SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. February 28, 2024
   Date of Report (Date of earliest event reported)

2. SEC Identification Number 443

3. BIR Tax Identification No. 000-444-210-000

4. CHINA BANKING CORPORATION
   Exact name of issuer as specified in its charter

5. Philippines
   Province, Country or other jurisdiction of incorporation

6. SEC (Use Only)
   Industry Classification Code:

7. China Bank Bldg., 8745 Paseo de Roxas, Makati City
   Address of principal office

   1226
   Postal Code

8. (02) 8885-5555
   Issuer's telephone number, including area code

9. -- NA --
   Former name or former address, if changed since last report

10. Securities registered pursuant to Section 8 and 12 of the SRC of Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	2,691,340,312 shares

CHINABANK
Since 1920

11. Indicate the item numbers reported herein: Item 9

Attached is the 2023 Audited Financial Statements of China Banking Corporation and its Subsidiaries and the corresponding Notes to Financial Statements.

Pursuant to the requirements of the Revised Securities Act, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CHINA BANKING CORPORATION
Registrant

Date February 28, 2024

ATTY. LEILANI B. ELARMO
Corporate Secretary
Signature and Title *

*** Print name and title of the signing officer under the signature**

CHINABANK
Since 1920

28 February 2024

SECURITIES AND EXCHANGE COMMISSION
SEC Headquarters, 7907 Makati Avenue
Salcedo Village, Bel-Air, Makati City

Attention: 1. **DIRECTOR VICENTE GRACIANO P. FELIZMENIO, JR.**
Markets and Securities Regulation Department

2. **DIRECTOR RACHEL ESTHER J. GUMTANG-REMALANTE**
Corporate Governance and Finance Department

THE PHILIPPINE STOCK EXCHANGE, INC.
6th Floor PSE Tower
5th Avenue corner 28th Street
Bonifacio Global City, Taguig City

Attention: **DISCLOSURE DEPARTMENT**

PHILIPPINE DEALING & EXCHANGE CORP.
29th Floor BDO Equitable Tower
8751 Paseo de Roxas, Makati City

Attention: **ANTONINO A. NAKPIL**
President and CEO

Sir, Mesdames:

We are pleased to furnish your good office with a copy of China Banking Corporation's 2023 Audited Financial Statements and the corresponding Notes to Financial Statements.

Thank you.

Very truly yours,

Gerald Florentino

GERALD O. FLORENTINO
FVP and Head
Investor and Corporate Relations Group

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

4	4	3								

COMPANY NAME

CHINA BANKING CORPORATION AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

8745 Paseo de Roxas cor. Villar St., Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
https://www.chinabank.ph	8885-5555	N.A.

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,826	04/20	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Patrick D. Cheng	pdcheng@chinabank.ph	8885-5022	

CONTACT PERSON's ADDRESS

8745 Paseo de Roxas cor. Villar St., Makati City

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
China Banking Corporation
8745 Paseo de Roxas cor. Villar St.
Makati City

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of China Banking Corporation and its subsidiaries (the Group) and the parent company financial statements of China Banking Corporation (the Parent Company), which comprise the consolidated and parent company balance sheets 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 material accounting policy information.

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report. We are independent of the Group and the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (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

Adequacy of allowance for credit losses on loans and receivables

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

Allowance for credit losses for loans and receivables as of December 31, 2023 for the Group and the Parent Company amounted to ₱17.38 billion and ₱14.33 billion, respectively. Provision for credit losses on loans and receivables of the Group and the Parent Company in 2023 amounted to ₱1.81 billion and ₱0.78 billion, respectively.

Refer to Notes 3 and 16 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; (c) tested the Group's and the Parent Company's application of internal credit risk rating system by reviewing the ratings of sample credit exposures; (d) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in the Group's and the Parent Company's records and considering management's assumptions regarding future collections, advances, extensions, renewals and modifications; (e) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations, and the effects of any financial support and credit enhancements provided by any party; (f) tested exposure at default considering outstanding commitments and repayment scheme;

(g) evaluated the forward-looking information used for overlay through corroboration of publicly available information and our understanding of the Group's and the Parent Company's lending portfolios and broader industry knowledge; and (h) tested the effective interest rate used in discounting the expected loss.

