱ 14,337	**₱ 12,724**	₱ 11,935

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

	Group					
	December 31					
	2023			2022		
	Qualifying Capital	**Reconciling Items**	**Audited Financial Statements**	Qualifying Capital	Reconciling Items	Audited Financial Statements
Common stock	**₱ 89,948**	**₱ -**	**₱ 89,948**	₱ 89,948	₱ -	₱ 89,948
Additional paid-in capital	**79,311**	**5,941**	**85,252**	79,311	5,941	85,252
Retained earnings	**201,979**	**5,669**	**207,648**	172,674	6,313	178,987
Net unrealized gains/(losses) on investment securities at FVOCI	**(10,569)**	**325**	**(10,244)**	(23,507)	3	(23,504)
Cumulative foreign currency translation and others	**(8,070)**	**(673)**	**(8,743)**	(7,473)	(581)	(8,054)
Remeasurements of net defined liability/(asset)	**(6,678)**	**(518)**	**(7,196)**	(4,129)	8	(4,121)
Non-controlling interest	**9,865**	**208**	**10,073**	9,318	264	9,582
Deductions	**(33,739)**	**33,739**	**-**	(33,001)	33,001	-
Tier I (CETI) capital/Total equity	**322,047**	**44,691**	**366,738**	283,141	44,949	328,090
Tier 2 capital	**15,532**	**(15,532)**	**-**	14,337	(14,337)	-
Total qualifying capital/Total equity	**₱ 337,579**	**₱ 29,159**	**₱ 366,738**	₱ 297,478	₱ 30,612	₱ 328,090

	Parent Company					
	December 31					
	2023			2022		
	Qualifying Capital	**Reconciling Items**	**Audited Financial Statements**	**Qualifying Capital**	**Reconciling Items**	**Audited Financial Statements**
Common stock	**₱ 89,948**	**₱ -**	**₱ 89,948**	₱ 89,948	₱ -	₱ 89,948
Additional paid-in capital	**79,311**	**5,941**	**85,252**	79,311	5,941	85,252
Retained earnings	**201,979**	**5,669**	**207,648**	172,674	6,313	178,987
Net unrealized gains/(losses) on investment securities at FVOCI	**(10,570)**	**326**	**(10,244)**	(23,507)	3	(23,504)
Cumulative foreign currency translation and others	**(8,070)**	**13**	**(8,057)**	(7,473)	104	(7,369)
Remeasurements of net defined liability/(asset)	**(6,677)**	**(519)**	**(7,196)**	(4,129)	8	(4,121)
Deductions	**(101,305)**	**101,305**	**-**	(101,457)	101,457	-
Tier I (CETI) capital/Total equity	**244,616**	**112,735**	**357,351**	205,367	113,826	319,193
Tier 2 capital	**12,724**	**(12,724)**	**-**	11,935	(11,935)	-
Total qualifying capital/Total equity	**₱ 257,340**	**₱ 100,011**	**₱ 357,351**	₱ 217,302	₱ 101,891	₱ 319,193

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

Details of risk-weighted assets and capital requirements by type of exposure as of December 31, 2023 and 2022 follow:

	Credit Risk		Market Risk		Operational Risk	
	Group	Parent Company	Group	Parent Company	Group	Parent Company
December 31, 2023			(In Millions)			
On-Balance Sheet	**₱ 1,414,259**	**₱ 1,160,581**				
Off-Balance Sheet	**67,203**	**63,916**				
Counterparty (Banking Book)	**44,373**	**44,339**				
Counterparty (Trading Book)	**27,383**	**27,382**				
Interest Rate Exposures			**₱ 63,030**	**₱ 63,199**		
Foreign Exchange Exposures			**43,144**	**28,353**		
Options			**57**	**57**		
Basic Indicator Approach					**₱ 189,471**	**₱ 152,223**
Gross RWA	**1,553,218**	**1,296,218**	**106,231**	**91,609**	**189,471**	**152,223**
Less: General loan loss provision (in excess of the amount permitted to be included in Tier 2)	**(2,337)**					
Total	**₱ 1,550,881**	**₱ 1,296,218**	**₱ 106,231**	**₱ 91,609**	**₱ 189,471**	**₱ 152,223**
Capital Requirements	**₱ 155,088**	**₱ 129,622**	**₱ 10,623**	**₱ 9,161**	**₱ 18,947**	**₱ 15,222**
December 31, 2022						
On-Balance Sheet	₱ 1,326,460	₱ 1,087,135				
Off-Balance Sheet	49,998	49,107				
Counterparty (Banking Book)	29,120	29,120				
Counterparty (Trading Book)	28,148	28,141				
Interest Rate Exposures			₱ 36,662	₱ 36,662		
Foreign Exchange Exposures			31,719	18,298		
Options			165	164		
Basic Indicator Approach					₱ 184,027	₱ 135,512
Gross RWA	1,433,726	1,193,503	68,546	55,124	184,027	135,512
Less: General loan loss provision (in excess of the amount permitted to be included in Tier 2)	(3,762)	(1,678)				
Total	₱ 1,429,964	₱ 1,191,825	₱ 68,546	₱ 55,124	₱ 184,027	₱ 135,512
Capital Requirements	₱ 142,996	₱ 119,183	₱ 6,855	₱ 5,512	₱ 18,403	₱ 13,551

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

As of December 31, 2023 and 2022, the Group has no exposures to securitization structures, contracts that provide credit protection through credit derivatives and investments in other types of structured products.

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

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

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

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

	Group		
	Exposures, Net of Specific Provisions	Exposures Covered by CRM, Gross of Materiality Threshold	Exposures after Risk Mitigation /Credit Equivalent
2023			
On-Balance Sheet Assets (net of deductions)*	**₱ 3,027,326**	**₱ 38,752**	**₱ 2,988,574**
Off-Balance Sheet Assets			**68,847**
Counterparty Assets in the Banking Book			**153,220**
Counterparty Assets in the Trading Book			**45,452**
Total Credit Exposures			**₱ 3,256,093**
2022			
On-Balance Sheet Assets (net of deductions)*	₱ 2,782,723	₱ 44,416	₱ 2,738,307
Off-Balance Sheet Assets			55,492
Counterparty Assets in the Banking Book			82,900
Counterparty Assets in the Trading Book			44,310
Total Credit Exposures			₱ 2,921,009

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

	Risk Weights						
	0%	20%	50%	75%	100%	150%	TOTAL
2023							
On-Balance Sheet Assets (net of deductions)*	**₱ 1,213,492**	**₱ 309,780**	**₱ 224,613**	**₱ 27,702**	**₱ 1,200,520**	**₱ 12,467**	**₱ 2,988,574**
Off-Balance Sheet Assets	**-**	**327**	**2,764**	**-**	**65,756**	**-**	**68,847**
Counterparty Assets in the Banking Book	**272**	**107,004**	**45,944**	**-**	**-**	**-**	**153,220**
Counterparty Assets in the Trading Book	**-**	**15,051**	**12,055**	**-**	**18,346**	**-**	**45,452**
Total Credit Exposures	**₱ 1,213,764**	**₱ 432,162**	**₱ 285,376**	**₱ 27,702**	**₱1,284,622**	**₱ 12,467**	**₱ 3,256,093**
Total Risk-Weighted On-Balance Sheet Assets	**₱ -**	**₱ 61,956**	**₱ 112,306**	**₱ 20,777**	**₱ 1,200,520**	**₱ 18,700**	**₱ 1,414,259**
Total Risk-Weighted Off-Balance Sheet Assets	**-**	**65**	**1,382**	**-**	**65,756**	**-**	**67,203**
Total Counterparty Risk-Weighted Assets in the Banking Book	**-**	**21,401**	**22,972**	**-**	**-**	**-**	**44,373**
Total Counterparty Risk-Weighted Assets in the Trading Book	**-**	**3,010**	**6,027**	**-**	**18,346**	**-**	**27,383**
Total Credit Risk-Weighted Assets	**₱ -**	**₱ 86,432**	**₱ 142,687**	**₱ 20,777**	**₱1,284,622**	**₱ 18,700**	**₱ 1,553,218**
2022							
On-Balance Sheet Assets (net of deductions)*	₱ 1,067,609	₱ 289,032	₱ 238,937	₱ -	₱ 1,129,816	₱ 12,913	₱ 2,738,307
Off-Balance Sheet Assets	-	5,578	2,063	-	47,851	-	55,492
Counterparty Assets in the Banking Book	1,131	39,216	42,553	-	-	-	82,900
Counterparty Assets in the Trading Book	-	14,221	9,570	-	20,519	-	44,310
Total Credit Exposures	₱ 1,068,740	₱ 348,047	₱ 293,123	₱ -	₱1,198,186	₱ 12,913	₱ 2,921,009
Total Risk-Weighted On-Balance Sheet Assets	₱ -	₱ 57,806	₱ 119,468	₱ -	₱ 1,129,816	₱ 19,370	₱ 1,326,460
Total Risk-Weighted Off-Balance Sheet Assets	-	1,116	1,031	-	47,851	-	49,998
Total Counterparty Risk-Weighted Assets in the Banking Book	-	7,843	21,277	-	-	-	29,120
Total Counterparty Risk-Weighted Assets in the Trading Book	-	2,844	4,785	-	20,519	-	28,148
Total Credit Risk-Weighted Assets	₱ -	₱ 69,609	₱ 146,561	₱ -	₱1,198,186	₱ 19,370	₱ 1,433,726

	Parent Company		
	Exposures, Net of Specific Provisions	Exposures Covered by CRM, Gross of Materiality Threshold	Exposures after Risk Mitigation /Credit Equivalent
2023			
On-Balance Sheet Assets (net of deductions)*	**₱ 2,628,940**	**₱ 38,103**	**₱ 2,590,837**
Off-Balance Sheet Assets			**65,560**
Counterparty Assets in the Banking Book			**152,881**
Counterparty Assets in the Trading Book			**45,450**
Total Credit Exposures			**₱ 2,854,728**
2022			
On-Balance Sheet Assets (net of deductions)*	₱ 2,369,349	₱ 43,812	₱ 2,325,537
Off-Balance Sheet Assets			54,602
Counterparty Assets in the Banking Book			81,769
Counterparty Assets in the Trading Book			44,296
Total Credit Exposures			₱ 2,506,204

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

	Risk Weights						
	0%	20%	50%	75%	100%	150%	TOTAL
2023							
On-Balance Sheet Assets (net of deductions)*	**₱ 1,095,088**	**₱ 302,868**	**₱ 179,505**	**₱ 25,621-**	**₱ 981,188**	**₱ 6,567**	**₱2,590,837**
Off-Balance Sheet Assets	**-**	**327**	**2,764**	**-**	**62,469**	**-**	**65,560**
Counterparty Assets in the Banking Book	**-**	**107,004**	**45,877**	**-**	**-**	**-**	**152,881**
Counterparty Assets in the Trading Book	**-**	**15,051**	**12,055**	**-**	**18,344**	**-**	**45,450**
Total Credit Exposures	**₱ 1,095,088**	**₱ 425,250**	**₱ 240,201**	**₱ 25,621 -**	**₱ 1,062,001**	**₱ 6,567**	**₱2,854,728**
Total Risk-Weighted On-Balance Sheet Assets	**₱ -**	**₱ 60,574**	**₱ 89,753**	**₱ 19,215 -**	**₱ 981,188**	**₱ 9,851**	**₱ 1,160,581**
Total Risk-Weighted Off-Balance Sheet Assets	**-**	**65**	**1,382**	**-**	**62,469**	**-**	**63,916**
Total Counterparty Risk-Weighted Assets in the Banking Book	**-**	**21,401**	**22,938**	**-**	**-**	**-**	**44,339**
Total Counterparty Risk-Weighted Assets in the Trading Book	**-**	**3,010**	**6,028**	**-**	**18,344**	**-**	**27,382**
Total Credit Risk-Weighted Assets	**₱ -**	**₱ 85,050**	**₱ 120,101**	**₱ 19,215 -**	**₱ 1,062,001**	**₱ 9,851**	**₱1,296,218**
2022							
On-Balance Sheet Assets (net of deductions)*	₱ 927,952	₱ 273,040	₱ 191,024	₱ -	₱ 926,533	₱ 6,988	₱2,325,537
Off-Balance Sheet Assets	-	5,579	2,063	-	46,960	-	54,602
Counterparty Assets in the Banking Book	-	39,216	42,553	-	-	-	81,769
Counterparty Assets in the Trading Book	-	14,212	9,570	-	20,514	-	44,296
Total Credit Exposures	₱ 927,952	₱ 332,047	₱ 245,210	₱ -	₱ 994,007	₱ 6,988	₱2,506,204
Total Risk-Weighted On-Balance Sheet Assets	₱ -	₱ 54,608	₱ 95,512	₱ -	₱ 926,533	₱ 10,482	₱ 1,087,135
Total Risk-Weighted Off-Balance Sheet Assets	-	1,116	1,031	-	46,960	-	49,107
Total Counterparty Risk-Weighted Assets in the Banking Book	-	7,843	21,277	-	-	-	29,120
Total Counterparty Risk-Weighted Assets in the Trading Book	-	2,842	4,785	-	20,514	-	28,141
Total Credit Risk-Weighted Assets	₱ -	₱ 66,409	₱ 122,605	₱ -	₱ 994,007	₱ 10,482	₱1,193,503

** As of December 31, 2023 and 2022, deductions from on-balance sheet exposures amounted to P373.8 billion and P157.6 billion, respectively, for the Group and P440.9 billion and P226.0 billion, respectively, for the Parent Company. Deductions include among others: investment securities at FVTPL, derivatives with positive fair value at FVTPL, total outstanding unsecured credit accommodations to DOSRI (both direct and indirect), unsecured loans, other credit accommodations and guarantees granted to subsidiaries, deferred tax assets, goodwill, other intangible assets, defined benefit pension fund assets, investments in equity of unconsolidated banks and quasi-banks and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any (for solo basis), investments in equity of unconsolidated securities, dealers/brokers, insurance companies and non-financial allied undertakings, after deducting related goodwill, (for both solo and consolidated bases), significant minority investments (10%-50% of voting stock) in banks and quasi-banks and other financial allied undertaking (for both solo and consolidated bases), significant minority investments (10%-50% of voting stock) in securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases), minority investments (below 10% of voting stock) in banks and quasi-banks, and other financial allied undertakings, after deducting related goodwill, if any (for both solo and consolidated bases), loans to RBU by FCDU/EFCDU and other equity investments in non-financial allied undertakings and non-allied undertakings.*

Assigned credit risk weighted for loans to Micro-, Small- and Medium enterprises (MSMEs) was reduced from 75% to 50% per BSP Memorandum N. 2020-034 issued on April 28, 2020. This provision shall apply until June 30, 2023 per BSP Memorandum No. M-2020-041 issued on September 23, 2022. Starting, July 1, 2023, assigned credit risk weighted for loans to Micro-, Small- and Medium enterprises (MSMEs) was reverted to its original credit risk weight assignments from 50% to 75%.

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

		Sensitivity of Net Interest Income			
		Group		Parent Company	
		December 31			
Currency	**Movement in basis points**	**2023**	2022	**2023**	2022
PHP	+10	**₱ 517.77**	₱ 408.29	**₱ 492.26**	₱ 388.33
USD	+10	**(255.01)**	(16.61)	**(245.81)**	(6.02)
Others	+10	**5.93**	5.98	**5.93**	5.98
PHP	-10	**(517.77)**	(408.29)	**(492.25)**	(388.33)
USD	-10	**255.01**	16.61	**245.80**	6.02
Others	-10	**(5.93)**	(5.98)	**(5.93)**	5.98

The Basel III Leverage ratios of the Group and the Parent Company as reported to the BSP as of December 31, 2023 and 2022 are shown in the table below:

	Group		Parent Company	
	December 31			
	2023	2022	**2023**	2022
	(In Millions)			
Exposure Measures				
On-balance sheet items	**₱ 3,341,531**	₱ 2,887,194	**₱ 3,017,996**	₱ 2,544,844
Less deductions from Basel III Tier 1 Capital	**33,739**	33,001	**101,305**	101,457
Total On-balance sheet exposures	**3,307,792**	2,854,193	**2,916,691**	2,443,387
Replacement Cost associated with all derivatives transactions	**21,922**	24,439	**21,921**	24,431
Add-on amounts for potential future exposure associated with all derivative transactions	**27,628**	22,177	**27,517**	22,172
Adjusted effective notional amount of written credit derivatives	**-**	-	**-**	-
Adjusted effective notional offsets of written credit derivatives and deducted add-on amounts	**-**	-	**-**	-
Total Derivative exposures	**49,550**	46,616	**49,438**	46,603
Gross Securities Financing Transactions (SFT) assets (with no recognition of netting)	**37,666**	28,736	**29,955**	26,084
Counterparty Credit Risk exposures for SFT assets	**-**	-	**-**	-
Agent transaction exposures	**-**	-	**-**	-
Total SFT exposures	**37,666**	28,736	**29,955**	26,084
Off-balance sheet exposures	**110,842**	87,003	**105,396**	82,721
Adjustments for conversion to credit equivalent amounts	**-**	-	**-**	-
Total Off-balance sheet exposures	**110,842**	87,003	**105,396**	82,721
Total Exposure Measures	**₱ 3,505,850**	₱ 3,016,548	**₱ 3,101,480**	₱ 2,598,795
Tier 1 Capital	**₱ 322,047**	₱ 283,141	**₱ 244,616**	₱ 205,367
Basel III Leverage Ratio *	**9.19%**	9.39%	**7.89%**	7.90%

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

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

SFTs are transactions such as repurchase agreements, reverse repurchase agreements, security lending and borrowing and margin lending transactions where the value of the transactions depends on market valuation and the transactions are often subject to margin agreements. As of December 31, 2023 and 2022, SFT assets are mainly repurchase agreements amounting to P37.7 billion and P28.7 billion, respectively, for the Group and P30.0 billion and P26.1 billion respectively, for the Parent Company.

Total derivative exposures of the Group and the Parent Company as of December 31, 2023 and 2022 follow:

	Group				Parent Company			
	Notional Amount	Replacement Cost	Potential Future Exposures	Total Derivative Exposures[1]	Notional Amount	Replacement Cost	Potential Future Exposures	Total Derivative Exposures[1]
	(In Millions)							
December 31, 2023								
Interest Rate Contracts	**₱ 263,046**	**₱ 3,679**	**₱ 895**	**₱ 4,574**	**₱ 247,346**	**₱ 3,678**	**₱ 895**	**₱ 4,573**
Exchange Rate Contracts	**1,498,514**	**18,243**	**26,581**	**44,824**	**1,487,456**	**18,243**	**26,470**	**44,713**
Equity Contracts	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Credit Derivatives	**3,045**	**-**	**152**	**152**	**3,045**	**-**	**152**	**152**
Total	**₱ 1,764,605**	**₱ 21,922**	**₱ 27,628**	**₱ 49,550**	**₱ 1,737,847**	**₱ 21,921**	**₱ 27,517**	**₱ 49,438**
December 31, 2022								
Interest Rate Contracts	₱ 177,942	₱ 3,654	₱ 868	₱ 4,522	₱ 166,188	₱ 3,652	₱ 868	₱ 4,520
Exchange Rate Contracts	1,024,984	20,785	21,126	41,911	1,024,437	20,779	21,121	41,900
Equity Contracts	-	-	-	-	-	-	-	-
Credit Derivatives	3,655	-	183	183	3,655	-	183	183
Total	₱ 1,206,581	₱ 24,439	₱ 22,177	₱ 46,616	₱ 1,194,280	₱ 24,431	₱ 22,172	₱ 46,603

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

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

The potential future exposures of the Group and the Parent Company as of December 31, 2023 and 2022 follow (amounts in millions except credit conversion factor):

	Group					
	December 31					
	2023			2022		
	Notional Amount	**Potential Future CCF**	**Potential Future Exposures**	Notional Amount	Potential Future CCF	Potential Future Exposures
Interest Rate Contracts						
With residual maturity of 1 year or less	**₱ 123,510**	**0.0%**	**₱ -**	₱ 37,685	0.0%	₱ -
With residual maturity of more than 1 year to 5 years	**119,798**	**0.5%**	**599**	123,616	0.5%	618
With residual maturity of more than 5 years	**19,738**	**1.5%**	**296**	16,641	1.5%	250
	263,046		**895**	177,942		868
Exchange Rate Contracts						
With original maturity of 14 calendar days or less	**248,656**	**1.0%**	**2,487**	152,928	1.0%	1,529
With residual maturity of 1 year or less	**976,670**	**1.0%**	**9,767**	610,163	1.0%	6,101
With residual maturity of more than 1 year to 5 years	**246,481**	**5.0%**	**12,324**	245,838	5.0%	12,292
With residual maturity of more than 5 years	**26,707**	**7.5%**	**2,003**	16,055	7.5%	1,204
	1,498,514		**26,581**	1,024,984		21,126
Equity Contracts	**-**		**-**	-		-
Credit Derivatives						
With reference obligation that has an external credit of at least BBB- or its equivalent - Bank as beneficiary	**3,045**	**5.0%**	**152**	3,655	5.0%	183
Total	**₱ 1,764,605**		**₱ 27,628**	₱ 1,206,581		₱ 22,177

	Parent Company					
	December 31					
	2023			2022		
	Notional Amount	**Potential Future CCF**	**Potential Future Exposures**	Notional Amount	Potential Future CCF	Potential Future Exposures
Interest Rate Contracts						
With residual maturity of 1 year or less	**₱ 107,810**	**0.0%**	**₱ -**	₱ 25,931	0.0%	₱ -
With residual maturity of more than 1 year to 5 years	**119,798**	**0.5%**	**599**	123,616	0.5%	618
With residual maturity of more than 5 years	**19,738**	**1.5%**	**296**	16,641	1.5%	250
	247,346		**895**	166,188		868
Exchange Rate Contracts						
With original maturity of 14 calendar days or less	**237,598**	**1.0%**	**2,376**	152,892	1.0%	1,529
With residual maturity of 1 year or less	**976,670**	**1.0%**	**9,767**	609,652	1.0%	6,096
With residual maturity of more than 1 year to 5 years	**246,481**	**5.0%**	**12,324**	245,838	5.0%	12,292
With residual maturity of more than 5 years	**26,707**	**7.5%**	**2,003**	16,055	7.5%	1,204
	1,487,456		**26,470**	1,024,437		21,121
Equity Contracts	**-**		**-**	-		-
Credit Derivatives						
With reference obligation that has an external credit of at least BBB- or its equivalent - Bank as beneficiary	**3,045**	**5.0%**	**152**	3,655	5.0%	183
Total	**₱ 1,737,847**		**₱ 27,517**	₱ 1,194,280		₱ 22,172

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

Total off-balance sheet exposures of the Group and the Parent Company as of December 31, 2023 and 2022 follow:

	Group				Parent Company			
	December 31							
	2023		2022		2023		2022	
	Notional Amount	**Total OBS Exposure**	Notional Amount	Total OBS Exposure	**Notional Amount**	**Total OBS Exposure**	Notional Amount	Total OBS Exposure
	(In Millions)							
Off-balance sheet (OBS) exposure with CCF of:								
10%	**₱ 419,950**	**₱ 41,995**	₱ 315,111	₱ 31,511	**₱ 398,360**	**₱ 39,836**	₱ 281,190	₱ 28,119
20%	**31,763**	**6,353**	21,784	4,357	**15,403**	**3,081**	17,406	3,481
50%	**88,250**	**44,125**	58,686	29,343	**88,220**	**44,110**	58,656	29,328
100%	**18,369**	**18,369**	21,792	21,792	**18,369**	**18,369**	21,793	21,793
Total	**₱ 558,332**	**₱ 110,842**	₱ 417,373	₱ 87,003	**₱ 520,352**	**₱ 105,396**	₱ 379,045	₱ 82,721

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

Comparison of accounting assets vs. leverage ratio exposure measure of the Group and the Parent Company as of December 31, 2023 and 2022 follow:

	Group		Parent Company	
	December 31			
	2023	2022	**2023**	2022
	(In Millions)			
Total consolidated assets per published financial statements	**₱ 3,383,250**	₱ 2,922,270	**₱ 3,057,148**	₱ 2,581,746
Adjustments for derivative financial instruments	**27,628**	22,177	**27,517**	22,172
Adjustments for securities financial transactions	**-**	-	**-**	-
Adjustments for off-balance sheet items	**110,842**	87,003	**105,396**	82,721
Other adjustments	**(15,870)**	(14,902)	**(88,580)**	(87,844)
Leverage Ratio Exposure Measure	**₱ 3,505,850**	₱ 3,016,548	**₱ 3,101,481**	₱ 2,598,795

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Metropolitan Bank & Trust Company and Subsidiaries (the Group) and of Metropolitan Bank & Trust Company (the Parent Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

(Sgd.) ARTHUR TY
Chairman

(Sgd.) FABIAN S. DEE
President

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

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

(Sgd.) RENATO K. DE BORJA, JR.
SVP, Controller and
Deputy Head, Financial and Control Sector

Signed this 21st day of February, 2024.

SUBSCRIBED AND SWORN to before me at TAGUIG CITY this MAR 04 2024, affiants exhibiting to me their respective Passports with the following details:

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

[redacted]

ATTY. LOURDES B. BARRERO
Notary Public – Taguig City
Appoint No. 156 (2023-2024) until December 31, 2024
2/F The Shops at Grand Central Park, 7th Avenue corner
36th and 38th Streets, North Bonifacio District, Taguig City
[redacted]

Doc. No. 48;
Page No. 10;
Book No. 11;
Series of 2024.

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Metropolitan Bank & Trust Company

Report on the Consolidated and Parent Company Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Applicable to the audit of the consolidated and parent company financial statements

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

Allowance for credit losses on loans and receivables as of December 31, 2023 for the Group and the Parent Company amounted to ₱51.59 billion and ₱40.96 billion, respectively. Provision for credit losses of the Group and the Parent Company in 2023 amounted to ₱7.93 billion and ₱6.19 billion, respectively.

Refer to Notes 2, 3 and 15 of the financial statements for the disclosure on the details of the allowance for credit losses using the ECL model.

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

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

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

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

Realizability of Deferred Tax Assets
As of December 31, 2023, the deferred tax assets of the Group and the Parent Company amounted to ₱14.17 billion and ₱11.9 billion, respectively. The recognition of deferred tax assets is significant to our audit because it requires significant judgment and is based on assumptions such as availability of future taxable income and the timing of the reversal of the temporary differences that are affected by expected future market or economic conditions and the expected performance of the Group and the Parent Company.

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

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

Applicable to the audit of the consolidated financial statements

Recoverability of Goodwill
As of December 31, 2023, the Group has goodwill amounting to ₱4.72 billion as a result of various business acquisitions. Under PFRS, the Group is required to annually test the amount of goodwill for impairment. The Group performed the impairment testing using the cash generating unit's (CGU) fair value less costs to sell (FVLCTS). The annual impairment test is significant to our audit because the determination of the CGU's FVLCTS requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty. The CGU's assets include significant investments in unquoted equity shares and their fair values were determined using price-to-earnings (P/E) ratios of comparable companies and adjusted net asset valuation (NAV) method. Other assets of the CGU include investments in quoted equity shares and debt financial assets, and real properties, while liabilities include unquoted debt financial liabilities.

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

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on the Supplementary Information Required Under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074 and Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1074 in Note 37 and Revenue Regulations No. 15-2010 in Note 38 to the financial statements is presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Parent Company. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Miguel U. Ballelos, Jr..

SYCIP GORRES VELAYO & CO.

Miguel U. Ballelos Jr.

Miguel U. Ballelos, Jr.
Partner
CPA Certificate No. 109950
Tax Identification No. 241-031-088
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-114-2022, January 20, 2022, valid until January 19, 2025
PTR No. 10079903, January 5, 2024, Makati City

February 21, 2024

Metropolitan Bank & Trust Company and Subsidiaries

STATEMENTS OF FINANCIAL POSITION

(In Millions)

	Consolidated		Parent Company	
	December 31			
	2023	2022	**2023**	2022
ASSETS				
Cash and Other Cash Items	**₱39,431**	₱40,683	**₱37,692**	₱38,701
Due from Bangko Sentral ng Pilipinas (BSP) (Notes 4 and 16)	**207,807**	252,628	**198,061**	215,074
Due from Other Banks (Note 4)	**90,535**	75,472	**65,831**	56,675
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA) (Notes 4, 7 and 26)	**72,979**	73,744	**59,186**	65,535
Investment Securities at				
Fair Value Through Profit or Loss (FVTPL) (Notes 5 and 8)	**74,856**	63,599	**66,501**	55,656
Fair Value Through Other Comprehensive Income (FVOCI) (Notes 4, 5 and 8)	**536,623**	530,464	**442,674**	418,047
Amortized Cost (Notes 4, 5 and 8)	**470,638**	317,776	**438,437**	285,108
Loans and Receivables (Notes 4, 5 and 9)	**1,537,166**	1,418,382	**1,335,336**	1,239,560
Property and Equipment (Note 10)	**27,243**	27,153	**20,323**	20,257
Investments in Subsidiaries (Note 11)	**–**	–	**75,894**	71,754
Investments in Associates and a Joint Venture (Note 11)	**6,241**	5,877	**605**	561
Goodwill (Note 11)	**4,720**	5,194	**–**	–
Investment Properties (Notes 5 and 12)	**8,107**	7,901	**3,597**	3,310
Deferred Tax Assets (Note 28)	**14,171**	13,362	**11,900**	12,274
Other Assets (Note 14)	**14,385**	10,855	**10,329**	7,237
	₱3,104,902	₱2,843,090	**₱2,766,366**	₱2,489,749
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 16 and 32)				
Demand	**₱586,345**	₱581,473	**₱536,772**	₱536,516
Savings	**853,028**	898,078	**807,153**	851,860
Time	**925,885**	715,415	**757,204**	528,914
Long-Term Negotiable Certificates	**17,514**	26,158	**12,430**	21,080
	2,382,772	2,221,124	**2,113,559**	1,938,370
Bills Payable and Securities Sold Under Repurchase Agreements (SSURA) (Notes 5, 17 and 32)	**156,896**	91,322	**141,081**	76,456
Derivative Liabilities (Notes 5 and 8)	**16,865**	16,865	**16,862**	16,855
Manager's Checks and Demand Drafts Outstanding	**7,048**	6,501	**5,533**	5,487
Income Taxes Payable	**3,601**	1,478	**3,479**	1,307
Accrued Interest and Other Expenses (Note 18)	**19,785**	13,956	**15,674**	10,202
Subordinated Debts (Notes 5 and 20)	**–**	1,169	**–**	1,169
Bonds Payable (Notes 5, 19 and 32)	**70,089**	88,409	**70,089**	83,761
Non-equity Non-controlling Interest (Notes 5 and 21)	**10,260**	10,139	**–**	–
Other Liabilities (Note 21)	**70,848**	64,037	**42,739**	36,949
	2,738,164	2,515,000	**2,409,016**	2,170,556

(Forward)

	Consolidated		Parent Company	
	December 31			
	2023	2022	**2023**	2022
EQUITY				
Equity Attributable to Equity Holders of the Parent Company				
Common stock (Note 23)	**₱89,948**	₱89,948	**₱89,948**	₱89,948
Capital paid in excess of par value (Note 23)	**85,252**	85,252	**85,252**	85,252
Treasury stock (Notes 23 and 32)	**(70)**	(72)	**(70)**	(72)
Surplus reserves (Note 24)	**2,752**	2,613	**2,752**	2,613
Surplus (Note 23)	**204,896**	176,374	**204,896**	176,374
Net unrealized losses on investment securities at FVOCI (Note 8)	**(10,065)**	(23,076)	**(10,065)**	(23,076)
Remeasurement losses on retirement plans (Notes 11 and 27)	**(7,491)**	(4,404)	**(7,491)**	(4,404)
Equity in other comprehensive income (losses) of investees (Note 11)	**116**	(145)	**116**	(145)
Translation adjustment and others (Note 11)	**(8,673)**	(7,982)	**(7,988)**	(7,297)
	356,665	318,508	**357,350**	319,193
Non-controlling Interest (Note 11)	**10,073**	9,582	**–**	–
	366,738	328,090	**357,350**	319,193
	₱3,104,902	₱2,843,090	**₱2,766,366**	₱2,489,749

See accompanying Notes to Financial Statements.

STATEMENTS OF INCOME

(In Millions, Except Earnings Per Share)

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
INTEREST INCOME ON						
Loans and receivables (Notes 9 and 32)	**₱100,539**	₱70,181	₱65,525	**₱84,789**	₱55,696	₱48,637
Investment securities at FVOCI and at amortized cost (Note 8)	**43,614**	25,938	16,896	**37,654**	22,001	14,540
Investment securities at FVTPL (Note 8)	**2,058**	1,776	1,198	**1,921**	1,671	1,059
Interbank loans receivable and securities purchased under resale agreements (SPURA) (Notes 7 and 32)	**3,429**	1,548	872	**2,728**	1,052	528
Deposits with banks and others	**3,972**	2,927	2,686	**2,159**	1,423	1,714
	153,612	102,370	87,177	**129,251**	81,843	66,478
INTEREST AND FINANCE CHARGES						
Deposit liabilities (Notes 16 and 32)	**41,120**	11,420	5,502	**33,640**	7,129	2,835
Bills payable and securities sold under repurchase agreements, bonds payable, subordinated debts and others (Notes 13, 17, 19, 20, 21 and 32)	**7,522**	5,421	6,626	**6,826**	4,386	4,561
	48,642	16,841	12,128	**40,466**	11,515	7,396
NET INTEREST INCOME	**104,970**	85,529	75,049	**88,785**	70,328	59,082
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES (Notes 3 and 15)	**8,978**	8,112	11,834	**6,661**	5,740	7,683
NET INTEREST INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	**95,992**	77,417	63,215	**82,124**	64,588	51,399
OTHER OPERATING INCOME						
Service charges, fees and commissions (Notes 25 and 32)	**16,390**	15,035	13,418	**13,079**	11,773	10,135
Foreign exchange gain (loss) - net (Note 32)	**4,096**	(2,427)	1,946	**3,805**	(2,697)	1,805
Profit from assets sold (Notes 10, 12 and 14)	**2,113**	898	381	**1,594**	230	154
Leasing (Notes 12, 13 and 32)	**2,019**	1,990	1,904	**159**	162	183
Income from trust operations (Notes 24 and 32)	**1,220**	1,541	1,655	**1,173**	1,494	1,609
Dividends (Note 8)	**257**	198	158	**19**	9	15
Trading and securities gain/(loss) - net (Notes 8, 21 and 32)	**(94)**	6,401	3,366	**(128)**	6,534	3,201
Miscellaneous (Note 25)	**2,503**	3,157	3,003	**1,255**	1,269	1,618
	28,504	26,793	25,831	**20,956**	18,774	18,720
OTHER OPERATING EXPENSES						
Compensation and fringe benefits (Notes 27 and 32)	**28,263**	26,129	25,268	**21,633**	19,812	19,176
Taxes and licenses (Note 28)	**11,460**	8,058	7,931	**9,498**	6,136	5,976
Depreciation and amortization (Notes 10, 12 and 14)	**6,922**	5,976	6,430	**4,311**	3,453	3,779
Occupancy and equipment-related costs (Note 13)	**1,966**	1,863	1,948	**1,506**	1,397	1,459
Miscellaneous (Note 25)	**20,911**	18,970	17,896	**17,115**	14,915	14,026
	69,522	60,996	59,473	**54,063**	45,713	44,416
INCOME BEFORE SHARE IN NET INCOME OF SUBSIDIARIES, ASSOCIATES AND A JOINT VENTURE	**54,974**	43,214	29,573	**49,017**	37,649	25,703
SHARE IN NET INCOME OF SUBSIDIARIES, ASSOCIATES AND A JOINT VENTURE (Note 11)	**875**	704	568	**5,281**	4,168	2,251
INCOME BEFORE INCOME TAX	**55,849**	43,918	30,141	**54,298**	41,817	27,954
PROVISION FOR INCOME TAX (Note 28)	**12,890**	10,620	7,777	**12,060**	9,041	5,798
NET INCOME	**₱42,959**	₱33,298	₱22,364	**₱42,238**	₱32,776	₱22,156
Attributable to:						
Equity holders of the Parent Company (Note 31)	**₱42,238**	₱32,776	₱22,156			
Non-controlling interest (Note 11)	**721**	522	208			
	₱42,959	₱33,298	₱22,364			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)	**₱9.39**	₱7.29	₱4.93			

See accompanying Notes to Financial Statements.

Metropolitan Bank & Trust Company and Subsidiaries

STATEMENTS OF COMPREHENSIVE INCOME

(In Millions)

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
Net Income	**₱42,959**	₱33,298	₱22,364	**₱42,238**	₱32,776	₱22,156
Other Comprehensive Income for the Year, Net of Tax						
Items that may not be reclassified to profit or loss:						
Change in net unrealized gain (loss) on equity securities at FVOCI	**256**	(62)	137	**135**	168	46
Change in remeasurement gain (loss) on retirement plans (Notes 11 and 27)	**(3,157)**	318	99	**(3,087)**	343	31
	(2,901)	256	236	**(2,952)**	511	77
Items that may be reclassified to profit or loss:						
Change in net unrealized gain (loss) on investment in debt securities at FVOCI (Note 8)	**12,685**	(19,270)	(11,505)	**12,791**	(19,492)	(11,414)
Change in equity in other comprehensive gains (losses) of investees (Note 11)	**263**	(26)	(96)	**261**	(27)	(96)
Translation adjustment and others (Note 11)	**(719)**	(257)	1,702	**(691)**	(271)	1,573
	12,229	(19,553)	(9,899)	**12,361**	(19,790)	(9,937)
Total Comprehensive Income for the Year	**₱52,287**	₱14,001	₱12,701	**₱ 51,647**	₱13,497	₱12,296
Attributable to:						
Equity holders of the Parent Company	**₱51,647**	₱13,497	₱12,296			
Non-controlling interest	**640**	504	405			
	₱52,287	₱14,001	₱12,701			

See accompanying Notes to Financial Statements.