Further, we compared the data used in the ECL models 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 involved our internal specialist in the performance of the above procedures. We recalculated impairment provisions on a sample basis.

Impairment testing of goodwill and branch licenses with indefinite useful life

Under PFRS, the Group and the Parent Company are required to perform annual impairment test of goodwill and branch licenses with indefinite useful life. As of December 31, 2023, the goodwill recognized in the consolidated and parent company financial statements amounting to ₱222.84 million is attributed to the Parent Company's Retail Banking Business (RBB) segment, while goodwill of ₱616.91 million in the consolidated financial statements is attributed to the subsidiary bank, China Bank Savings, Inc. (CBSI). In addition, the respective branches are identified as the cash-generating units (CGUs) for purposes of impairment testing of branch licenses amounting to ₱3.39 billion and ₱398.00 million for the Group and Parent Company, respectively. The Group and the Parent Company performed the impairment testing using the CGUs' value-in-use.

Management's assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions, specifically loan and deposit growth rates, discount rate and the long-term growth rate. Hence, the annual impairment test is significant to our audit.

The Group's disclosures about goodwill and branch licenses are included in Notes 3 and 14 to the financial statements.

Audit Response

We evaluated the methodologies used and the management's assumptions by comparing the key assumptions used, such as loan and deposit growth and long-term growth rates against the historical performance of the branches, RBB and CBSI, industry/market outlook and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill and branch licenses.

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

In preparing the consolidated and parent company financial statements, management is responsible for assessing the Group's and 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 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 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 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 Section 174 of Manual of Regulations for Banks and Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Section 174 of Manual of Regulations for Banks in Note 37 and Revenue Regulations 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 China Banking Corporation. 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 Janet A. Paraiso.

SYCIP GORRES VELAYO & CO.

Janet A. Paraiso
Partner
CPA Certificate No. 92305
Tax Identification No. 193-975-241
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-062-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10079894, January 5, 2024, Makati City

February 26, 2024

CHINA BANKING CORPORATION AND SUBSIDIARIES

BALANCE SHEETS
(Amounts in Thousands)

	Consolidated		Parent Company	
	December 31			
	2023	2022	**2023**	2022
ASSETS				
Cash and Other Cash Items	**₱15,998,094**	₱13,689,421	**₱13,041,135**	₱10,073,767
Due from Bangko Sentral ng Pilipinas (Notes 7 and 17)	**84,595,973**	107,100,295	**73,156,991**	92,920,540
Due from Other Banks (Note 7)	**19,964,415**	13,614,609	**17,352,830**	12,347,169
Interbank Loans Receivable and Securities Purchased under Resale Agreements (Note 8)	**34,720,250**	43,564,970	**31,075,654**	41,597,949
Financial Assets at Fair Value through Profit or Loss (Note 9)	**13,631,287**	4,727,580	**12,642,063**	3,514,576
Derivative Contracts Designated as Hedges (Note 26)	**3,946,553**	6,203,379	**3,946,553**	6,203,379
Financial Assets at Fair Value through Other Comprehensive Income (Note 9)	**106,541,487**	43,316,757	**93,826,436**	41,151,125
Investment Securities at Amortized Cost (Note 9)	**380,461,421**	357,985,926	**373,567,542**	351,802,877
Loans and Receivables (Notes 10 and 30)	**771,991,759**	699,594,789	**663,182,149**	613,197,254
Accrued Interest Receivable (Note 16)	**11,464,932**	9,781,803	**10,382,588**	8,730,710
Investment in Subsidiaries (Note 11)	**–**	–	**22,616,966**	19,063,796
Investment in Associates (Note 11)	**1,389,952**	983,243	**1,389,952**	983,243
Bank Premises, Furniture, Fixtures and Equipment and Right-of-use Assets (Note 12)	**10,078,844**	9,337,260	**8,086,119**	7,670,562
Investment Properties (Note 13)	**3,936,112**	3,914,891	**1,737,570**	1,487,258
Deferred Tax Assets (Note 28)	**6,505,865**	4,552,692	**4,961,076**	3,150,610
Intangible Assets (Note 14 and 16)	**3,776,649**	3,783,643	**726,317**	721,314
Goodwill (Note 14)	**839,748**	839,748	**222,841**	222,841
Other Assets (Note 15)	**8,199,881**	6,738,460	**4,614,667**	3,833,925
	₱1,478,043,222	₱1,329,729,466	**₱1,336,529,449**	₱1,218,672,895
LIABILITIES AND EQUITY				
Liabilities				
Deposit Liabilities (Notes 17 and 30)				
Demand	**₱291,397,398**	₱272,109,739	**₱266,547,758**	₱248,860,724
Savings	**283,859,211**	301,330,580	**263,095,339**	279,502,452
Time	**611,466,946**	492,474,358	**520,931,657**	431,055,393
	1,186,723,555	1,065,914,677	**1,050,574,754**	959,418,569
Bonds Payable (Note 18)	**19,989,307**	28,312,870	**19,989,307**	28,312,870
Bills Payable (Note 19)	**84,798,489**	70,375,267	**84,798,489**	70,375,267
Manager's Checks	**2,109,463**	1,550,669	**1,419,764**	1,296,109
Income Tax Payable	**133,659**	311,915	**48,083**	293,422
Accrued Interest and Other Expenses (Note 20)	**8,589,210**	6,115,889	**7,499,427**	5,399,625
Derivative Liabilities (Note 26)	**938,722**	1,549,561	**938,722**	1,549,561
Derivative Contracts Designated as Hedges (Note 26)	**8,049,417**	4,156,612	**8,049,417**	4,156,612
Deferred Tax Liabilities (Note 28)	**792,114**	794,432	**–**	–
Other Liabilities (Note 21)	**15,620,885**	16,068,964	**12,989,337**	13,360,788
	1,327,744,821	1,195,150,856	**1,186,307,300**	1,084,162,823
Equity				
Equity Attributable to Equity Holders of the Parent Company				
Capital stock (Note 24)	**26,913,403**	26,912,882	**26,913,403**	26,912,882
Capital paid in excess of par value (Note 24)	**17,201,513**	17,200,758	**17,201,513**	17,200,758
Surplus reserves (Notes 24 and 29)	**5,003,653**	4,923,115	**5,003,653**	4,923,115
Surplus (Notes 24 and 29)	**100,900,465**	84,083,661	**100,900,465**	84,083,661
Net unrealized loss on financial assets at fair value through other comprehensive income (Note 9)	**(1,413,868)**	(4,293,952)	**(1,413,868)**	(4,293,952)
Remeasurement gain on defined benefit asset (Note 25)	**88,215**	77,760	**88,215**	77,760
Cumulative translation adjustment	**190,471**	27,469	**190,471**	27,469
Remeasurement gain on life insurance reserves	**92,103**	96,387	**92,103**	96,387
Hedge-related reserve (Note 26)	**1,246,194**	5,481,992	**1,246,194**	5,481,992
	150,222,149	134,510,072	**150,222,149**	134,510,072
Non-controlling Interest (Note 11)	**76,252**	68,538	**–**	–
	150,298,401	134,578,610	**150,222,149**	134,510,072
	₱1,478,043,222	₱1,329,729,466	**₱1,336,529,449**	₱1,218,672,895

See accompanying Notes to Financial Statements.

CHINA BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share)