Metropolitan Bank & Trust Company and Subsidiaries

STATEMENTS OF CHANGES IN EQUITY

(In Millions)

	Consolidated — Equity Attributable to Equity Holders of the Parent Company											
	Common Stock (Note 23)	Capital Paid In Excess of Par Value (Note 23)	Treasury Stock (Note 23)	Surplus Reserves (Note 24)	Surplus (Note 23)	Net Unrealized Gain (Loss) on Investment Securities at FVOCI (Note 8)	Remeasurement Losses on Retirement Plans (Notes 11 and 27)	Equity in Other Comprehensive Income (Losses) of Investees (Note 11)	Translation Adjustment and Others (Note 11)	Total	Non-controlling Interest (Note 11)	Total Equity
Balance as at January 1, 2023	**₱89,948**	**₱85,252**	**(₱72)**	**₱2,613**	**₱176,374**	**(₱23,076)**	**(₱4,404)**	**(₱145)**	**(₱7,982)**	**₱318,508**	**₱9,582**	**₱328,090**
Total comprehensive income (loss) for the year	–	–	–	–	**42,238**	**12,926**	**(3,087)**	**261**	**(691)**	**51,647**	**640**	**52,287**
Transfer to surplus reserves	–	–	–	**139**	**(139)**	–	–	–	–	–	–	–
Cash dividend (Note 23)	–	–	–	–	**(13,492)**	–	–	–	–	**(13,492)**	**(149)**	**(13,641)**
Realized loss on sale of equity securities at FVOCI (Note 8)	–	–	–	–	**(85)**	**85**	–	–	–	–	–	–
Acquisition of Parent Company shares by mutual fund subsidiary	–	–	**(5)**	–	–	–	–	–	–	**(5)**	–	**(5)**
Disposal of Parent Company shares held by mutual fund subsidiary	–	–	**7**	–	–	–	–	–	–	**7**	–	**7**
Balance as at December 31, 2023	**₱89,948**	**₱85,252**	**(₱70)**	**₱2,752**	**₱204,896**	**(₱10,065)**	**(₱7,491)**	**₱116**	**(₱8,673)**	**₱356,665**	**₱10,073**	**₱366,738**
Balance as at January 1, 2022	₱89,948	₱85,252	(₱70)	₱2,442	₱157,260	(₱3,751)	(₱4,747)	(₱118)	(₱7,711)	₱318,505	₱9,227	₱327,732
Total comprehensive income (loss) for the year	–	–	–	–	32,776	(19,324)	343	(27)	(271)	13,497	504	14,001
Transfer to surplus reserves	–	–	–	171	(171)	–	–	–	–	–	–	–
Cash dividend (Note 23)	–	–	–	–	(13,492)	–	–	–	–	(13,492)	(149)	(13,641)
Realized gain on sale of equity securities at FVOCI (Note 8)	–	–	–	–	1	(1)	–	–	–	–	–	–
Acquisition of Parent Company shares by mutual fund subsidiary	–	–	(14)	–	–	–	–	–	–	(14)	–	(14)
Disposal of Parent Company shares held by mutual fund subsidiary	–	–	12	–	–	–	–	–	–	12	–	12
Balance as at December 31, 2022	₱89,948	₱85,252	(₱72)	₱2,613	₱176,374	(₱23,076)	(₱4,404)	(₱145)	(₱7,982)	₱318,508	₱9,582	₱328,090
Balance as at January 1, 2021	₱89,948	₱85,252	(₱65)	₱2,260	₱153,282	₱7,611	(₱4,778)	(₱22)	(₱9,284)	₱324,204	₱8,971	₱333,175
Total comprehensive income (loss) for the year	–	–	–	–	22,156	(11,368)	31	(96)	1,573	12,296	405	12,701
Transfer to surplus reserves	–	–	–	182	(182)	–	–	–	–	–	–	–
Cash dividend (Note 23)	–	–	–	–	(17,990)	–	–	–	–	(17,990)	(149)	(18,139)
Realized loss on sale of equity securities at FVOCI (Note 8)	–	–	–	–	(6)	6	–	–	–	–	–	–
Acquisition of Parent Company shares by mutual fund subsidiary	–	–	(14)	–	–	–	–	–	–	(14)	–	(14)
Disposal of Parent Company shares held by mutual fund subsidiary	–	–	9	–	–	–	–	–	–	9	–	9
Balance as at December 31, 2021	₱89,948	₱85,252	(₱70)	₱2,442	₱157,260	(₱3,751)	(₱4,747)	(₱118)	(₱7,711)	₱318,505	₱9,227	₱327,732

Notes:

	Parent Company									
	Common Stock (Note 23)	**Capital Paid In Excess of Par Value** (Note 23)	**Treasury Stock** (Note 23)	**Surplus Reserves** (Note 24)	**Surplus** (Note 23)	**Net Unrealized Gain (Loss) on Investment Securities at FVOCI** (Note 8)	**Remeasurement Losses on Retirement Plans** (Notes 11 and 27)	**Equity in Other Comprehensive Income (Losses) of Investees** (Note 11)	**Translation Adjustment and Others** (Note 11)	**Total Equity**
Balance as at January 1, 2023	**₱89,948**	**₱85,252**	**(₱72)**	**₱2,613**	**₱176,374**	**(₱23,076)**	**(₱4,404)**	**(₱145)**	**(₱7,297)**	**₱319,193**
Total comprehensive income (loss) for the year	–	–	–	–	**42,238**	**12,926**	**(3,087)**	**261**	**(691)**	**51,647**
Transfer to surplus reserves	–	–	–	**139**	**(139)**	–	–	–	–	–
Cash dividend (Note 23)	–	–	–	–	**(13,492)**	–	–	–	–	**(13,492)**
Realized gain on sale of equity securities at FVOCI	–	–	–	–	**(85)**	**85**	–	–	–	–
Acquisition of Parent Company shares by mutual fund subsidiary	–	–	**(5)**	–	–	–	–	–	–	**(5)**
Disposal of Parent Company shares held by mutual fund subsidiary	–	–	**7**	–	–	–	–	–	–	**7**
Balance as at December 31, 2023	**₱89,948**	**₱85,252**	**(₱70)**	**₱2,752**	**₱204,896**	**(₱ 10,065)**	**(₱7,491)**	**₱116**	**(₱7,988)**	**₱357,350**
Balance as at January 1, 2022	₱89,948	₱85,252	(₱70)	₱2,442	₱157,260	(₱3,751)	(₱4,747)	(₱118)	(₱7,026)	₱319,190
Total comprehensive income (loss) for the year	–	–	–	–	32,776	(19,324)	343	(27)	(271)	13,497
Transfer to surplus reserves	–	–	–	171	(171)	–	–	–	–	–
Cash dividend (Note 23)	–	–	–	–	(13,492)	–	–	–	–	(13,492)
Share in realized gain on sale of equity securities at FVOCI (Note 8)	–	–	–	–	1	(1)	–	–	–	–
Acquisition of Parent Company shares by mutual fund subsidiary	–	–	(14)	–	–	–	–	–	–	(14)
Disposal of Parent Company shares held by mutual fund subsidiary	–	–	12	–	–	–	–	–	–	12
Balance as at December 31, 2022	₱89,948	₱85,252	(₱72)	₱2,613	₱176,374	(₱23,076)	(₱4,404)	(₱145)	(₱7,297)	₱319,193
Balance as at January 1, 2021	₱89,948	₱85,252	(₱65)	₱2,260	₱153,282	₱7,611	(₱4,778)	(₱22)	(₱8,599)	₱324,889
Total comprehensive income (loss) for the year	–	–	–	–	22,156	(11,368)	31	(96)	1,573	12,296
Transfer to surplus reserves	–	–	–	182	(182)	–	–	–	–	–
Cash dividend (Note 23)	–	–	–	–	(17,990)	–	–	–	–	(17,990)
Share in realized loss on sale of equity securities at FVOCI (Note 8)	–	–	–	–	(6)	6	–	–	–	–
Acquisition of Parent Company shares by mutual fund subsidiary	–	–	(14)	–	–	–	–	–	–	(14)
Disposal of Parent Company shares held by mutual fund subsidiary	–	–	9	–	–	–	–	–	–	9
Balance as at December 31, 2021	₱89,948	₱85,252	(₱70)	₱2,442	₱157,260	(₱3,751)	(₱4,747)	(₱118)	(₱7,026)	₱319,190

See accompanying Notes to Financial Statements.

Notes:

Metropolitan Bank & Trust Company and Subsidiaries

STATEMENTS OF CASH FLOWS

(In Millions)

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	**₱55,849**	₱43,918	₱30,141	**₱54,298**	₱41,817	₱27,954
Adjustments for:						
Provision for credit and impairment losses (Note 15)	**8,978**	8,112	11,834	**6,661**	5,740	7,683
Depreciation and amortization (Notes 10, 12 and 14)	**5,788**	4,992	5,049	**3,366**	2,635	2,590
Unrealized market valuation loss (gain) on financial assets and liabilities at FVTPL	**755**	(4,359)	(868)	**859**	(4,651)	(739)
Gain on initial recognition of investment properties and chattel properties acquired in foreclosure (Note 25)	**(836)**	(1,302)	(813)	**(105)**	(83)	(41)
Amortization of software costs (Note 14)	**1,134**	984	1,381	**945**	818	1,189
Profit from assets sold (Notes 10 and 12)	**(2,113)**	(898)	(381)	**(1,594)**	(230)	(154)
Share in net income of subsidiaries, associates and a joint venture (Note 11)	**(875)**	(704)	(568)	**(5,281)**	(4,168)	(2,251)
Trading and securities gain on investment securities at FVOCI (Note 8)	**(153)**	(697)	(3,691)	**(87)**	(676)	(3,676)
Amortization of discount on subordinated debts, bonds payable and lease liability (Notes 19 and 20)	**612**	474	573	**493**	346	414
Dividends (Note 8)	**(257)**	(198)	(158)	**(19)**	(9)	(15)
Gain on disposal of investment securities at amortized cost (Note 8)	**–**	–	(12)	**–**	–	–
Decrease (increase) in:						
Investment securities at FVTPL	**(12,012)**	68	22,165	**(11,697)**	(366)	23,098
Loans and receivables	**(127,450)**	(190,216)	5,082	**(102,724)**	(187,776)	(16,433)
Other assets	**(6,436)**	(1,523)	(2,506)	**(6,614)**	(1,160)	(1,145)
Increase (decrease) in:						
Deposit liabilities	**161,648**	290,841	133,069	**175,189**	277,823	77,636
Bills payable - deposit substitutes	**(1,055)**	(2,444)	(5,593)	**(375)**	(181)	(1,329)
Manager's checks and demand drafts outstanding	**547**	1,105	(628)	**46**	684	(690)
Accrued interest and other expenses	**5,829**	4,097	709	**5,472**	2,967	803
Other liabilities	**6,160**	8,310	4,883	**5,099**	7,746	(2,707)
Non-equity non-controlling interest	**121**	(480)	2,304	**–**	–	–
Net cash provided for operations	**96,234**	160,080	201,972	**123,932**	141,276	112,187
Dividends received (Note 8)	**257**	198	158	**19**	9	15
Income taxes paid	**(11,809)**	(9,020)	(7,154)	**(10,016)**	(7,690)	(5,821)
Net cash provided by operating activities	**84,682**	151,258	194,976	**113,935**	133,595	106,381
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of:						
Investment securities at FVOCI (Note 4)	**(718,070)**	(879,279)	(1,684,305)	**(119,769)**	(256,734)	(1,180,324)
Property and equipment (Note 10)	**(3,751)**	(3,116)	(3,229)	**(2,181)**	(1,296)	(1,682)
Investment securities at amortized cost (Note 4)	**(152,360)**	(240,172)	(64,089)	**(150,296)**	(228,167)	(52,097)
Proceeds from sale of:						
Investment securities at FVOCI (Notes 4 and 11)	**721,065**	976,907	1,598,874	**104,631**	380,525	1,152,643
Investment properties (Note 12)	**2,800**	1,526	1,487	**2,014**	491	418
Property and equipment (Note 10)	**408**	455	453	**62**	101	85
Proceeds from:						
Disposal of investment securities at amortized cost (Notes 4 and 8)	**–**	–	379	**–**	–	–
Maturity of investment securities at amortized cost (Note 4)	**2,143**	6,825	4,417	**–**	164	2,996
Decrease (increase) in interbank loans receivable and SPURA (Note 26)	**(1,356)**	6,437	18,326	**5,516**	3,988	17,398
Cash dividends from investees (Note 11)	**36**	442	708	**1,132**	1,132	1,132
Net cash used in investing activities	**(149,085)**	(129,975)	(126,979)	**(158,891)**	(99,796)	(59,431)

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES (Note 26)						
Settlements of bills payable	**(₱3,439,226)**	(₱2,697,815)	(₱883,146)	**(₱2,721,810)**	(₱2,413,819)	(₱721,518)
Availments of bills payable and SSURA	**3,505,855**	2,721,247	819,459	**2,786,810**	2,437,942	666,710
Proceeds from issuance of bonds payable (Note 19)	**–**	23,523	18,844	**–**	23,523	18,844
Repayments of:						
Bonds payable (Note 19)	**(18,400)**	(17,500)	(32,210)	**(13,750)**	(17,500)	(21,750)
Subordinated debts (Note 20)	**(1,170)**	–	–	**(1,170)**	–	–
Cash dividends paid (Note 23)	**(13,641)**	(13,641)	(18,139)	**(13,492)**	(13,492)	(17,990)
Payment of lease liabilities (Note 13)	**(2,121)**	(1,968)	(1,718)	**(1,302)**	(1,115)	(929)
Proceeds from disposal of Parent Company shares by mutual fund subsidiaries (Note 32)	**7**	12	–	**7**	12	–
Acquisition of Parent Company shares by a mutual fund subsidiary (Note 23)	**(5)**	(14)	(5)	**(5)**	(14)	–
Net cash provided by (used in) financing activities	**31,299**	13,844	(96,915)	**35,288**	15,537	(76,633)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(33,104)**	35,127	(28,918)	**(9,668)**	49,336	(29,683)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**40,683**	41,302	38,469	**38,701**	38,452	35,606
Due from BSP	**252,628**	253,257	304,906	**215,074**	199,974	262,188
Due from other banks	**75,513**	48,862	38,357	**56,698**	36,240	22,742
Interbank loans receivable and SPURA (Note 26)	**65,786**	56,062	46,669	**59,557**	46,028	29,841
	434,610	399,483	428,401	**370,030**	320,694	350,377
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**39,431**	40,683	41,302	**37,692**	38,701	38,452
Due from BSP	**207,807**	252,628	253,257	**198,061**	215,074	199,974
Due from other banks	**90,586**	75,513	48,862	**65,867**	56,698	36,240
Interbank loans receivable and SPURA (Note 26)	**63,682**	65,786	56,062	**58,742**	59,557	46,028
	₱401,506	₱434,610	₱399,483	**₱360,362**	₱370,030	₱320,694

OPERATIONAL CASH FLOWS FROM INTEREST

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
Interest paid	**₱44,505**	₱14,074	₱12,061	**₱36,650**	₱9,465	₱7,312
Interest received	**148,435**	98,881	88,369	**124,096**	77,663	66,951

See accompanying Notes to Financial Statements.

1. Corporate Information

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

The Parent Company and its subsidiaries (the Group) are engaged in all aspects of banking, financing, leasing, real estate and stock brokering. As of December 31, 2023, the Group has 954 branches, 1,295 Automated Teller Machines (ATMs) in the branches (on-site) and 1,031 ATMs in other locations (off-site). As a bank, the Parent Company, which is the ultimate parent of the Group, provides products and services such as deposits, loans and trade finance, credit card products, programs and facilities, electronic banking facilities, cash management, domestic and foreign fund transfers, treasury products, remittances, institutional fund-management, private banking and trust services. The Bank temporarily changed its business address from Metrobank Plaza, Sen. Gil Puyat Avenue, Urdaneta Village, Makati City to GT Tower International, 6813 Ayala Ave., corner H.V. Dela Costa St., Brgy. Bel-Air, Makati City, effective August 14, 2023.

2. Summary of Material Accounting Policies

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

The financial statements of the Parent Company and Philippine Savings Bank (PSBank) a subsidiary, include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of RBU and FCDU is Philippine Peso (PHP or ₱) and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in PHP (see accounting policy on Foreign Currency Translation). The financial statements of these units are combined after eliminating inter-unit accounts.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The respective functional currencies of the subsidiaries are presented under Basis of Consolidation. The financial statements are presented in PHP, and all values are rounded to the nearest million pesos (₱000,000), except when otherwise indicated.

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

Presentation of Financial Statements
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability

simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position. Income and expense are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and of its subsidiaries and are prepared for the same reporting period as the Parent Company using consistent accounting policies. The following are the wholly and majority-owned foreign and domestic subsidiaries of the Parent Company in 2023 and 2022 (Note 11):

Subsidiary	Principal Place of Business and Country of Incorporation	Effective Percentage of Ownership	Functional Currency
Financial Markets:			
Domestic:			
First Metro Investment Corporation (FMIC) and Subsidiaries	Philippines	99.27	PHP
PSBank	Philippines	88.38	PHP
ORIX Metro Leasing and Finance Corporation (ORIX Metro) and Subsidiaries	Philippines	59.85	PHP
Foreign:			
Metropolitan Bank (China) Ltd. (MBCL)	China	100.00	Chinese Yuan
Metropolitan Bank (Bahamas) Limited (Metrobank Bahamas)**	The Bahamas	100.00	USD
First Metro International Investment Company Limited (FMIIC) and Subsidiary	Hong Kong	100.00	Hong Kong Dollar (HKD)
Remittances:			
Metro Remittance (Hong Kong) Limited (MRHL)	Hong Kong	100.00	HKD
Metro Remittance (Singapore) Pte. Ltd. (MRSPL)	Singapore	100.00	Singapore Dollar
Metro Remittance (UK) Limited (MR UK)	United Kingdom	100.00	Great Britain Pound
Metro Remittance (USA), Inc. (MR USA)	United States of America (USA)	100.00	USD
Metro Remittance (Japan) Co. Ltd. (MR Japan)	Japan	100.00	Japanese Yen
Real Estate:			
Circa 2000 Homes, Inc. (Circa)*	Philippines	100.00	PHP
Others:			
Philbancor Venture Capital Corporation (PVCC)*	Philippines	60.00	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 (Note 32). Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of subsidiaries ceases when control is transferred out of the Group or the Parent Company. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of income and consolidated statements of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

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

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

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

Entity with Significant Influence over the Group
GT Capital Holdings, Inc. (GT Capital) holds 37.15% interest in the Parent Company as of December 31, 2023 and 2022 (Note 32).

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

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

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

Legal Merger between Parent Company and Subsidiary (Note 20)
In the parent company financial statements, the legal merger between the Parent Company and its subsidiary, with the Parent Company as the surviving entity, is accounted for as follows:

- The acquired assets and assumed liabilities are recognized at the carrying amounts in the consolidated financial statements as of the date of the legal merger (Note 20);
- The difference between the carrying amount of the net assets of the subsidiary and the carrying amount of the investment in the merged subsidiary before the legal merger is recognized under "Translation adjustment and others" account in the equity section of the parent company statement of financial position; and

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

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

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

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

Amendments to PAS 12, *International Tax Reform-Pillar Two Model Rules*
The amendments to PAS 12 have been introduced in response to the Organization for Economic Cooperation and Development's Base Erosion and Profit Shifting Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

In periods in which Pillar Two legislation is (substantively) enacted but not yet effective, the amendment requires disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes, including both qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. Once the legislation is effective, additional disclosures are required for the current tax expense related to Pillar Two income taxes.

The Bank has reviewed its corporate structure in light of the introduction of Pillar Two Model Rules and has determined that it will not be subject to Pillar Two taxes once the legislation becomes effective since its effective tax rate is above 15% in all the jurisdictions in which it operates.

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 such as leases and decommissioning liabilities.

The amendments also clarify that judgement should be applied in assessing whether the tax deductions on the lease payments are related to the lease asset (and interest expense) or lease liability (and interest expense) after considering the applicable tax law.

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.

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 have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition and presentation of any items in the Group's financial statements.

Material Accounting Policies

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

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

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

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

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

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

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

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

For assets and liabilities not listed in an active market, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

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

<u>Financial Instruments - Initial Recognition and Subsequent Measurement</u>

Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Derivatives are recognized on trade date basis. Deposits, amounts due from banks and customers and loans and receivables are recognized when cash is received by the Group or advanced to the borrowers.

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

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

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

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

As a second step of its classification process, the Group assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test (SPPI test). For the purpose of the SPPI test, principal is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium or discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI. In such cases, the financial asset is required to be measured at FVTPL.

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

Derivatives recorded at FVTPL
The Parent Company and some of its subsidiaries are counterparties to derivative contracts, such as currency forwards, currency swaps, interest rate swaps (IRS), call options, non-deliverable forwards (NDF) and other interest rate derivatives. These derivatives are entered into as a service to customers and as a means of reducing or managing their respective foreign exchange and interest rate exposures,

as well as for trading purposes. Such derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the statement of income and are included in 'Trading and securities gain/(loss) - net'. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Investment securities at FVOCI
Investment securities at FVOCI include debt and equity securities. After initial measurement, investment securities at FVOCI are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of investment securities at FVOCI are excluded, net of tax as applicable, from the reported earnings and are included in the statement of comprehensive income as 'Change in net unrealized gain (loss) on investment in debt securities at FVOCI' or 'Change in net unrealized gain (loss) on equity securities at FVOCI'. Debt securities at FVOCI are those that meet both of the following conditions:

a. The asset is held within a business model whose objective is to hold the financial assets in order to both collect contractual cash flows and sell financial assets; and
b. The contractual terms of the financial asset give rise on specified dates to cash flow that are SPPI on the outstanding principal amount.

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

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

Financial assets at amortized cost
Financial assets at amortized cost are debt financial assets that meet both of the following conditions:

a. These are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and
b. The contractual terms give rise on specified dates to cash flows that are SPPI on the outstanding principal amount.

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

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

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

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

After initial measurement, bills payable and similar financial liabilities not qualified as and not designated at FVTPL, are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

Financial guarantees and undrawn loan commitments
The Group issues financial guarantees and loan commitments. Financial guarantees are those issued by the Group to creditors as allowed under existing rules and regulations whereby it guarantees third party obligations by signing as guarantor in the contract/agreement. Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position. These contracts are in the scope of the ECL requirements where the Group estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and undrawn loan commitments is recognized in 'Miscellaneous liabilities' under 'Other liabilities'.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial assets
A financial asset (or, when applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:
- The rights to receive cash flows from the asset have expired; or
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- The Group has transferred its rights to receive cash flows from the asset and either:
  a. Has transferred substantially all the risks and rewards of the asset; or
  b. Has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

When the Group's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Group's continuing involvement is the lower of:

a. The amount of the asset; and
b. The maximum amount of the consideration received that the Group could be required to repay ('the guarantee amount').

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

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

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

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

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

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

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

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

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

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

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

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

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

Overview of the ECL principles
ECL represents credit losses that reflect an unbiased and probability weighted amount which is based on reasonable and supportable information about past events, current conditions and forecasts of future economic conditions, and time value of money. The ECL allowance is based on the credit losses expected to arise on a 12-month duration if there has been no significant increase in credit risk (SICR) of the financial asset since origination. Otherwise, if a SICR is observed, then the ECL estimation is extended until the end of the life of the financial asset. The 12-month ECL represents the losses that result from default events on a financial asset which may happen within 12 months after the statement of financial position date. The Lifetime ECL on the other hand represents the losses that result from default events on a financial asset which may happen over its life. Both Lifetime ECLs and 12-month

ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

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

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

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

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

Staging assessment
For non-credit-impaired financial assets:

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

For credit-impaired financial assets:

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

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

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

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

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

LGD is the amount that may not be recovered in the event of default and is modelled based on historical cash flow recovery and reasonable and supportable information about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held.

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

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

The Parent Company offers credit card facilities, in which it has the right to cancel and/or reduce the facilities with one-day notice. It does not limit its exposure to credit losses to the contractual notice period, but instead, calculates ECL over a period that reflects its expectations of the customers' behavior, their likelihood of default, and its future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and expectations, the period over which ECL is calculated for these products is two (2) years. The interest rate used to discount the

ECL for credit cards is based on contractual interest rate. These rates are also used to discount future recoveries over a period of five years as these cover the cost of securing an equivalent fund. The contractual interest rate is used as discounting factor since the Parent Company estimates that this rate is reflective of the EIR.

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

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

Debt investment securities measured at FVOCI
The ECL for debt securities at FVOCI does not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in 'Net unrealized gain (loss) on investment securities at FVOCI' as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to profit or loss upon derecognition of these financial assets.

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

Collateral Valuation of Financial Assets
Collateral, unless repossessed, is not recorded in the Group's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed every other year. However, some collaterals, for example, cash or securities relating to margining requirements, are valued daily.

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

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

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

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

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

Discounts earned, membership fees and awards revenue on credit cards
The following table provides information about the nature and timing of the satisfaction of performance obligations for the Parent Company's credit card business including significant payment terms, and the related revenue recognition policies.

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

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

Revenues outside the scope of PFRS 15

Interest income

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

Under PFRS 9, when a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3 (as discussed in "Impairment of Financial Assets" above), the Group calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

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

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

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

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

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

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

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

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

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

Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amounts due from BSP and other banks, and interbank loans receivable and SPURA with original maturities of three months or less from dates of placements and that are subject to insignificant risk of changes in value.

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

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

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

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

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

Investments in Subsidiaries, Associates and a Joint Venture (JV)

Investment in subsidiaries

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

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

Investment in associates

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

Investment in a JV

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

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

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

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

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

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

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

Investment Properties

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

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

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

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

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

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

Interest in Joint Operations

The Group is a party to joint operations whereby it contributed parcels of land for development into residential and commercial units. In respect of the Group's interest in the joint operations, the Group recognizes the following:

a. The assets that it controls and the liabilities that it incurs; and
b. The expenses that it incurs and its share of the income that it earns from the sale of units by the joint operations.

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

Chattel Mortgage Properties

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

Subordinated Notes

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

Intangible Assets

Software costs

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

Goodwill

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

Customized System Development Cost

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

Impairment of Non-financial Assets

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

At each statement of financial position date, the Group assesses whether there is any indication that its non-financial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell (FVLCTS) and its value-in-use (VIU) and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to operations in the year in which it arises.

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

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

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

<u>Leases</u>
Group as lessee
The Group assesses at contract inception whether a contract is, or contains a lease. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use (ROU) assets representing the right-of-use the underlying assets.

ROU assets
The Group recognizes ROU assets (included in 'Property and Equipment') at the commencement date of the lease (that is, the date the underlying asset is available for use). ROU assets are measured at cost less any accumulated depreciation and allowance for impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities

recognized and lease payments made at or before the commencement date less any lease incentives received. ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Office space	2 to 30 years
ATM site and equipment	1 to 5 years

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

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

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of office spaces and ATM sites (that is, those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of ATM site and other equipment that are considered to be of low value (that is, those with value of less than ₱250,000). Lease payments on short-term leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

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

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

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

Retirement Cost
The Group has a non-contributory defined benefit retirement plans, except for FMIIC and its subsidiary which follow the defined contribution retirement benefit plan and the Mandatory Provident Fund Scheme (MPFS). The retirement cost of the Parent Company and most of its subsidiaries is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current year. The net defined benefit liability or asset is the aggregate of the present value of the

defined benefit obligation (DBO) at the end of the statement of financial position date reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

Surplus represents accumulated earnings of the Group less dividends declared.

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

Provisions

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

Contingent Liabilities and Contingent Assets

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

Income Taxes

Current taxes

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

Deferred taxes

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

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

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

Earnings Per Share

Basic earnings per share is computed by dividing net income for the year attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year. The Group does not have dilutive potential common shares.

Dividends on Common Shares

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

Debt Issuance Costs

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

Capital Securities Issuance Costs

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

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

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6.

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

Standards Issued but not yet Effective

New and amended standards and interpretations that are issued but not yet effective will not have a material impact on the Bank's combined financial statements.

Effective beginning on or after January 1, 2024
- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

Effective beginning on or after January 1, 2025
- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of exchangeability*

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

3. Significant Accounting Judgments and Estimates

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

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

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

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

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

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

b. *Consolidation of subsidiaries*

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

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

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

c. *Existence of significant influence over an associate with less than 20.00% ownership*

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

- Representation in the BOD or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- Material transactions between the investor and the investee;
- Interchange of managerial personnel;

- Joint voting agreement with other investors; or
- Provision of essential technical information.

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

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

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

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

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

The gross carrying amounts of financial assets subject to ECL as of December 31, 2023 and 2022 are disclosed in Note 4, while the related allowances for expected credit losses are disclosed in Note 15. In 2023, 2022 and 2021, provision for credit losses on these financial assets amounted to ₱7.9 billion, ₱7.8 billion and ₱11.7 billion, respectively, for the Group, and ₱6.2 billion, ₱5.7 billion and ₱7.7 billion, respectively, for the Parent Company (Note 15).

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

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

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

The Group uses the higher of FVLCTS and VIU in determining the recoverable amount of the asset. In 2023 and 2022, the Group considered the impact of the COVID-19 pandemic in determining the VIU. Based on the Group's impairment testing as of December 31, 2023 and 2022, allowance for impairment losses on investment in associates amounted to ₱1.3 billion and ₱883.4 million, respectively for the Group, and ₱101.1 million for the Parent Company.

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

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

The fair value of the CGU is determined using the cost approach, specifically the adjusted Net Asset Value (NAV) method. This method requires the measurement of the fair value of the individual assets and liabilities recognized in the CGU, as well as the fair value of any unrecognized assets and liabilities at the measurement date. The resulting net fair values of the assets and liabilities represent the fair value of the CGU. In determining the fair value of the CGU's net assets, the Group used the discounted cash flow method for unquoted debt financial assets/liabilities at the appropriate market rate, the price-to-earnings (P/E) valuation and adjusted NAV model for unquoted equity investments, and the appraisal reports for the valuation of real properties. Fair values of listed debt and equity securities are based on their quoted market prices. The Group applied the P/E valuation model by reference to P/E ratios of listed comparable companies of the investee company. The FVLCTS calculation of the CGU is most sensitive to the P/E ratios of listed comparable companies of the investee company. In 2023, the Group recognized impairment loss of ₱474.3 million (Note 15). As of December 31, 2023 and 2022, the Group's goodwill amounted to ₱4.7 billion and ₱5.2 billion respectively.

4. **Financial Risk and Capital Management**

Introduction

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

a. Credit;
b. Liquidity; and
c. Market risks.

Risk management framework

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

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

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

Credit Risk

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

Management of credit risk

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

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

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

Credit risk at initial recognition

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

Modification

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

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

As of December 31, 2020, the impact of loan modifications as a result of the Bayanihan 1 and Bayanihan 2 Acts amounted to a loss of ₱1.7 billion for the Group and ₱1.2 billion for the Parent Company. For the year ended December 31, 2023 and 2022, total accretion arising from the accretion of the modified loans arising from the Bayanihan 1 and Bayanihan 2 Acts amounted to ₱70.1 million and ₱107.0 million, respectively, for the Group, and nil for the Parent Company.

Maximum exposure to credit risk

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

	Consolidated							
	2023				2022			
	Maximum Exposure to Credit Risk	**Fair Value of Collateral**	**Financial Effect of Collateral or Credit Enhancement**	**Net Exposure**	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Net Exposure
Interbank loans receivable and SPURA (Note 7)	**₱37,666**	**₱37,364**	**₱37,344**	**₱322**	₱28,736	₱28,099	₱28,093	₱643
Loans and receivables - net								
Receivables from customers								
Commercial loans	**321,725**	**1,440,521**	**295,589**	**26,136**	318,235	1,554,136	292,274	25,961
Residential mortgage loans	**91,699**	**175,884**	**81,453**	**10,246**	91,626	178,469	88,808	2,818
Auto loans	**91,846**	**130,491**	**89,812**	**2,034**	75,664	107,134	72,935	2,729
Trade loans	**46,620**	**46,098**	**45,692**	**928**	56,969	56,629	56,017	952
Others	**249**	**1,891**	**201**	**48**	777	781	732	45
	552,139	**1,794,885**	**512,747**	**39,392**	543,271	1,897,149	510,766	32,505
Accrued interest receivable	**4,061**	**2,719**	**2,719**	**1,342**	4,346	2,557	2,557	1,789
Sales contract receivable	**29**	**103**	**29**	**–**	29	109	29	–
	556,229	**1,797,707**	**515,495**	**40,734**	547,646	1,899,815	513,352	34,294
Total	**₱593,895**	**₱1,835,071**	**₱552,839**	**₱41,056**	₱576,382	₱1,927,914	₱541,445	₱34,937

	Parent Company							
	2023				2022			
	Maximum Exposure to Credit Risk	**Fair Value of Collateral**	**Financial Effect of Collateral or Credit Enhancement**	**Net Exposure**	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Net Exposure
Interbank loans receivable and SPURA (Note 7)	**₱29,956**	**₱29,634**	**₱29,634**	**₱322**	₱26,084	₱25,448	₱25,441	₱643
Loans and receivables - net								
Receivables from customers								
Commercial loans	**248,850**	**1,354,884**	**226,196**	**22,654**	245,732	1,469,763	224,218	21,514
Residential mortgage loans	**51,485**	**110,731**	**51,184**	**301**	50,651	111,603	50,382	269
Auto loans	**20,706**	**47,257**	**20,011**	**695**	18,259	39,164	17,761	498
Trade loans	**46,620**	**46,098**	**45,692**	**928**	56,969	56,629	56,017	952
Others	**120**	**111**	**72**	**48**	635	629	590	45
	367,781	**1,559,081**	**343,155**	**24,626**	372,246	1,677,788	348,968	23,278
Accrued interest receivable	**1,734**	**1,697**	**1,697**	**37**	1,797	1,793	1,793	4
Sales contract receivable	**23**	**83**	**23**	**–**	18	77	18	–
	369,538	**1,560,861**	**344,875**	**24,663**	374,061	1,679,658	350,779	23,282
Total	**₱399,494**	**₱1,590,495**	**₱374,509**	**₱24,985**	₱400,145	₱1,705,106	₱376,220	₱23,925

The maximum exposure to credit risks for the other financial assets is limited to their carrying values as of December 31, 2023 and 2022.

Collaterals on loans and receivables includes real estate and chattel mortgages, guarantees, and other registered securities over assets. Generally, collateral is not held over loans and advances to banks, except for reverse repurchase agreements and certain due from other banks. Collateral usually is not held against investment securities, and no such collateral was held as of December 31, 2023 and 2022. Estimates of fair values of the collateral are based on the value of collateral assessed at the time of borrowing and are regularly updated according to internal lending policies and regulatory guidelines. The Group is not permitted to sell or repledge the collateral in the absence of default by the counterparty.

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

	Gross Carrying Amounts (before Offsetting)	Gross Amounts Offset in Accordance with the Offsetting Criteria	Net Amount Presented in Statement of Financial Position	Effect of Remaining Rights of Set-Off (including Rights to Set-off Financial Collateral) Not Meeting Offsetting Criteria		Net Exposure
				Financial Instruments	Fair Value of Financial Collateral	
Financial assets recognized by type						
Consolidated						
2023						
Derivative assets	**₱544,723**	**₱522,887**	**₱21,836**	**₱6,949**	**₱–**	**₱14,887**
SPURA	**37,666**	–	**37,666**	–	**37,344**	**322**
	₱582,389	**₱522,887**	**₱59,502**	**₱6,949**	**₱37,344**	**₱15,209**
2022						
Derivative assets	₱440,728	₱416,749	₱23,979	₱5,138	₱–	₱18,841
SPURA	28,736	–	28,736	–	28,093	643
	₱469,464	₱416,749	₱52,715	₱5,138	₱28,093	₱19,484
Parent Company						
2023						
Derivative assets	**₱544,723**	**₱522,887**	**₱21,836**	**₱6,949**	**₱–**	**₱14,887**
SPURA	**29,956**	–	**29,956**	–	**29,634**	**322**
	₱574,679	**₱522,887**	**₱51,792**	**₱6,949**	**₱29,634**	**₱15,209**
2022						
Derivative assets	₱440,722	₱416,749	₱23,973	₱5,138	₱–	₱18,835
SPURA	26,084	–	26,084	–	25,441	643
	₱466,806	₱416,749	₱50,057	₱5,138	₱25,441	₱19,478
Financial liabilities recognized by type						
Consolidated						
2023						
Derivative liabilities	**₱640,585**	**₱623,970**	**₱16,615**	**₱6,949**	**₱–**	**₱9,666**
SSURA	**134,800**	–	**134,800**	–	**134,800**	–
	₱775,385	**₱623,970**	**₱151,415**	**₱6,949**	**₱134,800**	**₱9,666**
2022						
Derivative liabilities	₱395,549	₱379,130	₱16,419	₱5,138	₱–	₱11,281
SSURA	67,120	–	67,120	–	67,120	–
	₱462,669	₱379,130	₱83,539	₱5,138	₱67,120	₱11,281
Parent Company						
2023						
Derivative liabilities	**₱640,584**	**₱623,970**	**₱16,614**	**₱6,949**	**₱–**	**₱9,665**
SSURA	**132,234**	–	**132,234**	–	**132,234**	–
	₱772,818	**₱623,970**	**₱148,848**	**₱6,949**	**₱132,234**	**₱9,665**
2022						
Derivative liabilities	₱395,540	₱379,129	₱16,411	₱5,138	₱–	₱11,273
SSURA	65,934	–	65,934	–	65,934	–
	₱461,474	₱379,129	₱82,345	₱5,138	₱65,934	₱11,273

Excessive risk concentration

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

Concentration of risks of financial assets with credit risk exposure

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

	Consolidated				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
2023					
Concentration by Industry					
Financial and insurance activities	**₱212,475**	**₱371,408**	**₱100,390**	**₱16,803**	**₱701,076**
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	**234,489**	–	–	**276,846**	**511,335**
Real estate activities	**296,359**	–	**153**	**3,456**	**299,968**
Wholesale and retail trade, repair of motor vehicles, motorcycles	**212,339**	–	–	**28,298**	**240,637**
Manufacturing	**188,960**	–	**933**	**15,140**	**205,033**
Transportation and storage, information and communication	**168,863**	–	**–**	**2,326**	**171,189**
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	**117,366**	–	**23**	**2,511**	**119,900**
Construction	**64,405**	–	–	**16,618**	**81,023**
Agricultural, forestry and fishing	**23,242**	–	–	**796**	**24,038**
Accommodation and food service activities	**17,620**	–	–	**18**	**17,638**
Others****	**52,642**	–	**904,217**	**17,856**	**974,715**
	1,588,760	**371,408**	**1,005,716**	**380,668**	**3,346,552**
Less allowance for credit losses	**51,594**	**87**	**375**	**10,772**	**62,828**
	₱1,537,166	**₱371,321**	**₱1,005,341**	**₱369,896**	**₱3,283,724**
Concentration by Location					
Philippines	**₱1,494,421**	**₱243,012**	**₱918,101**	**₱342,739**	**₱2,998,273**
Asia	**93,780**	**100,653**	**72,767**	**37,839**	**305,039**
USA	**450**	**12,733**	**4,070**	**90**	**17,343**
Europe	**19**	**12,748**	**883**	**–**	**13,650**
Others	**90**	**2,262**	**9,895**	**–**	**12,247**
	1,588,760	**371,408**	**1,005,716**	**380,668**	**3,346,552**
Less allowance for credit losses	**51,594**	**87**	**375**	**10,772**	**62,828**
	₱1,537,166	**₱371,321**	**₱1,005,341**	**₱369,896**	**₱3,283,724**
2022					
Concentration by Industry					
Financial and insurance activities	₱176,471	₱401,904	₱117,713	₱16,283	₱712,371
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	177,016	–	–	233,339	410,355
Wholesale and retail trade, repair of motor vehicles, motorcycles	222,828	–	–	32,328	255,156
Real estate activities	219,889	–	252	4,151	224,292
Manufacturing	198,372	–	225	15,545	214,142
Transportation and storage, information and communication	159,886	–	–	2,090	161,976
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	98,413	–	1,674	2,529	102,616
Construction	58,945	–	–	16,999	75,944
Accommodation and food service activities	22,023	–	–	10	22,033
Agricultural, forestry and fishing	21,129	–	–	311	21,440
Others****	114,855	–	727,088	34,328	876,271
	1,469,827	401,904	846,952	357,913	3,076,596
Less allowance for credit losses	51,445	60	471	10,892	62,868
	₱1,418,382	₱401,844	₱846,481	₱347,021	₱3,013,728
Concentration by Location					
Philippines	₱1,389,001	₱282,035	₱746,065	₱307,175	₱2,724,276
Asia	80,220	87,852	76,265	50,701	295,038
USA	493	18,063	11,208	37	29,801
Europe	23	12,422	1,369	–	13,814
Others	90	1,532	12,045	–	13,667
	1,469,827	401,904	846,952	357,913	3,076,596
Less allowance for credit losses	51,445	60	471	10,892	62,868
	₱1,418,382	₱401,844	₱846,481	₱347,021	₱3,013,728

	Parent Company				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
2023					
Concentration by Industry					
Financial and insurance activities	**₱207,214**	**₱323,147**	**₱2,614**	**₱16,355**	**₱549,330**
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	**156,815**	–	–	**276,846**	**433,661**
Real estate activities	**244,565**	–	–	**3,431**	**247,996**
Wholesale and retail trade, repair of motor vehicles, motorcycles	**196,922**	–	–	**28,298**	**225,220**
Manufacturing	**185,950**	–	**782**	**15,140**	**201,872**
Transportation and storage, information and communication	**162,323**	–	–	**2,326**	**164,649**
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	**115,320**	–	–	**2,511**	**117,831**
Construction	**45,941**	–	–	**16,619**	**62,560**
Agricultural, forestry and fishing	**21,978**	–	–	**796**	**22,774**
Accommodation and food service activities	**17,397**	–	–	**18**	**17,415**
Others****	**21,873**	–	**877,216**	**716**	**899,805**
	1,376,298	**323,147**	**880,612**	**363,056**	**2,943,113**
Less allowance for credit losses	**40,962**	**69**	**361**	**10,691**	**52,083**
	₱1,335,336	**₱323,078**	**₱880,251**	**₱352,365**	**₱2,891,030**
Concentration by Location					
Philippines	**₱1,351,525**	**₱230,887**	**₱826,590**	**₱341,802**	**₱2,750,804**
Asia	**24,247**	**64,825**	**39,184**	**21,166**	**149,422**
USA	**449**	**12,541**	**4,070**	**88**	**17,148**
Europe	**6**	**12,741**	**884**	–	**13,631**
Others	**71**	**2,153**	**9,884**	–	**12,108**
	1,376,298	**323,147**	**880,612**	**363,056**	**2,943,113**
Less allowance for credit losses	**40,962**	**69**	**361**	**10,691**	**52,083**
	₱1,335,336	**₱323,078**	**₱880,251**	**₱352,365**	**₱2,891,030**
2022					
Concentration by Industry					
Financial and insurance activities	₱172,050	₱337,322	₱327	₱16,185	₱525,884
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	176,747	–	–	233,339	410,086
Wholesale and retail trade, repair of motor vehicles, motorcycles	205,280	–	–	32,328	237,608
Manufacturing	194,421	–	–	15,545	209,966
Real estate activities	181,741	–	–	4,116	185,857
Transportation and storage, information and communication	152,649	–	–	2,090	154,739
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	96,508	–	1,648	2,530	100,686
Construction	43,551	–	–	16,999	60,550
Accommodation and food service activities	21,809	–	–	10	21,819
Agricultural, forestry and fishing	19,400	–	–	311	19,711
Others****	16,614	–	700,907	904	718,425
	1,280,770	337,322	702,882	324,357	2,645,331
Less allowance for credit losses	41,210	38	452	10,799	52,499
	₱1,239,560	₱337,284	₱702,430	₱313,558	₱2,592,832
Concentration by Location					
Philippines	₱1,256,286	₱246,728	₱639,570	₱306,431	₱2,449,015
Asia	23,898	58,883	38,700	17,891	139,372
USA	492	17,846	11,208	35	29,581
Europe	16	12,412	1,370	–	13,798
Others	78	1,453	12,034	–	13,565
	1,280,770	337,322	702,882	324,357	2,645,331
Less allowance for credit losses	41,210	38	452	10,799	52,499
	₱1,239,560	₱337,284	₱702,430	₱313,558	₱2,592,832

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

Credit quality per class of financial assets

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

The ICRRS contains the following:

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

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

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

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

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

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

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

<u>Standard Grade</u>
3 - Good
This rating is given to smaller corporations with limited access to public capital markets or to alternative financial markets during favorable economic and/or market conditions. As it bears characteristics of some degree of stability and substance, probability of default is quite low. However, susceptibility to cyclical changes and more concentration of business risk, by product or market, may be present. Typical is the combination of comfortable asset protection and an acceptable balance sheet structure. Debt service capacity is strong.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The following table shows the credit quality of loans and advances to banks, gross of allowance for credit losses, as of December 31, 2023 and 2022. All loans and advances to banks are classified as Stage 1 in 2023 and 2022.