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
INTEREST INCOME						
Loans and receivables (Notes 10 and 30)	**₱51,690,659**	₱39,553,071	₱34,700,337	**₱41,485,837**	₱32,002,643	₱28,948,921
Investment securities at amortized cost and at fair value through other comprehensive income (Note 9)	**23,236,340**	15,060,053	9,193,747	**22,730,827**	14,776,396	8,934,652
Due from Bangko Sentral ng Pilipinas and other banks, interbank loans receivable, and securities purchased under resale agreements (Notes 7 and 8)	**3,700,672**	2,139,618	1,863,599	**2,534,718**	1,694,026	1,525,166
Financial assets at fair value through profit or loss	**740,362**	458,670	738,643	**738,999**	458,670	738,643
	79,368,033	57,211,412	46,496,326	**67,490,381**	48,931,735	40,147,382
INTEREST EXPENSE						
Deposit liabilities (Notes 17 and 30)	**21,740,569**	8,824,483	5,111,577	**17,151,871**	7,342,011	4,272,332
Bonds payable, bills payable and other borrowings (Notes 18 and 19)	**3,852,869**	2,615,608	2,104,471	**3,852,827**	2,615,607	2,104,470
Lease payable (Note 27)	**246,790**	181,789	195,310	**193,355**	141,000	152,194
	25,840,228	11,621,880	7,411,358	**21,198,053**	10,098,618	6,528,996
NET INTEREST INCOME	**53,527,805**	45,589,532	39,084,968	**46,292,328**	38,833,117	33,618,386
Trading and securities gain (loss) - net (Notes 9 and 22)	**1,129,032**	927,538	(64,005)	**1,038,063**	913,709	(110,743)
Service charges, fees and commissions (Note 22)	**3,300,169**	2,863,078	2,715,372	**1,921,936**	1,698,390	1,438,614
Gain on disposal and redemption of investment securities at amortized cost (Note 9)	**78**	1,923	4,063,927	**78**	1,923	4,063,927
Trust fee income (Note 29)	**585,915**	473,828	450,965	**585,915**	473,828	450,965
Foreign exchange gain (loss) - net (Note 26)	**(7,354,800)**	(555,316)	686,861	**(7,362,476)**	(568,087)	678,431
Gain on sale of investment properties	**602,836**	698,802	388,295	**212,126**	250,612	238,891
Share in net income (loss) of an associate (Note 11)	**435,075**	285,059	(1,609)	**435,075**	285,059	(1,609)
Gain on asset foreclosure and dacion transactions (Note 13)	**419,748**	145,801	87,485	**373,936**	181,624	31,552
Share in net income of subsidiaries (Note 11)	**–**	–	–	**2,541,697**	2,044,686	1,422,503
Miscellaneous (Notes 22 and 30)	**1,445,597**	5,222,179	1,262,841	**1,176,462**	4,998,275	1,118,731
TOTAL OPERATING INCOME	**54,091,455**	55,652,424	48,675,100	**47,215,140**	49,113,136	42,949,648
Provision for impairment and credit losses (Note 16)	**1,246,003**	9,012,633	8,876,744	**208,011**	7,427,202	7,679,877
Compensation and fringe benefits (Notes 25 and 30)	**8,969,408**	8,145,029	7,505,384	**7,033,384**	6,432,409	5,899,761
Taxes and licenses	**5,628,497**	4,729,828	3,529,491	**4,405,025**	3,954,612	2,901,338
Insurance	**2,744,739**	2,284,645	2,061,059	**2,391,242**	2,015,047	1,805,915
Depreciation and amortization (Notes 12, 13 and 14)	**2,006,146**	1,737,144	1,787,166	**1,527,440**	1,317,159	1,364,324
Occupancy cost (Notes 27 and 30)	**2,230,649**	2,163,226	2,090,909	**1,696,216**	1,611,922	1,657,902
Professional fees, marketing and other related services	**848,561**	727,288	632,857	**704,971**	579,516	559,649
Transportation and traveling	**699,430**	576,755	594,063	**524,270**	429,856	479,985
Entertainment, amusement and recreation	**519,953**	560,206	490,278	**411,443**	456,625	381,601
Stationery, supplies and postage	**237,994**	225,425	218,238	**166,250**	160,711	149,719
Repairs and maintenance	**228,331**	184,686	173,825	**180,287**	154,317	140,177
Miscellaneous (Notes 22 and 30)	**2,923,617**	3,020,097	3,251,863	**2,657,273**	2,604,268	2,773,517
TOTAL OPERATING EXPENSES	**28,283,328**	33,366,962	31,211,877	**21,905,812**	27,143,644	25,793,765
INCOME BEFORE INCOME TAX	**25,808,127**	22,285,462	17,463,223	**25,309,328**	21,969,492	17,155,883
PROVISION FOR INCOME TAX (Note 28)	**3,789,903**	3,149,662	2,357,000	**3,298,538**	2,861,988	2,067,551
NET INCOME	**₱22,018,224**	₱19,135,800	₱15,106,223	**₱22,010,790**	₱19,107,504	₱15,088,332
Attributable to:						
Equity holders of the Parent Company (Note 33)	**₱22,010,790**	₱19,107,504	₱15,088,332			
Non-controlling interest	**7,434**	28,296	17,891			
	₱22,018,224	₱19,135,800	₱15,106,223			
Basic/Diluted Earnings Per Share (Note 33)	**₱8.18**	₱7.10	₱5.61			

See accompanying Notes to Financial Statements.

CHINA BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
NET INCOME	**₱22,018,224**	₱19,135,800	₱15,106,223	**₱22,010,790**	₱19,107,504	₱15,088,332
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that recycle to profit or loss in subsequent periods:						
Changes in fair value of debt financial assets at fair value through other comprehensive income (FVOCI):						
Fair value gain (loss) for the year, net of tax	**2,068,782**	(4,129,185)	(60,479)	**2,102,503**	(4,020,071)	(27,185)
Gain taken to profit or loss (Note 22)	**(326,063)**	(3,465)	(60,316)	**(326,063)**	(3,465)	(40,937)
Changes in cumulative translation adjustment						
Translation gain (loss) for the year	**68,446**	(140,939)	101,374	**(12,931)**	(176,458)	89,570
Loss (gain) taken to profit or loss	**94,425**	151,412	(89,104)	**94,425**	151,412	(89,104)
Changes in hedge-related reserves						
Fair value gain (loss) for the year, net of tax	**(9,236,057)**	4,258,550	1,271,502	**(9,236,057)**	4,258,550	1,271,502
Loss (gain) taken to profit or loss (Note 26)	**5,000,259**	246,607	226,541	**5,000,259**	246,607	226,541
Share in changes in fair value of financial assets at FVOCI of an associate (Note 11)	**140,244**	(213,444)	(103,148)	**140,244**	(213,444)	(103,148)
Share in changes in other comprehensive income (loss) of subsidiaries (Note 11):						
Net unrealized loss on debt financial assets at FVOCI	**–**	–	–	**(34,263)**	(107,021)	(52,037)
Cumulative translation adjustment	**–**	–	–	**81,508**	34,911	11,603
Items that do not recycle to profit or loss in subsequent periods:						
Changes in fair value of equity financial assets at FVOCI:						
Fair value gain (loss) for the year, net of tax	**997,698**	(31,217)	10,392	**907,229**	(16,777)	10,965
Remeasurement gain on defined benefit asset, net of tax (Note 25)	**14,615**	103,494	400,652	**66,050**	114,308	343,496
Share in changes in other comprehensive income (loss) of subsidiaries (Note 11):						
Net unrealized gain (loss) on equity financial assets at FVOCI	**–**	–	–	**90,434**	(14,374)	(573)
Remeasurement gain (loss) on defined benefit plan	**–**	–	–	**(51,269)**	(10,751)	56,256
Share in changes in other comprehensive income of an associate (Note 11)						
Remeasurement gain (loss) on life insurance reserves	**(4,284)**	110,416	31,874	**(4,284)**	110,416	31,874
Remeasurement gain (loss) on defined benefit plan	**(4,326)**	4,693	(3,245)	**(4,326)**	4,693	(3,245)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	**(1,186,261)**	356,922	1,726,043	**(1,186,541)**	358,536	1,725,578
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**₱20,831,963**	₱19,492,722	₱16,832,266	**₱20,824,249**	₱19,466,040	₱16,813,910
Total comprehensive income attributable to:						
Equity holders of the Parent Company	**₱20,824,249**	₱19,466,040	₱16,813,910			
Non-controlling interest	**7,714**	26,682	18,356			
	₱20,831,963	₱19,492,722	₱16,832,266			

See accompanying Notes to Financial Statements.