	Consolidated		**Parent Company**	
	2023	2022	**2023**	2022
Due from BSP				
High grade	**₱207,807**	₱252,628	**₱198,061**	₱215,074
Due from other banks				
High grade	**88,782**	74,122	**64,884**	56,050
Standard grade	**1,002**	674	**962**	628
Unrated	**802**	717	**22**	20
	90,586	75,513	**65,868**	56,698
Interbank loans receivable and SPURA				
High grade	**73,015**	73,763	**59,219**	65,550
Total loans and advances to banks				
High grade	**369,604**	400,513	**322,164**	336,674
Standard grade	**1,002**	674	**962**	628
Unrated	**802**	717	**22**	20
	₱371,408	₱401,904	**₱323,148**	₱337,322

As of December 31, 2023 and 2022, availments of interbank loans and SPURA amounted to ₱73.0 billion and ₱73.8 billion, respectively, for the Group, and ₱59.2 billion and ₱65.5 billion, respectively, for the Parent Company while maturities of interbank loans and SPURA amounted to ₱73.8 billion and ₱70.5 billion, respectively, for the Group, and ₱65.5 billion and ₱56.0 billion, respectively, for the Parent Company. As of December 31, 2023 and 2022, net increase/(decrease) in due from BSP amounted to (₱44.8 billion) and (₱629.6 billion), respectively, for the Group, and (₱17.0 billion) and ₱15.1 billion, respectively, for the Parent Company, and net increase in due from other banks amounted to ₱15.1 billion and ₱26.7 billion, respectively, for the Group, and ₱9.2 billion and ₱20.5 billion, respectively, for the Parent Company.

The following table shows the credit quality of investment securities, gross of allowance for credit losses, as of December 31, 2023 and 2022. All investment securities are classified as Stage 1 in 2023 and 2022.

	Consolidated		Parent	
	2023	2022	**2023**	2022
Debt securities at FVOCI				
Treasury notes and bonds				
High grade	**₱366,864**	₱333,117	**₱360,273**	₱329,146
Treasury bills				
High grade	**355**	557	–	–
Government				
High grade	**71,444**	77,136	**71,289**	77,056
Standard grade	–	1	–	–
	71,444	77,137	**71,289**	77,056
Private				
High grade	**43,518**	48,387	**10,252**	11,071
Standard grade	**1,633**	1,601	–	–
Unrated	–	49	–	49
	45,151	50,037	**10,252**	11,120
BSP				
High grade	**50,889**	67,857	–	–
Total debt securities at FVOCI				
High grade	**533,070**	527,054	**441,814**	417,273
Standard grade	**1,633**	1,602	–	–
Unrated	–	49	–	49
	534,703	528,705	**441,814**	417,322
Investment securities at amortized cost				
Government				
High grade	**49,790**	44,817	**38,378**	32,470
Standard grade	–	192	–	–
	49,790	45,009	**38,378**	32,470
Private				
High grade	**415**	250	–	–
Standard grade	**2,652**	3,238	–	–
Unrated	–	–	–	–
	3,067	3,488	–	–
Treasury bills				
High grade	**288**	249	–	–
Treasury notes and bonds				
High Grade	**417,868**	269,501	**400,420**	253,090
Total Investment securities at amortized cost				
High grade	**468,361**	314,817	**438,798**	285,560
Standard grade	**2,652**	3,430	–	–
Unrated	–	–	–	–
	471,013	318,247	**438,798**	285,560
Total debt investment securities				
High grade	**1,001,431**	841,871	**880,612**	702,833
Standard grade	**4,285**	5,032	–	–
Unrated	–	49	–	49
	₱1,005,716	₱846,952	**₱880,612**	₱702,882

As of December 31, 2023 and 2022, purchases of investment in debt securities at FVOCI amounted to ₱718.1 billion and ₱879.3 billion, respectively, for the Group, and ₱119.8 billion and ₱256.7 billion, respectively, for the Parent Company. Proceeds from disposals/maturities amounted to ₱721.1 billion and ₱976.9 billion, respectively, for the Group, and ₱104.6 billion and ₱380.5 billion, respectively, for the Parent Company. Other movements, which include amortization of premiums/discounts, mark-to-market and foreign exchange revaluations, resulted in a increase (decrease) in carrying value of debt securities at FVOCI as of December 31, 2023 and 2022 amounting to ₱9.1 billion and (₱17.8 billion), respectively, for the Group, and a decrease in carrying value of ₱34.2 billion and ₱18.8 billion, respectively, for the Parent Company.

As of December 31, 2023 and 2022, purchases of investment securities at amortized cost amounted to ₱152.4 billion and ₱240.2 billion, respectively, for the Group, and ₱150.3 billion and ₱228.2 billion, respectively, for the Parent Company, while proceeds from maturities and disposals amounted to ₱2.1 billion and ₱6.8 billion, respectively, for the Group, and nil, for the Parent Company. Other movements, which include amortization of premiums/discounts, mark-to-market and foreign exchange revaluations, resulted in an increase in carrying value of investment securities at amortized cost as of December 31, 2023 and 2022 amounting to ₱2.5 billion and ₱0.6 billion, respectively, for the Group, and ₱3.0 billion and ₱0.2 billion, respectively, for the Parent Company.

The credit quality of receivables from customers, net of unearned discount and capitalized interest, as of December 31, 2023 and 2022 follow:

	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2023				
Commercial loans				
High grade	**₱227,911**	**₱–**	**₱–**	**₱227,911**
Standard grade	**854,407**	**802**	–	**855,209**
Watchlist grade	**16,325**	**17,369**	–	**33,694**
Classified grade	–	**28,726**	–	**28,726**
Sub-standard grade	–	**464**	–	**464**
Unrated	–	**138**	–	**138**
Non-performing individually impaired	–	–	**17,860**	**17,860**
	1,098,643	**47,499**	**17,860**	**1,164,002**
Residential mortgage loans				
High grade	**22,081**	**13,471**	–	**35,552**
Standard grade	**41,221**	**586**	–	**41,807**
Sub-standard grade	**7,414**	**5,207**	–	**12,621**
Unrated	–	**1,268**	–	**1,268**
Non-performing individually impaired	–	–	**2,203**	**2,203**
	70,716	**20,532**	**2,203**	**93,451**
Auto loans				
High grade	**66,679**	**65**	–	**66,744**
Standard grade	**20,438**	**496**	–	**20,934**
Sub-standard grade	**144**	**2,251**	–	**2,395**
Unrated	–	**3,382**	–	**3,382**
Non-performing individually impaired	–	–	**2,906**	**2,906**
	87,261	**6,194**	**2,906**	**96,361**
Credit card				
Standard grade	**126,916**	–	–	**126,916**
Sub-standard grade	–	**2,656**	–	**2,656**
Non-performing individually impaired	–	–	**3,562**	**3,562**
	126,916	**2,656**	**3,562**	**133,134**
Trade loans				
High grade	**6,601**	–	–	**6,601**
Standard grade	**44,087**	**48**	–	**44,135**
Watchlist Grade	–	**255**	–	**255**
Classified grade	–	**273**	–	**273**
Non-performing individually impaired	–	–	**354**	**354**
	50,688	**576**	**354**	**51,618**
Other loans				
High grade	**10,440**	–	–	**10,440**
Standard grade	**1,125**	–	–	**1,125**
Sub-standard grade	–	**811**	–	**811**
Unrated	**11**	**177**	–	**188**
Non-performing individually impaired	–	–	**279**	**279**
	11,576	**988**	**279**	**12,843**
Total receivables from customers				
High grade	**333,712**	**13,536**	–	**347,248**
Standard grade	**1,088,194**	**1,932**	–	**1,090,126**
Watchlist grade	**16,325**	**17,624**	–	**33,949**
Classified grade	–	**28,999**	–	**28,999**
Sub-standard grade	**7,558**	**11,389**	–	**18,947**
Unrated	**11**	**4,965**	–	**4,976**
Non-performing individually impaired	–	–	**27,164**	**27,164**
	₱1,445,800	**₱78,445**	**₱27,164**	**₱1,551,409**

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

	Parent Company				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
2023					
Commercial loans					
High grade	**₱162,693**	**₱–**	**₱–**	**₱–**	**₱162,693**
Standard grade	**844,407**	**802**	–	–	**845,209**
Watchlist grade	**16,325**	**17,369**	–	–	**33,694**
Classified grade	–	**28,726**	–	–	**28,726**
Non-performing individually impaired	–	–	**14,858**	**439**	**15,297**
	1,023,425	**46,897**	**14,858**	**439**	**1,085,619**
Residential mortgage loans					
High grade	**906**	–	–	–	**906**
Standard grade	**41,221**	**586**	–	–	**41,807**
Sub-standard grade	**7,414**	**1,245**	–	–	**8,659**
Non-performing individually impaired	–	–	**901**	–	**901**
	49,541	**1,831**	**901**	–	**52,273**

(Forward)

	Parent Company				
	Stage 1	Stage 2	Stage 3	POCI	Total
Auto loans					
High grade	**₱2,101**	**₱65**	**₱–**	**₱–**	**₱2,166**
Standard grade	**18,149**	**496**	–	–	**18,645**
Sub-standard grade	**144**	**31**	–	–	**175**
Non-performing individually impaired	–	–	**318**	–	**318**
	20,394	**592**	**318**	–	**21,304**
Credit card					
Standard grade	**126,916**	–	–	–	**126,916**
Sub-standard grade	–	**2,656**	–	–	**2,656**
Non-performing individually impaired	–	–	**3,562**	–	**3,562**
	126,916	**2,656**	**3,562**	–	**133,134**
Trade loans					
High grade	**2,847**	–	–	–	**2,847**
Standard grade	**44,087**	**48**	–	–	**44,135**
Watchlist grade	–	**255**	–	–	**255**
Classified grade	–	**273**	–	–	**273**
Non-performing individually impaired	–	–	**354**	–	**354**
	46,934	**576**	**354**	–	**47,864**
Other loans					
High grade	**9,511**	–	–	–	**9,511**
Standard grade	**933**	–	–	–	**933**
Sub-standard grade	**–**	**17**	–	–	**17**
Non-performing individually impaired	–	**–**	**74**	–	**74**
	10,444	**17**	**74**	–	**10,535**
Total receivables from customers					
High grade	**178,058**	**65**	–	–	**178,123**
Standard grade	**1,075,713**	**1,932**	–	–	**1,077,645**
Watchlist grade	**16,325**	**17,624**	–	–	**33,949**
Classified grade	–	**28,999**	–	–	**28,999**
Sub-standard grade	**7,558**	**3,949**	–	–	**11,507**
Non-performing individually impaired	–	–	**20,067**	**439**	**20,506**
	₱1,277,654	**₱52,569**	**₱20,067**	**₱439**	**₱1,350,729**
2022					
Commercial loans					
High grade	₱265,733	₱–	₱–	₱–	₱265,733
Standard grade	672,569	647	–	–	673,216
Watchlist grade	8,872	24,351	–	–	33,223
Classified grade	–	27,322	–	–	27,322
Non-performing individually impaired	–	–	14,993	1,633	16,626
	947,174	52,320	14,993	1,633	1,016,120
Residential mortgage loans					
High grade	450	2	–	–	452
Standard grade	38,736	300	–	–	39,036
Sub-standard grade	9,189	1,562	–	–	10,751
Non-performing individually impaired	–	–	1,649	–	1,649
	48,375	1,864	1,649	–	51,888
Auto loans					
High grade	1,217	51	–	–	1,268
Standard grade	16,223	427	–	–	16,650
Sub-standard grade	461	82	–	–	543
Non-performing individually impaired	–	–	413	–	413
	17,901	560	413	–	18,874
Credit card					
Standard grade	102,172	–	–	–	102,172
Sub-standard grade	–	850	–	–	850
Non-performing individually impaired	–	–	2,542	–	2,542
	102,172	850	2,542	–	105,564
Trade loans					
High grade	4,453	–	–	–	4,453
Standard grade	54,165	–	–	–	54,165
Classified grade	–	498	–	–	498
Non-performing individually impaired	–	–	414	–	414
	58,618	498	414	–	59,530
Other loans					
High grade	8,216	–	–	–	8,216
Standard grade	1,214	–	–	–	1,214
Non-performing individually impaired	–	–	44	–	44
	9,430	–	44	–	9,474

(Forward)

	Parent Company				
	Stage 1	Stage 2	Stage 3	POCI	Total
Total receivables from customers					
High grade	₱280,069	₱53	₱–	₱–	₱280,122
Standard grade	885,079	1,374	–	–	886,453
Watchlist grade	8,872	24,351	–	–	33,223
Classified grade	–	27,820	–	–	27,820
Sub-standard grade	9,650	2,494	–	–	12,144
Non-performing individually impaired	–	–	20,055	1,633	21,688
	₱1,183,670	₱56,092	₱20,055	₱1,633	₱1,261,450

Movements during 2023 and 2022 for receivables from customers follows:

	Consolidated			
	Receivables from Customers			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2023				
Commercial loans				
Balance at January 1, 2023	**₱1,017,908**	**₱53,344**	**₱20,116**	**₱1,091,368**
Newly originated assets that remained in Stage 1 as at year-end	**544,741**	–	–	**544,741**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	**17,758**	**1,450**	**19,208**
Assets derecognized or repaid	**(462,792)**	**(21,050)**	**(3,932)**	**(487,774)**
Amounts written-off			**(1,269)**	**(1,269)**
Transfers to/(from) Stage 1	**957**	–	–	**957**
Transfers to/(from) Stage 2	–	**(2,479)**	–	**(2,479)**
Transfers to/(from) Stage 3	–	–	**1,521**	**1,521**
Others	**(2,171)**	**(74)**	**(26)**	**(2,271)**
Balance at December 31, 2023	**1,098,643**	**47,499**	**17,860**	**1,164,002**
Residential mortgage loans				
Balance at January 1, 2023	**70,887**	**19,905**	**3,177**	**93,969**
Newly originated assets that remained in Stage 1 as at year-end	**18,305**	–	–	**18,305**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	**21**	**10**	**31**
Assets derecognized or repaid	**(13,021)**	**(4,821)**	**(1,012)**	**(18,854)**
Amounts written off	–	–	–	–
Transfers to/(from) Stage 1	**(5,455)**	–	–	**(5,455)**
Transfers to/(from) Stage 2	–	**5,427**	–	**5,427**
Transfers to/(from) Stage 3	–	–	**28**	**28**
Others	–	–	**–**	**–**
Balance at December 31, 2023	**70,716**	**20,532**	**2,203**	**93,451**
Auto loans				
Balance at January 1, 2023	**71,018**	**6,152**	**2,325**	**79,495**
Newly originated assets that remained in Stage 1 as at year-end	**45,429**	–	–	**45,429**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	**1,213**	**589**	**1,802**
Assets derecognized or repaid	**(23,880)**	**(4,952)**	**(1,376)**	**(30,208)**
Amounts written-off	–	–	**(156)**	**(156)**
Transfers to/(from) Stage 1	**(5,306)**	–	–	**(5,306)**
Transfers to/(from) Stage 2	–	**3,781**	–	**3,781**
Transfers to/(from) Stage 3	–	–	**1,524**	**1,524**
Balance at December 31, 2023	**87,261**	**6,194**	**2,906**	**96,361**
Credit card				
Balance at January 1, 2023	**102,172**	**850**	**2,542**	**105,564**
Newly originated assets that remained in Stage 1 as at year-end	**10,539**	–	–	**10,539**
Assets derecognized or repaid	**(616)**	**(266)**	**(226)**	**(1,108)**
Amounts written-off	–	–	**(7,415)**	**(7,415)**
Transfers to/(from) Stage 1	**(6,664)**	–	–	**(6,664)**
Transfers to/(from) Stage 2	–	**2,028**	–	**2,028**
Transfers to/(from) Stage 3	–	–	**4,636**	**4,636**
Others	**21,485**	**44**	**4,025**	**25,554**
Balance at December 31, 2023	**126,916**	**2,656**	**3,562**	**133,134**
Trade loans				
Balance at January 1, 2023	**60,178**	**498**	**414**	**61,090**
Newly originated assets that remained in Stage 1 as at year-end	**49,192**	–	–	**49,192**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	**567**	**2**	**569**

(Forward)

	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
Assets derecognized or repaid	**(₱58,618)**	**(₱489)**	**(₱62)**	**(₱59,169)**
Others	**(64)**	–	–	**(64)**
Balance at December 31, 2023	**50,688**	**576**	**354**	**51,618**
Other loans				
Balance at January 1, 2023	**10,380**	**1,024**	**301**	**11,705**
Newly originated assets that remained in Stage 1 as at year-end	**10,803**	–	–	**10,803**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	**220**	**4**	**224**
Assets derecognized or repaid	**(9,438)**	**(107)**	**(35)**	**(9,580)**
Amounts written-off	–	–	**(178)**	**(178)**
Transfers to/(from) Stage 1	**48**	–	–	**48**
Transfers to/(from) Stage 2	–	**(158)**	–	**(158)**
Transfers to/(from) Stage 3	–	–	**112**	**112**
Others	**(217)**	**9**	**75**	**(133)**
Balance at December 31, 2023	**11,576**	**988**	**279**	**12,843**
Total receivables from customers				
Balance at January 1, 2023	**1,332,543**	**81,773**	**28,875**	**1,443,191**
Newly originated assets that remained in Stage 1 as at year-end	**679,009**	–	–	**679,009**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	**19,779**	**2,055**	**21,834**
Assets derecognized or repaid	**(568,365)**	**(31,685)**	**(6,643)**	**(606,693)**
Amounts written-off	–	–	**(9,018)**	**(9,018)**
Transfers to/(from) Stage 1	**(16,420)**	–	–	**(16,420)**
Transfers to/(from) Stage 2	–	**8,599**	–	**8,599**
Transfers to/(from) Stage 3	–	–	**7,821**	**7,821**
Others	**19,033**	**(21)**	**4,074**	**23,086**
Balance at December 31, 2023	**₱1,445,800**	**₱78,445**	**₱27,164**	**₱1,551,409**
2022				
Commercial loans				
Balance at January 1, 2022	₱837,737	₱92,878	₱18,031	₱948,646
Newly originated assets that remained in Stage 1 as at year-end	582,396	–	–	582,396
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	19,715	2,929	22,644
Assets derecognized or repaid	(403,597)	(55,549)	(5,808)	(464,954)
Amounts written-off	–	–	(2,300)	(2,300)
Transfers to/(from) Stage 1	(2,750)	–	–	(2,750)
Transfers to/(from) Stage 2	–	(4,449)	–	(4,449)
Transfers to/(from) Stage 3	–	–	7,199	7,199
Others	4,122	749	65	4,936
Balance at December 31, 2022	1,017,908	53,344	20,116	1,091,368
Residential mortgage loans				
Balance at January 1, 2022	82,183	9,668	5,633	97,484
Newly originated assets that remained in Stage 1 as at year-end	16,645	–	–	16,645
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	86	58	144
Assets derecognized or repaid	(14,269)	(4,161)	(1,873)	(20,303)
Amounts written off	–		(1)	(1)
Transfers to/(from) Stage 1	(13,672)	–	–	(13,672)
Transfers to/(from) Stage 2	–	14,312	–	14,312
Transfers to/(from) Stage 3	–	–	(640)	(640)
Balance at December 31, 2022	70,887	19,905	3,177	93,969
Auto loans				
Balance at January 1, 2022	60,531	12,122	3,973	76,626
Newly originated assets that remained in Stage 1 as at year-end	36,697	–	–	36,697
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	701	208	909
Assets derecognized or repaid	(24,801)	(7,108)	(2,202)	(34,111)
Amounts written-off	–	–	(626)	(626)
Transfers to/(from) Stage 1	(1,409)	–	–	(1,409)
Transfers to/(from) Stage 2	–	437	–	437
Transfers to/(from) Stage 3	–	–	972	972
Balance at December 31, 2022	71,018	6,152	2,325	79,495

(Forward)

	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
Credit card				
Balance at January 1, 2022	₱80,294	₱687	₱1,131	₱82,112
Newly originated assets that remained in Stage 1 as at year-end	3,869	–	–	3,869
Assets derecognized or repaid	(484)	(218)	(107)	(809)
Amounts written-off	–	–	(4,439)	(4,439)
Transfers to/(from) Stage 1	(4,354)	–	–	(4,354)
Transfers to/(from) Stage 2	–	1,102	–	1,102
Transfers to/(from) Stage 3	–	–	3,252	3,252
Others	22,847	(721)	2,705	24,831
Balance at December 31, 2022	102,172	850	2,542	105,564
Trade loans				
Balance at January 1, 2022	49,910	1,832	346	52,088
Newly originated assets that remained in Stage 1 as at year-end	58,617	–	–	58,617
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	449	311	760
Assets derecognized or repaid	(48,328)	(1,796)	(243)	(50,367)
Transfers to/(from) Stage 1	(13)	–	–	(13)
Transfers to/(from) Stage 2	–	13	–	13
Others	(8)	–	–	(8)
Balance at December 31, 2022	60,178	498	414	61,090
Other loans				
Balance at January 1, 2022	7,451	1,462	755	9,668
Newly originated assets that remained in Stage 1 as at year-end	7,324	–	–	7,324
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	158	14	172
Assets derecognized or repaid	(5,170)	(172)	(109)	(5,451)
Amounts written-off	–	–	(453)	(453)
Transfers to/(from) Stage 1	330	–	–	330
Transfers to/(from) Stage 2	–	(424)	–	(424)
Transfers to/(from) Stage 3	–	–	94	94
Others	445	–	–	445
Balance at December 31, 2022	10,380	1,024	301	11,705
Total receivables from customers				
Balance at January 1, 2022	1,118,106	118,649	29,869	1,266,624
Newly originated assets that remained in Stage 1 as at year-end	705,548	–	–	705,548
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	21,109	3,520	24,629
Assets derecognized or repaid	(496,649)	(69,004)	(10,342)	(575,995)
Amounts written-off	–	–	(7,819)	(7,819)
Transfers to/(from) Stage 1	(21,868)	–	–	(21,868)
Transfers to/(from) Stage 2	–	10,991	–	10,991
Transfers to/(from) Stage 3	–	–	10,877	10,877
Others	27,406	28	2,770	30,204
Balance at December 31, 2022	₱1,332,543	₱81,773	₱28,875	₱1,443,191

	Parent Company				
	Receivables from Customers				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
2023					
Commercial loans					
Balance at January 1, 2023	**₱947,174**	**₱52,320**	**₱14,993**	**₱1,633**	**₱1,016,120**
Newly originated assets that remained in Stage 1 as at year-end	**530,851**	–	–	–	**530,851**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	**17,632**	**1,045**	–	**18,677**
Assets derecognized or repaid	**(455,343)**	**(20,469)**	**(2,769)**		**(478,581)**
Amounts written off	–	–	**(145)**	**(927)**	**(1,072)**
Transfers to/(from) Stage 1	**1,022**	–	–	–	**1,022**
Transfers to/(from) Stage 2	–	**(2,512)**	–	–	**(2,512)**
Transfers to/(from) Stage 3	–	–	**1,490**	–	**1,490**
Others	**(279)**	**(74)**	**244**	**(267)**	**(376)**
Balance at December 31, 2023	**1,023,425**	**46,897**	**14,858**	**439**	**1,085,619**

(Forward)

	Parent Company				
	Receivables from Customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Residential mortgage loans					
Balance at January 1, 2023	₱48,375	₱1,864	₱1,649	₱–	₱51,888
Newly originated assets that remained in Stage 1 as at year-end	12,637	–	–	–	12,637
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	14	2	–	16
Assets derecognized or repaid	(10,873)	(734)	(661)	–	(12,268)
Transfers to/(from) Stage 1	(598)	–	–	–	(598)
Transfers to/(from) Stage 2	–	687	–	–	687
Transfers to/(from) Stage 3	–	–	(89)	–	(89)
Balance at December 31, 2023	49,541	1,831	901	–	52,273
Auto loans					
Balance at January 1, 2023	17,901	560	413	–	18,874
Newly originated assets that remained in Stage 1 as at year-end	10,473	–	–	–	10,473
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	260	6	–	266
Assets derecognized or repaid	(7,817)	(317)	(165)	–	(8,299)
Amounts written off	–	–	(10)	–	(10)
Transfers to/(from) Stage 1	(163)	–	–	–	(163)
Transfers to/(from) Stage 2	–	89	–	–	89
Transfers to/(from) Stage 3	–	–	74	–	74
Balance at December 31, 2023	20,394	592	318	–	21,304
Credit card					
Balance at January 1, 2023	102,172	850	2,542	–	105,564
Newly originated assets that remained in Stage 1 as at year-end	10,539	–	–	–	10,539
Assets derecognized or repaid	(616)	(266)	(226)	–	(1,108)
Amounts written-off	–	–	(7,415)	–	(7,415)
Transfers to/(from) Stage 1	(6,664)	–	–	–	(6,664)
Transfers to/(from) Stage 2	–	2,028	–	–	2,028
Transfers to/(from) Stage 3	–	–	4,636	–	4,636
Others	21,485	44	4,025	–	25,554
Balance at December 31, 2023	126,916	2,656	3,562	–	133,134
Trade loans					
Balance at January 1, 2023	58,618	498	414	–	59,530
Newly originated assets that remained in Stage 1 as at year-end	46,934	–	–	–	46,934
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	567	2	–	569
Assets derecognized or repaid	(58,618)	(489)	(62)	–	(59,169)
Balance at December 31, 2023	46,934	576	354	–	47,864
Other loans					
Balance at January 1, 2023	9,430	–	44	–	9,474
Newly originated assets that remained in Stage 1 as at year-end	10,013	–	–	–	10,013
Assets derecognized or repaid	(8,754)	–	(2)	–	(8,756)
Amounts written off	–	–	(64)	–	(64)
Transfers to/(from) Stage 1	(28)	–	–	–	(28)
Transfers to/(from) Stage 2	–	8	–	–	8
Transfers to/(from) Stage 3	–	–	20	–	20
Others	(217)	9	76	–	(132)
Balance at December 31, 2023	10,444	17	74	–	10,535
Total receivables from customers					
Balance at January 1, 2023	1,183,670	56,092	20,055	1,633	1,261,450
Newly originated assets that remained in Stage 1 as at year-end	621,447	–	–	–	621,447
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	18,473	1,055	–	19,528
Assets derecognized or repaid	(542,021)	(22,275)	(3,885)	–	(568,181)
Amounts written-off	–	–	(7,634)	(927)	(8,561)
Transfers to/(from) Stage 1	(6,431)	–	–	–	(6,431)
Transfers to/(from) Stage 2	–	300	–	–	300
Transfers to/(from) Stage 3	–	–	6,131	–	6,131
Others	20,989	(21)	4,345	(267)	25,046
Balance at December 31, 2023	₱1,277,654	₱52,569	₱20,067	₱439	₱1,350,729

	Parent Company				
	Receivables from Customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
2022					
Commercial loans					
Balance at January 1, 2022	₱772,740	₱89,578	₱10,476	₱3,276	₱876,070
Newly originated assets that remained in Stage 1 as at year-end	565,660	–	–	–	565,660
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	19,629	2,687	–	22,316
Assets derecognized or repaid	(391,954)	(54,185)	(4,149)	(8)	(450,296)
Amounts written off	–	–	(284)	(1,638)	(1,922)
Transfers to/(from) Stage 1	(2,751)	–	–	–	(2,751)
Transfers to/(from) Stage 2	–	(3,451)	–	–	(3,451)
Transfers to/(from) Stage 3	–	–	6,202	–	6,202
Others	3,479	749	61	3	4,292
Balance at December 31, 2022	947,174	52,320	14,993	1,633	1,016,120
Residential mortgage loans					
Balance at January 1, 2022	45,769	3,362	3,075	–	52,206
Newly originated assets that remained in Stage 1 as at year-end	12,209	–	–	–	12,209
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	–	20	–	20
Assets derecognized or repaid	(10,816)	(890)	(840)	–	(12,546)
Amounts written off	–	–	(1)	–	(1)
Transfers to/(from) Stage 1	1,213	–	–	–	1,213
Transfers to/(from) Stage 2	–	(608)	–	–	(608)
Transfers to/(from) Stage 3	–	–	(605)	–	(605)
Balance at December 31, 2022	48,375	1,864	1,649	–	51,888
Auto loans					
Balance at January 1, 2022	17,401	704	710	–	18,815
Newly originated assets that remained in Stage 1 as at year-end	8,727	–	–	–	8,727
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	188	1	–	189
Assets derecognized or repaid	(8,103)	(434)	(311)	–	(8,848)
Amounts written off	–	–	(9)	–	(9)
Transfers to/(from) Stage 1	(124)	–	–	–	(124)
Transfers to/(from) Stage 2	–	102	–	–	102
Transfers to/(from) Stage 3	–	–	22	–	22
Balance at December 31, 2022	17,901	560	413	–	18,874
Credit card					
Balance at January 1, 2022	80,294	687	1,131	–	82,112
Newly originated assets that remained in Stage 1 as at year-end	3,869	–	–	–	3,869
Assets derecognized or repaid	(484)	(218)	(107)	–	(809)
Amounts written-off	–	–	(4,439)	–	(4,439)
Transfers to/(from) Stage 1	(4,354)	–	–	–	(4,354)
Transfers to/(from) Stage 2	–	1,102	–	–	1,102
Transfers to/(from) Stage 3	–	–	3,252	–	3,252
Others	22,847	(721)	2,705	–	24,831
Balance at December 31, 2022	102,172	850	2,542	–	105,564
Trade loans					
Balance at January 1, 2022	46,537	1,832	346	–	48,715
Newly originated assets that remained in Stage 1 as at year-end	58,618	–	–	–	58,618
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	449	311	–	760
Assets derecognized or repaid	(46,524)	(1,796)	(243)	–	(48,563)
Transfers to/(from) Stage 1	(13)	–	–	–	(13)
Transfers to/(from) Stage 2	–	13	–	–	13
Balance at December 31, 2022	58,618	498	414	–	59,530
Other loans					
Balance at January 1, 2022	6,660	–	41	–	6,701
Newly originated assets that remained in Stage 1 as at year-end	6,931	–	–	–	6,931
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	–	1	–	1
Assets derecognized or repaid	(4,601)	–	(2)	–	(4,603)
Transfers to/(from) Stage 1	(4)	–	–	–	(4)
Transfers to/(from) Stage 3	–	–	4	–	4

(Forward)

	Parent Company				
	Receivables from Customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Others	₱444	₱–	₱–	₱–	₱444
Balance at December 31, 2022	9,430	–	44	–	9,474
Total receivables from customers					
Balance at January 1, 2022	969,401	96,163	15,779	3,276	1,084,619
Newly originated assets that remained in Stage 1 as at year-end	656,014	–	–	–	656,014
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	20,266	3,020	–	23,286
Assets derecognized or repaid	(462,482)	(57,523)	(5,652)	(8)	(525,665)
Amounts written-off	–	–	(4,733)	(1,638)	(6,371)
Transfers to/(from) Stage 1	(6,033)	–	–	–	(6,033)
Transfers to/(from) Stage 2	–	(2,842)	–	–	(2,842)
Transfers to/(from) Stage 3	–	–	8,875	–	8,875
Others	26,770	28	2,766	3	29,567
Balance at December 31, 2022	₱1,183,670	₱56,092	₱20,055	₱1,633	₱1,261,450

The credit quality of other receivables, gross of allowance for credit losses, as of December 31, 2023 and 2022 follows:

	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2023				
Unquoted debt securities				
High grade	**₱518**	**₱–**	**₱–**	**₱518**
Standard grade	**30**	–	–	**30**
Non-performing individually impaired	–	–	**386**	**386**
	548	–	**386**	**934**
Accrued interest receivable				
High grade	**13,868**	**180**	–	**14,048**
Standard grade	**5,494**	**5**	–	**5,499**
Watchlist grade	**66**	**55**	–	**121**
Classified grade	–	**217**	–	**217**
Sub-standard grade	**36**	**232**	–	**268**
Unrated	**16**	**107**	–	**123**
Non-performing individually impaired	–	–	**619**	**619**
	19,480	**796**	**619**	**20,895**
Sales contract receivable				
High grade	**1**	**–**	**–**	**1**
Unrated	**23**	–	–	**23**
Non-performing individually impaired	–	–	**8**	**8**
	24	–	**8**	**32**
Other receivables				
High Grade	**3**	–	–	**3**
Standard grade	**389**	–	–	**389**
Unrated	**3**	–	–	**3**
Non-performing individually impaired	–	–	**1**	**1**
	395	–	**1**	**396**
Total other receivables				
High grade	**14,390**	**180**	–	**14,570**
Standard grade	**5,913**	**5**	–	**5,918**
Watchlist grade	**66**	**55**	–	**121**
Classified grade	–	**217**	–	**217**
Sub-standard grade	**36**	**232**	–	**268**
Unrated	**42**	**107**	–	**149**
Non-performing individually impaired	–	–	**1,014**	**1,014**
	₱20,447	**₱796**	**₱1,014**	**₱22,257**
2022				
Unquoted debt securities				
High grade	₱787	₱–	₱–	₱787
Standard grade	30	–	–	30
Non-performing individually impaired	–	–	386	386
	817	–	386	1,203

(Forward)

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

	Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2023				
Unquoted debt securities				
High grade	**₱105**	**₱–**	**₱–**	**₱105**
Non-performing individually impaired	–	–	**386**	**386**
	105	–	**386**	**491**
Accrued interest receivable				
High grade	**11,076**	–	–	**11,076**
Standard grade	**5,449**	**5**	–	**5,454**
Watchlist grade	**66**	**55**	–	**121**
Classified grade	**–**	**217**	–	**217**
Sub-standard grade	**35**	**7**	–	**42**
Unrated	**5**	–	–	**5**
Non-performing individually impaired	–	–	**481**	**481**
	16,631	**284**	**481**	**17,396**
Sales contract receivable				
Unrated	**23**	–	–	**23**
Non-performing individually impaired	–	–	**2**	**2**
	23	–	**2**	**25**
Other receivables				
Unrated	**1**	–	–	**1**
Non-performing individually impaired	–	–	**1**	**1**
	1	–	**1**	**2**
Total other receivables				
High grade	**11,181**	–	–	**11,181**
Standard grade	**5,449**	**5**	–	**5,454**
Watchlist grade	**66**	**55**	–	**121**
Classified grade	–	**217**	–	**217**
Sub-standard grade	**35**	**7**	–	**42**
Unrated	**29**	–	–	**29**
Non-performing individually impaired	–	–	**870**	**870**
	₱16,760	**₱284**	**₱870**	**₱17,914**

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

Movements during 2023 and 2022 for other receivables follow:

	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2023				
Balance at January 1, 2023	**₱15,071**	**₱1,214**	**₱1,018**	**₱17,303**
Newly originated assets that remained in Stage 1 as at year-end	**15,329**	–	–	**15,329**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	**108**	**64**	**172**
Assets derecognized or repaid	**(9,551)**	**(599)**	**(123)**	**(10,273)**
Amounts written off	–	–	**(1)**	**(1)**
Transfers to/(from) Stage 1	**(129)**	–	–	**(129)**
Transfers to/(from) Stage 2	–	**73**	–	**73**
Transfers to/(from) Stage 3	–	–	**56**	**56**
Others	**(273)**	–	–	**(273)**
Balance at December 31, 2023	**₱20,447**	**₱796**	**₱1,014**	**₱22,257**
2022				
Balance at January 1, 2022	₱11,274	₱1,185	₱1,700	₱14,159
Newly originated assets that remained in Stage 1 as at year-end	9,768	–	–	9,768
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	359	93	452
Assets derecognized or repaid	(5,764)	(402)	(845)	(7,011)
Amounts written off	–	–	(34)	(34)
Transfers to/(from) Stage 1	(176)	–	–	(176)
Transfers to/(from) Stage 2	–	72	–	72
Transfers to/(from) Stage 3	–	–	104	104
Others	(31)	–	–	(31)
Balance at December 31, 2022	₱15,071	₱1,214	₱1,018	₱17,303

	Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2023				
Balance at January 1, 2023	**₱11,290**	**₱634**	**₱896**	**₱12,820**
Newly originated assets that remained in Stage 1 as at year-end	**13,821**	–	–	**13,821**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	**78**	**24**	**102**
Assets derecognized or repaid	**(8,304)**	**(406)**	**(53)**	**(8,763)**
Amounts written off	–	–	**(1)**	**(1)**
Transfers to/(from) Stage 1	**18**	–	–	**18**
Transfers to/(from) Stage 2	–	**(22)**	–	**(22)**
Transfers to/(from) Stage 3	–	–	**4**	**4**
Others	**(65)**	–	–	**(65)**
Balance at December 31, 2023	**₱16,760**	**₱284**	**₱870**	**₱17,914**
2022				
Balance at January 1, 2022	₱7,353	₱505	₱816	₱8,674
Newly originated assets that remained in Stage 1 as at year-end	9,362	–	–	9,362
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	344	84	428
Assets derecognized or repaid	(5,388)	(157)	(39)	(5,584)
Amounts written off	–	–	(34)	(34)
Transfers to/(from) Stage 1	(11)	–	–	(11)
Transfers to/(from) Stage 2	–	(58)	–	(58)
Transfers to/(from) Stage 3	–	–	69	69
Others	(26)	–	–	(26)
Balance at December 31, 2022	₱11,290	₱634	₱896	₱12,820

The credit risk exposure on the accounts receivable of the Group and the Parent Company based on their aging as of December 31, 2023 and 2022 follows:

	Consolidated		Parent Company	
Age of accounts receivables	**2023**	2022	**2023**	2022
Up to 1 month	**₱5,474**	₱4,803	**₱4,175**	₱3,036
> 1 to 2 months	**37**	65	**12**	22
> 2 to 3 months	**25**	35	**8**	3
More than 3 months	**9,558**	4,430	**3,460**	3,439
Total gross carrying amount	**₱15,094**	₱9,333	**₱7,655**	₱6,500

The maximum exposure and credit quality of loan commitments and financial guarantees as of December 31, 2023 and 2022 follows:

	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2023				
High grade	**₱16,637**	**₱–**	**₱–**	**₱16,637**
Standard grade	**273,260**	**2,761**	–	**276,021**
Substandard grade	–	–	**859**	**859**
Unrated	**75,710**	**378**	–	**76,088**
	₱365,607	**₱3,139**	**₱859**	**₱369,605**
2022				
High grade	₱32,774	₱–	₱–	₱32,774
Standard grade	228,488	3,541	–	232,029
Substandard grade	–	–	1,424	1,424
Unrated	80,165	596	–	80,761
	₱341,427	₱4,137	₱1,424	₱346,988

	Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2023				
Standard grade	**₱273,219**	**₱2,761**	**₱–**	**₱275,980**
Substandard grade	–	–	**859**	**859**
Unrated	**75,710**	**378**	–	**76,088**
	₱348,929	**₱3,139**	**₱859**	**₱352,927**
2022				
Standard grade	₱228,366	₱3,541	₱–	₱231,907
Substandard grade	–	–	1,424	1,424
Unrated	80,166	596	–	80,762
	₱308,532	₱4,137	₱1,424	₱314,093

Movements during 2023 and 2022 for loan commitments and financial guarantees follow:

	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
2023				
Balance at January 1, 2023	**₱341,427**	**₱4,137**	**₱1,424**	**₱346,988**
New assets originated or purchased	**53,661**	–	–	**53,661**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	**26**	–	**26**
Assets derecognized or repaid	**(49,318)**	**(551)**	**(965)**	**(50,834)**
Transfers to/(from) Stage 1	**(1,499)**	–	–	**(1,499)**
Transfers to/(from) Stage 2	–	**567**	–	**567**
Transfers to/(from) Stage 3	–	–	**932**	**932**
Others	**21,336**	**(1,040)**	**(532)**	**19,764**
Balance at December 31, 2023	**₱365,607**	**₱3,139**	**₱859**	**₱369,605**
2022				
Balance at January 1, 2022	₱283,152	₱4,969	₱2,112	₱290,233
New assets originated or purchased	44,878	–	–	44,878
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	163	–	163
Assets derecognized or repaid	(27,297)	(1,081)	(967)	(29,345)
Transfers to/(from) Stage 1	(915)	–	–	(915)
Transfers to/(from) Stage 2	–	352	–	352
Transfers to/(from) Stage 3	–	–	563	563
Others	41,609	(266)	(284)	41,059
Balance at December 31, 2022	₱341,427	₱4,137	₱1,424	₱346,988

	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
2023				
Balance at January 1, 2023	**₱308,532**	**₱4,137**	**₱1,424**	**₱314,093**
New assets originated or purchased	**53,661**	–	–	**53,661**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	**26**	–	**26**
Assets derecognized or repaid	**(34,244)**	**(551)**	**(965)**	**(35,760)**
Transfers to/(from) Stage 1	**(1,499)**	–	–	**(1,499)**
Transfers to/(from) Stage 2	–	**567**	–	**567**
Transfers to/(from) Stage 3	–	–	**932**	**932**
Others	**22,479**	**(1,040)**	**(532)**	**20,907**
Balance at December 31, 2023	**₱348,929**	**₱3,139**	**₱859**	**₱352,927**
2022				
Balance at January 1, 2022	₱259,453	₱4,969	₱2,112	₱266,534
New assets originated or purchased	35,782	–	–	35,782
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	163	–	163
Assets derecognized or repaid	(27,297)	(1,081)	(967)	(29,345)
Transfers to/(from) Stage 1	(915)	–	–	(915)
Transfers to/(from) Stage 2	–	352	–	352
Transfers to/(from) Stage 3	–	–	563	563
Others	41,509	(266)	(284)	40,959
Balance at December 31, 2022	₱308,532	₱4,137	₱1,424	₱314,093

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

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Commercial loans	**₱5,053**	₱6,451	**₱4,452**	₱5,515
Residential mortgage loans	**96**	119	**37**	56
Auto loans	**1**	1	–	–
	₱5,150	₱6,571	**₱4,489**	₱5,571

As of December 31, 2023 and 2022, an analysis by past due status of receivables from customers wherein the SICR is based only on the past due information is as follows:

	Consolidated					
	Number of Days Past Due					
	Within 30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Total
2023						
Auto loans	**₱134**	**₱1,876**	**₱851**	**₱1,003**	**₱1,675**	**₱5,539**
Residential mortgage loans	**898**	**1,029**	**368**	**307**	**1,093**	**3,695**
Credit card	–	**1,470**	**1,187**	**2,178**	**1,383**	**6,218**
	₱1,032	**₱4,375**	**₱2,406**	**₱3,488**	**₱4,151**	**₱15,452**
2022						
Auto loans	₱131	₱1,558	₱653	₱676	₱1,325	₱4,343
Residential mortgage loans	998	1,176	452	346	1,430	4,402
Credit card	–	1,092	847	1,492	1,043	4,474
	₱1,129	₱3,826	₱1,952	₱2,514	₱3,798	₱13,219

	Parent Company					
	Number of Days Past Due					
	Within 30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Total
2023						
Auto loans	**₱35**	**₱15**	**₱12**	**₱8**	**₱256**	**₱326**
Residential mortgage loans	**229**	**139**	**46**	**69**	**520**	**1,003**
Credit card	–	**1,470**	**1,187**	**2,178**	**1,383**	**6,218**
	₱264	**₱1,624**	**₱1,245**	**₱2,255**	**₱2,159**	**₱7,547**
2022						
Auto loans	₱37	₱13	₱11	₱19	₱283	₱363
Residential mortgage loans	242	73	44	88	821	1,268
Credit card	–	1,092	847	1,492	1,043	4,474
	₱279	₱1,178	₱902	₱1,599	₱2,147	₱6,105

Liquidity Risk

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

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

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

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

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

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

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

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

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

	Consolidated						
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	Total
2023							
Financial Assets							
Cash and other cash items	₱39,431	₱–	₱–	₱–	₱–	₱–	₱39,431
Due from BSP	201,660	6,150	–	–	–	–	207,810
Due from other banks	79,544	5,233	5,561	287	9	–	90,634
Interbank loans receivable and SPURA	–	66,126	4,063	2,184	674	–	73,047
Investment securities at FVTPL							
FVTPL investments	–	6,805	45,671	–	12	1,185	53,673
Derivative assets							
Trading:							
Receive	–	154,359	135,842	61,854	57,983	143,990	554,028
Pay	–	(150,759)	(130,163)	(59,920)	(56,113)	(135,189)	(532,144)
	–	3,600	5,679	1,934	1,870	8,801	21,884
Investment securities at FVOCI	–	64,404	121,979	14,792	6,055	411,911	619,141
Investment securities at amortized cost	16,524	2,484	2,310	619	1,186	614,287	637,410
Loans and receivables							
Receivables from customers	86,308	216,152	207,074	122,397	122,327	1,102,101	1,856,359
Unquoted debt securities	–	–	15	15	417	120	567
Accrued interest receivable	2,285	17,586	188	2	834	–	20,895
Accounts receivable	8,612	6,424	10	8	10	30	15,094
Sales contract receivable	11	1	2	4	5	11	34
Other receivables	71	292	17	2	9	5	396
Other assets							
Returned checks and other cash items	448	–	–	–	–	–	448
Residual values of leased assets	56	14	22	38	103	237	470
Miscellaneous	195	1	3	5	16	173	393
	₱435,145	₱395,272	₱392,594	₱142,287	₱133,527	₱2,138,861	₱3,637,686

	Consolidated						
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	Total
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	₱586,345	₱–	₱–	₱–	₱–	₱–	₱586,345
Savings	853,028	–	–	–	–	–	853,028
Time	268	476,737	247,138	104,079	78,409	32,639	939,270
LTNCD	–	13	5,112	8,833	3,787	–	17,745
	1,439,641	476,750	252,250	112,912	82,196	32,639	2,396,388
Bills payable and SSURA	–	70,323	83,393	1,345	2,254	5	157,320
Manager's checks and demand drafts outstanding	7,048	–	–	–	–	–	7,048
Accrued interest payable	488	1,800	2,560	1,562	843	49	7,302
Accrued other expenses	7,815	437	2,272	2	–	–	10,526
Lease liability	47	197	206	366	638	5,269	6,723
Non-equity non-controlling interest	10,260	–	–	–	–	–	10,260
Other liabilities							
Bonds payable	–	9	246	24,009	650	48,469	73,383
Bills purchased – contra	9,486	–	–	–	–	–	9,486
Accounts payable	9,503	17,335	142	160	347	3	27,490
Marginal deposits	451	106	1,361	4,220	4,618	–	10,756
Outstanding acceptances	–	329	821	235	113	–	1,498
Deposits on lease contracts	90	56	44	59	156	378	783
Dividends payable	89	–	–	–	–	–	89
Miscellaneous	175	–	–	–	–	–	175
	1,485,093	567,342	343,295	144,870	91,815	86,812	2,719,227
Derivative liabilities*							
Trading:							
Pay	–	165,078	191,729	84,444	105,457	100,357	647,065
Receive	–	(161,856)	(188,514)	(82,719)	(102,044)	(96,256)	(631,389)
	–	3,222	3,215	1,725	3,413	4,101	15,676
Loan commitments and financial guarantees	280,191	7,519	17,876	12,988	30,860	20,171	369,605
	₱1,765,284	₱578,083	₱364,386	₱159,583	₱126,088	₱111,084	₱3,104,508
2022							
Financial Assets							
Cash and other cash items	₱40,683	₱–	₱–	₱–	₱–	₱–	₱40,683
Due from BSP	221,394	31,266	–	–	–	–	252,660
Due from other banks	62,915	5,721	4,777	2,085	69	–	75,567
Interbank loans receivable and SPURA	16,705	51,406	4,427	640	519	212	73,909
Investment securities at FVTPL							
FVTPL investments	–	7,115	32,992	–	6	900	41,013
Derivative assets							
Trading:							
Receive	–	121,917	99,273	41,580	49,478	132,752	445,000
Pay	–	(119,239)	(95,931)	(39,365)	(46,852)	(119,685)	(421,072)
	–	2,678	3,342	2,215	2,626	13,067	23,928
Investment securities at FVOCI	–	72,844	8,837	39,054	44,349	430,094	595,178
Investment securities at amortized cost	–	607	2,489	2,217	1,910	424,757	431,980
Loans and receivables							
Receivables from customers	74,314	257,495	191,232	118,089	98,703	940,617	1,680,450
Unquoted debt securities	–	–	209	447	–	224	880
Accrued interest receivable	12,724	1,948	330	77	709	–	15,788
Accounts receivable	8,255	86	66	146	780	–	9,333
Sales contract receivable	11	1	3	2	3	13	33
Other receivables	3	8	19	23	58	170	281
Other assets							
Returned checks and other cash items	345	–	–	–	–	–	345
Residual values of leased assets	81	35	34	49	69	355	623
Miscellaneous	7	2	2	2	8	177	198
	₱437,437	₱431,212	₱248,759	₱165,046	₱149,809	₱1,810,586	₱3,242,849

	Consolidated						
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	Total
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	₱581,473	₱–	₱–	₱–	₱–	₱–	₱581,473
Savings	898,078	–	–	–	–	–	898,078
Time	378	433,433	182,725	49,696	32,164	21,119	719,515
LTNCD	–	13	129	292	9,159	17,920	27,513
	1,479,929	433,446	182,854	49,988	41,323	39,039	2,226,579
Bills payable and SSURA	–	65,527	16,948	1,527	5,904	1,945	91,851
Manager's checks and demand drafts outstanding	6,501	–	–	–	–	–	6,501
Accrued interest payable	65	1,387	1,569	426	290	39	3,776
Accrued other expenses	6,550	1,946	388	–	209	–	9,093
Bonds payable	–	9	4,972	14,288	1,259	74,072	94,600
Lease liability	101	116	463	388	704	4,589	6,361
Subordinated debts	–	–	19	19	1,207	18	1,263
Non-equity non-controlling interest	10,139	–	–	–	–	–	10,139
Other liabilities							
Bills purchased - contra	8,209	–	–	–	–	–	8,209
Accounts payable	8,675	12,932	497	178	353	25	22,660
Marginal deposits	776	1,148	3,049	5,090	4,720	81	14,864
Outstanding acceptances	–	351	549	253	134	–	1,287
Deposits on lease contracts	122	99	53	60	105	540	979
Dividends payable	90	–	–	–	–	–	90
Miscellaneous	173	–	–	–	–	–	173
	1,521,330	516,961	211,361	72,217	56,208	120,348	2,498,425
Derivative liabilities*							
Trading:							
Pay	–	127,900	69,609	57,540	30,748	115,508	401,305
Receive	–	(124,982)	(67,726)	(55,513)	(29,556)	(108,116)	(385,893)
	–	2,918	1,883	2,027	1,192	7,392	15,412
Loan commitments and financial guarantees	237,881	4,323	20,921	14,512	56,482	12,869	346,988
	₱1,759,211	₱524,202	₱234,165	₱88,756	₱113,882	₱140,609	₱2,860,825

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

	Parent Company						
	On Demand	**Up to 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Beyond 1 Year**	**Total**
2023							
Financial Assets							
Cash and other cash items	**₱37,692**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱37,692**
Due from BSP	**198,061**	–	–	–	–	–	**198,061**
Due from other banks	**61,086**	**1,563**	**3,245**	–	–	–	**65,894**
Interbank loans receivable and SPURA	–	**59,044**	–	–	**205**	–	**59,249**
Investment securities at FVTPL							
FVTPL investments	–	–	**45,265**	–	–	**64**	**45,329**
Derivative assets							
Trading:							
Receive	–	**154,359**	**135,842**	**61,853**	**57,983**	**143,990**	**554,027**
Pay	–	**(150,759)**	**(130,163)**	**(59,920)**	**(56,113)**	**(135,189)**	**(532,144)**
	–	**3,600**	**5,679**	**1,933**	**1,870**	**8,801**	**21,883**
Investment securities at FVOCI	–	**10,549**	**114,739**	**6,878**	**5,016**	**387,471**	**524,653**
Investment securities at amortized cost	–	**2,217**	**1,666**	–	–	**598,955**	**602,838**
Loans and receivables							
Receivables from customers	**81,922**	**211,654**	**190,073**	**95,829**	**83,413**	**905,374**	**1,568,265**
Unquoted debt securities	–	–	–	–	–	**120**	**120**
Accrued interest receivable	**–**	**17,396**	–	–	–	–	**17,396**
Accounts receivable	**7,655**	–	–	–	–	–	**7,655**
Sales contract receivable	**8**	**1**	**2**	**2**	**5**	**10**	**28**
Other receivables	**2**	–	–	–	–	–	**2**
Other assets							
Returned checks and other cash items	**433**	–	–	–	–	–	**433**
	₱386,859	**₱306,024**	**₱360,669**	**₱104,642**	**₱90,509**	**₱1,900,795**	**₱3,149,498**

	Parent Company						
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	Total
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	**₱536,772**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱536,772**
Savings	**807,153**	–	–	–	–	–	**807,153**
Time	–	**390,115**	**219,391**	**89,145**	**68,784**	**578**	**768,013**
LTNCD	–	**13**	–	**8,833**	**3,787**	–	**12,633**
	1,343,925	**390,128**	**219,391**	**97,978**	**72,571**	**578**	**2,124,571**
Bills payable and SSURA	–	**59,950**	**81,442**	**1**	–	**5**	**141,398**
Manager's checks and demand drafts outstanding	**5,533**	–	–	–	–	–	**5,533**
Accrued interest payable	–	**1,223**	**2,267**	**1,552**	**813**	**49**	**5,904**
Accrued other expenses	**7,813**	–	–	–	–	–	**7,813**
Bonds payable	–	**9**	**246**	**24,009**	**650**	**48,469**	**73,383**
Subordinated debts	–	–	–	–	–	–	–
Other liabilities							
Lease liability	**45**	**141**	**78**	**212**	**371**	**3,875**	**4,722**
Bills purchased - contra	**9,444**	–	–	–	–	–	**9,444**
Accounts payable	**2,527**	**11,640**	–	–	–	–	**14,167**
Outstanding acceptances	–	**329**	**821**	**235**	**113**	–	**1,498**
Marginal deposits	–	–	**551**	–	–	–	**551**
	1,369,287	**463,420**	**304,796**	**123,987**	**74,518**	**52,976**	**2,388,984**
Derivative liabilities*							
Trading:							
Pay	–	**165,078**	**191,727**	**84,442**	**105,457**	**100,357**	**647,061**
Receive	–	**(161,856)**	**(188,514)**	**(82,719)**	**(102,044)**	**(96,256)**	**(631,389)**
	–	**3,222**	**3,213**	**1,723**	**3,413**	**4,101**	**15,672**
Loan commitments and financial guarantees	**280,150**	**7,519**	**17,876**	**12,988**	**14,223**	**20,171**	**352,927**
	₱1,649,437	**₱474,161**	**₱325,885**	**₱138,698**	**₱92,154**	**₱77,248**	**₱2,757,583**
2022							
Financial Assets							
Cash and other cash items	₱38,701	₱–	₱–	₱–	₱–	₱–	₱38,701
Due from BSP	215,074	–	–	–	–	–	215,074
Due from other banks	51,736	2,042	2,948	–	–	–	56,726
Interbank loans receivable and SPURA	–	52,275	9,165	3,121	923	212	65,696
Investment securities at FVTPL							
FVTPL investments	–	–	32,992	–	–	48	33,040
Derivative assets							
Trading:							
Receive	–	121,917	99,273	41,573	49,477	132,752	444,992
Pay	–	(119,239)	(95,931)	(39,365)	(46,852)	(119,685)	(421,072)
	–	2,678	3,342	2,208	2,625	13,067	23,920
Investment securities at FVOCI	–	279	4,309	34,407	35,799	407,046	481,840
Investment securities at amortized cost	–	–	2,235	1,682	–	386,847	390,764
Loans and receivables							
Receivables from customers	68,929	246,525	171,603	98,095	76,031	762,890	1,424,073
Unquoted debt securities	–	–	–	–	–	224	224
Accrued interest receivable	12,241	–	–	–	–	–	12,241
Accounts receivable	6,500	–	–	–	–	–	6,500
Sales contract receivable	7	1	1	2	3	8	22
Other receivables	3	–	–	–	–	–	3
Other assets							
Returned checks and other cash items	333	–	–	–	–	–	333
	₱393,524	₱303,800	₱226,595	₱139,515	₱115,381	₱1,570,342	₱2,749,157
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	₱536,516	₱–	₱–	₱–	₱–	₱–	₱536,516
Savings	851,860	–	–	–	–	–	851,860
Time	–	338,163	139,951	34,415	17,193	984	530,706
LTNCD	–	13	66	228	9,032	12,772	22,111
	1,388,376	338,176	140,017	34,643	26,225	13,756	1,941,193
Bills payable and SSURA	–	60,929	14,080	1,573	129	11	76,722
Manager's checks and demand drafts outstanding	5,487	–	–	–	–	–	5,487

(Forward)

	Parent Company						
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	Total
Accrued interest payable	₱39	₱1,161	₱870	₱408	₱64	₱39	₱2,581
Accrued other expenses	6,534	–	–	–	–	–	6,534
Bonds payable	–	9	303	14,288	1,259	74,072	89,931
Lease liability	97	78	82	232	416	3,409	4,314
Subordinated debts	–	–	19	19	1,207	18	1,263
Other liabilities							
Bills purchased - contra	8,209	–	–	–	–	–	8,209
Accounts payable	1,090	12,575	–	–	–	–	13,665
Outstanding acceptances	–	351	549	253	134	–	1,287
Marginal deposits	–	–	894	–	–	–	894
	1,409,832	413,279	156,814	51,416	29,434	91,305	2,152,080
Derivative liabilities*							
Trading:							
Pay	–	127,900	69,609	57,533	30,746	115,508	401,296
Receive	–	(124,982)	(67,726)	(55,513)	(29,557)	(108,116)	(385,894)
	–	2,918	1,883	2,020	1,189	7,392	15,402
Loan commitments and financial guarantees	237,759	4,323	20,921	14,512	23,709	12,869	314,093
	₱1,647,591	₱420,520	₱179,618	₱67,948	₱54,332	₱111,566	₱2,481,575

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

Market Risk

Market risk is the possibility of loss to future earnings, fair values or future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, and other market factors. Market risk originates from holdings in foreign currencies, debt securities and derivatives transactions.

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

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

Market risk - trading book

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

VaR methodology assumptions and parameters

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

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

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

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

	Rates and FX	Fixed Income	FX Options
As of December 31, 2023			
December 29	**₱390.72**	**₱122.48**	**₱3.96**
Average	**278.53**	**196.01**	**24.70**
Highest	**453.90**	**302.01**	**108.94**
Lowest	**117.61**	**118.45**	**0.28**
As of December 31, 2022			
December 29	₱320.71	₱170.14	₱1.13
Average	286.32	201.64	1.05
Highest	596.04	495.86	9.07
Lowest	83.06	94.88	0.07

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

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

The table below summarizes the VaR levels of PSBank:

	Bonds	
	PHP	FX
As of December 31, 2023		
December 29	**₱1.447**	**₱1.212**
Average	**0.214**	**1.356**
Highest	**1.455**	**2.319**
Lowest	**0.001**	**0.617**
As of December 31, 2022		
December 29	₱0.001	₱0.857
Average	0.002	1.669
Highest	0.001	0.263
Lowest	–	–

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 (D.EVE) and Sensitivity Analysis.

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

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

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

The table below shows the EaR profile of the Parent Company and certain subsidiaries as of December 31, 2023 and 2022:

	Parent Company	**PSBank**	**ORIX Metro**	**Group**
2023	**(₱4,963.09)**	**(₱460.20)**	**(₱29.18)**	**(₱5,008.08)**
2022	(₱4,422.29)	(₱448.88)	(₱28.18)	(₱4,671.29)

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

The Parent Company employs the Delta EVE model to measure the overall change in the economic value of the bank at one point. It reflects the changes in the net present value of its banking book at different interest rate shocks and stress scenarios. ΔEVE is calculated by slotting the notional repricing cash flows arising from rate-sensitive assets and liabilities into pre-defined tenor buckets. The present value of the net repricing cash flows is then calculated using various interest rate scenarios prescribed by Basel, as well as scenarios internally developed by the Parent Company. For 2023 and 2022, the ΔEVE of the Parent Company ranges from (₱1.65 billion) to (₱0.0 billion) and (₱0.1 billion) to (₱0.5 billion), respectively. As of December 31, 2023 and 2022, the ΔEVE stood at (₱2.3 billion) (0.91% of Common Equity Tier 1 (CET1) Capital) and (₱1.2 billion) (0.56% of CET1 Capital), respectively. The Parent Company has adequate capital to support potential change in value of equity even at worst stress scenario.

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

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

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

	Consolidated						**Parent Company**					
	2023			2022			**2023**			2022		
Currency	**Change in Currency Rate in %**	**Effect on Profit before Tax**	**Effect on Equity**	Change in Currency Rate in %	Effect on Profit before Tax	Effect on Equity	**Change in Currency Rate in %**	**Effect on Profit before Tax**	**Effect on Equity**	Change in Currency Rate in %	Effect on Profit before Tax	Effect on Equity
USD	+1.00%	**(14.23)**	**0.48**	+1.00%	3.52	2.08	+1.00%	**(15.14)**	**0.20**	+1.00%	2.56	(1.66)
EUR	+1.00%	**0.82**	**0.00**	+1.00%	1.33	0.00	+1.00%	**0.83**	**0.00**	+1.00%	1.34	0.00
JPY	+1.00%	**(0.02)**	**0.00**	+1.00%	11.59	0.00	+1.00%	**(0.02)**	**0.00**	+1.00%	11.59	0.00
GBP	+1.00%	**(0.37)**	**0.00**	+1.00%	(0.34)	0.00	+1.00%	**(0.37)**	**0.00**	+1.00%	(0.34)	0.00
Others	+1.00%	**33.39**	**0.00**	+1.00%	36.62	0.00	+1.00%	**33.39**	**0.00**	+1.00%	36.62	0.00
USD	-1.00%	**14.23**	**(0.48)**	-1.00%	(3.52)	(2.08)	-1.00%	**15.14**	**(0.20)**	-1.00%	(2.56)	1.66
EUR	-1.00%	**(0.82)**	**0.00**	-1.00%	(1.33)	0.00	-1.00%	**(0.83)**	**0.00**	-1.00%	(1.34)	0.00
JPY	-1.00%	**0.02**	**0.00**	-1.00%	(11.59)	0.00	-1.00%	**0.02**	**0.00**	-1.00%	(11.59)	0.00
GBP	-1.00%	**0.37**	**0.00**	-1.00%	0.34	0.00	-1.00%	**0.37**	**0.00**	-1.00%	0.34	0.00
Others	-1.00%	**(33.39)**	**0.00**	-1.00%	(36.62)	0.00	-1.00%	**(33.39)**	**0.00**	-1.00%	(36.62)	0.00

Information relating to the Parent Company's currency derivatives is included in Note 8. As of December 31, 2023 and 2022, the Parent Company has outstanding foreign currency spot transactions (in equivalent peso amounts) of ₱56.0 billion and ₱18.6 billion, respectively (sold), and ₱55.6 billion and ₱18.4 billion, respectively (bought).

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

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

IBOR reform exposes the Parent Company to various risks, which the project team is managing and monitoring closely. These risks include but are not limited to the following:
- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform.
- Financial risk to the Parent Company and its clients that markets are disrupted due to IBOR reform giving rise to financial losses.

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

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

	Consolidated				
		Derivative Assets		Derivative Liabilities	
	Loans and Receivables	**Carrying Value**	**Notional Amount**	**Carrying Value**	**Notional Amount**
2022					
USD LIBOR	₱83,169	₱3,387	₱18,255	₱5,559	₱50,375
PHIREF	–	135	9,439	1,263	38,100
	₱83,169	₱3,522	₱27,694	₱6,822	₱88,475

	Parent Company				
		Derivative Assets		Derivative Liabilities	
	Loans and Receivables	**Carrying Value**	**Notional Amount**	**Carrying Value**	**Notional Amount**
2022					
USD LIBOR	₱83,169	₱3,387	₱18,255	₱5,559	₱50,375
PHIREF	–	135	9,439	1,263	38,100
	₱83,169	₱3,522	₱27,694	₱6,822	₱88,475

Capital Management

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

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

BSP Reporting

Regulatory Qualifying Capital

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

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

The details of CAR, as reported to the BSP, as of December 31, 2023 and 2022 follow:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Tier 1 capital	**₱355,786**	₱316,142	**₱345,921**	₱306,824
CET1 Capital	**355,786**	316,142	**345,921**	306,824
Less: Required deductions	**33,739**	33,001	**101,305**	101,457
Net Tier 1 Capital	**322,047**	283,141	**244,616**	205,367
Tier 2 capital	**15,532**	14,337	**12,724**	11,935
Total Qualifying Capital	**₱337,579**	₱297,478	**₱257,340**	₱217,302
Credit Risk-Weighted Assets	**₱1,550,881**	₱1,429,964	**₱1,296,218**	₱1,191,825
Market Risk-Weighted Assets	**106,231**	68,546	**91,609**	55,124
Operational Risk-Weighted Assets	**189,471**	184,027	**152,223**	135,512
Total Risk-Weighted Assets	**1,846,583**	1,682,537	**1,540,050**	1,382,461
CET1 Ratio*	**17.44%**	16.83%	**15.88%**	14.86%
Tier 1 capital ratio	**17.44%**	16.83%	**15.88%**	14.86%
Total capital ratio	**18.28%**	17.68%	**16.71%**	15.72%

** of which capital conservation buffer in 2023 and 2022 is 11.44% and 10.83% for the Group and 9.88% and 8.86%, respectively, for the Parent Company.*

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

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

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

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

The details of the BLR, as reported to the BSP, as of December 31, 2023 and 2022 follow:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Tier 1 Capital	**₱322,047**	₱283,141	**₱244,616**	₱205,367
Exposure Measure	**₱3,505,850**	₱3,016,548	**₱3,101,480**	₱2,598,795
BLR	**9.19%**	9.39%	**7.89%**	7.90%

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

Liquidity Coverage Ratio (LCR)
BSP Circular No. 905 provides the implementing guidelines on LCR and disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high-quality liquid assets to total net cash outflows which should not be lower than 100.00%. Compliance with the LCR minimum requirement commenced on January 1, 2018 with the prescribed minimum ratio of 90.00% for 2018 and 100.00% effective January 1, 2019. As of December 31, 2023 and 2022, the LCR in single currency as reported to the BSP, was at 269.51% and 244.84%, respectively, for the Group, and 300.62% and 265.21%, respectively, for the Parent Company.

Net Stable Funding Ratio (NSFR)
On June 6, 2018, the BSP issued BSP Circular No.1007 covering the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards – NSFR. The NSFR is aimed to promote long-term resilience against liquidity risk by requiring banks to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. It complements the LCR, which promotes short term resilience of a bank's liquidity profile. Banks shall maintain an NSFR of at least 100 percent (100%) at all times. The implementation of the minimum NSFR shall be phased in to help ensure that covered banks can meet the standard through reasonable measures without disrupting credit extension and financial market activities. An observation period was set from July 1 to December 31, 2018. Effective, January 1, 2019, banks shall comply with the prescribed minimum ratio of 100%. As of December 31, 2023 and 2022, the NSFR as reported to the BSP, was at 140.79% and 158.25%, respectively, for the Group, and 140.65% and 156.73%, respectively, for the Parent Company.

5. Fair Value Measurement

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

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

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

For equity securities that are not quoted, remeasurement to their fair values is not material to the financial statements.

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

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

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

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

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

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

	Consolidated				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
2023					
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
FVTPL investments					
Debt securities					
Government	₱16,264	₱16,264	₱–	₱–	₱16,264
BSP	13,937	13,937	–	–	13,937
Treasury notes and bonds	10,096	10,096	–	–	10,096
Private	4,659	4,659	–	–	4,659
Treasury bills	1,174	1,174	–	–	1,174
	46,130	46,130	–	–	46,130
Equity securities	6,804	6,804	–	–	6,804
Derivative assets					
Currency forwards	10,116	–	10,116	–	10,116
Cross-currency swaps	8,082	–	8,082	–	8,082
Interest rate swaps	3,638	–	3,638	–	3,638
Bond futures	40	–	40	–	40
Put option	34	–	34	–	34
Call option	12	–	12	–	12
	21,922	–	21,922	–	21,922
	74,856	52,934	21,922	–	74,856
Investment securities at FVOCI					
Debt securities					
Treasury notes and bonds	366,864	365,054	1,810	–	366,864
Government	71,444	70,893	551	–	71,444
BSP	50,889	50,889	–	–	50,889
Private	45,151	45,096	55	–	45,151
Treasury bills	355	355	–	–	355
	534,703	532,287	2,416	–	534,703
Equity securities	1,920	1,694	226	–	1,920
	536,623	533,981	2,642	–	536,623
	₱611,479	₱586,915	₱24,564	₱–	₱611,479
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Treasury notes and bonds	₱417,868	₱413,330	₱7,802	₱–	₱421,132
Government	49,419	47,719	287	–	48,006
Private	3,063	3,013	–	–	3,013
Treasury bills	288	291	–	–	291
	470,638	464,353	8,089	–	472,442
Loans and receivables - net					
Receivables from customers					
Commercial loans	1,132,348	–	–	1,198,380	1,198,380
Credit card	124,963	–	–	124,963	124,963
Auto loans	91,880	–	–	102,256	102,256
Residential mortgage loans	91,711	–	–	113,754	113,754
Trade loans	51,033	–	–	51,033	51,033
Others	12,263	–	–	12,907	12,907
	1,504,198	–	–	1,603,293	1,603,293
Unquoted debt securities	545	–	–	558	558
Sales contract receivable	29	–	–	30	30
	1,504,772	–	–	1,603,881	1,603,881
Other assets	386	–	–	472	472
	1,975,796	464,353	8,089	1,604,353	2,076,795
Non-Financial Assets					
Investment properties	8,107	–	–	16,113	16,113
Residual value of leased assets	470	–	–	430	430
	8,577	–	–	16,543	16,543
	₱1,984,373	₱464,353	₱8,089	₱1,620,896	₱2,093,338

	Consolidated				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Currency forwards	**₱9,629**	**–**	**₱9,629**	**₱–**	**₱9,629**
Cross-currency swaps	**5,900**	**–**	**5,900**	**–**	**5,900**
Interest rate swaps	**1,086**	**–**	**1,086**	**–**	**1,086**
Bond futures	**143**	**–**	**143**	**–**	**143**
Credit default swaps	**53**	**–**	**53**	**–**	**53**
Put option	**36**	**–**	**36**	**–**	**36**
Call option	**18**	**–**	**18**	**–**	**18**
Non-equity non-controlling interest	**10,260**	**–**	**10,260**	**–**	**10,260**
	₱27,125	**₱–**	**₱27,125**	**₱–**	**₱27,125**
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	**₱925,885**	**₱–**	**₱–**	**₱929,288**	**₱929,288**
LTNCD	**17,514**	**8,657**	**3,723**	**5,112**	**17,492**
	943,399	**8,657**	**3,723**	**934,400**	**946,780**
Bills payable and SSURA	**156,896**	**–**	**–**	**157,139**	**157,139**
Subordinated debts	**–**	**–**	**–**	**–**	**–**
Bonds payable	**70,089**	**68,352**	**–**	**–**	**68,352**
Other Liabilities					
Deposits on lease contracts	**783**	**–**	**–**	**734**	**734**
	₱1,171,167	**₱77,009**	**₱3,723**	**₱1,092,273**	**₱1,173,005**
2022					
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
FVTPL investments					
Debt securities					
Government	₱14,500	₱14,500	₱–	₱–	₱14,500
Treasury notes and bonds	12,767	12,767	–	–	12,767
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

(Forward)

	Consolidated				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Loans and receivables - net					
Receivables from customers					
Commercial loans	₱1,060,043	₱–	₱–	₱1,048,067	₱1,048,067
Credit card	97,296	–	–	97,296	97,296
Residential mortgage loans	91,646	–	–	116,776	116,776
Auto loans	75,682	–	–	86,138	86,138
Trade loans	60,322	–	–	60,322	60,322
Others	11,056	–	–	11,798	11,798
	1,396,045	–	–	1,420,397	1,420,397
Unquoted debt securities	812	–	–	823	823
Sales contract receivable	29	–	–	27	27
	1,396,886	–	–	1,421,247	1,421,247
Other assets	191	–	–	264	264
	1,714,853	303,444	6,857	1,421,511	1,731,812
Non-Financial Assets					
Investment properties	7,901	–	–	16,346	16,346
Residual value of leased assets	623	–	–	583	583
	8,524	–	–	16,929	16,929
	₱1,723,377	₱303,444	₱6,857	₱1,438,440	₱1,748,741
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
Subordinated debts	1,169	–	–	1,187	1,187
Bonds payable	88,409	81,388	–	4,631	86,019
Other liabilities					
Deposits on lease contracts	979	–	–	931	931
	₱923,452	₱102,335	₱–	₱821,591	₱923,926

	Parent Company				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
2023					
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
FVTPL investments					
Debt securities					
Government	**₱16,068**	**₱16,068**	**–**	**–**	**₱16,068**
BSP	**13,937**	**13,937**	**–**	**–**	**13,937**
Treasury notes and bonds	**8,951**	**8,951**	**–**	**–**	**8,951**
Private	**4,386**	**4,386**	**–**	**–**	**4,386**
Treasury bills	**1,174**	**1,174**	**–**	**–**	**1,174**
	44,516	**44,516**	**–**	**–**	**44,516**
Equity securities	**64**	**64**	**–**	**–**	**64**
Derivative assets					
Currency forwards	**10,116**	**–**	**10,116**	**–**	**10,116**
Cross-currency swaps	**8,082**	**–**	**8,082**	**–**	**8,082**
Interest rate swaps	**3,638**	**–**	**3,638**	**–**	**3,638**
Bond futures	**40**	**–**	**40**	**–**	**40**
Put option	**33**	**–**	**33**	**–**	**33**
Call option	**12**	**–**	**12**	**–**	**12**
	21,921	**–**	**21,921**	**–**	**21,921**
	66,501	**44,580**	**21,921**	**–**	**66,501**

(Forward)

	Parent Company				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Investment securities at FVOCI					
Debt securities:					
Treasury notes and bonds	**₱360,273**	**₱360,273**	**₱–**	**₱–**	**₱360,273**
Government	**71,289**	**70,737**	**552**	**–**	**71,289**
Private	**10,252**	**10,197**	**55**	**–**	**10,252**
	441,814	**441,207**	**607**	**–**	**441,814**
Equity securities	**860**	**771**	**89**	**–**	**860**
	442,674	**441,978**	**696**	**–**	**442,674**
	₱509,175	**₱486,558**	**₱22,617**	**₱–**	**₱509,175**
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Treasury notes and bonds	**₱400,420**	**₱403,880**	**₱–**	**₱–**	**₱403,880**
Government	**38,017**	**37,441**	**–**	**–**	**37,441**
	438,437	**441,321**	**–**	**–**	**441,321**
Loans and receivables - net					
Receivables from customers					
Commercial loans	**1,058,588**	**–**	**–**	**1,040,100**	**1,040,100**
Credit card	**124,963**	**–**	**–**	**124,963**	**124,963**
Residential mortgage loans	**51,496**	**–**	**–**	**52,050**	**52,050**
Trade loans	**47,279**	**–**	**–**	**47,279**	**47,279**
Auto loans	**20,740**	**–**	**–**	**21,024**	**21,024**
Others	**10,457**	**–**	**–**	**10,457**	**10,457**
	1,313,523	**–**	**–**	**1,295,873**	**1,295,873**
Unquoted debt securities	**102**	**–**	**–**	**102**	**102**
Sales contract receivable	**23**	**–**	**–**	**23**	**23**
	1,313,648	**–**	**–**	**1,295,998**	**1,295,998**
	1,752,085	**441,321**	**–**	**1,295,998**	**1,737,319**
Non-Financial Assets					
Investment properties	**3,597**	**–**	**–**	**8,267**	**8,267**
	₱ 1,755,682	**₱441,321**	**₱–**	**₱1,304,265**	**₱1,745,586**
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Currency forwards	**₱9,629**	**₱–**	**₱9,629**	**₱–**	**₱9,629**
Cross-currency swaps	**5,900**	**–**	**5,900**	**–**	**5,900**
Interest rate swaps	**1,085**	**–**	**1,085**	**–**	**1,085**
Bond futures	**143**	**–**	**143**	**–**	**143**
Credit default swaps	**53**	**–**	**53**	**–**	**53**
Put option	**34**	**–**	**34**	**–**	**34**
Call option	**18**	**–**	**18**	**–**	**18**
	₱16,862	**₱–**	**₱16,862**	**₱–**	**₱16,862**
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	**₱757,204**	**₱–**	**₱–**	**₱757,204**	**₱757,204**
LTNCD	**12,430**	**8,657**	**3,723**	**–**	**12,380**
	769,634	**8,657**	**3,723**	**757,204**	**769,584**
Bills payable and SSURA	**141,081**	**–**	**–**	**141,081**	**141,081**
Bonds payable	**70,089**	**68,352**	**–**	**–**	**68,352**
	₱980,804	**₱77,009**	**₱3,723**	**₱898,285**	**₱979,017**
2022					
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
FVTPL investments					
Debt securities					
Treasury notes and bonds	₱12,293	₱12,293	₱–	₱–	₱12,293
Government	14,425	14,425	–	–	14,425
Private	3,587	3,587	–	–	3,587
Treasury bills	564	564	–	–	564
BSP	308	308	–	–	308
	31,177	31,177	–	–	31,177
Equity securities	48	48	–	–	48

(Forward)

	Parent Company				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Derivative assets					
Cross-currency swaps	₱13,691	₱–	₱13,691	₱–	₱13,691
Currency forwards	6,664	–	6,664	–	6,664
Bond futures	34	–	34	–	34
Interest rate swaps	3,618	–	3,618	–	3,618
Put option	136	–	136	–	136
Call option	288	–	288	–	288
	24,431	–	24,431	–	24,431
	55,656	31,225	24,431	–	55,656
Investment securities at FVOCI					
Debt securities					
Treasury notes and bonds	329,146	329,146	–	–	329,146
Government	77,056	70,962	6,094	–	77,056
Private	11,120	10,787	333	–	11,120
	417,322	410,895	6,427	–	417,322
Equity securities	725	635	90	–	725
	418,047	411,530	6,517	–	418,047
	₱473,703	₱442,755	₱30,948	₱–	₱473,703
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Government	₱32,018	₱31,000	₱–	₱–	₱31,000
Treasury notes and bonds	253,090	248,799	–	–	248,799
	285,108	279,799	–	–	279,799
Loans and receivables - net					
Receivables from customers					
Commercial loans	989,444	–	–	974,061	974,061
Residential mortgage loans	50,672	–	–	51,095	51,095
Auto loans	18,276	–	–	18,537	18,537
Credit card	97,296	–	–	97,296	97,296
Trade loans	58,762	–	–	58,762	58,762
Others	9,422	–	–	9,422	9,422
	1,223,872	–	–	1,209,173	1,209,173
Unquoted debt securities	165	–	–	165	165
Sales contract receivable	18	–	–	18	18
	1,224,055	–	–	1,209,356	1,209,356
	1,509,163	279,799	–	1,209,356	1,489,155
Non-Financial Assets					
Investment properties	3,310	–	–	8,708	8,708
	₱1,512,473	₱279,799	₱–	₱1,218,064	₱1,497,863
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Cross-currency swaps	₱7,721	₱–	₱7,721	₱–	₱7,721
Interest rate swaps	1,380	–	1,380	–	1,380
Currency forwards	7,310	–	7,310	–	7,310
Bond futures	3	–	3	–	3
Credit default swaps	15	–	15	–	15
Put option	140	–	140	–	140
Call option	286	–	286	–	286
	₱16,855	₱–	₱16,855	₱–	₱16,855
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	₱528,914	₱–	₱–	₱528,914	₱528,914
LTNCD	21,080	20,948	–	–	20,948
	549,994	20,948	–	528,914	549,862
Bills payable and SSURA	76,456	–	–	76,456	76,456
Bonds payable	83,761	81,387	–	–	81,387
Subordinated debts	1,169	–	–	1,187	1,187
	₱711,380	₱102,335	₱–	₱606,557	₱708,892