CHINA BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

	Consolidated												
		Equity Attributable to Equity Holders of the Parent Company											
	Capital Stock (Note 24)	Capital Paid in Excess of Par Value (Note 24)	Other Equity - Stock Grants (Note 24)	Surplus Reserves (Notes 24 and 29)	Surplus (Notes 24 and 29)	Net Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income (Note 9)	Remeasurement Gain (Loss) on Defined Benefit Asset or Liability (Note 25)	Cumulative Translation Adjustment	Remeasurement Gain (Loss) on Life Insurance Reserves	Cash Flow Hedge Reserve	Total Equity	Non- Controlling Interest (Note 11)	Total Equity
Balance at January 1, 2023	**₱26,912,882**	**₱17,200,758**	**₱–**	**₱4,923,115**	**₱84,083,661**	**(₱4,293,952)**	**₱77,760**	**₱27,469**	**₱96,387**	**₱5,481,992**	**₱134,510,072**	**₱68,538**	**₱134,578,610**
Total comprehensive income (loss) for the year	–	–	–	–	**22,010,790**	**2,880,084**	**10,455**	**163,002**	**(4,284)**	**(4,235,798)**	**20,824,249**	**7,714**	**20,831,963**
Stock grants	**521**	**755**	–	–	–	–	–	–	–	–	**1,276**	–	**1,276**
Transfer from surplus to surplus reserves (Note 24)	–	–	–	**58,592**	**(58,592)**	–	–	–	–	–	–	–	–
Appropriation of retained earnings (Notes 16 and 24)	–	–	–	**21,946**	**(21,946)**	–	–	–	–	–	–	–	–
Cash dividends - ₱1.90 per share	–	–	–	–	**(5,113,448)**	–	–	–	–	–	**(5,113,448)**	–	**(5,113,448)**
Balance at December 31, 2023	**₱26,913,403**	**₱17,201,513**	**₱–**	**₱5,003,653**	**₱100,900,465**	**(₱1,413,868)**	**₱88,215**	**₱190,471**	**₱92,103**	**₱1,246,194**	**₱150,222,149**	**₱76,252**	**₱150,298,401**
Balance at January 1, 2022	₱26,912,882	₱17,200,758	₱–	₱4,183,413	₱69,752,791	₱81,200	(₱30,489)	₱17,604	(₱14,029)	₱976,834	₱119,080,964	₱41,856	₱119,122,820
Total comprehensive income (loss) for the year	–	–	–	–	19,107,504	(4,375,152)	108,249	9,865	110,416	4,505,158	19,466,040	26,682	19,492,722
Transfer from surplus to surplus reserves (Note 24)	–	–	–	47,383	(47,383)	–	–	–	–	–	–	–	–
Appropriation of retained earnings (Notes 16 and 24)	–	–	–	692,319	(692,319)	–	–	–	–	–	–	–	–
Cash dividends - ₱1.50 per share	–	–	–		(4,036,932)	–	–	–	–	–	(4,036,932)	–	(4,036,932)
Balance at December 31, 2022	₱26,912,882	₱17,200,758	₱–	₱4,923,115	₱84,083,661	(₱4,293,952)	₱77,760	₱27,469	₱96,387	₱5,481,992	₱134,510,072	₱68,538	₱134,578,610
Balance at January 1, 2021	₱26,858,998	₱17,122,626	₱140,924	₱3,194,716	₱58,339,056	₱294,115	(₱426,996)	₱5,535	(₱45,903)	(₱521,209)	₱104,961,862	₱23,500	₱104,985,362
Total comprehensive income (loss) for the year	–	–	–	–	15,088,332	(212,915)	396,507	12,069	31,874	1,498,043	16,813,910	18,356	16,832,266
Stock grants	53,884	78,132	(140,924)	–		–	–	–	–	–	(8,908)	–	(8,908)
Transfer from surplus to surplus reserves (Note 24)	–	–	–	45,096	(45,096)	–	–	–	–	–	–	–	–
Appropriation of retained earnings (Notes 16 and 24)	–	–	–	943,601	(943,601)	–	–	–	–	–	–	–	–
Cash dividends - ₱1.00 per share	–	–	–	–	(2,685,900)	–	–	–	–	–	(2,685,900)	–	(2,685,900)
Balance at December 31, 2021	₱26,912,882	₱17,200,758	₱–	₱4,183,413	₱69,752,791	₱81,200	(₱30,489)	₱17,604	(₱14,029)	₱976,834	₱119,080,964	₱41,856	₱119,122,820

See accompanying Notes to Financial Statements.