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

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

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

6. Segment Information

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

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

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

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

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

	Consumer Banking	Corporate Banking	Investment Banking	Treasury	Branch Banking	Others	Total
2023							
Results of Operations							
Net interest income (expense)							
Third party	**₱22,753**	**₱60,783**	**₱–**	**₱22,303**	**(₱3,092)**	**₱2,223**	**₱104,970**
Intersegment	**(5,230)**	**(49,330)**	**–**	**(4,485)**	**59,045**	**–**	**–**
Net interest income after intersegment transactions	**17,523**	**11,453**	**–**	**17,818**	**55,953**	**2,223**	**104,970**
Non-interest income	**9,707**	**1,250**	**198**	**2,336**	**6,385**	**8,628**	**28,504**
Revenue - net of interest expense	**27,230**	**12,703**	**198**	**20,154**	**62,338**	**10,851**	**133,474**
Non-interest expense	**15,974**	**6,258**	**50**	**5,403**	**23,841**	**26,974**	**78,500**
Income (loss) before share in net income of subsidiaries, associates and a JV	**11,256**	**6,445**	**148**	**14,751**	**38,497**	**(16,123)**	**54,974**
Share in net income of subsidiaries, associates and a JV	**–**	**86**	**–**	**–**	**–**	**789**	**875**
Provision for income tax	**257**	**(726)**	**–**	**(8,769)**	**258**	**(3,910)**	**(12,890)**
Non-controlling interest in net income of consolidated subsidiaries	**–**	**–**	**–**	**–**	**–**	**(721)**	**(721)**
Net income (loss)	**₱11,513**	**₱5,805**	**₱148**	**₱5,982**	**₱38,755**	**(₱19,965)**	**₱42,238**
Statement of Financial Position							
Total assets	**₱234,876**	**₱1,178,680**	**₱–**	**₱1,256,486**	**₱181,312**	**₱253,548**	**₱3,104,902**
Total liabilities	**₱125,072**	**₱1,118,249**	**₱–**	**₱1,200,606**	**₱273,011**	**₱21,226**	**₱2,738,164**
Other Segment Information							
Capital expenditures	**₱451**	**₱47**	**₱–**	**₱179**	**₱72**	**₱3,956**	**₱4,705**
Depreciation and amortization	**₱413**	**₱335**	**₱–**	**₱90**	**₱2,308**	**₱3,776**	**₱6,922**
Provision for credit and impairment losses	**₱6,415**	**₱1,797**	**₱–**	**(₱5)**	**₱175**	**₱596**	**₱8,978**
2022							
Results of Operations							
Net interest income (expense)							
Third party	₱14,728	₱38,478	₱–	₱22,951	₱7,211	₱2,161	₱85,529
Intersegment	(2,727)	(24,893)	–	320	27,300	–	–
Net interest income after intersegment transactions	12,001	13,585	–	23,271	34,511	2,161	85,529
Non-interest income	9,400	1,081	165	2,974	6,388	6,785	26,793
Revenue - net of interest expense	21,401	14,666	165	26,245	40,899	8,946	112,322
Non-interest expense	13,507	5,269	9	3,856	21,978	24,489	69,108
Income (loss) before share in net income of subsidiaries, associates and a JV	7,894	9,397	156	22,389	18,921	(15,543)	43,214
Share in net income of subsidiaries, associates and a JV	–	83	–	(27)	–	648	704
Provision for income tax	(138)	(413)	–	(5,292)	(305)	(4,472)	(10,620)
Non-controlling interest in net income of consolidated subsidiaries	–	–	–	–	–	(522)	(522)
Net income (loss)	₱7,756	₱9,067	₱156	₱17,070	₱18,616	(₱19,889)	₱32,776
Statement of Financial Position							
Total assets	₱187,083	₱1,095,896	₱–	₱1,103,122	₱180,212	₱276,777	₱2,843,090
Total liabilities	₱102,803	₱1,061,101	₱–	₱1,034,000	₱273,942	₱43,154	₱2,515,000
Other Segment Information							
Capital expenditures	₱409	₱99	₱–	₱124	₱58	₱3,003	₱3,693
Depreciation and amortization	₱358	₱320	₱–	₱64	₱2,001	₱3,233	₱5,976
Provision for credit and impairment losses	₱5,721	₱1,375	₱–	(₱19)	₱207	₱828	₱8,112
2021							
Results of Operations							
Net interest income (expense)							
Third party	₱15,933	₱33,099	₱–	₱16,426	₱8,686	₱905	₱75,049
Intersegment	(686)	(20,912)	–	(7,029)	28,627	–	–
Net interest income after intersegment transactions	15,247	12,187	–	9,397	37,313	905	75,049
Non-interest income	7,413	962	251	4,108	5,341	7,756	25,831
Revenue - net of interest expense	22,660	13,149	251	13,505	42,654	8,661	100,880
Non-interest expense	18,212	4,939	57	3,939	20,456	23,704	71,307
Income (loss) before share in net income of subsidiaries, associates and a JV	4,448	8,210	194	9,566	22,198	(15,043)	29,573

(Forward)

	Consumer Banking	Corporate Banking	Investment Banking	Treasury	Branch Banking	Others	Total
Share in net income of subsidiaries, associates and a JV	₱–	₱44	₱–	₱–	₱–	₱524	₱568
Provision for income tax	(505)	(340)	–	(3,607)	(723)	(2,602)	(7,777)
Non-controlling interest in net income of consolidated subsidiaries	–	–	–	–	–	(208)	(208)
Net income (loss)	₱3,943	₱7,914	₱194	₱5,959	₱21,475	(₱17,329)	₱22,156
Statement of Financial Position							
Total assets	₱167,422	₱941,197	₱–	₱969,133	₱163,077	₱261,987	₱2,502,816
Total liabilities	₱80,472	₱926,853	₱–	₱873,507	₱263,724	₱30,528	₱2,175,084
Other Segment Information							
Capital expenditures	₱261	₱56	₱–	₱113	₱31	₱3,361	₱3,822
Depreciation and amortization	₱614	₱321	₱–	₱55	₱2,111	₱3,329	₱6,430
Provision for credit and impairment losses	₱10,790	₱8	₱–	₱–	₱184	₱852	₱11,834

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

Geographical Information

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

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

	Philippines	**Asia (Other than Philippines)**	**USA**	**Europe**	**Total**
2023					
Interest income	**₱147,670**	**₱5,766**	**₱176**	**₱–**	**₱153,612**
Interest expense	**46,416**	**2,213**	**13**	–	**48,642**
Net interest income	**101,254**	**3,553**	**163**	–	**104,970**
Non-interest income	**26,445**	**1,531**	**487**	**41**	**28,504**
Provision for credit and impairment losses	**(8,697)**	**(281)**	–	–	**(8,978)**
Total external net operating income	**₱119,002**	**₱4,803**	**₱650**	**₱41**	**₱124,496**
Non-current assets	**₱33,672**	**₱515**	**₱154**	**₱3**	**₱34,344**
2022					
Interest income	₱97,745	₱4,516	₱109	₱–	₱102,370
Interest expense	14,858	1,936	47	–	16,841
Net interest income	82,887	2,580	62	–	85,529
Non-interest income	25,308	956	492	37	26,793
Provision for credit and impairment losses	(7,812)	(300)	–	–	(8,112)
Total external net operating income	₱100,383	₱3,236	₱554	₱37	₱104,210
Non-current assets	₱33,764	₱490	₱11	₱3	₱34,268
2021					
Interest income	₱83,584	₱3,587	₱6	₱–	₱87,177
Interest expense	10,921	1,205	2	–	12,128
Net interest income	72,663	2,382	4	–	75,049
Non-interest income	24,477	829	490	35	25,831
Provision for credit and impairment losses	(11,601)	(232)	(1)	–	(11,834)
Total external net operating income	₱85,539	₱2,979	₱493	₱35	₱89,046
Non-current assets	₱31,613	₱586	₱9	₱3	₱32,211

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

7. Interbank Loans Receivable and Securities Purchased Under Resale Agreements

This account consists of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Interbank loans receivable - net (Note 32)	**₱35,313**	₱45,008	**₱29,230**	₱39,451
SPURA	**37,666**	28,736	**29,956**	26,084
	₱72,979	₱73,744	**₱59,186**	₱65,535

As of December 31, 2023 and 2022, the allowance for credit losses for interbank loans receivable amounted to ₱35.8 million and ₱18.7 million, respectively, for the Group and ₱32.8 million and ₱14.4 million, respectively, for the Parent Company (Note 15).

In 2023, 2022 and 2021, the interest rates of the interbank loans receivables ranged from 0.00% to 6.25%, 0.00% to 5.90%, and 0.00% to 4.90%, respectively, for the Group, and 0.00% to 6.25%, 0.00% to 5.05%, and 0.00% to 3.30%, respectively, for the Parent Company.

8. Trading and Investment Securities

This account consists of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Investment securities at:				
FVTPL	**₱74,856**	₱63,599	**₱66,501**	₱55,656
FVOCI (Note 17 & 29)	**536,623**	530,464	**442,674**	418,047
Amortized cost (Note 17 & 29)	**470,638**	317,776	**438,437**	285,108
	₱1,082,117	₱911,839	**₱947,612**	₱758,811

Investment securities at FVTPL consist of the following:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
HFT investments				
Debt securities				
Government	**₱16,264**	₱14,500	**₱16,068**	₱14,425
BSP	**13,937**	308	**13,937**	308
Treasury notes and bonds	**10,096**	12,767	**8,951**	12,293
Private	**4,659**	3,858	**4,386**	3,587
Treasury bills	**1,174**	564	**1,174**	564
	46,130	31,997	**44,516**	31,177
Equity securities	**6,804**	7,163	**64**	48
	52,934	39,160	**44,580**	31,225
Derivative assets	**21,922**	24,439	**21,921**	24,431
	₱74,856	₱63,599	**₱66,501**	₱55,656

The following are the fair values of the Parent Company's derivative financial instruments recorded as 'Derivative assets/liabilities', together with the notional amounts. The notional amount is the amount or quantity of a derivative's underlying asset, and is the basis upon which changes in the value are measured. The notional amounts indicate the volume of transactions outstanding as of December 31, 2023 and 2022 and are not indicative of either market risk or credit risk.

	Derivative Assets	Derivative Liabilities	Notional Amount	Average Forward Rate (in every USD 1)
December 31, 2023				
Freestanding derivatives:				
Currency forwards				
BOUGHT:				
USD	**₱357**	**₱4,750**	**USD 7,141**	**₱56.01**
CNY	**54**	**253**	**CNY 1,476**	**CNY 6.93**
EUR	**121**	–	**EUR 68**	**EUR 0.92**
THB	**1**	–	**THB 17**	**THB 34.46**
GBP	**77**	–	**GBP 34**	**GBP 0.81**
AUD	**71**	–	**AUD 43**	**AUD 1.53**
JPY	**3,288**	**2,777**	**JPY 340,874**	**JPY 140.68**
SGD	**24**	–	**SGD 40**	**SGD 1.33**
SOLD:				
USD	**2,247**	**530**	**USD 4,214**	**₱55.90**
CNY	**300**	**44**	**CNY 2,262**	**CNY 6.97**
JPY	**3,559**	**621**	**JPY 157,170**	**JPY 133.02**
EUR	**14**	**168**	**EUR 260**	**EUR 0.91**
MXN	–	1	**MXN 1**	**MXN 18.60**
THB	–	**3**	**THB 93**	**THB 34.86**
CHF	–	**5**	**CHF 3**	**CHF 0.86**
HKD	**2**	**2**	**HKD 495**	**HKD7.80**
SGD	–	**53**	**SGD 101**	**SGD 1.33**
TRY	–	–	**TRY 1**	**TRY 30.36**
DKK	–	**1**	**DKK 4**	**DKK 6.92**
CAD	–	**86**	**CAD 86**	**CAD 1.35**
AUD	–	**141**	**AUD 90**	**AUD 1.53**
GBP	**1**	**194**	**GBP 147**	**GBP 0.80**
NZD	–	–	**NZD 0.2**	**NZD 1.58**
Interest rate swaps - PHP	**139**	**235**		
Interest rate swaps - USD	**3,470**	**700**		
Interest rate swaps - EUR	**29**	**129**		
Interest rate swaps - JPY	**–**	**21**		
Cross-currency swaps – PHP	**267**	**4,470**		
Cross-currency swaps - USD	**5,673**	**885**		
Cross-currency swaps - EUR	**1,930**	**42**		
Cross-currency swaps - JPY	**57**	**503**		
Cross-currency swaps - GBP	**155**	**–**		
OTC FX Options - USD	**33**	**40**		
OTC FX Options - AUD	**1**	**1**		
OTC FX Options - EUR	**11**	**11**		
OTC FX Options - NZD	**–**	**–**		
Credit default swaps	–	**53**		
Bond Futures	**40**	**143**		
	₱21,921	**₱16,862**		
December 31, 2022				
Freestanding derivatives:				
Currency forwards				
BOUGHT:				
USD	₱1,836	₱2,833	USD 3,120	₱56.14
CNY	34	235	CNY 670	CNY 6.70
EUR	157	17	EUR 133	EUR 0.95
THB	11	–	THB 134	THB 36.21
GBP	4	–	GBP 1	GBP 0.86
AUD	–	1	AUD 5	AUD 1.48
JPY	605	428	JPY 89,139	JPY 132.50
CAD	–	–	CAD 15	CAD 1.36
CHF	–	–	CHF 2	CHF 0.93
SOLD:				
USD	2,760	2,617	USD 4,392	₱56.05
CNY	296	41	CNY 1,621	CNY 6.81
JPY	523	1,007	JPY 77,221	JPY 133.48
EUR	405	86	EUR 410	EUR 0.92
MXN	–	–	MXN 1	MXN 19.57
THB	–	16	THB 257	THB 35.85
CHF	–	1	CHF 3	CHF 0.93
HKD	1	–	HKD 315	HKD 7.59
SGD	–	5	SGD 37	SGD 1.35

	Derivative Assets	Derivative Liabilities	Notional Amount	Average Forward Rate (in every USD 1)
TRY	₱–	₱–	TRY 1	TRY 19.87
DKK	–	–	DKK 3	DKK 6.94
CAD	6	10	CAD 107	CAD 1.36
AUD	–	8	AUD 41	AUD 1.49
GBP	26	4	GBP 34	GBP 0.82
NZD	–	1	NZD 7	NZD 1.59
Interest rate swaps - PHP	193	1,263	₱56,585	
Interest rate swaps - FX	3,425	117	USD 1,828	
Cross-currency swaps - PHP	83	6,666	₱66,783	
Cross-currency swaps - USD	13,008	254	USD 2,762	
Cross-currency swaps - EUR	385	522	EUR 502	
Cross-currency swaps - JPY	215	279	JPY 21,670	
Credit default swaps	–	15	USD 66	
Over-the-counter FX options – AUD	15	14	AUD 26	
Over-the-counter FX options - EUR	90	90	EUR 60	
Over-the-counter FX options - GBP	34	33	GBP 30	
Over-the-counter FX options - NZD	38	38	NZD 40	
Over-the-counter FX options - USD	247	251	USD 360	
Bond Futures - FCDU	34	3	USD 134	
	₱24,431	₱16,855		

As of December 31, 2023 and 2022, the Group's derivative assets include currency forwards, FX options and cross-currency swaps entered into by the subsidiaries amounting to ₱1.6 million and ₱8.6 million, respectively. As of December 31, 2023 and 2022, the Group's derivative liabilities include currency forwards, cross-currency swaps and FX options entered into by the subsidiaries amounting to ₱3.7 million and ₱9.8 million, respectively.

Investment securities at FVOCI as of December 31, 2023 and 2022 consist of the following:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Debt securities				
Treasury notes and bonds (Note 17)	**₱366,864**	₱333,117	**₱360,273**	₱329,146
Government (Note 17)	**71,444**	77,137	**71,289**	77,056
BSP	**50,889**	67,857	**–**	–
Private	**45,151**	50,037	**10,252**	11,120
Treasury bills	**355**	557	**–**	–
	534,703	528,705	**441,814**	417,322
Equity securities	**1,920**	1,759	**860**	725
	₱536,623	₱530,464	**₱442,674**	₱418,047

The equity securities are irrevocably designated at FVOCI as these are held for long term-strategic purpose rather than for trading. These equity securities include golf club shares and non-marketable equity securities. In 2023 and 2022, as part of its risk management, the Group disposed equity securities at FVOCI with total carrying value of ₱94.1 million and ₱6.8 million, respectively, and recognized gain (loss) on disposal charged against 'Surplus' of (₱84.6 million) and ₱1.4 million, respectively. Dividends recognized for the disposed equity securities in 2023 and 2022 amounted to nil and ₱0.2 million, respectively.

Outstanding equity securities at FVOCI as of December 31, 2023 and 2022 generated dividends amounting to ₱47.8 million and ₱42.5 million, respectively for the Group, and ₱14.9 million and ₱7.8 million, respectively, for the Parent Company.

As of December 31, 2023 and 2022, the ECL on debt securities at FVOCI (included in 'Net unrealized gain (loss) on investment securities at FVOCI') amounted to ₱809.5 million and ₱740.8 million respectively, for the Group and the Parent Company (Note 15).

As of December 31, 2023 and 2022, investment securities at FVOCI include floating and fixed rate private notes with total carrying value of USD 11.0 million and USD10.8 million, respectively (with peso equivalent of ₱606.4 million and ₱604.0 million, respectively) which are pledged by the Parent Company's New York Branch in compliance with the regulatory requirements of the Federal Deposit Insurance Corporation and the Office of the Controller of the Currency in New York.

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

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Balance at January 1	**(₱23,133)**	(₱3,799)	**(₱23,076)**	(₱3,751)
Unrealized gain (loss) recognized in OCI	**14,533**	(20,824)	**14,400**	(20,782)
Amounts realized in surplus	**85**	(1)	**85**	(1)
Amounts realized in profit or loss	**(153)**	(697)	**(87)**	(676)
	(8,668)	(25,321)	**(8,678)**	(25,210)
Tax (Note 28)	**(1,438)**	2,188	**(1,387)**	2,134
Balance at December 31	**(₱10,106)***	(₱23,133)*	**(₱10,065)**	(₱23,076)

* *Includes share of non-controlling interest in unrealized losses amounting to ₱41.6 million and ₱56.8 million, respectively, as of December 31, 2023 and 2022.*

Investment securities at amortized cost as of December 31, 2023 and 2022 consist of the following:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Treasury notes and bonds (Note 17)	**₱417,868**	₱269,501	**₱400,420**	₱253,090
Government (Note 17)	**49,790**	45,009	**38,378**	32,470
Private	**3,067**	3,488	–	–
Treasury bills	**288**	249	–	–
	471,013	318,247	**438,798**	285,560
Less: allowance for credit losses (Note 15)	**375**	471	**361**	452
	₱470,638	₱317,776	**₱438,437**	₱285,108

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

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Investment securities at FVOCI	**₱18,015**	₱15,997	₱15,868	**₱13,536**	₱13,157	₱14,133
Investment securities at amortized cost	**25,599**	9,941	1,028	**24,118**	8,844	407
	₱43,614	₱25,938	₱16,896	**₱37,654**	₱22,001	₱14,540

In 2023, 2022 and 2021, foreign currency-denominated trading and investment securities bear nominal annual interest rates ranging from 0.10% to 10.63% for the Group and the Parent Company while peso-denominated trading and investment securities bear nominal annual interest rates ranging from 2.38% to 18.25%, 2.38% to 18.25%, and 1.38% to 18.25%, respectively, for the Group and from 2.38% to 18.25% for the Parent Company.

Trading and securities gain/(loss) - net consists of:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Investment securities at FVTPL	**₱1,799**	(₱4,128)	(₱767)	**₱1,708**	(₱3,515)	(₱1,046)
Derivative assets/liabilities – net	**(1,922)**	9,369	582	**(1,923)**	9,373	571
Debt securities at FVOCI	**153**	697	3,691	**87**	676	3,676
Investment securities of amortized cost	**–**	–	12	**–**	–	–
	30	5,938	3,518	**(128)**	6,534	3,201
Income (loss) attributable to non-equity non-controlling interests (Note 21)	**(124)**	463	(152)	**–**	–	–
	(₱94)	₱6,401	₱3,366	**(₱128)**	₱6,534	₱3,201

Trading gains on debt securities at FVOCI represent realized gains previously reported in OCI.

9. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Receivables from customers (Note 32)				
Commercial loans (Note 13)	**₱1,166,207**	₱1,093,972	**₱1,085,887**	₱1,016,378
Credit card	**146,261**	116,161	**146,261**	116,161
Residential mortgage loans	**93,541**	94,076	**52,274**	51,888
Auto loans	**96,387**	79,573	**21,304**	18,874
Trade loans	**51,618**	61,090	**47,864**	59,530
Others (Note 13)	**13,032**	11,857	**10,684**	9,589
	1,567,046	1,456,729	**1,364,274**	1,272,420
Less unearned discounts and capitalized interest	**15,637**	13,538	**13,545**	10,970
	1,551,409	1,443,191	**1,350,729**	1,261,450
Unquoted debt securities				
Private	**829**	1,033	**386**	386
Government	**105**	170	**105**	170
	934	1,203	**491**	556
Accrued interest receivable (Note 32)	**20,895**	15,788	**17,396**	12,241
Accounts receivable (Note 32)	**15,094**	9,333	**7,655**	6,500
Sales contract receivable	**32**	31	**25**	20
Other receivables	**396**	281	**2**	3
	1,588,760	1,469,827	**1,376,298**	1,280,770
Less allowance for credit losses (Note 15)	**51,594**	51,445	**40,962**	41,210
	₱1,537,166	₱1,418,382	**₱1,335,336**	₱1,239,560

Receivables from customers consist of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Loans and discounts	**₱1,506,507**	₱1,389,001	**₱1,307,524**	₱1,206,039
Less unearned discounts and capitalized interest	**15,637**	13,538	**13,545**	10,970
	1,490,870	1,375,463	**1,293,979**	1,195,069
Customers' liabilities under letters of credit (LC)/trust receipts	**50,953**	59,280	**47,199**	57,719
Bills purchased (Note 21)	**9,586**	8,448	**9,551**	8,662
	₱1,551,409	₱1,443,191	**₱1,350,729**	₱1,261,450

As of December 31, 2023 and 2022, receivables from customers of the Group include lease contract receivables amounting ₱2.0 billion and ₱2.6 billion, respectively (Note 13) and notes receivable financed amounting to ₱14.1 billion and ₱17.9 billion, respectively.

Interest income on loans and receivables consists of:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Receivables from customers (Note 32)	**₱77,831**	₱53,269	₱49,615	**₱63,831**	₱40,810	₱35,320
Receivables from cardholders	**18,272**	12,843	11,728	**18,272**	12,843	11,728
Lease contract receivables	**1,738**	2,019	2,585	**–**	–	–
Customers' liabilities under LC/trust receipts	**2,503**	1,773	1,137	**2,503**	1,773	1,137
Others	**195**	277	460	**183**	270	452
	₱100,539	₱70,181	₱65,525	**₱84,789**	₱55,696	₱48,637

As of December 31, 2023 and 2022, 80.68% and 82.44%, respectively, of the total receivables from customers of the Group, and 89.17% and 90.70%, respectively, of the total receivables from customers of the Parent Company are subject to periodic interest repricing. In 2023, 2022 and 2021, the remaining peso receivables from customers earn annual fixed interest rates ranging from 3.00% to 41.72%, from 4.70% to 38.80%, and from 3.50% to 24.00%, respectively for the Group, and 12.00% to 36.00%, 6.00% to 24.00%, and 6.00% to 12.80% for the Parent Company, while foreign currency-denominated receivables from customers earn annual fixed interest rates ranging from 1.00% to 36.00%, from 1.05% to 24.00% and from 0.98% to 24.00%, respectively for the Group and 3.00% to 36.00%, 1.05% to 24.00% and 0.98% to 24.00%, respectively for the Parent Company.

10. Property and Equipment

The composition and movements in the account follow:

	Consolidated						
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	BUC	ROU Assets	Total
2023							
Cost							
Balance at January 1	**₱5,942**	**₱16,679**	**₱21,093**	**₱4,646**	**₱425**	**₱9,019**	**₱57,804**
Additions	**–**	**23**	**2,651**	**455**	**622**	**2,253**	**6,004**
Disposals/early termination	**–**	**–**	**(1,391)**	**(6)**	**–**	**(1,000)**	**(2,397)**
Reclassification/others	**(1)**	**455**	**(7)**	**249**	**(720)**	**(327)**	**(351)**
Balance at December 31	**5,941**	**17,157**	**22,346**	**5,344**	**327**	**9,945**	**61,060**
Accumulated depreciation and amortization							
Balance at January 1	**–**	**8,238**	**14,537**	**3,992**	**–**	**3,876**	**30,643**
Depreciation and amortization	**–**	**762**	**2,431**	**320**	**–**	**1,863**	**5,376**
Disposals/early termination	**–**	**–**	**(1,233)**	**(6)**	**–**	**(966)**	**(2,205)**
Reclassification/others	**–**	**6**	**(2)**	**(4)**	**–**	**(5)**	**(5)**
Balance at December 31	**–**	**9,006**	**15,733**	**4,302**	**–**	**4,768**	**33,809**
Allowance for impairment losses	**–**	**8**	**–**	**–**	**–**	**–**	**8**
Net book value at December 31	**₱5,941**	**₱8,143**	**₱6,613**	**₱1,042**	**₱327**	**₱5,177**	**₱27,243**
2022							
Cost							
Balance at January 1	₱5,797	₱16,339	₱19,377	₱4,999	₱219	₱7,348	₱54,079
Additions	–	7	2,508	70	531	2,360	5,476
Disposals/early termination	–	–	(1,801)	(208)	–	(594)	(2,603)
Reclassification/others	145	333	1,009	(215)	(325)	(95)	852
Balance at December 31	5,942	16,679	21,093	4,646	425	9,019	57,804
Accumulated depreciation and amortization							
Balance at January 1	–	7,574	13,714	4,085	–	2,915	28,288
Depreciation and amortization	–	568	2,271	240	–	1,514	4,593
Disposals/early termination	–	–	(1,601)	(208)	–	(516)	(2,325)
Reclassification/others	–	96	153	(125)	–	(37)	87
Balance at December 31	–	8,238	14,537	3,992	–	3,876	30,643
Allowance for impairment losses	–	8	–	–	–	–	8
Net book value at December 31	₱5,942	₱8,433	₱6,556	₱654	₱425	₱5,143	₱27,153

	Parent Company						
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	BUC	ROU Assets	Total
2023							
Cost							
Balance at January 1	₱4,805	₱15,318	₱11,225	₱2,976	₱425	₱5,755	₱40,504
Additions	–	8	1,137	414	622	1,579	3,760
Disposals/early termination	–	–	(414)	–	–	(632)	(1,046)
Reclassification/others	(1)	458	4	253	(720)	(344)	(350)
Balance at December 31	4,804	15,784	11,952	3,643	327	6,358	42,868
Accumulated depreciation and amortization							
Balance at January 1	–	7,525	8,023	2,479	–	2,212	20,239
Depreciation and amortization	–	720	1,168	251	–	1,147	3,286
Disposals	–	–	(363)	–	–	(632)	(995)
Reclassification/others	–	6	7	(3)	–	(3)	7
Balance at December 31	–	8,251	8,835	2,727	–	2,724	22,537
Allowance for impairment losses	–	8	–	–	–	–	8
Net book value at December 31	₱4,804	₱7,525	₱3,117	₱916	₱327	₱3,634	₱20,323
2022							
Cost							
Balance at January 1	₱4,660	₱14,987	₱10,075	₱3,187	₱219	₱4,335	₱37,463
Additions	–	5	752	8	531	1,621	2,917
Disposals/early termination	–	–	(607)	–	–	(262)	(869)
Reclassification/others	145	326	1,005	(219)	(325)	61	993
Balance at December 31	4,805	15,318	11,225	2,976	425	5,755	40,504
Accumulated depreciation and amortization							
Balance at January 1	–	6,908	7,313	2,456	–	1,556	18,233
Depreciation and amortization	–	525	1,079	154	–	828	2,586
Disposals	–	–	(521)	–	–	(253)	(774)
Reclassification/others	–	92	152	(131)	–	81	194
Balance at December 31	–	7,525	8,023	2,479	–	2,212	20,239
Allowance for impairment losses	–	8	–	–	–	–	8
Net book value at December 31	₱4,805	₱7,785	₱3,202	₱497	₱425	₱3,543	₱20,257

As of December 31, 2023 and 2022, the cost of fully depreciated property and equipment still in use amounted to ₱8.2 billion and ₱7.8 billion, respectively, for the Group, and ₱5.4 billion and ₱5.0 billion, respectively, for the Parent Company.

11. Investments in Subsidiaries, Associates and a Joint Venture

Investments in subsidiaries consist of:

	2023	2022
Acquisition cost		
PSBank	**₱13,076**	₱13,076
FMIC	**11,751**	11,751
MBCL	**10,079**	10,079
Circa	**837**	837
MR USA	**365**	365
ORIX Metro	**265**	265
MR Japan	**102**	102
MR UK	**31**	31
MRHL	**26**	26
MRSPL	**17**	17
Others	**25**	25
	36,574	36,574

(Forward)

	2023	2022
Accumulated equity in net income		
Balance at January 1	**₱34,775**	₱31,725
Share in net income	**5,237**	4,182
Dividends	**(1,132)**	(1,132)
Balance at December 31	**38,880**	34,775
Equity in net unrealized loss on investment securities at FVOCI	**(437)**	(1,939)
Equity in net unrealized gain on remeasurement of retirement plan and translation adjustment and others	**1,606**	2,514
Equity in realized loss on sale of equity securities at FVOCI	**(255)**	(170)
Allowance for impairment loss (Note 15)	**(474)**	–
Carrying value		
PSBank	**35,333**	32,669
FMIC	**20,658**	20,288
MBCL	**14,735**	13,800
ORIX Metro	**4,021**	3,861
Circa	**276**	259
MRSPL	**192**	182
MR USA	**199**	182
MRHL	**107**	128
MR Japan	**65**	77
MR UK	**39**	38
Others	**269**	270
	₱75,894	₱71,754

Allowance for impairment loss amounting to ₱474 million pertains to investment in FMIC.

The following subsidiaries have material non-controlling interests as of December 31, 2023 and 2022:

	Country of Incorporation and Principal Place of Business	Principal Activities	Effective Ownership of Non-Controlling Interest	
			2023	2022
ORIX Metro	Philippines	Leasing, Financing	**40.15%**	40.15%
PSBank	Philippines	Banking	**11.62%**	11.62%

The following table presents financial information of subsidiaries with material non-controlling interests as of December 31, 2023 and 2022:

	2023		2022	
	PSBank	**ORIX Metro**	PSBank	ORIX Metro
Statement of Financial Position				
Total assets	**₱238,433**	**₱18,321**	₱264,421	₱23,436
Total liabilities	**198,279**	**8,273**	227,281	13,789
Non-controlling interest	**5,849**	**4,053**	5,499	3,892
Statement of Income				
Gross income	**21,029**	**4,699**	18,241	4,979
Operating income	**15,145**	**4,261**	15,020	4,392
Net income	**4,531**	**463**	3,678	235
Net income attributable to non-controlling interest	**526**	**188**	427	94
Total comprehensive income	**4,295**	**399**	3,526	242

	2023		2022	
	PSBank	**ORIX Metro**	PSBank	ORIX Metro
Statement of Cash Flows				
Net cash provided by (used in) operating activities	**₱(38,300)**	**₱4,696**	₱(1,613)	₱2,727
Net cash generated (used in) investing activities	**20,754**	**(751)**	(13,786)	(834)
Net cash used in financing activities	**(7,378)**	**(4,418)**	(653)	(1,579)
Net increase (decrease) in cash and cash equivalents	**(24,924)**	**(473)**	(16,052)	314
Cash and cash equivalents at beginning of year	**45,079**	**1,616**	61,131	1,302
Cash and cash equivalents at end of year	**20,154**	**1,143**	45,079	1,616

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

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

Investment in FMIC
On September 15, 2023, the SEC approved the following amendments on the Articles of Incorporation of FMIC:

1. Deletion of the primary purpose pertaining to the quasi- banking and trust activities of FMIC in view of BSP's approval to surrender its quasi-bank and trust license on March 25, 2021;

2. Decrease in the number of authorized common shares of FMIC from 800,000,000 to 16,000,000 shares and increase in the par value from ₱10.00 to ₱500.00 per share.

As of December 31, 2023 and 2022, the carrying amount of goodwill of the Group amounted to ₱4.7 billion, of which ₱4.5 billion pertains to the goodwill arising from the acquisition of the then Solidbank Corporation, which was merged with FMIC.

	Principal Activities	**Consolidated**		**Parent Company**	
		2023	2022	**2023**	2022
Acquisition cost:					
Lepanto Consolidated Mining Company (LCMC) (13.36% effectively owned)	Mining	**₱2,527**	₱2,527	**₱–**	₱–
SMFC (26.52% effectively owned)*	Financing	**610**	610	–	–
Northpine Land, Inc. (NLI) (20.00% owned)	Real estate developer	**232**	232	**232**	232
Taal Land Inc. (TLI) (35.00% owned)	Real estate	**178**	178	**178**	178
Cathay International Resources Corporation (CIRC) (34.49% effectively owned)	Investment house	**175**	175	–	–
AXA Philippines Life and General Insurance Corporation (AXA Philippines) [formerly Philippine AXA Life Insurance Corporation (PALIC)] (27.97% effectively owned)	Insurance	**172**	172	–	–
SMBC Metro Investment Corporation (SMBC Metro) (30.00% owned)	Investment house	**180**	180	**180**	180
Others		**42**	42	–	–
		4,116	4,116	**590**	590
Accumulated equity in net income:					
Balance at January 1		**2,970**	2,708	**251**	265
Share in net income		**875**	704	**44**	(14)
Dividends		**(314)**	(442)	–	–
Balance at December 31		**3,531**	2,970	**295**	251
Equity in other comprehensive income (losses)		**116**	(146)	**1**	1
Return of investment - SMBC Metro		**(180)**	(180)	**(180)**	(180)
Allowance for impairment losses (Note 15)		**(1,342)**	(883)	**(101)**	(101)

(Forward)

	Principal Activities	Consolidated 2023	Consolidated 2022	Parent Company 2023	Parent Company 2022
Carrying value					
LCMC		**₱494**	₱962	**₱–**	₱–
SMFC		**870**	816	**–**	–
NLI		**563**	519	**563**	519
TLI		**18**	18	**18**	18
AXA Philippines		**4,222**	3,498	**–**	–
SMBC Metro		**24**	24	**24**	24
Others		**50**	40	**–**	–
		₱6,241	₱5,877	**₱605**	₱561

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

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

Investment of FMIC in LCMC

FMIC has the ability to exercise significant influence through a 5-year agreement with Philex Mining Corporation to jointly vote their 16.7% ownership. As of December 31, 2023 and 2022, LCMC-A shares are trading at ₱0.08 per share and ₱0.109 per share, respectively, and LCMC-B shares are trading at ₱0.078 per share and ₱0.107 per share, respectively. As of December 31, 2023 and 2022, there has been a significant decline in the fair value of the shares compared to the acquisition cost. In 2023 and 2022, the Group recognized impairment loss on the investment in LCMC amounting to ₱458.3 million and ₱211.6 million, respectively (Note 3).

Investment in NLI

On November 27, 2019, the stockholders of NLI approved the shortening of its corporate term to end on December 31, 2021, but subsequently approved on March 24, 2021 to extend the term up to June 30, 2022. NLI filed the amended Articles of Incorporation (for the shortening of its corporate term up to January 30, 2022) with SEC and this was approved by the SEC on July 6, 2021.

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

	Statements of Financial Position		**Statements of Income and Other Comprehensive Income**				
	Total Assets	**Total Liabilities**	**Gross Income**	**Operating Income (Loss)**	**Net Income (Loss)**	**OCI**	**Total Comprehensive Income (Loss)**
December 31, 2023							
AXA Philippines	**₱177,539**	**₱162,503**	**₱18,746**	**₱3,436**	**₱2,647**	**₱831**	**₱3,478**
LCMC	**8,404**	**4,094**	**2,470**	**13**	**19**	**–**	**19**
NLI	**2,988**	**264**	**56**	**(54)**	**221**	**–**	**221**
SMFC	**7,711**	**4,805**	**1,803**	**288**	**215**	**(32)**	**183**
CIRC	**1,814**	**1,442**	**484**	**(109)**	**(109)**	**–**	**(109)**
December 31, 2022							
AXA Philippines	₱157,294	₱144,736	₱16,254	₱3,428	₱2,594	(₱280)	₱2,314
LCMC	8,651	4,436	1,842	(386)	(374)	–	(374)
NLI	2,737	236	72	(151)	(75)	–	(75)
SMFC	6,796	4,075	1,549	389	278	33	311
CIRC	2,022	1,558	334	(115)	(115)	–	(115)

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

	2023	2022
AXA Philippines		
Cash and cash equivalents	**₱9,342**	₱6,665
Loans and receivables - net	**1,668**	878
Investment securities at FVTPL	**1,896**	1,832
Investment securities at FVOCI	**20,362**	15,669

(Forward)

	2023	2022
Property and equipment	**461**	523
LCMC		
Inventories	**₱468**	₱493
Investments and advances	**864**	970
Mine exploration cost	**10**	10
Property, plant and equipment - net	**5,685**	5,769
NLI		
Cash and cash equivalents	**1,148**	502
Real estate properties	**984**	1,173
Receivables - net	**821**	1,025
SMFC		
Cash and cash equivalents	**738**	436
Receivables - net	**6,433**	6,202
CIRC		
Cash and cash equivalents	**91**	111
Receivables - net	**70**	74
Property, plant and equipment - net	**1,087**	1,166
Condominium units for sale/inventories	**181**	206

Dividends declared by investee companies of the Parent Company follow:

Subsidiary/Associate	Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
2023					
Subsidiaries					
Cash Dividend					
PSBank	**January 26,2023**	**₱0.75**	**₱320**	**February 10, 2023**	**February 27, 2023**
PSBank	**April 27,2023**	**0.75**	**320**	**May 15, 2023**	**May 29, 2023**
PSBank	**July 20,2023**	**0.75**	**320**	**August 4, 2023**	**August 22, 2023**
PSBank	**October 19, 2023**	**0.75**	**320**	**November 8, 2023**	**November 20, 2023**
2022					
Subsidiaries					
Cash Dividend					
PSBank	January 17, 2022	₱0.75	₱320	February 2, 2022	February 16, 2022
PSBank	April 25, 2022	0.75	320	May 11, 2022	May 25, 2022
PSBank	July 21, 2022	0.75	320	August 5, 2022	August 22, 2022
PSBank	October 20, 2022	0.75	320	November 7, 2022	November 21, 2022

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

Subsidiary/Associate	Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
2023					
Associates					
Cash Dividend					
AXA Philippines	**December 13,2023**	**₱100**	**₱1,000**	**December 29, 2023**	**January 17, 2024**
SMFC	**June 23,2023**	**9.60**	**192**	**July 10, 2023**	**July 19, 2023**
FMSBC	**May 31,2023**	**17.75**	**30**	**May 31, 2023**	**August 29, 2023**
FAMI	**June 22,2023**	**67.00**	**100**	**June 30, 2023**	**December 15, 2023**
2022					
Associates					
Cash Dividend					
AXA Philippines	November 28, 2022	₱142	₱1,420	December 21, 2022	December 21, 2022
SMFC	June 24, 2022	5.01	102	July 11, 2022	July 20, 2022
FMSBC	May 27, 2022	35.50	60	May 31, 2022	August 25, 2022
FAMI	September 30, 2022	8.00	12	September 30, 2022	December 28, 2022

12. **Investment Properties**

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

	Consolidated					
	2023			2022		
	Land	**Buildings and Improvements**	**Total**	Land	Buildings and Improvements	Total
Cost						
Balance at January 1	**₱5,285**	**₱5,156**	**₱10,441**	₱5,387	₱4,494	₱9,881
Additions	**477**	**995**	**1,472**	410	1,489	1,899
Disposals	**(532)**	**(706)**	**(1,238)**	(427)	(915)	(1,342)
Reclassification/others	–	–	–	(85)	88	3
Balance at December 31	**5,230**	**5,445**	**10,675**	5,285	5,156	10,441
Accumulated depreciation and amortization						
Balance at January 1	–	**1,104**	**1,104**	–	1,140	1,140
Depreciation and amortization	–	**161**	**161**	–	139	139
Disposals	–	**(105)**	**(105)**	–	(175)	(175)
Balance at December 31	–	**1,160**	**1,160**	–	1,104	1,104
Allowance for impairment losses (Note 15)						
Balance at January 1	**1,229**	**207**	**1,436**	1,244	170	1,414
Provision for (reversal of) impairment loss	–	**12**	**12**	(8)	112	104
Disposals	**(8)**	**(32)**	**(40)**	(7)	(77)	(84)
Reclassification/others	–	–	–	–	2	2
Balance at December 31	**1,221**	**187**	**1,408**	1,229	207	1,436
Net book value at December 31	**₱4,009**	**₱4,098**	**₱8,107**	₱4,056	₱3,845	₱7,901

	Parent Company					
	2023			2022		
	Land	**Buildings and Improvements**	**Total**	Land	Buildings and Improvements	Total
Cost						
Balance at January 1	**₱3,329**	**₱1,562**	**₱4,891**	₱3,396	₱1,409	₱4,805
Additions	**280**	**506**	**786**	115	346	461
Disposals	**(366)**	**(117)**	**(483)**	(182)	(193)	(375)
Balance at December 31	**3,243**	**1,951**	**5,194**	3,329	1,562	4,891
Accumulated depreciation and amortization						
Balance at January 1	–	**584**	**584**	–	631	631
Depreciation and amortization	–	**60**	**60**	–	39	39
Disposals	–	**(38)**	**(38)**	–	(86)	(86)
Balance at December 31	–	**606**	**606**	–	584	584
Allowance for impairment losses (Note 15)						
Balance at January 1	**959**	**38**	**997**	965	38	1,003
Disposals	**(6)**	**–**	**(6)**	(6)	–	(6)
Balance at December 31	**953**	**38**	**991**	959	38	997
Net book value at December 31	**₱2,290**	**₱1,307**	**₱3,597**	₱2,370	₱940	₱3,310

As of December 31, 2023 and 2022, foreclosed investment properties still subject to redemption period by the borrowers amounted to ₱1.1 billion and ₱1.6 billion, respectively, for the Group, and ₱462.2 million and ₱189.9 million, respectively, for the Parent Company.

As of December 31, 2023 and 2022, aggregate market value of investment properties amounted to ₱16.1 billion and ₱16.3 billion, respectively, for the Group, and ₱8.3 billion and ₱8.7 billion, respectively, for the Parent Company, of which ₱9.1 billion and ₱9.4 billion, respectively, for the Group, and ₱8.1 billion and ₱8.5 billion, respectively, for the Parent Company were determined by independent external appraisers. Information about the fair value measurement of investment properties are also presented in Note 5.

Rental income on investment properties (included in ‘Leasing income’ in the statements of income) in 2023, 2022 and 2021 amounted to ₱92.8 million, ₱86.4 million and ₱90.0 million, respectively, for the Group (Note 13).

Direct operating expenses on investment properties that generated rental income (included under 'Litigation expenses') in 2023, 2022 and 2021 amounted to ₱24.0 thousand, ₱68.2 thousand and ₱47.3 thousand, respectively, for the Group. Direct operating expenses on investment properties that did not generate rental income (included under 'Litigation expenses') in 2023, 2022 and 2021 amounted to ₱389.7 million, ₱230.6 million and ₱223.3 million, respectively, for the Group and ₱78.6 million, ₱42.9 million and ₱57.1 million, respectively, for the Parent Company (Note 25).

Net gains from sale of investment properties (included in 'Profit from assets sold' in the statements of income) in 2023, 2022 and 2021 amounted to ₱1.7 billion, ₱442.6 million and ₱432.6 million, respectively, for the Group, and ₱1.6 billion, ₱208.4 million and ₱117.7 million, respectively, for the Parent Company.

13. Leases

Group as a Lessee

As of December 31, 2023 and 2022, 59.51% and 59.40%, respectively, of the Parent Company's branch sites are under lease arrangements. Also, some of its subsidiaries lease the premises occupied by their Head Offices and most of their branches. The lease contracts are for periods ranging from 2 to 30 years and some are renewable at the Group's option under certain terms and conditions. Various lease contracts include escalation clauses, which bear an annual rent increase of 2% to 20% in 2023 and 2022. As of December 31, 2023 and 2022, the Group has no contingent rent payable.

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

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Balance at January 1	**₱5,661**	₱5,084	**₱3,845**	₱3,185
Additions	**2,253**	2,360	**1,579**	1,621
Expiry/early termination	**(6)**	(19)	**–**	(11)
Accretion of interest	**340**	256	**223**	142
Payments	**(2,121)**	(1,968)	**(1,302)**	(1,115)
Others	**(363)**	(52)	**(327)**	23
Balance at December 31	**₱5,764**	₱5,661	**₱4,018**	₱3,845

The Group and the Parent Company recognized the following:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Interest expense on lease liabilities	**₱340**	₱256	₱244	**₱223**	₱142	₱137
Rent expense from short-term leases and leases of low-value assets*	**725**	841	813	**698**	633	612

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

Future minimum rentals payable under non-cancelable leases follows:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Within one year	**₱1,454**	₱1,772	**₱847**	₱905
After one year but not more than five years	**3,209**	3,291	**1,908**	2,233
More than five years	**2,060**	1,299	**1,967**	1,176
	₱6,723	₱6,362	**₱4,722**	₱4,314

As of December 31, 2023 and 2022, the Parent Company has undiscounted potential future rental payments arising from extension options expected not to be exercised and thus, not included in the calculation of lease liability amounting to ₱67.6 million.

Group as a Lessor
The Group has entered into commercial property leases on its investment property portfolio, consisting of the Group's available office spaces and investment properties and lease agreements over various items of machinery and equipment which are non-cancelable and have remaining non-cancelable lease terms of between one to seven years. In 2023, 2022 and 2021, leasing income on investment properties amounted to ₱1.9 billion, ₱1.9 billion and ₱1.8 billion, respectively, for the Group, and ₱78.3 million, ₱80.3 million and ₱103.8 million, respectively, for the Parent Company.

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

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Within one year	**₱1,304**	₱1,959	**₱55**	₱48
After one year but not more than five years	**1,058**	1,750	**90**	35
More than five years	**10**	-	**-**	-
	₱2,372	₱3,709	**₱145**	₱83

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

	2023	2022
Within one year	**₱382**	₱477
After one year but not more than five years	**1,591**	2,149
Greater than five years	**–**	3
	₱1,973	₱2,629

14. **Other Assets**

This account consists of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Investment in SPVs	**₱8,857**	₱8,857	**₱8,857**	₱8,857
Software costs - net	**3,344**	3,540	**2,995**	3,119
Customized system development cost	**2,321**	615	**2,321**	615
Prepaid expenses	**1,338**	1,255	**1,004**	953
Creditable withholding tax	**1,228**	1,103	**479**	403
Chattel properties acquired in foreclosure - net	**826**	598	**72**	97
Documentary and postage stamps on hand	**482**	457	**459**	428
Residual value of leased assets	**470**	623	–	–
Returned checks and other cash items	**448**	345	**433**	333
Assets held under joint operations (Note 32)	**219**	219	**219**	219
Miscellaneous (Note 27)	**5,137**	3,529	**3,764**	2,491
	24,670	21,141	**20,603**	17,515
Less allowance for impairment losses	**10,285**	10,286	**10,274**	10,278
	₱14,385	₱10,855	**₱10,329**	₱7,237

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

Movements in software costs account follow:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Cost				
Balance at January 1	**₱10,563**	₱8,660	**₱8,187**	₱6,426
Additions	**954**	577	**835**	439
Disposals/reclassification/others	**(16)**	1,326	**(9)**	1,322
Balance at December 31	**11,501**	10,563	**9,013**	8,187
Accumulated amortization				
Balance at January 1	**7,023**	6,062	**5,068**	4,273
Amortization	**1,134**	984	**945**	818
Disposals/others	**–**	(23)	**5**	(23)
Balance at December 31	**8,157**	7,023	**6,018**	5,068
Net book value at December 31	**₱3,344**	₱3,540	**₱2,995**	₱3,119

Movements in chattel properties acquired in foreclosure follow:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Cost				
Balance at January 1	**₱821**	₱993	**₱113**	₱31
Additions	**2,546**	2,425	**75**	111
Disposals/others	**(2,308)**	(2,597)	**(96)**	(29)
Balance at December 31	**1,059**	821	**92**	113
Accumulated depreciation and amortization				
Balance at January 1	**221**	275	**14**	12
Depreciation and amortization	**251**	260	**20**	10
Disposals/others	**(240)**	(314)	**(15)**	(8)
Balance at December 31	**232**	221	**19**	14
Allowance for impairment losses	**1**	2	**1**	2
Net book value at December 31	**₱826**	₱598	**₱72**	₱97

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

As of December 31, 2023, 2022 and 2021, the Group recognized (reversed) provision for credit losses on non-financial other assets amounting to ₱104.0 million, ₱13.1 million, and (₱22.0 million), respectively (Note 15).

15. **Allowance for Credit and Impairment Losses**

An analysis of changes in the ECL allowances in 2023 and 2022 is as follows:

	Consolidated			
	Due from Other Banks	Interbank Loans Receivable	Investment Securities at FVOCI	Investment Securities at Amortized Cost
2023				
ECL allowance, January 1, 2023	**₱41**	**₱19**	**₱741**	**₱471**
Asset derecognized or repaid	**(41)**	**(19)**	–	–
New asset originated	**51**	**36**	–	–
Changes in assumptions	–	–	**68**	**(96)**
ECL allowance, December 31, 2023	**₱51**	**₱36**	**₱809**	**₱375**
2022				
ECL allowance, January 1, 2022	₱31	₱28	₱358	₱31
Asset derecognized or repaid	(31)	(28)	–	–
New asset originated	41	19	–	–
Changes in assumptions	–	–	383	440
ECL allowance, December 31, 2022	₱41	₱19	₱741	₱471

	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
2023				
Commercial loans				
ECL allowance, January 1, 2023	**₱7,739**	**₱8,668**	**₱14,918**	**₱31,325**
Newly originated assets that remained in Stage 1 as at year-end	**4,717**	–	–	**4,717**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	**765**	**948**	**1,713**
Assets derecognized or repaid	**(4,132)**	**(1,201)**	**(2,359)**	**(7,692)**
Amounts written off	–	–	**(1,265)**	**(1,265)**
Transfers to/(from) Stage 1	**(20)**	–	–	**(20)**
Transfers to/(from) Stage 2	–	**(499)**	–	**(499)**
Transfers to/(from) Stage 3	–	–	**1,341**	**1,341**
Changes in assumptions	**775**	**1,164**	**95**	**2,034**
ECL allowance, December 31, 2023	**9,079**	**8,897**	**13,678**	**31,654**
Residential mortgage loans				
ECL allowance, January 1, 2023	**368**	**743**	**1,212**	**2,323**
Newly originated assets that remained in Stage 1 as at year-end	**106**	–	–	**106**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	**5**	**4**	**9**
Assets derecognized or repaid	**(28)**	**(91)**	**(418)**	**(537)**
Transfers to/(from) Stage 1	**(7)**	–	–	**(7)**
Transfers to/(from) Stage 2	–	**15**	–	**15**
Transfers to/(from) Stage 3	–	–	**(148)**	**(148)**
Changes in assumptions	**67**	**46**	**(134)**	**(21)**
ECL allowance, December 31, 2023	**506**	**718**	**516**	**1,740**
Auto loans				
ECL allowance, January 1, 2023	**1,782**	**715**	**1,316**	**3,813**
Newly originated assets that remained in Stage 1 as at year-end	**1,609**	–	–	**1,609**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	**164**	**188**	**352**
Assets derecognized or repaid	**(158)**	**(245)**	**(469)**	**(872)**
Amounts written off	–	–	**(156)**	**(156)**
Transfers to/(from) Stage 1	**(99)**	–	–	**(99)**
Transfers to/(from) Stage 2	–	**11**	–	**11**
Transfers to/(from) Stage 3	–	–	**96**	**96**
Changes in assumptions	**(944)**	**79**	**592**	**(273)**
ECL allowance, December 31, 2023	**2,190**	**724**	**1,567**	**4,481**

(Forward)

	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
Credit card				
ECL allowance, January 1, 2023	**₱2,778**	**₱3,119**	**₱2,371**	**₱8,268**
Newly originated assets that remained in Stage 1 as at year-end	**267**	–	–	**267**
Assets derecognized or repaid	**(34)**	**(124)**	**(85)**	**(243)**
Amounts written off	–	–	**(5,286)**	**(5,286)**
Transfers to/(from) Stage 1	**96**	–	–	**96**
Transfers to/(from) Stage 2	–	**(1,064)**	–	**(1,064)**
Transfers to/(from) Stage 3	–	–	**967**	**967**
Changes in assumptions	**(1,205)**	**857**	**5,514**	**5,166**
ECL allowance, December 31, 2023	**1,902**	**2,788**	**3,481**	**8,171**
Trade loans				
ECL allowance, January 1, 2023	**440**	**14**	**314**	**768**
Newly originated assets that remained in Stage 1 as at year-end	**281**	–	–	**281**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	**16**	**1**	**17**
Assets derecognized or repaid	**(440)**	**(12)**	**(8)**	**(460)**
Changes in assumptions	–	**2**	**(23)**	**(21)**
ECL allowance, December 31, 2023	**281**	**20**	**284**	**585**
Other loans				
ECL allowance, January 1, 2023	**128**	**257**	**264**	**649**
Newly originated assets that remained in Stage 1 as at year-end	**60**	–	–	**60**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	**62**	**14**	**76**
Assets derecognized or repaid	**(30)**	**(37)**	**(4)**	**(71)**
Amounts written off	**–**	–	**(160)**	**(160)**
Transfers to/(from) Stage 1	**26**	–	–	**26**
Transfers to/(from) Stage 2	–	**(50)**	–	**(50)**
Transfers to/(from) Stage 3	–	–	**24**	**24**
Changes in assumptions	**(89)**	**(8)**	**123**	**26**
ECL allowance, December 31, 2023	**95**	**224**	**261**	**580**
Total receivables from customers				
ECL allowance, January 1, 2023	**13,235**	**13,516**	**20,395**	**47,146**
Newly originated assets that remained in Stage 1 as at year-end	**7,040**	–	–	**7,040**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	**1,012**	**1,155**	**2,167**
Assets derecognized or repaid	**(4,822)**	**(1,710)**	**(3,343)**	**(9,875)**
Amounts written off	–	–	**(6,867)**	**(6,867)**
Transfers to/(from) Stage 1	**(4)**	–	–	**(4)**
Transfers to/(from) Stage 2	–	**(1,587)**	–	**(1,587)**
Transfers to/(from) Stage 3	–	–	**2,280**	**2,280**
Changes in assumptions	**(1,396)**	**2,140**	**6,167**	**6,911**
ECL allowance, December 31, 2023	**₱14,053**	**₱13,371**	**₱19,787**	**₱47,211**
2022				
Commercial loans				
ECL allowance, January 1, 2022	₱7,414	₱11,481	₱13,016	₱31,911
Newly originated assets that remained in Stage 1 as at year-end	4,318	–	–	4,318
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	1,406	2,820	4,226
Assets derecognized or repaid	(3,721)	(3,560)	(3,320)	(10,601)
Amounts written off	–	–	(2,322)	(2,322)
Transfers to/(from) Stage 1	(125)	–	–	(125)
Transfers to/(from) Stage 2	–	(1,528)	–	(1,528)
Transfers to/(from) Stage 3	–	–	4,489	4,489
Changes in assumptions	(147)	869	235	957
ECL allowance, December 31, 2022	7,739	8,668	14,918	31,325
Residential mortgage loans				
ECL allowance, January 1, 2022	422	556	1,474	2,452
Newly originated assets that remained in Stage 1 as at year-end	76	–	–	76
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	4	13	17
Assets derecognized or repaid	(27)	(119)	(405)	(551)
Amounts written off	–	–	(1)	(1)
Transfers to/(from) Stage 1	(229)	–	–	(229)
Transfers to/(from) Stage 2	–	39	–	39

(Forward)

	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
Transfers to/(from) Stage 3	₱–	₱–	(₱148)	(₱148)
Changes in assumptions	126	263	279	668
ECL allowance, December 31, 2022	368	743	1,212	2,323
Auto loans				
ECL allowance, January 1, 2022	1,733	1,471	1,796	5,000
Newly originated assets that remained in Stage 1 as at year-end	1,278	–	–	1,278
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	105	55	160
Assets derecognized or repaid	(176)	(420)	(744)	(1,340)
Amounts written off	–	–	(626)	(626)
Transfers to/(from) Stage 1	(320)	–	–	(320)
Transfers to/(from) Stage 2	–	(285)	–	(285)
Transfers to/(from) Stage 3	–	–	496	496
Changes in assumptions	(733)	(156)	339	(550)
ECL allowance, December 31, 2022	1,782	715	1,316	3,813
Credit card				
ECL allowance, January 1, 2022	2,410	2,634	1,694	6,738
Newly originated assets that remained in Stage 1 as at year-end	84	–	–	84
Assets derecognized or repaid	(19)	(86)	(56)	(161)
Amounts written off	–	–	(3,215)	(3,215)
Transfers to/(from) Stage 1	240	–	–	240
Transfers to/(from) Stage 2	–	(895)	–	(895)
Transfers to/(from) Stage 3	–	–	654	654
Changes in assumptions	63	1,466	3,294	4,823
ECL allowance, December 31, 2022	2,778	3,119	2,371	8,268
Trade loans				
ECL allowance, January 1, 2022	143	118	256	517
Newly originated assets that remained in Stage 1 as at year-end	440	–	–	440
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	8	225	233
Assets derecognized or repaid	(142)	(103)	(167)	(412)
Transfers to/(from) Stage 1	(1)	–	–	(1)
Transfers to/(from) Stage 2	–	1	–	1
Changes in assumptions	–	(10)	–	(10)
ECL allowance, December 31, 2022	440	14	314	768
Other loans				
ECL allowance, January 1, 2022	57	408	709	1,174
Newly originated assets that remained in Stage 1 as at year-end	65	–	–	65
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	61	10	71
Assets derecognized or repaid	(8)	(80)	(58)	(146)
Amounts written off	–	–	(453)	(453)
Transfers to/(from) Stage 1	65	–	–	65
Transfers to/(from) Stage 2	–	(129)	–	(129)
Transfers to/(from) Stage 3	–	–	66	66
Changes in assumptions	(51)	(3)	(10)	(64)
ECL allowance, December 31, 2022	128	257	264	649
Total receivables from customers				
ECL allowance, January 1, 2022	12,179	16,668	18,945	47,792
Newly originated assets that remained in Stage 1 as at year-end	6,261	–	–	6,261
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	1,584	3,123	4,707
Assets derecognized or repaid	(4,093)	(4,368)	(4,750)	(13,211)
Amounts written off	–	–	(6,617)	(6,617)
Transfers to/(from) Stage 1	(370)	–	–	(370)
Transfers to/(from) Stage 2	–	(2,797)	–	(2,797)
Transfers to/(from) Stage 3	–	–	5,557	5,557
Changes in assumptions	(742)	2,429	4,137	5,824
ECL allowance, December 31, 2022	₱13,235	₱13,516	₱20,395	₱47,146

	Consolidated			
	Other Receivables			
	Stage 1	Stage 2	Stage 3	Total
2023				
ECL allowance, January 1, 2023	**₱71**	**₱21**	**₱820**	**₱912**
Newly originated assets that remained in Stage 1 as at year-end	**34**	–	–	**34**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	**10**	**163**	**173**
Assets derecognized or repaid	**(33)**	**(6)**	**(35)**	**(74)**
Transfers to/(from) Stage 2	–	**(1)**	–	**(1)**
Transfers to/(from) Stage 3	–	–	**12**	**12**
Changes in assumptions	**67**	**3**	**(77)**	**(7)**
ECL allowance, December 31, 2023	**₱139**	**₱27**	**₱883**	**₱1,049**
2022				
ECL allowance, January 1, 2022	₱465	₱18	₱1,133	₱1,616
Newly originated assets that remained in Stage 1 as at year-end	41	–	–	41
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	3	3	6
Assets derecognized or repaid	(31)	(3)	(686)	(720)
Amounts written off	–	–	(34)	(34)
Transfers to/(from) Stage 1	(403)	–	–	(403)
Transfers to/(from) Stage 2	–	4	–	4
Transfers to/(from) Stage 3	–	–	400	400
Changes in assumptions	(1)	(1)	4	2
ECL allowance, December 31, 2022	₱71	₱21	₱820	₱912

	Consolidated			
	Loan Commitments and Financial Guarantees			
	Stage 1	Stage 2	Stage 3	Total
2023				
ECL allowance, January 1, 2023	**₱934**	**₱256**	**₱–**	**₱1,190**
Newly originated assets that remained in Stage 1 as at year-end	**178**	–	–	**178**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	**4**	–	**4**
Assets derecognized or repaid	**(41)**	**(22)**	–	**(63)**
Transfers to/(from) Stage 1	**60**	–	–	**60**
Transfers to/(from) Stage 2	–	**(60)**	–	**(60)**
Changes in assumptions	**(282)**	**48**	–	**(234)**
ECL allowance, December 31, 2023	**₱849**	**₱226**	**₱–**	**₱1,075**
2022				
ECL allowance, January 1, 2022	₱826	₱378	₱1	₱1,205
Newly originated assets that remained in Stage 1 as at year-end	309	–	–	309
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	1	–	1
Assets derecognized or repaid	(122)	(41)	(1)	(164)
Transfers to/(from) Stage 1	103	–	–	103
Transfers to/(from) Stage 2	–	(102)	–	(102)
Changes in assumptions	(182)	20	–	(162)
ECL allowance, December 31, 2022	₱934	₱256	₱–	₱1,190

	Parent Company			
	Due from Other Banks	Interbank Loans Receivable	Investment Securities at FVOCI	Investment Securities at Amortized Cost
2023				
ECL allowance, January 1, 2023	**₱23**	**₱15**	**₱741**	**₱452**
Changes in assumptions	**13**	**18**	**68**	**(91)**
ECL allowance, December 31, 2023	**₱36**	**₱33**	**₱809**	**₱361**
2022				
ECL allowance, January 1, 2022	₱22	₱5	₱358	₱5
Changes in assumptions	1	10	383	447
ECL allowance, December 31, 2022	₱23	₱15	₱741	₱452

	Parent Company				
	Receivables from Customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
2023					
Commercial loans					
ECL allowance, January 1, 2023	**₱5,258**	**₱8,561**	**₱11,224**	**₱1,633**	**₱26,676**
Newly originated assets that remained in Stage 1 as at year-end	**3,208**	–	–	–	**3,208**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	**740**	**352**	–	**1,092**
Assets derecognized or repaid	**(3,158)**	**(1,084)**	**(1,522)**	–	**(5,764)**
Amounts written off	–	–	**(145)**	**(927)**	**(1,072)**
Transfers to/(from) Stage 1	**(15)**	–	–	–	**(15)**
Transfers to/(from) Stage 2	–	**(538)**	–	–	**(538)**
Transfers to/(from) Stage 3	–	–	**1,375**	–	**1,375**
Changes in assumptions	**834**	**1,157**	**345**	**(267)**	**2,069**
ECL allowance, December 31, 2023	**6,127**	**8,836**	**11,629**	**439**	**27,031**
Residential mortgage loans					
ECL allowance, January 1, 2023	**121**	**195**	**900**	–	**1,216**
Newly originated assets that remained in Stage 1 as at year-end	**63**	–	–	–	**63**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	**1**	–	–	**1**
Assets derecognized or repaid	**(17)**	**(46)**	**(385)**	–	**(448)**
Transfers to/(from) Stage 1	**5**	–	–	–	**5**
Transfers to/(from) Stage 2	–	**(17)**	–	–	**(17)**
Transfers to/(from) Stage 3	–	–	**(129)**	–	**(129)**
Changes in assumptions	**140**	**11**	**(65)**	–	**86**
ECL allowance, December 31, 2023	**312**	**144**	**321**	–	**777**
Auto loans					
ECL allowance, January 1, 2023	**75**	**146**	**377**	–	**598**
Newly originated assets that remained in Stage 1 as at year-end	**95**	–	–	–	**95**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	**47**	**2**	–	**49**
Assets derecognized or repaid	**(25)**	**(62)**	**(120)**	–	**(207)**
Amounts written off	–	–	**(10)**	–	**(10)**
Transfers to/(from) Stage 1	**8**	–	–	–	**8**
Transfers to/(from) Stage 2	–	**(17)**	–	–	**(17)**
Transfers to/(from) Stage 3	–	–	**17**	–	**17**
Changes in assumptions	**19**	**1**	**11**	–	**31**
ECL allowance, December 31, 2023	**172**	**115**	**277**	–	**564**
Credit card					
ECL allowance, January 1, 2023	**2,779**	**3,119**	**2,370**	–	**8,268**
Newly originated assets that remained in Stage 1 as at year-end	**267**	–	–	–	**267**
Assets derecognized or repaid	**(34)**	**(124)**	**(85)**	–	**(243)**
Amounts written off	–	–	**(5,286)**	–	**(5,286)**
Transfers to/(from) Stage 1	**96**	–	–	–	**96**
Transfers to/(from) Stage 2	–	**(1,064)**	–	–	**(1,064)**
Transfers to/(from) Stage 3	–	–	**968**	–	**968**
Changes in assumptions	**(1,206)**	**857**	**5,514**	–	**5,165**
ECL allowance, December 31, 2023	**1,902**	**2,788**	**3,481**	–	**8,171**
Trade loans					
ECL allowance, January 1, 2023	**440**	**14**	**314**	–	**768**
Newly originated assets that remained in Stage 1 as at year-end	**281**	–	–	–	**281**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	**16**	**1**	–	**17**
Assets derecognized or repaid	**(440)**	**(12)**	**(8)**	–	**(460)**
Changes in assumptions	–	**2**	**(23)**	–	**(21)**
ECL allowance, December 31, 2023	**281**	**20**	**284**	–	**585**
Other loans					
ECL allowance, January 1, 2023	**9**	–	**43**	–	**52**
Newly originated assets that remained in Stage 1 as at year-end	**4**	–	–	–	**4**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	–	**1**	–	**1**
Assets derecognized or repaid	–	–	**(2)**	–	**(2)**
Accounts written off	–	–	**(47)**	–	**(47)**
Changes in assumptions	**(13)**	**6**	**77**	–	**70**
ECL allowance, December 31, 2023	–	**6**	**72**	–	**78**

(Forward)

	Parent Company				
	Receivables from Customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Total receivables from customers					
ECL allowance, January 1, 2023	**₱8,682**	**₱12,035**	**₱15,228**	**₱1,633**	**₱37,578**
Newly originated assets that remained in Stage 1 as at year-end	**3,918**	–	–	–	**3,918**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	**804**	**356**	–	**1,160**
Assets derecognized or repaid	**(3,674)**	**(1,328)**	**(2,122)**	–	**(7,124)**
Amounts written off			**(5,488)**	**(927)**	**(6,415)**
Transfers to/(from) Stage 1	**94**	–	–	–	**94**
Transfers to/(from) Stage 2	–	**(1,636)**	–	–	**(1,636)**
Transfers to/(from) Stage 3	–	–	**2,231**	–	**2,231**
Changes in assumptions	**(226)**	**2,034**	**5,859**	**(267)**	**7,400**
ECL allowance, December 31, 2023	**₱8,794**	**₱11,909**	**₱16,064**	**₱439**	**₱37,206**
2022					
Commercial loans					
ECL allowance, January 1, 2022	₱4,904	₱11,214	₱8,068	₱3,276	₱27,462
Newly originated assets that remained in Stage 1 as at year-end	3,301	–	–	–	3,301
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	1,379	1,849	–	3,228
Assets derecognized or repaid	(2,824)	(3,458)	(3,043)	(8)	(9,333)
Amounts written off	–	–	(284)	(1,638)	(1,922)
Transfers to/(from) Stage 1	(101)	–	–	–	(101)
Transfers to/(from) Stage 2	–	(1,437)	–	–	(1,437)
Transfers to/(from) Stage 3	–	–	4,373	–	4,373
Changes in assumptions	(22)	863	261	3	1,105
ECL allowance, December 31, 2022	5,258	8,561	11,224	1,633	26,676
Residential mortgage loans					
ECL allowance, January 1, 2022	96	396	1,316	–	1,808
Newly originated assets that remained in Stage 1 as at year-end	18	–	–	–	18
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	–	10	–	10
Assets derecognized or repaid	(21)	(91)	(304)	–	(416)
Amounts written off	–	–	(1)	–	(1)
Transfers to/(from) Stage 1	3	–	–	–	3
Transfers to/(from) Stage 2	–	(125)	–	–	(125)
Transfers to/(from) Stage 3	–	–	(217)	–	(217)
Changes in assumptions	25	15	96	–	136
ECL allowance, December 31, 2022	121	195	900	–	1,216
Auto loans					
ECL allowance, January 1, 2022	77	288	664	–	1,029
Newly originated assets that remained in Stage 1 as at year-end	37	–	–	–	37
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	51	1	–	52
Assets derecognized or repaid	(43)	(125)	(258)	–	(426)
Amounts written off	–	–	(9)	–	(9)
Transfers to/(from) Stage 1	(4)	–	–	–	(4)
Transfers to/(from) Stage 2	–	(70)	–	–	(70)
Transfers to/(from) Stage 3	–	–	(34)	–	(34)
Changes in assumptions	8	2	13	–	23
ECL allowance, December 31, 2022	75	146	377	–	598
Credit card					
ECL allowance, January 1, 2022	2,410	2,633	1,695	–	6,738
Newly originated assets that remained in Stage 1 as at year-end	84	–	–	–	84
Assets derecognized or repaid	(19)	(85)	(57)	–	(161)
Amounts written off	–	–	(3,215)	–	(3,215)
Transfers to/(from) Stage 1	241	–	–	–	241
Transfers to/(from) Stage 2	–	(895)	–	–	(895)
Transfers to/(from) Stage 3	–	–	654	–	654
Changes in assumptions	63	1,466	3,293	–	4,822
ECL allowance, December 31, 2022	2,779	3,119	2,370	–	8,268

(Forward)

	Parent Company				
	Receivables from Customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Trade loans					
ECL allowance, January 1, 2022	₱143	₱118	₱256	₱–	₱517
Newly originated assets that remained in Stage 1 as at year-end	440	–	–	–	440
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	7	224	–	231
Assets derecognized or repaid	(142)	(103)	(167)	–	(412)
Transfers to/(from) Stage 1	(1)	–	–	–	(1)
Transfers to/(from) Stage 2	–	1	–	–	1
Changes in assumptions	–	(9)	1	–	(8)
ECL allowance, December 31, 2022	440	14	314	–	768
Other loans					
ECL allowance, January 1, 2022	–	–	39	–	39
Transfers to/(from) Stage 3	–	–	2	–	2
Changes in assumptions	9	–	2	–	11
ECL allowance, December 31, 2022	9	–	43	–	52
Total receivables from customers					
ECL allowance, January 1, 2022	7,630	14,649	12,038	3,276	37,593
Newly originated assets that remained in Stage 1 as at year-end	3,880	–	–	–	3,880
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	1,437	2,084	–	3,521
Assets derecognized or repaid	(3,049)	(3,862)	(3,829)	(8)	(10,748)
Amounts written off	–	–	(3,509)	(1,638)	(5,147)
Transfers to/(from) Stage 1	138	–	–	–	138
Transfers to/(from) Stage 2	–	(2,526)	–	–	(2,526)
Transfers to/(from) Stage 3	–	–	4,778	–	4,778
Changes in assumptions	83	2,337	3,666	3	6,089
ECL allowance, December 31, 2022	₱8,682	₱12,035	₱15,228	₱1,633	₱37,578

	Parent Company			
	Other Receivables			
	Stage 1	Stage 2	Stage 3	Total
2023				
ECL allowance, January 1, 2023	**₱49**	**₱3**	**₱794**	**₱846**
Newly originated assets that remained in Stage 1 as at year-end	**20**	–	–	**20**
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	**8**	**153**	**161**
Assets derecognized or repaid	**(31)**	**(2)**	**(20)**	**(53)**
Amounts written off	–	–	**(1)**	**(1)**
Transfers to/(from) Stage 3	–	–	**9**	**9**
Changes in assumptions	**79**	**3**	**(90)**	**(8)**
ECL allowance, December 31, 2023	**₱117**	**₱12**	**₱845**	**₱974**
2022				
ECL allowance, January 1, 2022	₱48	₱6	₱821	₱875
Newly originated assets that remained in Stage 1 as at year-end	26	–	–	26
Newly originated assets that moved to Stage 2 and Stage 3 as at year-end	–	1	1	2
Assets derecognized or repaid	(23)	(3)	–	(26)
Amounts written off	–	–	(34)	(34)
Transfers to/(from) Stage 2	–	(1)	–	(1)
Transfers to/(from) Stage 3	–	–	2	2
Changes in assumptions	(2)	–	4	2
ECL allowance, December 31, 2022	₱49	₱3	₱794	₱846

	Parent Company			
	Loan Commitments and Financial Guarantees			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2023				
ECL allowance, January 1, 2023	**₱841**	**₱256**	**₱–**	**₱1,097**
Newly originated assets that remained in Stage 1 as at year- end	**187**	–	–	**187**
Newly originated assets that moved to Stage 2 as at year-end	–	**4**	–	**4**
Assets derecognized or repaid	**(41)**	**(22)**	–	**(63)**
Transfers to/(from) Stage 1	**60**	–	–	**60**
Transfers to/(from) Stage 2	–	**(60)**	–	**(60)**
Changes in assumptions	**(278)**	**48**	–	**(230)**
ECL allowance, December 31, 2023	**₱769**	**₱226**	**₱–**	**₱995**
2022				
ECL allowance, January 1, 2022	₱826	₱378	₱1	₱1,205
Newly originated assets that remained in Stage 1 as at year- end	215	–	–	215
Newly originated assets that moved to Stage 2 as at year-end	–	1	–	1
Assets derecognized or repaid	(122)	(41)	(1)	(164)
Transfers to/(from) Stage 1	104	–	–	104
Transfers to/(from) Stage 2	–	(102)	–	(102)
Changes in assumptions	(182)	20	–	(162)
ECL allowance, December 31, 2022	₱841	₱256	₱–	₱1,097

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

As of December 31, 2023 and 2022, the ECL allowances on loan commitments and financial guarantees are included in 'Miscellaneous liabilities' under 'Other liabilities' (Note 21).

The ECL allowance on accounts receivables of the Group and the Parent Company based on their aging as of December 31, 2023 and 2022 follows:

	Consolidated		Parent Company	
Age of accounts receivables	**2023**	2022	**2023**	2022
Up to 1 month	**₱69**	₱103	**₱63**	₱57
> 1 to 2 months	**3**	7	**1**	1
> 2 to 3 months	**1**	9	–	1
More than 3 months	**3,261**	3,268	**2,718**	2,727
Total ECL	**₱3,334**	₱3,387	**₱2,782**	₱2,786

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

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Financial assets and other credit-related exposures:						
Loans and receivables	**₱7,996**	₱7,777	₱11,651	**₱6,187**	₱5,740	₱7,683
Investment securities at FVOCI	**(62)**	29	18	–	–	–
Interbank loans receivable	**(1)**	(10)	27	–	–	–
Due from other banks	**(4)**	(13)	–	–	–	–
	7,929	7,783	11,696	**6,187**	5,740	7,683
Non-financial assets:						
Investment properties	**12**	104	28	–	–	–
Goodwill	**474**	–	–	–	–	–
Investments in associates and a joint venture	**459**	212	132	**474**	–	–
Other assets	**104**	13	(22)	–	–	–
	1,049	329	138	**474**	–	–
	₱8,978	₱8,112	₱11,834	**₱6,661**	₱5,740	₱7,683

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

16. Deposit Liabilities

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

BSP Approval Date	Interest Rate	Issue Date	Maturity Date	2023	2022
Parent Company					
August 12, 2016	3.50%	September 19, 2016	September 19, 2023	**₱–**	₱8,650
August 12, 2016	3.88%	July 20, 2017	July 20, 2024	**3,750**	3,750
July 19, 2018	5.38%	October 4, 2018	April 4, 2024	**8,680**	8,680
				12,430	21,080
PSBank					
July 13, 2018	5.00%	August 9, 2018	February 9, 2024	**5,084**	5,078
				₱17,514	₱26,158

As of December 31, 2023 and 2022, 17.27% and 19.18%, respectively, of the total interest-bearing deposit liabilities of the Group, and 14.04% and 11.32%, respectively, of the total interest-bearing deposit liabilities of the Parent Company are subject to periodic interest repricing. In 2023, 2022 and 2021 the outstanding peso deposit liabilities (excluding LTNCDs above) of the Group and the Parent Company earn annual fixed interest rates ranging from 0.06% to 6.59%, while the outstanding foreign currency-denominated deposit liabilities earn annual fixed interest rates ranging from 0.00% to 8.84%, from 0.00% to 8.84% and from 0.00% to 3.75%, respectively for the Group and from 0.00% to 8.84%, from 0.00% to 8.84%, and from 0.00% to 2.50%, respectively, for the Parent Company.

Interest expense on deposit liabilities consists of:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
CASA	**₱987**	₱932	₱1,155	**₱769**	₱732	₱935
Time	**39,043**	9,277	2,803	**32,042**	5,482	749
LTNCD	**1,090**	1,211	1,544	**829**	915	1,151
	₱41,120	₱11,420	₱5,502	**₱33,640**	₱7,129	₱2,835

Reserve Requirement

In 2020, BSP Circular Nos. 1082 and 1092 were issued reducing the reserve requirements against deposit and deposit substitute liabilities. Non-FCDU deposit liabilities of the Parent Company and deposit substitutes of FMIC (until March 24, 2021) and ORIX Metro are subject to required reserves of 12% from 14% effective reserve week April 3, 2020 while non-FCDU deposit liabilities of PSBank are subject to required reserves of 3% from 4% effective reserve week July 31, 2020. Reserves requirement for peso-denominated LTNCDs are still at 4%. The required reserves can be kept in the form of deposits maintained in the demand deposit accounts with the BSP and any government securities used as compliance until they mature. Further, BSP Circular No. 1100 issued in 2020 and amended by BSP Circular No. 1155 issued in 2022 allowing banks to use peso denominated loans that are granted after March 15, 2020 to (1) micro-small-and-medium-enterprises (MSMEs) and (2) large enterprises excluding banks and non-bank financial institutions with quasi-banking functions that met the definition of MSMEs/large enterprise as alternative compliance with the reserve requirements. The use of MSMEs loans/loans to large enterprises as allowable alternative compliance with reserve requirements was available until June 30, 2023 only. The Parent Company and PSBank were in compliance with the reserve requirements as of December 31, 2023 and 2022.

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

	2023	2022
Parent Company	**₱198,061**	₱215,074
PSBank	**9,746**	37,554
	₱207,807	₱252,628

17. Bills Payable and Securities Sold Under Repurchase Agreements

This account consists of borrowings from:

	Consolidated		**Parent Company**	
	2023	2022	**2023**	2022
SSURA	**₱134,800**	₱67,120	**₱132,234**	₱65,934
Foreign banks	**16,637**	14,367	**7,282**	8,151
Local banks	**5,446**	8,767	**1,554**	1,985
Deposit substitutes	**13**	1,068	**11**	386
	₱156,896	₱91,322	**₱141,081**	₱76,456

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

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

	Consolidated				**Parent Company**			
	2023		2022		**2023**		2022	
	Transferred Securities	**SSURA**	Transferred Securities	SSURA	**Transferred Securities**	**SSURA**	Transferred Securities	SSURA
Investment securities at FVOCI								
Government	**₱115,803**	**₱101,291**	₱59,094	₱46,847	**₱115,803**	**₱101,291**	₱59,094	₱46,847
Private	**2,294**	**2,294**	–	–	–	–	–	–
Investment securities at amortized cost	**35,925**	**31,215**	22,441	20,273	**35,654**	**30,943**	21,255	19,087
	₱154,022	**₱134,800**	₱81,535	₱67,120	**₱151,457**	**₱132,234**	₱80,349	₱65,934

The Group's peso borrowings are subject to annual fixed interest rates ranging from 2.90% to 6.45%, from 2.60% to 6.88% and from 3.50%% to 7.00% in 2023, 2022 and 2021, respectively, while the Group's foreign currency-denominated borrowings are subject to annual fixed interest rates ranging from 0.00% to 7.50%, from 0.00% to 6.58% and from 0.36% to 3.40% in 2023, 2022 and 2021, respectively. For the Parent Company, the peso borrowings are subject to annual fixed interest rates ranging from 4.13% to 4.75%, 3.75% to 6.88% and 3.50% to 7.00% in 2023, 2022 and 2021, respectively, while the foreign currency-denominated borrowings are subject to annual fixed interest rates ranging from 0.00% to 7.50%, from 0.00% to 6.58% and from 0.36% to 0.44% in 2023, 2022 and 2021, respectively.

Interest expense on bills payable (included in the 'Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others' in the statements of income) in 2023, 2022 and 2021 amounted to ₱3.9 billion, ₱1.8 billion and ₱1.9 billion, respectively, for the Group and ₱3.4 billion, ₱1.1 billion and ₱512.7 million, respectively, for the Parent Company.