Parent Company

	Capital Stock (Note 24)	Capital Paid in Excess of Par Value (Note 24)	Other Equity - Stock Grants (Note 24)	Surplus Reserves (Notes 24 and 29)	Surplus (Notes 24 and 29)	Net Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income (Note 9)	Remeasurement Gain (Loss) on Defined Benefit Asset or Liability (Note 25)	Cumulative Translation Adjustment	Remeasurement Gain (Loss) on Life Insurance Reserves	Hedge-related Reserve	Total Equity
Balance at January 1, 2023	**₱26,912,882**	**₱17,200,758**	**₱–**	**₱4,923,115**	**₱84,083,661**	**(₱4,293,952)**	**₱77,760**	**₱27,469**	**₱96,387**	**₱5,481,992**	**₱134,510,072**
Total comprehensive income (loss) for the year	–	–	–	–	**22,010,790**	**2,880,084**	**10,455**	**163,002**	**(4,284)**	**(4,235,798)**	**20,824,249**
Stock grants	**521**	**755**	–	–	–	–	–	–	–	–	**1,276**
Transfer from surplus to surplus reserves (Note 24)	–	–	–	**58,592**	**(58,592)**	–	–	–	–	–	–
Appropriation of retained earnings (Notes 16 and 24)	–	–	–	**21,946**	**(21,946)**	–	–	–	–	–	–
Cash dividends - ₱1.90 per share	–	–	–	–	**(5,113,448)**	–	–	–	–	–	**(5,113,448)**
Balance at December 31, 2023	**₱26,913,403**	**₱17,201,513**	**₱–**	**₱5,003,653**	**₱100,900,465**	**(₱1,413,868)**	**₱88,215**	**₱190,471**	**₱92,103**	**₱1,246,194**	**₱150,222,149**
Balance at January 1, 2022	₱26,912,882	₱17,200,758	₱–	₱4,183,413	₱69,752,791	₱81,200	(₱30,489)	₱17,604	(₱14,029)	₱976,834	₱119,080,964
Total comprehensive income (loss) for the year	–	–	–	–	19,107,504	(4,375,152)	108,249	9,865	110,416	4,505,158	19,466,040
Transfer from surplus to surplus reserves (Note 24)	–	–	–	47,383	(47,383)	–	–	–	–	–	–
Appropriation of retained earnings (Notes 16 and 24)	–	–	–	692,319	(692,319)	–	–	–	–	–	
Cash dividends - ₱1.50 per share	–	–	–		(4,036,932)	–	–	–	–	–	(4,036,932)
Balance at December 31, 2022	₱26,912,882	₱17,200,758	₱–	₱4,923,115	₱84,083,661	(₱4,293,952)	₱77,760	₱27,469	₱96,387	₱5,481,992	₱134,510,072
Balance at January 1, 2021	₱26,858,998	₱17,122,626	₱140,924	₱3,194,716	₱58,339,056	₱294,115	(₱426,996)	₱5,535	(₱45,903)	(₱521,209)	₱104,961,862
Total comprehensive income (loss) for the year	–	–	–	–	15,088,332	(212,915)	396,507	12,069	31,874	1,498,043	16,813,910
Stock grants	53,884	78,132	(140,924)	–		–	–	–	–	–	(8,908)
Transfer from surplus to surplus reserves (Note 24)	–	–	–	45,096	(45,096)	–	–	–	–	–	–
Appropriation of retained earnings (Notes 16 and 24)	–	–	–	943,601	(943,601)	–	–	–	–	–	–
Cash dividends - ₱1.00 per share	–	–	–		(2,685,900)	–	–	–	–	–	(2,685,900)
Balance at December 31, 2021	₱26,912,882	₱17,200,758	₱–	₱4,183,413	₱69,752,791	₱81,200	(₱30,489)	₱17,604	(₱14,029)	₱976,834	₱119,080,964

See accompanying Notes to Financial Statements.