18. Accrued Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Accrued interest (Note 32)	**₱7,302**	₱3,776	**₱5,904**	₱2,581
Accrued other expenses	**12,483**	10,180	**9,770**	7,621
	₱19,785	₱13,956	**₱15,674**	₱10,202

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

19. Bonds Payable

This account consists of the following scripless fixed rate bonds:

				Carrying Value	
Issue Date	Maturity Date	Interest Rate	Face Value	**2023**	2022
Parent Company					
Fixed Rated Bonds					
October 28, 2022	April 28, 2024	5.00%	₱23,717	**₱23,676**	₱23,546
June 4, 2021	September 4, 2026	3.60%	19,000	**18,924**	18,894
October 24, 2019	April 24, 2023	4.50%	13,750	–	13,740
USD Senior Unsecured Notes					
July 15, 2020	January 15, 2026	2.125%	US$500	**27,489**	27,581
				70,089	83,761
Fixed Rated Bonds					
PSBank					
February 4, 2020	February 4, 2023	4.50%	4,650	–	4,648
				₱70,089	₱88,409

Specific terms of these bonds follow:

Parent Company

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

PSBank

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

Interest expense on bonds payable in 2023, 2022 and 2021 amounted to ₱3.1 billion, ₱3.0 billion and ₱4.4 billion, respectively, for the Group, and ₱3.1 billion, ₱2.8 billion and ₱3.8 billion, respectively, for the Parent Company. As of December 31, 2023 and 2022, unamortized bond issue costs amounted to ₱313.1 million and ₱585.7 million, respectively, for the Group, and ₱313.1 million and ₱584.1 million, respectively, for the Parent Company.

Reserve Requirement

Peso-denominated bonds are subject to reserves equivalent to 3% in 2023 and 2022. The Parent Company and PSBank were in compliance with such requirements as of December 31, 2023 and 2022.

20. Subordinated Debts

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

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

2023 Peso Notes - issued by Metrobank Card Corporation on December 20, 2013 at 100.00% of the principal amount of ₱1.2 billion (absorbed by the Parent Company on January 3, 2020 relative to the merger)

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

In 2023 and 2022, the Parent Company is in compliance with the terms and conditions upon which these subordinated notes have been issued.

In 2023, 2022 and 2021, interest expense on subordinated debts included in 'Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others' amounted to ₱71.2 million, ₱73.7 million and ₱73.7 million (including amortization of debt issue cost and premium of ₱1.0 million, ₱1.1 million and ₱1.1 million).

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

Non-equity Non-controlling Interest
This account arises when mutual funds are consolidated and where the Group holds less than 100.00% of the investment in these funds. When this occurs, the Group acquires a liability in respect of non-controlling interests in the funds of which the Group has control. Such non-controlling interests are distinguished from equity non-controlling interests in that the Group does not hold an equity stake in such funds. Further, income (loss) attributable to non-equity non-controlling interests amounting to (₱124.0 million), ₱462.7 million, and (₱152.4 million) in 2023, 2022 and 2021, respectively, is included under 'Trading and securities gain (loss) - net' in the statements of income (Note 8).

Other Liabilities
This account consists of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Accounts payable	**₱27,490**	₱22,660	**₱14,167**	₱13,665
Marginal deposits	**10,756**	14,864	**551**	894
Bills purchased - contra (Note 9)	**9,486**	8,209	**9,444**	8,209
Lease liability (Note 13)	**5,764**	5,661	**4,018**	3,845
Retirement liability (Note 27)	**2,698**	72	**2,553**	–
Other credits	**1,717**	1,628	**1,547**	1,459
Deferred revenues (Note 25)	**1,511**	1,273	**1,511**	1,273
Outstanding acceptances	**1,498**	1,287	**1,498**	1,287
Withholding taxes payable	**1,044**	789	**894**	651
Deposits on lease contracts	**783**	979	–	–
Miscellaneous (Notes 11 and 15)	**8,101**	6,615	**6,556**	5,666
	₱70,848	₱64,037	**₱42,739**	₱36,949

Deferred revenues include deferral and recognition of loyalty points program transactions and membership fees and dues for credit card business. Miscellaneous liabilities include provision on committed lines (Note 15), due to the Treasurer of the Philippines and interoffice float items.

22. Maturity Profile of Assets and Liabilities

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

	Consolidated					
	2023			2022		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Financial Assets - at gross						
Cash and other cash items	**₱39,431**	**₱–**	**₱39,431**	₱40,683	₱–	₱40,683
Due from BSP	**207,807**	–	**207,807**	252,628	–	252,628
Due from other banks	**90,586**	–	**90,586**	75,513	–	75,513
Interbank loans receivable and SPURA	**73,015**	–	**73,015**	73,563	200	73,763
Investment securities at FVTPL	**58,247**	**16,609**	**74,856**	50,566	13,033	63,599
Investment securities at FVOCI	**223,336**	**313,287**	**536,623**	180,368	350,096	530,464
Investment securities at amortized cost	**6,745**	**464,268**	**471,013**	6,089	312,158	318,247
Loans and receivables (Note 9)						
Receivables from customers	**725,367**	**841,679**	**1,567,046**	717,539	739,190	1,456,729
Unquoted debt securities	**829**	**105**	**934**	704	499	1,203
Accrued interest receivable	**20,895**	–	**20,895**	15,787	1	15,788
Accounts receivable	**15,064**	**30**	**15,094**	9,333	–	9,333
Sales contract receivable	**22**	**10**	**32**	19	12	31
Other receivables	**391**	**5**	**396**	281	–	281

(Forward)

	Consolidated					
	2023			2022		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Other assets (Note 14)						
Investments in SPVs	**₱8,857**	**₱–**	**₱8,857**	₱8,857	₱–	₱8,857
Returned checks and other cash items	**448**	–	**448**	345	–	345
Miscellaneous	**4**	**26**	**30**	740	26	766
	1,471,044	**1,636,019**	**3,107,063**	1,433,015	1,415,215	2,848,230
Non-Financial Assets - at gross						
Property and equipment (Note 10)	–	**61,060**	**61,060**	–	57,804	57,804
Investments in associates and a JV (Note 11)	–	**7,583**	**7,583**	–	6,760	6,760
Investment properties (Note 12)	–	**10,675**	**10,675**	–	10,441	10,441
Deferred tax assets (Note 28)	–	**14,171**	**14,171**	–	13,362	13,362
Goodwill (Note 11)	–	**6,403**	**6,403**	–	6,403	6,403
Assets held under joint operations (Note 14)	–	**219**	**219**	–	219	219
Residual value of leased asset (Note 14)	**233**	**237**	**470**	268	355	623
Other assets (Note 14)	**3,048**	**19,988**	**23,036**	2,815	14,762	17,577
	3,281	**120,336**	**123,617**	3,083	110,106	113,189
	₱1,474,325	**₱1,756,355**	**3,230,680**	₱1,436,098	₱1,525,321	2,961,419
Less:						
Unearned discounts and capitalized interest (Note 9)			**15,637**			13,538
Accumulated depreciation and amortization (Notes 10, 12 and 14)			**43,358**			38,991
Allowance for credit and impairment losses (Notes 10, 11, 12, 14, and 15)			**66,783**			65,800
			₱3,104,902			₱2,843,090
Financial Liabilities						
Deposit liabilities						
Demand	**₱586,345**	**₱–**	**₱586,345**	₱581,473	₱–	₱581,473
Savings	**853,028**	–	**853,028**	898,078	–	898,078
Time	**907,578**	**18,307**	**925,885**	696,549	18,866	715,415
LTNCD (Note 16)	**17,514**	–	**17,514**	8,650	17,508	26,158
	2,364,465	**18,307**	**2,382,772**	2,184,750	36,374	2,221,124
Bills payable and SSURA (Note 17)	**156,891**	**5**	**156,896**	89,409	1,913	91,322
Derivative liabilities (Note 8)	**12,427**	**4,438**	**16,865**	8,870	7,995	16,865
Manager's checks and demand drafts outstanding	**7,048**	–	**7,048**	6,501	–	6,501
Accrued interest and other expenses	**18,059**	–	**18,059**	12,869	–	12,869
Subordinated debts (Note 20)	–	–	–	1,169	–	1,169
Bonds payable (Note 19)	**23,676**	**46,413**	**70,089**	18,388	70,021	88,409
Non-equity non-controlling interest (Note 21)	**10,260**	–	**10,260**	10,139	–	10,139
Other liabilities (Note 21)						
Accounts payable	**27,490**	–	**27,490**	22,660	–	22,660
Marginal deposits	**10,756**	–	**10,756**	14,864	–	14,864
Bills purchased - contra	**9,486**	–	**9,486**	8,209	–	8,209
Lease liability	**1,463**	**4,301**	**5,764**	1,491	4,170	5,661
Outstanding acceptances	**1,498**	–	**1,498**	1,287	–	1,287
Deposits on lease contracts	**412**	**371**	**783**	441	538	979
Dividends payable	**89**	–	**89**	90	–	90
	2,644,020	**73,835**	**2,717,855**	2,381,137	121,011	2,502,148
Non-Financial Liabilities						
Retirement liability (Notes 21 and 27)	**–**	**2,698**	**2,698**	–	72	72
Income taxes payable	**3,601**	–	**3,601**	1,478	–	1,478
Accrued interest and other expenses	**1,726**	**–**	**1,726**	1,087	–	1,087
Withholding taxes payable (Note 21)	**1,044**	–	**1,044**	789	–	789
Deferred tax and other liabilities (Notes 21 and 28)	**9,221**	**2,019**	**11,240**	7,797	1,629	9,426
	15,592	**4,717**	**20,309**	11,151	1,701	12,852
	₱2,659,612	**₱78,552**	**₱2,738,164**	₱2,392,288	₱122,712	₱2,515,000

	Parent Company					
	2023			2022		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Financial Assets - at gross						
Cash and other cash items	**₱37,692**	**₱–**	**₱ 37,692**	₱38,701	₱–	₱38,701
Due from BSP	**198,061**	–	**198,061**	215,074	–	215,074
Due from other banks	**65,868**	–	**65,868**	56,698	–	56,698
Interbank loans receivable and SPURA	**59,219**	–	**59,219**	65,350	200	65,550
Investment securities at FVTPL	**57,820**	**8,681**	**66,501**	42,623	13,033	55,656
Investment securities at FVOCI	**136,641**	**306,033**	**442,674**	73,980	344,067	418,047
Investment securities at amortized cost	**3,861**	**434,937**	**438,798**	3,883	281,677	285,560
Loans and receivables						
Receivables from customers	**656,593**	**707,681**	**1,364,274**	655,840	616,580	1,272,420
Unquoted debt securities	**386**	**105**	**491**	386	170	556
Accrued interest receivable	**17,396**	**–**	**17,396**	12,240	1	12,241
Accounts receivable	**7,655**	–	**7,655**	6,500	–	6,500
Sales contract receivable	**15**	**10**	**25**	13	7	20
Other receivables	**2**	–	**2**	3	–	3
Other assets						
Investments in SPVs	**8,857**	–	**8,857**	8,857	–	8,857
Returned checks and other cash items	**433**	–	**433**	333	–	333
Miscellaneous	**4**	–	**4**	1,074	–	1,074
	1,250,503	**1,457,447**	**2,707,950**	1,181,555	1,255,735	2,437,290
Non-Financial Assets - at gross						
Property and equipment	–	**42,868**	**42,868**	–	40,504	40,504
Investments in subsidiaries	–	**76,368**	**76,368**	–	71,754	71,754
Investments in associates	–	**706**	**706**	–	662	662
Investment properties	–	**5,194**	**5,194**	–	4,891	4,891
Deferred tax assets	–	**11,900**	**11,900**	–	12,274	12,274
Assets held under joint operations	–	**219**	**219**	–	219	219
Other assets	**1,942**	**16,394**	**18,336**	1,784	11,541	13,325
	1,942	**153,649**	**155,591**	1,784	141,845	143,629
	₱1,252,445	**₱1,611,096**	**2,863,541**	₱1,183,339	₱1,397,580	2,580,919
Less:						
Unearned discounts and capitalized interest			**13,545**			10,970
Accumulated depreciation and amortization			**29,180**			25,905
Allowance for credit and impairment losses			**54,450**			54,295
			₱2,766,366			₱2,489,749
Financial Liabilities						
Deposit liabilities						
Demand	**₱536,772**	**₱–**	**₱536,772**	₱536,516	₱–	₱536,516
Savings	**807,153**	–	**807,153**	851,860	–	851,860
Time	**756,662**	**542**	**757,204**	527,987	927	528,914
LTNCD (Note 16)	**12,430**	–	**12,430**	8,650	12,430	21,080
	2,113,017	**542**	**2,113,559**	1,925,013	13,357	1,938,370
Bills payable and SSURA (Note 17)	**141,076**	**5**	**141,081**	76,446	10	76,456
Derivative liabilities (Note 8)	**12,424**	**4,438**	**16,862**	8,860	7,995	16,855
Manager's and demand drafts outstanding	**5,533**	–	**5,533**	5,487	–	5,487
Accrued interest and other expenses	**13,948**	–	**13,948**	9,115	–	9,115
Subordinated debts (Note 20)	–	–	–	1,169	–	1,169
Bonds payable (Note 19)	**23,676**	**46,413**	**70,089**	13,740	70,021	83,761
Other liabilities (Note 21)						
Accounts payable	**14,167**	–	**14,167**	13,665	–	13,665
Bills purchased - contra	**9,444**	–	**9,444**	8,209	–	8,209
Lease liability	**734**	**3,284**	**4,018**	792	3,053	3,845
Outstanding acceptances	**1,498**	–	**1,498**	1,287	–	1,287
Marginal deposits	**551**		**551**	894	–	894
	2,336,068	**54,682**	**2,390,750**	2,064,677	94,436	2,159,113
Non-Financial Liabilities						
Retirement benefit liability	**–**	**2,553**	**2,553**	–	–	–
Income taxes payable	**3,479**	–	**3,479**	1,307	–	1,307
Accrued interest and other expenses	**1,726**	**–**	**1,726**	1,087	–	1,087
Withholding taxes payable (Note 21)	**894**	–	**894**	651	–	651
Other liabilities (Note 21)	**7,983**	**1,631**	**9,614**	6,939	1,459	8,398
	14,082	**4,184**	**18,266**	9,984	1,459	11,443
	₱2,350,150	**₱58,866**	**₱2,409,016**	₱2,074,661	₱95,895	₱2,170,556

23. **Capital Stock**

As of December 31, 2023 and 2022, this account consists of (amounts in millions, except par value and number of shares):

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

As of December 31, 2023 and 2022, treasury shares totaling 1,289,543 and 1,328,487, respectively, represent shares of the Parent Company held by FMIC's mutual fund subsidiary (Note 32).

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

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

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

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

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

All issued and outstanding shares of the Parent Company are listed with the PSE (Note 1). As of December 31, 2023 and 2022, there are 2,950 and 2,954 holders, respectively, of the listed shares of the Parent Company, with share price closed at ₱51.30 and ₱54.00 a share, respectively.

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

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

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

Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
February 22, 2023	₱0.80 (regular)	₱3,598	September 8, 2023	September 22, 2023
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 23, 2022, the BOD of the Parent Company approved a new dividend policy of increasing the regular cash dividends from ₱1.00 to ₱1.60 per share for the year, payable on semi-annual basis at ₱0.80 per share.

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 16 issued in September 2023 differs to a certain extent from the computation following BSP guidelines.

24. Surplus Reserves

This account consists of:

	2023	2022
Reserve for trust business (Note 29)	**₱2,164**	₱2,046
Reserve for self-insurance	**588**	567
	₱2,752	₱2,613

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

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

25. Other Operating Income and Expenses

Service Charges, Fees and Commissions

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

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Consumer banking	**₱8,036**	₱7,234	₱5,749	**₱7,486**	₱6,735	₱5,247
Branch banking	**4,017**	3,978	3,391	**2,898**	2,860	2,428
Corporate banking	**1,007**	920	876	**937**	851	801
Investment banking/treasury	**750**	823	698	**552**	658	374
Others*	**2,580**	2,080	2,704	**1,206**	669	1,285
	₱16,390	₱15,035	₱13,418	**₱13,079**	₱11,773	₱10,135

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

The remaining performance obligations on revenue contracts with customers of the Group under PFRS 15, which are expected to be recognized beyond one year amounting to ₱943.3 million and ₱757.1 million (included in 'Deferred revenues' under 'Other liabilities') as of December 31, 2023 and 2022, respectively, refer to the customer loyalty program of the Parent Company. The customer loyalty points have no expiration and redemptions can go beyond one year.

Miscellaneous Income and Expenses

In 2023, 2022 and 2021, miscellaneous income includes gain on initial recognition of investment properties and other non-financial assets amounting to ₱836.1 million, ₱1.3 billion and ₱812.5 million, respectively, for the Group, and ₱104.6 million, ₱82.7 million and ₱41.0 million, respectively, for the Parent Company; recovery on charged-off assets amounting to ₱1.2 billion, ₱1.2 billion and ₱1.4 billion, respectively, for the Group, and ₱856.4 million, ₱858.5 million and ₱1.0 billion, respectively, for the Parent Company; and IT service fees and other income amounting to ₱471.1 million, ₱645.4 million and ₱797.2 million, respectively, for the Group, and ₱294.3 million, ₱328.2 million and ₱565.5 million, respectively, for the Parent Company (Note 32).

Miscellaneous expenses consist of:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Security, messengerial, janitorial and other services	**₱4,570**	₱3,458	₱3,540	**₱4,054**	₱2,975	₱3,110
Insurance	**4,490**	4,063	3,897	**3,925**	3,454	3,232
Information technology (Note 32)	**2,641**	2,020	1,555	**2,317**	1,688	1,286
Advertising	**1,878**	1,380	809	**1,796**	1,288	767
Management, professional and supervision fees	**1,665**	1,411	1,471	**1,350**	1,139	1,220
Repairs and maintenance	**692**	659	625	**267**	242	316
Litigation (Note 12)	**587**	906	985	**296**	427	469
Communications	**545**	539	624	**327**	304	364
Transportation and travel	**455**	349	291	**369**	283	231
Entertainment, amusement and representation (EAR) (Note 28)	**448**	336	215	**392**	284	167
Stationery and supplies used	**380**	411	356	**311**	300	279
Others*	**2,560**	3,438	3,528	**1,711**	2,531	2,585
	₱20,911	₱18,970	₱17,896	**₱17,115**	₱14,915	₱14,026

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

26. Notes to Statements of Cash Flows

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

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Interbank loans receivable and SPURA	**₱73,015**	₱73,763	₱70,475	**₱59,219**	₱65,550	₱55,999
Interbank loans receivable and SPURA not considered as cash and cash equivalents	**(9,333)**	(7,977)	(14,413)	**(477)**	(5,993)	(9,971)
	₱63,682	₱65,786	₱56,062	**₱58,742**	₱59,557	₱46,028

Significant non-cash transactions of the Group and the Parent Company include:
- Additions to ROU assets as disclosed in Note 10;
- Foreclosures of properties or additions to investment and chattel properties as disclosed in Notes 12 and 14, respectively;
- Reclassifications of BUC and Furniture, Fixtures and Equipment (FFE) (Note 10);
- Reclassifications of software cost from customized system development costs (Note 14).

The table below provides for the changes in liabilities arising from financing activities in 2023, 2022 and 2021:

	Consolidated			
	Beginning	Net Cash Flows	Others	Ending
2023				
Bills payable and SSURA (Note 17)	**₱91,322**	**₱66,629**	**(₱1,055)**	**₱156,896**
Bonds payable (Note 19)	**88,409**	**(18,400)**	**80**	**70,089**
Subordinated debts (Note 20)	**1,169**	**(1,170)**	**1**	**–**
Dividends payable (Note 21)	**90**	**(1)**	–	**89**
Total liabilities from financing activities	**₱180,990**	**₱47,058**	**(₱974)**	**₱227,074**
2022				
Bills payable and SSURA (Note 17)	₱70,334	₱23,432	(₱2,444)	₱91,322
Bonds payable (Note 19)	79,823	6,023	2,563	88,409
Subordinated debts (Note 20)	1,168	–	1	1,169
Dividends payable (Note 21)	90	–	–	90
Total liabilities from financing activities	₱151,415	₱29,455	₱120	₱180,990
2021				
Bills payable and SSURA (Note 17)	₱139,614	(₱63,687)	(₱5,593)	₱70,334
Bonds payable (Note 19)	91,397	(13,366)	1,792	79,823
Subordinated debts (Note 20)	1,167	–	1	1,168
Dividends payable (Note 21)	90	–	–	90
Total liabilities from financing activities	₱232,268	(₱77,053)	(₱3,800)	₱151,415

	Parent Company			
	Beginning	Net Cash Flows	Others	Ending
2023				
Bills payable and SSURA (Note 17)	**₱76,456**	**₱65,000**	**(₱375)**	**₱141,081**
Bonds payable (Note 19)	**83,761**	**(13,750)**	**78**	**70,089**
Subordinated debts (Note 20)	**1,169**	**(1,170)**	1	–
Total liabilities from financing activities	**₱161,386**	**₱50,080**	**(₱296)**	**₱211,170**
2022				
Bills payable and SSURA (Note 17)	₱52,514	₱24,123	(₱181)	₱76,456
Bonds payable (Note 19)	75,189	6,023	2, 549	83,761
Subordinated debts (Note 20)	1,168	–	1	1,169
Total liabilities from financing activities	₱128,871	₱30,146	₱2,369	₱161,386

	Parent Company			
	Beginning	Net Cash Flows	Others	Ending
2021				
Bills payable and SSURA (Note 17)	₱108,651	(₱54,808)	(₱1,329)	₱52,514
Bonds payable (Note 19)	76,355	(2,906)	1,740	75,189
Subordinated debts (Note 20)	1,167	–	1	1,168
Total liabilities from financing activities	₱186,173	(₱57,714)	₱412	₱128,871

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

27. Retirement Plan and Other Employee Benefits

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

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

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

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

	Parent Company	FMIC	PSBank	ORIX Metro
As of January 1, 2023				
Average remaining working life	**9.49 years**	**7 to 9years**	**9 Years**	**10 to 24 years**
Discount rate	**7.12%**	**6.95% to 7.20%**	**7.11%**	**7.30% to 7.60%**
Future salary increases	**7.00%**	**5.75% to 6.00%**	**5.50%**	**7.00%**
As of January 1, 2022				
Average remaining working life	10.76 years	7 to 10 years	9 years	11 to 24 years
Discount rate	5.06%	4.75% to 5.13%	4.94%	5.0% to 5.6%
Future salary increases	6.00%	4.0% to 5.0%	4.00%	7.00%

Discount rates used in computing for the present value of the DBO of the Parent Company and significant subsidiaries as of December 31, 2023 and 2022 follow:

	Parent Company	FMIC	PSBank	ORIX Metro
2023	**6.08%**	**6.03% to 6.09%**	**6.06%**	**6.50%**
2022	7.12%	6.95% to 7.20%	7.11%	7.30% to 7.60%

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

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Other assets (Note 14)	**(₱212)**	(₱487)	**₱–**	(₱95)
Other liabilities (Note 21)	**2,910**	72	**2,553**	–
	₱2,698	(₱415)	**₱2,553**	(₱95)

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

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

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Cash and cash equivalents	**₱90**	₱945	**₱1**	₱44
Investment securities				
Debt securities (Note 32)	**22,113**	18,925	**17,699**	15,689
Equity securities (Note 32)	**2,715**	3,871	**2,530**	3,642
Unit investment trust fund and others (Note 32)	**518**	449	**438**	395
Total investment securities	**25,346**	23,245	**20,667**	19,726
Other assets	**293**	251	**225**	224
Total assets	**25,729**	24,441	**20,893**	19,994
Total liabilities and expected withdrawals	**(40)**	(14)	**(36)**	(11)
Fair value of net plan assets	**₱25,689**	₱24,427	**₱20,857**	₱19,983

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

Consolidated	**Present Value of DBO**	**Fair Value of Plan Assets**	**Net Retirement Liability/(Asset)**
January 1, 2023	**₱24,012**	**(₱24,427)**	**(₱415)**
Net benefit cost			
Current service cost	**1,808**	–	**1,808**
Net interest	**1,568**	**(1,694)**	**(126)**
Sub-total	**3,376**	**(1,694)**	**1,682**
Benefits paid	**(2,951)**	**2,951**	–
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	–	**219**	**219**
Actuarial changes arising from experience adjustments	**737**	–	**737**
Actuarial changes arising from changes in financial/demographic assumptions	**3,213**	**21**	**3,234**
Sub-total	**3,950**	**240**	**4,190**
Contributions paid	–	**(2,759)**	**(2,759)**
December 31, 2023	**₱28,387**	**(₱25,689)**	**₱2,698**

Parent Company	**Present Value of DBO**	**Fair Value of Plan Assets**	**Net Retirement Liability/(Asset)**
January 1, 2023	**₱19,888**	**(₱19,983)**	**(₱95)**
Net benefit cost			
Current service cost	**1,488**	–	**1,488**
Net interest	**1,288**	**(1,369)**	**(81)**
Sub-total	**2,776**	**(1,369)**	**1,407**
Benefits paid	**(2,629)**	**2,629**	**–**
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	–	**171**	**171**
Actuarial changes arising from experience adjustments	**672**	–	**672**
Actuarial changes arising from changes in financial/demographic assumptions	**2,703**	–	**2,703**
Sub-total	**3,375**	**171**	**3,546**
Contributions paid	–	**(2,305)**	**(2,305)**
December 31, 2023	**₱23,410**	**(₱20,857)**	**₱2,553**

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

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

In 2023, 2022 and 2021, deferred tax on remeasurements on retirement plans charged to OCI amounted to ₱460.0 million, ₱108.0 million, and ₱413.8 million, respectively, for the Group, and ₱250.0 million, ₱160.0 million and ₱323.8 million, respectively, for the Parent Company (Note 28).

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the balance of DBO as of December 31, 2023 and 2022, assuming all other assumptions were held constant:

	Parent Company	FMIC	PSBank	ORIX Metro
As of December 31, 2023				
Discount rate				
+100 basis points (bps)	**(₱1,450)**	**(₱18)**	**(₱273)**	**(₱71)**
- 100 bps	**1,640**	**20**	**809**	**84**
Salary increase rate				
+100 bps	**1,513**	**21**	**325**	**82**
- 100 bps	**(1,373)**	**(20)**	**(292)**	**(71)**
Turnover rate				
+20% of actual rate	**(365)**	**(6)**	**(41)**	–
-20% of actual rate	**398**	**7**	**46**	–
As of December 31, 2022				
Discount rate				
+100 basis points (bps)	(₱1,102)	(₱14)	(₱220)	(₱56)
- 100 bps	1,231	16	249	66
Salary increase rate				
+100 bps	1,131	17	266	65
- 100 bps	(1,041)	(17)	(239)	(57)
Turnover rate				
+20% of actual rate	(189)	(4)	(4)	–
-20% of actual rate	195	6	4	–

The Group and the Parent Company expect to contribute to the defined benefit retirement plans the required funding for normal cost in 2024 amounting to ₱401.0 million and ₱20.7 million, respectively.

The average duration of the DBO of the Group as of December 31, 2023 and 2022 are as follows:

	Parent Company	FMIC	PSBank	ORIX Metro
2023	**9.62 years**	**6.14 to 11.46 years**	**9.57 years**	**7.6 to 10.9 years**
2022	8.26 years	6.57 to 11.04 years	9.27 years	8.2 to 10.3 years

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

	Parent Company	FMIC	PSBank	ORIX Metro
As of December 31, 2023				
Less than 1 year	**₱3,201**	**₱61**	**₱332**	**₱26**
1 to less than 5 years	**11,876**	**218**	**1,611**	**276**
5 to less than 10 years	**12,239**	**250**	**2,435**	**370**
10 to less than 15 years	**18,095**	**226**	**3,183**	–
15 to less than 20 years	**16,063**	**167**	**2,464**	–
20 years and above	**19,355**	**180**	**1,994**	–
As of December 31, 2022				
Less than 1 year	₱3,241	₱30	₱283	₱52
1 to less than 5 years	11,414	176	1,408	248
5 to less than 10 years	11,525	249	2,247	284
10 to less than 15 years	13,006	208	2,719	–
15 to less than 20 years	13,189	160	2,489	–
20 years and above	14,277	160	1,745	–

In addition, the Parent Company has a Provident Plan which is a supplementary contributory retirement plan to and forms part of the main plan, the Retirement Plan, for the exclusive benefit of eligible employees of the Parent Company in the Philippines. Based on the provisions of the plan, upon retirement or resignation, a member shall be entitled to receive as retirement or resignation benefits 100.00% of the accumulated value of the personal contribution plus a percentage of the accumulated value arising from the Parent Company's contributions in accordance with the completed number of years serviced. The Parent Company's contribution to the Provident Fund in 2023 and 2022 amounted to ₱342.2 million and ₱321.2 million, respectively.

As of December 31, 2023 and 2022, the retirement funds of the Group's employees amounting to ₱25.7 billion and ₱24.4 billion, respectively, are being managed by its trust banking unit. The Parent Company has a Trust Committee that is mandated to approve the plan, trust agreement, investment plan, including any amendments or modifications thereto, and other activities of the retirement plan. Certain members of the BOD of the Parent Company are represented in the Trust Committee.

28. Income and Other Taxes

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

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

The regulations also provide for Minimum Corporate Income Tax (MCIT) of 2.00% (provided that effective July 1, 2020 until June 30, 2023, the rate shall be 1%) on modified gross income and allow Net Operating Loss carry-over (NOLCO). The MCIT and NOLCO may be applied against the Parent Company's and its domestic subsidiaries' income tax liability and taxable income, respectively, over a three-year period from the year of inception. RA No. 11494 or the Bayanihan to Recover as One Act (Bayanihan Act) extended the allowable carry-over period of NOLCO to the next five (5) consecutive years following the year of loss for losses incurred during the taxable years 2020 and 2021. The NOLCO for such can be carried over as deduction even after the expiration of the Bayanihan Act, provided that same are claimed within the next five (5) consecutive taxable years immediately following the year of the loss.

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

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

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

Foreign Branches	Tax Rates
USA - New York Branch	21.00% federal income tax; 9% state tax; city tax of 7.25% in 2022-2023 and 6.50% in 2021 ; 2.175% MTA tax
Japan - Tokyo and Osaka Branches	23.20% income tax; various rates for business taxes and local business taxes,
Korea - Seoul and Pusan Branches	income tax of 20.90%in 2023 and 22.00% in 2021-2022; 0.50% education tax,
Taiwan – Taipei Branch	20.00% income tax; 5.00% gross business receipts tax; 5.0% value-added tax

The provision for income tax consists of:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Current:						
Final tax	**₱9,606**	₱5,323	₱3,488	**₱8,315**	₱4,535	₱3,060
RCIT*	**4,323**	3,423	2,702	**3,873**	2,913	2,317
MCIT	**3**	2	2	–	–	–
	13,932	8,748	6,192	**12,188**	7,448	5,377
Deferred*	**(1,042)**	1,872	1,585	**(128)**	1,593	421
	₱12,890	₱10,620	₱7,777	**₱12,060**	₱9,041	₱5,798

** Includes income taxes of foreign subsidiaries.*

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

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Deferred tax asset on:				
Allowance for credit and impairment losses	**₱10,644**	₱9,278	**₱8,824**	₱8,398
Unamortized past service cost	**1,507**	1,743	**1,316**	1,466
Unrealized mark-to-market losses	**242**	1,272	**35**	1,047
Accrued Expenses	**1,007**	693	**970**	627
Unrealized foreign exchange losses	**–**	396	–	408
Accumulated depreciation of investment properties	**261**	245	**121**	116
Deferred membership/awards	**310**	278	**294**	278
Retirement liability	**1,024**	179	**638**	–
NOLCO	**–**	3	–	–
MCIT	**–**	1	–	–
Others	**203**	180	**105**	100
	15,198	14,268	**12,303**	12,440
Deferred tax liability on:				
Unrealized gain on initial measurement of investment properties	**537**	541	**137**	132
Leasing Income differential between finance and operating lease	**163**	266	–	–
Retirement asset	**53**	84	–	24
Unrealized foreign exchange gains	**266**	–	**266**	–
Others	**8**	15	**–**	10
	1,027	906	**403**	166
Net deferred tax assets	**₱14,171**	₱13,362	**₱11,900**	₱12,274

In 2023 and 2022, deferred tax credited to OCI amounted to ₱233 million and ₱2.14 billion, respectively, for the Group, and ₱502 billion and ₱1.98 billion, respectively, for the Parent Company.

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

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Allowance for credit and impairment losses	**₱9,534**	₱14,781	**₱8,857**	₱8,857
NOLCO	**2,416**	1,465	**899**	435
MCIT	**14**	7	–	–
	₱11,964	₱16,253	**₱9,756**	₱9,292

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

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

Details of the excess MCIT credits of the Group follow:

		Consolidated		
Inception Year	Expiry Year	Amount	Used/Expired	Balance
2020	2025	₱6	₱3	₱3
2021	2026	3	–	3
2022	2025	3	–	3
2023	2026	4	–	1
		₱16	₱2	₱14

As of December 31, 2023, details of the Group and the Parent Company's NOLCO follow:

		Consolidated			Parent Company		
Inception Year	Expiry Year	Amount	Used/Expired	Balance	Amount	Used/Expired	Balance
2020	2025	₱232	₱41	₱191	₱–	₱–	₱–
2021	2026	331	–	331	58	–	58
2022	2025	901	2	899	377	–	377
2023	2026	995	–	995	464	–	464
		₱2,459	₱43	₱2,416	₱899	₱–	₱899

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

	Consolidated			**Parent Company**		
	2023	2022	2021	**2023**	2022	2021
Statutory income tax rate	**25%**	25%	25.00%	**25%**	25%	25.00%
Tax effects of:						
Tax-paid, tax-exempt and other non-taxable income	**(6.83)**	(3.06)	(4.68)	**(6.16)**	(2.46)	(2.72)
Non-deductible interest expense	**4.04**	2.63	2.97	**3.59**	2.75	2.86
FCDU income	**(0.90)**	(1.90)	(3.34)	**(0.95)**	(2.42)	(3.28)
Change in unrecognized deferred tax assets	**(1.32)**	0.10	9.62	**–**	–	5.19
Effect of change in tax rate	**–**	–	(7.29)	**–**	–	(6.31)
Others - net	**3.09**	1.41	3.52	**0.73**	(1.25)	–
Effective income tax rate	**23.08%**	24.18%	25.80%	**22.21%**	21.62%	20.74%

29. **Trust Operations**

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

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

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Investment securities at amortized cost	**₱7,559**	₱7,511	**₱7,559**	₱7,511
Investment securities at FVOCI	**124**	181	–	–
	₱7,683	₱7,692	**₱7,559**	₱7,511

30. Commitments and Contingent Liabilities

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

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Trust Banking Group accounts (Note 29)	**₱497,607**	₱510,510	**₱485,425**	₱505,715
Credit card lines	**276,839**	233,331	**276,839**	233,331
Undrawn commitments - facilities to lend	**53,729**	24,578	**53,729**	24,578
Unused commercial letters of credit (Note 32)	**50,476**	49,097	**45,558**	45,740
Bank guaranty with indemnity agreement (Note 32)	**11,732**	18,023	**11,732**	18,023
Outstanding guarantees	**6,637**	3,769	**6,637**	3,769
Credit line certificate with bank commission	**3,963**	4,771	**3,963**	4,771
Inward bills for collection	**1,662**	2,071	**1,661**	2,071
Outstanding shipside bonds/airway bills	**1,436**	1,294	**656**	1,294
Late deposits/payments received	**944**	1,047	**943**	1,047
Outward bills for collection	**639**	710	**559**	707
Confirmed export letters of credits	**44**	278	**-**	43
Others	**32,729**	35,709	**602**	1,004
	₱938,437	₱885,188	**₱888,304**	₱842,093

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

31. Earnings per Share

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

	2023	2022	2021
a. Net income attributable to equity holders of the Parent Company	**₱42,238**	₱32,776	₱22,156
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)	**₱9.39**	₱7.29	₱4.93

32. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or if they are subjected to common control or common significant influence such as subsidiaries and associates of subsidiaries or other related parties. Related parties may be individuals or corporate entities and are classified as entities with significant influence, subsidiaries, associates, other related parties and key personnel (Notes 2 and 11).

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

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

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

The committees ensured that all related party transactions for the financial year are conducted in fair and at arm's-length terms.

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 such related party transaction to RPTC.

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

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

	Consolidated	
Category	Amount	Terms and Conditions/Nature
2023		
Entity with Significant Influence Over the Group		
Outstanding Balance:		
Deposit liabilities*	**₱2,531**	With annual fixed interest rates ranging from 0.05% to 5.00%, including time deposits with maturity terms ranging from 19 to 30 days (Note 16)
Amount/Volume:		
Deposit liabilities	**(6,514)**	Generally similar to terms and conditions above
Interest expense	**59**	Interest expense on deposit liabilities (Note 16)
Securities transactions		
Sales	**29**	Outright sale of FVTPL
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	**₱8,641**	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 3.51% to 6.25% with maturity terms from 8 to 153 days (Note 7)
Receivables from customers*	**1,719**	Unsecured, with ECL of ₱7.1 million; With annual fixed interest rates ranging from 0.00% to 6.45% and maturity terms ranging from 4 to 240 days (Note 9)
Accounts receivable	**170**	Non-interest bearing receivables on remittance and rental fees (Note 9)
Other receivables	**8**	Non-interest bearing receivables on rental fees (Note 9)
Deposit liabilities*	**5,839**	With annual fixed interest rates ranging from 0.05% to 5.96% including time deposits with maturity terms ranging from 4 to 91 days (Note 16)
Treasury stock	**70**	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
Amount/Volume:		
Interbank loans receivable	**(2,565)**	Generally similar to terms and conditions above
Receivables from customers	**(1,618)**	Generally similar to terms and conditions above
Accounts receivable	**(50)**	Generally similar to terms and conditions above
Deposit liabilities	**(152)**	Generally similar to terms and conditions above
Interest income	**401**	Interest income on receivables from customers and interbank loan receivables (Notes 7 and 9)
Service charges, fees and commissions	**29**	Income on transactional fees
Trading and securities gain - net	**1,002**	Net gain from securities transactions (Note 8)
Foreign exchange loss - net	**(13)**	Net loss from foreign exchange transactions
Leasing income	**8**	Income from leasing agreements with various lease terms
Miscellaneous income	**171**	Information technology services and other fees (Note 25)
Interest expense	**272**	Interest expense on deposit liabilities and bills payable (Note 16 and 17)
Securities transactions		
Purchases	**43,789**	Outright purchases of investment securities at FVTPL and FVOCI
Sales	**77,931**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**6,181**	Outright purchases of foreign currency
Sell	**11,052**	Outright sale of foreign currency

(Forward)

	Consolidated	
Category	**Amount**	**Terms and Conditions/Nature**
Associates		
Outstanding Balance:		
Receivables from customers	**₱2,031**	Unsecured, with ECL of ₱9.4 million; With annual fixed interest rates ranging from 6.30% to 6.55% and maturity terms ranging from 183 to 730 days (Note 9)
Deposit liabilities*	**2,699**	With annual fixed interest rates ranging from 0.05% to 5.13% including time deposits with maturity terms ranging from 32 to 45 days (Note 16)
Amount/Volume:		
Receivables from customers	**1,324**	Generally similar to terms and conditions above
Deposit liabilities	**1,169**	Generally similar to terms and conditions above
Interest Income	**91**	Interest income on receivables from customers (Note 9)
Trading and securities gain - net	**69**	Net gain from securities transactions (Note 8)
Foreign exchange gain- net	**4**	Net gain from foreign exchange transactions
Leasing income	**2**	Income from leasing agreements with various lease terms
Interest expense	**1**	Interest expense on deposit liabilities
Securities transactions		
Outright purchases	**2,460**	Outright purchases of FVTPL securities and FVOCI investments
Outright sales	**7,024**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**311**	Outright purchases of foreign currency
Sell	**1,197**	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	**₱37,898**	Unsecured with ECL of ₱192.2 million, annual fixed interest rates ranging from 3.20% to 7.37% and maturity terms ranging from 9 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. (Note 14)
Deposit liabilities*	**17,520**	With annual fixed interest rates ranging from 0.05% to 6.00% including time deposits with maturity terms ranging from 4 to 360 days (Note 16)
Amount/Volume:		
Receivables from customers	**3,265**	Generally similar to terms and conditions above
Deposit liabilities	**(13,618)**	Generally similar to terms and conditions above
Interest income	**2,112**	Interest income on receivables from customers (Note 9)
Foreign exchange gain - net	**159**	Net gain from foreign exchange transactions
Profits from assets sold	**1,299**	Gain on sale of ropa
Interest expense	**65**	Interest expense on deposit liabilities (Note 16)
Lease payments	**249**	Payments for leasing agreements with various lease terms.
Securities transactions		
Outright Purchases	**225**	Outright purchases of investment securities at FVTPL
Outright Sales	**1,332**	Outright sale of investment securities at FVTPL
Foreign currency		
Buy	**6,852**	Outright purchases of foreign currency
Sell	**129,951**	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	**₱139**	Secured - ₱108.4 million, unsecured - ₱30.6 million, no impairment; With annual fixed interest rates ranging from 0.00% to 9.00% and maturity terms from 1 to 19 years (Note 9)
Deposit liabilities	**397**	With various terms and minimum annual interest rate of 0.05% (Note 16)
Amount/Volume:		
Deposit liabilities	**65**	Generally similar to terms and conditions above
Interest income	**4**	Interest income on receivables from customers (Note 9)
2022		
Entity with Significant Influence Over the Group		
Outstanding Balance:		
Deposit liabilities*	₱9,045	With annual fixed interest rates ranging from 0.00% to 4.88%, including time deposits with maturity terms ranging from 30 to 34 days (Note 16)
Amount/Volume:		
Deposit liabilities	7,717	Generally similar to terms and conditions above
Bills payable	(108)	Generally similar to terms and conditions above
Interest expense	12	Interest expense on deposit liabilities (Note 16)

	Consolidated	
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 (Note 7)
Receivables from customers*	3,337	Unsecured, with ECL of ₱4.50 million; With annual fixed interest rates ranging from 0.00% to 5.50% and maturity terms ranging from 5 to 210 days (Note 9)
Accounts receivable	220	Non-interest bearing receivables on remittance and rental fees (Note 9)
Other receivables	15	Non-interest bearing receivables on remittance (Note 9)
Deposit liabilities*	5,991	With annual fixed interest rates ranging from 0.00% to 5.00% including time deposits with maturity terms ranging from 5 to 91 days (Note 16)
Treasury stock	72	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
Dividends declared	1,132	Dividend declared by PSBank (Note 11)
Amount/Volume:		
Interbank loans receivable	2,442	Generally similar to terms and conditions above
Receivables from customers	3,002	Generally similar to terms and conditions above
Accounts receivable	84	Generally similar to terms and conditions above
Deposit liabilities	(279)	Generally similar to terms and conditions above
Bills payable	(40)	Generally similar to terms and conditions above
Interest income	157	Interest income on receivables from customers and interbank loan receivables (Notes 7 and 9)
Service charges, fees and commissions	38	Income on transactional fees
Trading and securities gain - net	540	Net gain from securities transactions (Note 8)
Foreign exchange gain - net	16	Net gain from foreign exchange transactions
Leasing income	26	Income from leasing agreements with various lease terms
Miscellaneous income	151	Information technology services and other fees (Note 25)
Interest expense	33	Interest expense on deposit liabilities and bills payable (Note 16 and 17)
Securities transactions		
Purchases	39,085	Outright purchases of investment securities at FVTPL and FVOCI
Sales	49,996	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	13,937	Outright purchases of foreign currency
Sell	4,745	Outright sale of foreign currency
Associates		
Outstanding Balance:		
Receivables from customers	₱707	Unsecured, with ECL of ₱1.58 million; With annual fixed interest rates ranging from 0.00% to 5.55% and maturity terms ranging from 60 to 273 days (Note 9)
Deposit liabilities*	2,077	With annual fixed interest rates ranging from 0.00% to 5.13% including time deposits with maturity terms ranging from 31 to 357 days (Note 16)
Amount/Volume:		
Receivables from customers	66	Generally similar to terms and conditions above
Deposit liabilities	(27)	Generally similar to terms and conditions above
Interest Income	13	Interest income on receivables from customers (Note 9)
Trading and securities gain - net	6	Net gain from securities transactions (Note 8)
Leasing income	21	Income from leasing agreements with various lease terms
Interest expense	2	Interest expense on deposit liabilities
Securities transactions		
Outright purchases	342	Outright purchases of FVTPL securities and FVOCI investments
Outright sales	1,210	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	335	Outright purchases of foreign currency
Sell	935	Outright sale of foreign currency

	Consolidated	
Category	**Amount**	**Terms and Conditions/Nature**
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	₱34,633	Secured - ₱7.18 billion, unsecured - ₱27.46 billion, with ECL of ₱98.59 million. With annual fixed interest rates ranging from 0.00% to 6.84% and maturity terms ranging from 2 days to 5 years (Note 9)
Assets held under joint operations	219	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	31,138	With annual fixed interest rates ranging from 0.00% to 4.88% including time deposits with maturity terms ranging from 5 to 359 days (Note 16)
Amount/Volume:		
Receivables from customers	3,270	Generally similar to terms and conditions above
Deposit liabilities	8,985	Generally similar to terms and conditions above
Interest income	1,261	Interest income on receivables from customers (Note 9)
Foreign exchange loss - net	(160)	Net loss from foreign exchange transactions
Interest expense	59	Interest expense on deposit liabilities (Note 16)
Lease payments	40	Payments for leasing agreements with various lease terms.
Contingent		
Unused commercial LCs	58	LC transactions with various terms
Foreign currency		
Buy	9,308	Outright purchases of foreign currency
Sell	120,202	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	117	Secured - ₱89.88 million, unsecured - ₱27.46 million, no impairment; With annual fixed interest rates ranging from 0.00% to 9.00% and maturity terms from 1 to 19 years (Note 9)
Deposit liabilities	332	With various terms and minimum annual interest rate of 0.00% (Note 16)
Amount/Volume:		
Receivables from customers	26	Generally similar to terms and conditions above
Deposit liabilities	63	Generally similar to terms and conditions above
Interest income	3	Interest income on receivables from customers (Note 9)
2021		
Entity with Significant Influence Over the Group		
Outstanding Balance:		
Deposit liabilities*	₱1,328	With annual fixed interest rates ranging from 0.00% to 0.30%, including time deposits with maturity terms from 22 to 31 days (Note 16)
Bills payable*	108	Peso borrowings subject to annual fixed interest rates of 0.13% with maturity term of 33 days (Note 17)
Amount/Volume:		
Deposit liabilities	(658)	Generally similar to terms and conditions above
Bills payable	1	Generally similar to terms and conditions above
Interest expense	1	Interest expense on deposit liabilities and bills payable (Notes 16 and 17)
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	₱8,764	Foreign currency-denominated lending, which earn annual fixed interest rates ranging from 0.43% to 3.30% with maturity terms from 17 to 359 days (Note 7)
Investment securities at		
FVTPL	2	Treasury notes and private bonds purchased from FMIC
FVOCI	20	Treasury note purchased from PSBank
Receivables from customers*	335	Unsecured, with ECL of ₱1.0 million; with annual fixed interest rates ranging from 0.00% to 3.50% and maturity terms from 3 to 179 days (Note 9)
Accounts receivable	136	Non-interest bearing receivables on service fees, remittance, rental fees and common use service area fees (Note 9)
Other receivables	3	Accrued rent receivable from PSBank
Deposit liabilities*	6,270	With annual fixed interest rates ranging from 0.00% to 0.25%, including time deposits with maturity terms of 59 days (Note 16)
Bills payable*	40	Peso borrowings subject to annual fixed interest rates of 0.13% with maturity terms from 30 to 31 days (Note 17)
Treasury stock	70	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)

	Consolidated	
Category	**Amount**	**Terms and Conditions/Nature**
Dividends declared	₱1,132	Dividend declared by PSBank (Note 11)
Amount/Volume:		
Interbank loans receivable	2,352	Generally similar to terms and conditions above
Receivables from customers	(4,636)	Generally similar to terms and conditions above
Accounts receivable	(8)	Generally similar to terms and conditions above
Deposit liabilities	2,897	Generally similar to terms and conditions above
Bills payable	3	Generally similar to terms and conditions above
Interest income	206	Interest income on receivables from customers and interbank loan receivables (Notes 7 and 9)
Service charges, fees and commissions	31	Income on transactional fees
Trading and securities gain - net	36	Net gain from securities transactions (Note 8)
Foreign exchange gain - net	6	Net gain from foreign exchange transactions
Leasing income	22	Income from leasing agreements with various lease terms
Miscellaneous income	180	Information technology services and other fees
Interest expense	14	Interest expense on deposit liabilities, bills payable (Notes 16 and 17)
Securities transactions		
Purchases	15,071	Outright purchases of investment securities at FVTPL and FVOCI
Sales	20,714	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	12,281	Outright purchases of foreign currency
Sell	4,295	Outright sale of foreign currency
Associates		
Outstanding Balance:		
Receivables from customers	₱641	Unsecured; with annual fixed interest rates of 2.34% and maturity terms of 60 days (Note 9)
Deposit liabilities*	2,104	With annual fixed interest rates ranging from 0.00% to 0.25%, including time deposits with maturity terms from 31 to 357 days (Note 16)
Amount/Volume:		
Receivables from customers	635	Generally similar to terms and conditions above
Deposit liabilities	(819)	Generally similar to terms and conditions above
Interest Income	10	Interest income on receivables from customers (Note 9)
Trading and securities gain - net	1	Net gain from securities transactions (Note 8)
Leasing income	18	Income from leasing agreements with various lease terms
Securities transactions		
Outright purchases	15	Outright purchases of FVTPL securities and FVOCI investments
Outright sales	3,121	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Sell	1,318	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	₱31,363	Secured - ₱5.4 billion, unsecured - ₱25.9 billion, with ECL of ₱143.0 million; with annual fixed interest rates ranging from 2.50% to 5.00% and maturity terms from 30 days to 5 years (Note 9)
Assets held under joint operations	219	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	22,153	With annual fixed interest rates ranging from 0.00% to 1.83%, including time deposits with maturity terms from 1 to 182 days (Note 16)
Amount/Volume:		
Receivables from customers	(2,642)	Generally similar to terms and conditions above
Deposit liabilities	3,797	Generally similar to terms and conditions above
Bills payable	(77)	Generally similar to terms and conditions above
Interest income	1,028	Interest income on receivables from customers (Note 9)
Foreign exchange loss - net	(59)	Net loss from foreign exchange transactions
Leasing income	8	Income from leasing agreements with various lease terms
Interest expense	2	Interest expense on deposit liabilities and bills payable (Notes 16 and 17)
Contingent		
Unused commercial LCs	10	LC transactions with various terms
Others	2	Bank guaranty with indemnity agreement
Securities transactions - outright purchases	26	Outright purchases of FVTPL securities and FVOCI investments

	Consolidated	
Category	**Amount**	**Terms and Conditions/Nature**
Foreign currency		
Buy	₱324	Outright purchases of foreign currency
Sell	71,710	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	₱91	Secured - ₱64.5 million, unsecured - ₱26.7 million, no impairment; with annual fixed interest rates ranging from 0.00% to 9.00% and maturity terms from 1 to 19 years (Note 9)
Deposit liabilities	269	With various terms and minimum annual interest rate of 0.00% (Note 16)
Amount/Volume:		
Receivables from customers	8	Generally similar to terms and conditions above
Deposit liabilities	(45)	Generally similar to terms and conditions above
Interest income	3	Interest income on receivables from customers (Note 9)

* *Includes accrued interest*

	Parent Company	
Category	**Amount**	**Terms and Conditions/Nature**
2023		
Entities with Significant Influence		
Outstanding Balance:		
Deposit liabilities*	**₱2,531**	With annual fixed interest rate ranging from 0.05% to 5.00% including time deposits with maturity terms ranging from 19 to 30 days (Note 16)
Amount/Volume:		
Deposit liabilities	**(6,514)**	Generally similar to terms and conditions above
Interest expense	**59**	Interest expense on deposit liabilities (Note 16)
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	**₱8,641**	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 3.51% to 5.05% with maturity terms from 31 to 243 days with minimal expected credit loss (Note 7)
Receivables from customers*	**1,719**	Unsecured, with ECL of ₱7.1 million; With annual fixed interest rates ranging from 0.00% to 6.45% and maturity terms ranging from 4 to 240 days (Note 9)
Accounts receivable	**93**	Non-interest bearing receivables on remittance and rental fees (Note 9)
Other receivables	**8**	Non-interest bearing receivables on rental fees (Note 9)
Deposit liabilities*	**4,715**	With annual fixed interest rates ranging from 0.05% to 5.96% including time deposits with maturity terms ranging from 4 to 91 days (Note 16)
Treasury stock	**70**	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
Amount/Volume:		
Interbank loans receivable	**(2,565)**	Generally similar to terms and conditions above
Receivables from customers	**(1,618)**	Generally similar to terms and conditions above
Accounts receivable	**(91)**	Generally similar to terms and conditions above
Deposit liabilities	**(1,276)**	Generally similar to terms and conditions above
Interest income	**401**	Interest income on receivables from customers and interbank loans receivables (Note 7 and 9)
Service charges, fees and commissions	**1**	Income from transactional fees
Trading and securities gain - net	**998**	Net gain from securities transactions (Note 8)
Foreign exchange loss - net	**(13)**	Net loss from foreign exchange transactions
Leasing income	**8**	Income from leasing agreements with various lease terms
Miscellaneous income	**170**	Information technology services and other fees (Note 25)
Interest expense	**125**	Interest expense on deposit liabilities (Note 16)
Securities transactions		
Purchases	**43,656**	Outright purchases of investment securities at FVTPL and FVOCI
Sales	**77,497**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**6,181**	Outright purchases of foreign currency
Sell	**11,052**	Outright sale of foreign currency

Category	Parent Company Amount	Terms and Conditions/Nature
Associates		
Outstanding Balance:		
Receivables from customers	**₱2,031**	Unsecured, with ECL of P9.4 million; With annual fixed interest rates ranging from 6.30% to 6.55% and maturity terms ranging from 183 to 730 days (Note 9)
Deposit liabilities*	**2,699**	With annual fixed interest rates ranging from 0.05% to 5.13% including time deposits with maturity terms from 32 to 45 days (Note 16)
Amount/Volume:		
Receivables from customers	**1,324**	Generally similar to terms and conditions above
Deposit liabilities	**741**	Generally similar to terms and conditions above
Interest Income	**91**	Interest income on receivables from customers
Trading and securities gain - net	**69**	Net gain from securities transactions (Note 8)
Foreign exchange gain - net	**4**	Net gain from foreign exchange transactions
Leasing income	**2**	Income from leasing agreements with various lease terms
Interest expense	**1**	Interest expense on deposit liabilities (Note 16)
Securities transactions		
Outright purchases	**2,350**	Outright purchases of HFT securities and AFS investments
Outright sales	**3,446**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**311**	Outright purchase of foreign currency
Sell	**1,197**	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	**₱37,898**	Unsecured, with ECL of ₱192.2 million. With annual fixed interest rates ranging from 3.20% to 7.37% and maturity terms ranging from 9 days to 5 years (Note 9)
Assets held under joint operations	**219**	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	**17,520**	With annual fixed interest rates ranging from 0.05% to 6.00% including time deposits with maturity terms ranging from 5 to 360 days (Note 16)
Amount/Volume:		
Receivables from customers	**3,265**	Generally similar to terms and conditions above
Deposit liabilities	**(11,212)**	Generally similar to terms and conditions above
Interest income	**2,112**	Interest income on receivables from customers (Note 9)
Foreign exchange gain - net	**159**	Net gain from foreign exchange transactions
Interest expense	**65**	Interest expense on deposit liabilities (Note 16)
Foreign currency		
Buy	**6,852**	Outright purchases of foreign currency
Sell	**129,951**	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	**₱124**	Secured - ₱88.89 million and unsecured - ₱15.96 million, no impairment; With annual fixed interest rates ranging from 0.00% to 9.00% and maturity terms from 5 to 19 years (Note 9)
Deposit liabilities	**397**	With various terms and minimum annual interest rate of 0.00% (Note 16)
Amount/Volume:		
Receivables from customers	**19**	Generally similar to terms and conditions above
Deposit liabilities	**65**	Generally similar to terms and conditions above
Interest income	**3**	Interest income on receivables from customers (Note 9)
2022		
Entities with Significant Influence		
Outstanding Balance:		
Deposit liabilities*	₱9,045	With annual fixed interest rate ranging from 0.00% to 4.88% including time deposits with maturity terms ranging from 30 to 34 days (Note 16)
Amount/Volume:		
Deposit liabilities	7,717	Generally similar to terms and conditions above
Interest expense	12	Interest expense on deposit liabilities (Note 16)

	Parent Company	
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 with minimal expected credit loss (Note 7)
Receivables from customers*	3,337	Unsecured, with ECL of ₱4.50 million; With annual fixed interest rates ranging from 0.00% to 5.50% and maturity terms ranging from 5 to 210 days (Note 9)
Accounts receivable	184	Non-interest bearing receivables on remittance and rental fees (Note 9)
Other receivables	15	Non-interest bearing receivables on remittance (Note 9)
Deposit liabilities*	5,991	With annual fixed interest rates ranging from 0.00% to 5.00% including time deposits with maturity terms ranging from 5 to 91 days (Note 16)
Treasury stock	72	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
Dividends declared	1,132	Dividends declared by PSBank (Note 11)
Amount/Volume:		
Interbank loans receivable	2,442	Generally similar to terms and conditions above
Receivables from customers	3,083	Generally similar to terms and conditions above
Accounts receivable	51	Generally similar to terms and conditions above
Deposit liabilities	(279)	Generally similar to terms and conditions above
Interest income	157	Interest income on receivables from customers and interbank loans receivables (Note 7 and 9)
Service charges, fees and commissions	3	Income from transactional fees
Trading and securities gain - net	539	Net gain from securities transactions (Note 8)
Foreign exchange gain - net	16	Net gain from foreign exchange transactions
Leasing income	8	Income from leasing agreements with various lease terms
Miscellaneous income	150	Information technology services and other fees (Note 25)
Interest expense	33	Interest expense on deposit liabilities (Note 16)
Securities transactions		
Purchases	37,043	Outright purchases of investment securities at FVTPL and FVOCI
Sales	49,841	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	13,937	Outright purchases of foreign currency
Sell	4,745	Outright sale of foreign currency
Associates		
Outstanding Balance:		
Receivables from customers	₱707	Unsecured, with ECL of P1.58 million; With annual fixed interest rates ranging from 0.00% to 5.55% and maturity terms ranging from 60 to 273 days (Note 9)
Deposit liabilities*	1,958	With annual fixed interest rates ranging from 0.00% to 5.13% including time deposits with maturity terms from 32 to 357 days (Note 16)
Amount/Volume:		
Receivables from customers	66	Generally similar to terms and conditions above
Deposit liabilities	256	Generally similar to terms and conditions above
Interest Income	13	Interest income on receivables from customers
Trading and securities gain - net	6	Net gain from securities transactions (Note 8)
Leasing income	3	Income from leasing agreements with various lease terms
Interest expense	2	Interest expense on deposit liabilities (Note 16)
Securities transactions		
Outright purchases	140	Outright purchases of HFT securities and AFS investments
Outright sales	263	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	335	Outright purchase of foreign currency
Sell	935	Outright sale of foreign currency

	Parent Company	
Category	**Amount**	**Terms and Conditions/Nature**
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	₱34,633	Secured - ₱7.18 billion, unsecured - ₱27.46 billion, with ECL of ₱98.59 million; With annual fixed interest rates ranging from 0.00% to 6.84% and maturity terms ranging from 2 days to 5 years (Note 9)
Assets held under joint operations	219	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	28,732	With annual fixed interest rates ranging from 0.00% to 4.88% including time deposits with maturity terms ranging from 5 to 359 days (Note 16)
Amount/Volume:		
Receivables from customers	3,270	Generally similar to terms and conditions above
Deposit liabilities	14,067	Generally similar to terms and conditions above
Interest income	1,261	Interest income on receivables from customers (Note 9)
Foreign exchange loss - net	(160)	Net loss from foreign exchange transactions
Interest expense	59	Interest expense on deposit liabilities (Note 16)
Lease Payments	40	Payments for leasing agreements with various lease terms
Contingent		
Unused commercial LCs	58	LC transactions with various terms
Foreign currency		
Buy	9,308	Outright purchases of foreign currency
Sell	120,202	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	₱105	Secured - ₱88.89 million and unsecured - ₱15.96 million, no impairment; With annual fixed interest rates ranging from 0.00% to 9.00% and maturity terms from 1 to 19 years (Note 9)
Deposit liabilities	332	With various terms and minimum annual interest rate of 0.00% (Note 16)
Amount/Volume:		
Receivables from customers	26	Generally similar to terms and conditions above
Deposit liabilities	63	Generally similar to terms and conditions above
Interest income	2	Interest income on receivables from customers (Note 9)
2021		
Entities with Significant Influence		
Outstanding Balance:		
Deposit liabilities*	₱1,328	With annual fixed interest rate ranging from 0.00% to 0.30%, including time deposits with maturity terms of 22 to 31 days (Note 16)
Amount/Volume:		
Deposit liabilities	(658)	Generally similar to terms and conditions above
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	₱8,764	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 0.43% to 3.30% with maturity terms from 17 to 359 days with minimal expected credit loss (Note 7)
Investment Securities at		
FVTPL	2	Treasury notes and private bonds purchased from FMIC (Note 8)
FVOCI	20	Treasury note purchased from PSBank (Note 8)
Receivables from customers*	254	Unsecured, with ECL of ₱1.0 million; With annual fixed interest rates ranging from 0.00% to 3.50% and maturity terms from 3 to 179 days (Note 9)
Accounts receivable	133	Non-interest bearing receivables on service fees, remittance, rental fees and common use service area fees (Note 9)
Other receivables	3	Accrued rent receivable from PSBank
Deposit liabilities*	6,270	With annual fixed interest rates ranging from 0.00% to 0.25%, including time deposits with maturity terms of 59 days (Note 16)
Treasury stock	70	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
Dividend declared	1,132	Dividend declared by PSBank (Note 11)
Amount/Volume:		
Interbank loans receivable	2,352	Generally similar to terms and conditions above
Receivables from customers	(4,717)	Generally similar to terms and conditions above
Accounts receivable	13	Generally similar to terms and conditions above
Deposit liabilities	2,897	Generally similar to terms and conditions above
Interest income	206	Interest income on receivables from customers and interbank loans receivables (Note 9)

Category	Parent Company Amount	Terms and Conditions/Nature
Service charges, fees and commissions	₱3	Income from transactional fees
Trading and securities gain - net	36	Net gain from securities transactions (Note 8)
Foreign exchange gain - net	6	Net gain from foreign exchange transactions
Leasing income	6	Income from leasing agreements with various lease terms
Miscellaneous income	180	Information technology services and other fees (Note 25)
Interest expense	2	Interest expense on deposit liabilities, bills payable and interbank loans payable (Notes 16 and 17)
Securities transactions		
Purchases	11,800	Outright purchases of investment securities at FVTPL and FVOCI
Sales	20,634	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	12,281	Outright purchases of foreign currency
Sell	4,295	Outright sale of foreign currency
Associates		
Outstanding Balance:		
Receivables from customers	641	Unsecured; with annual fixed interest rates of 2.34% and maturity terms of 60 days (Note 9)
Deposit liabilities*	1,702	With annual fixed interest rates ranging from 0.00% to 0.25%, including time deposits with maturity terms of 34 to 357 days (Note 16)
Amount/Volume:		
Receivables from customers	635	Generally similar to terms and conditions above
Deposit liabilities	(350)	Generally similar to terms and conditions above
Interest Income	10	Interest income on receivables from customers (Note 9)
Leasing income	1	Income from leasing agreements with various lease terms
Securities transactions		
Outright purchases	15	Outright purchases of investment securities at FVTPL and FVOCI
Outright sales	845	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Sell	1,318	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	₱31,363	Secured - ₱5.4 billion, unsecured - ₱25.9 billion, with ECL of ₱143.0 million; with annual fixed interest rates ranging from 2.50% to 5.00% and maturity terms from 30 days to 5 years (Note 9)
Assets held under joint operations	219	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	14,665	With annual fixed interest rates ranging from 0.00% to 0.40%, including time deposits with maturity terms of 3 to 182 days (Note 16)
Amount/Volume:		
Receivables from customers	(2,641)	Generally similar to terms and conditions above
Deposit liabilities	(3,389)	Generally similar to terms and conditions above
Interest income	1,028	Interest income on receivables from customers
Foreign exchange loss - net	(59)	Net loss from foreign exchange transactions
Leasing income	8	Income from leasing agreements with various lease terms
Interest expense	1	Interest expense on deposit liabilities (Note 16)
Contingent		
Unused commercial LCs	10	LC transactions with various terms
Others	2	Bank guaranty with indemnity agreement
Foreign currency		
Buy	324	Outright purchases of foreign currency
Sell	71,710	Outright sale of foreign currency

Category	Parent Company Amount	Terms and Conditions/Nature
Key Personnel		
Outstanding Balance:		
Receivables from customers	₱91	Secured - ₱64.5 million, unsecured - ₱26.7 million, no impairment; with annual fixed interest rates ranging from 0.00% to 9.00% and maturity terms from 1 to 19 years (Note 9)
Deposit liabilities	269	With various terms and minimum annual interest rate of 0.00% (Note 16)
Amount/Volume:		
Receivables from customers	8	Generally similar to terms and conditions above
Deposit liabilities	(45)	Generally similar to terms and conditions above
Interest income	3	Interest income on receivables from customers (Note 9)

* *Includes accrued interest*

As of December 31, 2023 and 2022, government bonds with total face value of ₱60.0 million (classified as 'Investment securities at amortized cost as of December 31, 2023 and 2022), are pledged by PSBank to the Parent Company to secure the latter's payroll account with PSBank. Also, the Parent Company has assigned to PSBank government securities with total face value of ₱3.5 billion (classified as 'Investment securities at amortized cost') to secure PSBank's deposits to the Parent Company

Receivables from customers and deposit liabilities and their related statement of financial position and statement of income accounts resulted from the lending and deposit-taking activities of the Group and the Parent Company. Together with the sale of investment properties, borrowings, contingent accounts including derivative transactions, outright purchases and sales of securities and foreign currency buy and sell, leasing of office premises, securing of insurance coverage on loans and property risk, and other management services rendered, these are conducted in the normal course of business, at arm's-length transactions and are generally settled in cash. The amounts and related volumes and changes are presented in the summary above. Terms of receivables from customers, deposit liabilities and borrowings are also disclosed in Notes 9, 16 and 17, respectively, while other related party transactions above have been referred to their respective note disclosures.

The compensation of the key management personnel of the Group and the Parent Company follows:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Short-term employee benefits	**₱4,734**	₱4,232	₱3,817	**₱3,832**	₱3,303	₱2,902
Post-employment benefits	**116**	140	120	**81**	86	84
	₱4,850	₱4,372	₱3,937	**₱3,913**	₱3,392	₱2,986

Director's fees and bonuses of the Parent Company in 2023, 2022 and 2021 amounted to ₱70.2 million, ₱68.1 million and ₱68.0 million, respectively.

Transactions with Retirement Plans

Under PFRS, certain post-employment benefit plans are considered as related parties. The Parent Company has business relationships with a number of related party retirement plans pursuant to which it provides trust and management services to these plans. Certain trustees of the plans are either officers or directors of the Parent Company and/or the subsidiaries. Income earned by the Parent Company from such services amounted to ₱160.2 million, ₱127.0 million and ₱98.2 million in 2023, 2022 and 2021, respectively. In 2023, 2022 and 2021, the Parent Company purchased securities totaling ₱8.1 billion, ₱7.4 billion and ₱4.9 billion, respectively, from its related party retirement plans and also sold securities totaling ₱10.4 billion, ₱13.0 billion and ₱6.1 billion, respectively, and recognized net trading losses of ₱0.4 million and ₱8.0 million in 2023 and 2022, and net trading gains of ₱15.1 million in 2021, respectively. Further, as of December 31, 2023 and 2022, the total outstanding deposit liabilities of the Group from these related party retirement funds amounted to ₱120.2 million and ₱515.2 million, respectively. Interest expense on deposit liabilities amounted to ₱25.3 million, ₱2.9 million and ₱0.4 million in 2023, 2022 and 2021, respectively.

As of December 31, 2023 and 2022, the related party retirement plans also hold investments in the equity shares of various companies within the Group amounting to ₱138.7 million and ₱181.8 million, respectively, with unrealized trading losses of ₱31.7 million and ₱76.0 million, respectively, and investments in mutual funds and trust funds of various companies within the Group amounting to ₱1.4 billion and ₱440.7 million, respectively, with unrealized trading gains of ₱108.7 million in 2023 and unrealized trading losses of ₱6.2 million in 2022, respectively. Further as of December 31, 2023, investments in the corporate bonds of the Parent Company by the related party retirement plans amounted to ₱49.4 million with unrealized trading gain of ₱0.2 million. In 2023, 2022 and 2021, realized trading gains/(losses) recognized by the related party retirement plans amounted to (₱5.9 million), (₱3.7 million) and ₱2.2 million, respectively, and dividend income recognized amounted to ₱1.4 million, ₱1.2 million, and ₱1.5 million, respectively.

33. Foreign Exchange

Closing rates as of December 31 and WAR for each of the year ended December 31 are as follows:

	BAP		
	2023	2022	2021
Closing	**₱55.37**	₱55.76	₱51.00
WAR	**55.63**	54.50	49.28

34. Other Matters

The Group has no significant matters to report in 2023 on the following:

a. Known trends, events or uncertainties that would have material impact on liquidity and on the sales or revenues.
b. Explanatory comments about the seasonality or cyclicality of operations.
c. Issuances, repurchases and repayments of debt and equity securities except for the maturities of the ₱8.65 billion LTNCD of the Parent Company as discussed in Note 16; the ₱13.75 billion fixed rate bonds of the Parent Company and the ₱4.65 billion fixed rate bonds of PSBank as discussed on Note 19; and the ₱1.17 billion subordinated debts of the Parent Company as discussed in Note 20.
d. Unusual items as to nature, size or incidents affecting assets, liabilities, equity, net income or cash flows except for the payment of cash dividends by the Parent Company, as discussed in Note 23.
e. Effect of changes in the composition of the Group during the year, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

35. Subsequent Events

a. On January 18, 2024, the BOD of PSBank declared a 7.50% regular cash dividend for the fourth quarter of 2023 amounting to ₱320.14 million or ₱0.75 per share payable on February 19, 2024 to all stockholders at record date as of February 2, 2024.
b. On February 9, 2024, the ₱5.1 billion LTNCD of PSBank matured.
c. On February 21, 2024, the BOD of the Parent Company approved a new dividend policy of increasing the regular cash dividends from ₱1.60 per share to ₱3.00 per share for the year, payable on a semi-annual basis at ₱1.50 per share. In addition, a special cash dividend of ₱2.00 per share was also declared. The first tranche of the regular cash dividend of ₱1.50 per share and special cash dividend of ₱2.00 per share are payable on March 25, 2024 to all stockholders of record as of March 8, 2024.

36. Approval of the Release of the Financial Statements

The accompanying financial statements of the Group and of the Parent Company were authorized for issue by the BOD on February 21, 2024.

37. Report on the Supplementary Information Required under BSP Circular No. 1074

Supplementary Information Under BSP Circular No. 1074
On January 8, 2020, the Monetary Board approved the amendments to the relevant provisions of the Manual of Regulations for Banks and Manual of Regulations for Foreign Exchange Transactions. Among the provisions is the requirement to include the following additional information to the Audited Financial Statements.

a. *Quantitative indicators of financial performance*
The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Return on average equity (1)	**12.51%**	10.29%	6.89%	**12.49%**	10.27%	6.88%
Return on average assets (2)	**1.42%**	1.23%	0.89%	**1.61%**	1.41%	1.03%
Net interest margin on average earning assets (3)	**3.90%**	3.56%	3.39%	**3.83%**	3.47%	3.14%

(1) Net income attributable to equity holders of the Parent Company for the year divided by average total equity attributable to the Parent Company.
(2) Net income attributable to equity holders of the Parent Company for the year divided by average total assets.
(3) Net interest income for the year divided by average interest-earning assets.

b. *Description of capital instrument issued*
The Group and the Parent Company consider its common stock and subordinated debts as capital instruments eligible as Tier 1 and Tier 2 capitals.

c. *Significant Credit Exposures*
Significant credit exposures as to industry, gross of unearned discount and capitalized interest, follows:

	Consolidated				Parent Company			
	2023		2022		**2023**		2022	
	Amount	**%**	Amount	%	**Amount**	**%**	Amount	%
Real estate activities	**₱294,634**	**18.80**	₱218,151	14.98	**₱243,298**	**17.83**	₱180,654	14.20
Wholesale and retail trade, repair of motor vehicles and motorcycles	**204,743**	**13.07**	214,484	14.73	**188,900**	**13.85**	196,394	15.43
Manufacturing	**182,083**	**11.62**	189,407	13.00	**179,011**	**13.12**	185,372	14.57
Financial and insurance activities	**154,732**	**9.88**	141,035	9.68	**150,463**	**11.03**	137,208	10.78
Information and communication	**100,198**	**6.39**	111,759	7.67	**100,085**	**7.34**	111,661	8.78
Electricity, gas, steam and air conditioning supply	**71,806**	**4.58**	64,833	4.45	**69,855**	**5.12**	63,006	4.95
Transportation and storage	**67,081**	**4.28**	46,545	3.20	**60,062**	**4.40**	38,659	3.04
Construction	**64,362**	**4.11**	59,114	4.06	**45,484**	**3.33**	43,200	3.40
Agriculture, forestry, and fishing	**23,223**	**1.48**	20,805	1.43	**21,876**	**1.60**	18,939	1.49
Administrative and support service activities	**21,405**	**1.37**	14,185	0.97	**5,136**	**0.38**	4,271	0.34
(Forward)								
Accommodation and food service activities	**₱17,455**	**1.11**	₱21,617	1.49	**₱17,230**	**1.26**	₱21,404	1.68
Water supply, sewerage, waste management and remediation activities	**14,730**	**0.94**	5,729	0.39	**14,656**	**1.07**	5,675	0.45
Activities of household employees	**2,342**	**0.15**	54,733	3.76	**2,155**	**0.16**	51,791	4.07
Other service activities	**1,819**	**0.12**	3,752	0.25	**1,819**	**0.13**	312	0.02
Mining and quarrying	**1,623**	**0.10**	1,034	0.07	**1,312**	**0.10**	553	0.04
Arts, entertainment and recreation	**1,606**	**0.10**	1,172	0.08	**1,527**	**0.11**	793	0.06
Professional scientific and technical activities	**1,508**	**0.10**	15,404	1.06	**1,316**	**0.10**	927	0.07
Human health and social work activities	**795**	**0.05**	2,950	0.20	**569**	**0.04**	2,655	0.21
Education	**475**	**0.03**	801	0.05	**345**	**0.03**	683	0.05
Others	**340,426**	**21.72**	269,219	18.48	**259,175**	**19.00**	208,263	16.37
	₱1,567,046	**100.00**	₱1,456,729	100.00	**₱1,364,274**	**100.00**	₱1,272,420	100.00

The Group considers that concentration of credit exists when total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio.

d. *Breakdown of loans*

The following table shows information relating to receivables from customers by collateral, gross of unearned discounts and capitalized interest:

	Consolidated				Parent Company			
	2023		2022		**2023**		2022	
	Amount	**%**	Amount	%	**Amount**	**%**	Amount	%
Secured by:								
Other securities	**₱262,418**	**16.74**	₱263,540	18.09	**₱262,418**	**19.24**	₱263,540	20.71
Chattel	**93,544**	**5.97**	86,128	5.91	**19,899**	**1.46**	17,760	1.40
Real estate	**88,400**	**5.64**	90,259	6.20	**57,233**	**4.20**	59,898	4.71
Equity securities	**52,186**	**3.33**	45,867	3.15	**6,544**	**0.48**	5,270	0.41
Deposit hold-out	**37,781**	**2.41**	42,721	2.93	**37,183**	**2.72**	42,124	3.31
Others	**13,573**	**0.87**	14,958	1.03	**454**	**0.03**	374	0.03
	547,902	**34.96**	543,473	37.31	**383,731**	**28.13**	388,966	30.57
Unsecured	**1,019,144**	**65.04**	913,256	62.69	**980,543**	**71.87**	883,454	69.43
	₱1,567,046	**100.00**	₱1,456,729	100.00	**₱1,364,274**	**100.00**	₱1,272,420	100.00

Non-performing loans (NPLs) included in the total loan portfolio of the Group and the Parent Company, as reported to the BSP, are presented below:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Gross NPLs	**₱26,180**	₱27,341	**₱19,518**	₱20,146
Less allowance for credit losses	**18,658**	19,013	**15,372**	15,472
Net carrying amount	**₱ 7,522**	₱8,328	**₱4,146**	₱4,674

Under banking regulations, loan accounts shall be considered non-performing, even without any missed contractual payments, when they are considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal or interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement. Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Moreover, NPLs shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least six (6) months; or (b) written-off. Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after they have become past due.

e. *Information on related party loans*
In the ordinary course of business, the Group has loan transactions with investees and with certain directors, officers, stockholders and related interests (DOSRI) based on BSP Circular No. 423 dated March 15, 2004, as amended. Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the lending company within the Group. In the aggregate, loans to DOSRI generally should not exceed the respective total equity or 15.00% of the respective total loan portfolio, whichever is lower, of the Parent Company, PSBank, FMIC, and ORIX Metro.

The following table shows information on related party loans as reported to the BSP:

	2023		2022	
	DOSRI Loans	**Related Party Loans**	DOSRI Loans	Related Party Loans
Consolidated				
Total outstanding loans	**₱7,949**	**₱61,228**	₱8,425	₱59,310
Percent of DOSRI/Related Party Loans to total loan portfolio	**0.49%**	**3.77%**	0.56%	3.91%
Percent of unsecured DOSRI/Related Party Loans to total DOSRI/Related Party Loans	**5.05%**	**98.79%**	8.70%	97.89%
Percent of past due DOSRI/Related Party Loans to total DOSRI/Related Party Loans	**0.01%**	**0.00%**	0.01%	1.41%
Percent of non-performing DOSRI/Related Party Loans to total DOSRI/Related Party Loans	**0.00%**	**0.00%**	0.01%	1.41%
Parent Company				
Total outstanding loans	**₱7,724**	**₱61,228**	₱8,197	₱59,310
Percent of DOSRI/Related Party Loans to total loan portfolio	**0.55%**	**4.34%**	0.62%	4.47%
Percent of unsecured DOSRI/Related Party Loans to total DOSRI/Related Party Loans	**2.39%**	**98.79%**	6.32%	97.89%
Percent of past due DOSRI/Related Party Loans to total DOSRI/Related Party Loans	**0.01%**	**0.00%**	0.00%	1.41%
Percent of non-performing DOSRI/Related Party Loans to total DOSRI/Related Party Loans	**0.00%**	**0.00%**	0.00%	1.41%

BSP Circular Nos. 560 and 654 provide the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks which require that the total outstanding loans, other credit accommodations and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.00%, while a separate individual limit of 25.00% for those engaged in energy and power generation, of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.00% or 12.50%, respectively, of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank as reported to the BSP. As of December 31, 2023 and 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 12.34% 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.

Total interest income on DOSRI loans in 2023, 2022 and 2021 amounted to ₱461.9 million, ₱264.8 million and ₱257.0 million, respectively, for the Group, and ₱457.1 million, ₱259.4 million and ₱251.4 million, respectively, for the Parent Company.

f. Secured Liabilities and Assets Pledged as Security

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

	Consolidated				Parent Company			
	2023		2022		**2023**		2022	
	Transferred Securities	**SSURA**	Transferred Securities	SSURA	**Transferred Securities**	**SSURA**	Transferred Securities	SSURA
Investment securities at FVOCI								
Government	**₱115,803**	**₱101,291**	₱59,094	₱46,847	**₱115,803**	**₱101,291**	₱59,094	₱46,847
Private	**2,294**	**2,294**	–	–	–	–	–	–
Investment securities at amortized cost	**35,925**	**31,215**	22,441	20,273	**35,654**	**30,943**	21,255	19,087
	₱154,022	**₱134,800**	₱81,535	₱67,120	**₱151,457**	**₱132,234**	₱80,349	₱65,934

g. Contingencies and commitments arising from off-balance sheet items

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

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Trust Banking Group accounts (Note 29)	**₱497,607**	₱510,510	**₱485,425**	₱505,715
Credit card lines	**276,839**	233,331	**276,839**	233,331
Undrawn commitments - facilities to lend	**53,729**	24,578	**53,729**	24,578
Unused commercial letters of credit (Note 32)	**50,476**	49,097	**45,558**	45,740
Bank guaranty with indemnity agreement (Note 32)	**11,732**	18,023	**11,732**	18,023
Outstanding guarantees	**6,637**	3,769	**6,637**	3,769
Credit line certificate with bank commission	**3,963**	4,771	**3,963**	4,771
Inward bills for collection	**1,662**	2,071	**1,661**	2,071
Outstanding shipside bonds/airway bills	**1,436**	1,294	**656**	1,294
Late deposits/payments received	**944**	1,047	**943**	1,047
Outward bills for collection	**639**	710	**559**	707
Confirmed export letters of credits	**44**	278	**-**	43
Others	**32,729**	35,709	**602**	1,004
	₱938,437	₱885,188	**₱888,304**	₱842,093

38. Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

Supplementary Information Under RR No. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 to amend certain provisions of RR No. 21-2002 which provides that starting 2010, the notes to financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

The Parent Company reported the following types of taxes for the year ended December 31, 2023 included under 'Taxes and licenses' account in the statement of income:

GRT	₱5,267
DST	3,493
Local taxes	216
Real estate tax	104
Others	418
	₱9,498

Details of the total withholding taxes remittances for the taxable year December 31, 2023 follow:

Taxes withheld on compensation	₱2,668
Final withholding taxes	7,573
Expanded withholding taxes	1,164
	₱11,405

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