CHINA BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	**₱25,808,127**	₱22,285,462	₱17,463,223	**₱25,309,328**	₱21,969,492	₱17,155,883
Adjustments for:						
Depreciation and amortization (Notes 12, 13 and 14)	**2,006,146**	1,737,144	1,787,166	**1,527,440**	1,317,159	1,364,324
Provision for impairment and credit losses (Note 16)	**1,246,003**	9,012,633	8,876,744	**208,011**	7,427,202	7,679,877
Amortization of transaction costs and other non-cash movements on bonds payable (Note 18)	**39,687**	126,063	83,022	**39,687**	126,063	83,022
Securities gain on financial assets at fair value through other comprehensive income and investment securities at amortized cost (Note 22)	**(326,141)**	(5,388)	(4,124,243)	**(326,141)**	(5,388)	(4,104,864)
Gain on sale of investment properties	**(602,836)**	(698,802)	(388,295)	**(212,126)**	(250,612)	(238,891)
Gain on asset foreclosure and dacion transactions (Note 13)	**(419,748)**	(145,801)	(87,485)	**(373,936)**	(181,624)	(31,552)
Share in net loss (income) of an associate (Notes 2 and 11)	**(435,075)**	(285,059)	1,609	**(435,075)**	(285,059)	1,609
Share in net income of subsidiaries (Notes 2 and 11)	**–**	–	–	**(2,541,697)**	(2,044,686)	(1,422,503)
Changes in operating assets and liabilities:						
Decrease (increase) in the amounts of:						
Financial assets at fair value through profit or loss	**(8,903,707)**	(2,582,059)	5,620,336	**(9,127,487)**	(3,120,918)	6,183,974
Loans and receivables	**(74,905,013)**	(102,457,363)	(60,053,495)	**(50,916,599)**	(79,216,499)	(59,354,783)
Other assets	**231,340**	9,378,000	2,730,389	**783,343**	8,866,423	2,094,083
Increase (decrease) in the amounts of:						
Deposit liabilities	**120,808,878**	203,054,780	27,629,067	**91,156,185**	177,199,669	31,245,992
Manager's checks	**558,794**	(303,937)	286,374	**123,655**	(170,250)	400,261
Accrued interest and other expenses	**2,473,321**	1,370,028	839,772	**2,099,802**	1,074,199	745,807
Other liabilities and derivative liabilities	**(3,864,451)**	6,843,231	767,884	**(3,282,393)**	7,274,719	443,185
Net cash generated from operations	**63,715,325**	147,328,932	1,432,068	**54,031,997**	139,979,890	2,245,424
Income taxes paid	**(5,276,289)**	(3,587,642)	(1,764,692)	**(4,723,460)**	(3,101,705)	(1,422,931)
Net cash provided by (used in) operating activities	**58,439,036**	143,741,290	(332,624)	**49,308,537**	136,878,185	822,493
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of/Additions to:						
Bank premises, furniture, fixtures and equipment and capitalized software (Note 12)	**(1,565,674)**	(2,064,403)	(632,109)	**(1,144,703)**	(1,612,437)	(428,494)
Investment securities at amortized cost	**(85,060,985)**	(185,997,437)	(259,499,749)	**(83,791,451)**	(182,910,629)	(258,538,503)
Financial assets at fair value through other comprehensive income	**(65,309,075)**	(21,195,283)	(60,990,126)	**(54,353,741)**	(20,927,405)	(59,739,708)
Proceeds from sale or redemption of:						
Investment securities at amortized cost	**1,650,091**	78,823	59,838,517	**1,650,091**	78,823	59,838,517
Financial assets at fair value through other comprehensive income	**5,138,625**	2,392,523	52,512,838	**4,676,504**	2,248,704	51,545,295
Investment properties	**1,581,052**	1,297,207	907,423	**428,651**	378,025	327,875
Bank premises, furniture, fixtures and equipment	**537,764**	144,493	489,036	**277,589**	5,174	345,866
Proceeds from maturity of:						
Investment securities at amortized cost	**60,930,351**	73,072,428	162,908,132	**60,371,692**	70,478,028	162,708,584
Cash dividends received from subsidiaries and associate (Note 11)	**160,000**	–	40,000	**235,000**	75,000	40,000
Capital infusion in a subsidiary	**–**	–	**–**	**(1,000,000)**	–	–
Net cash used in investing activities	**(81,937,851)**	(132,271,649)	(44,426,038)	**(72,650,368)**	(132,186,717)	(43,900,568)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from bills payable	**563,532,304**	402,436,767	193,908,669	**563,532,304**	402,436,767	193,908,669
Settlement of bills payable	**(548,623,126)**	(403,994,487)	(152,843,847)	**(548,623,126)**	(403,994,487)	(152,843,847)
Proceeds from issuance of bonds payable (Note 18)	**–**	–	19,878,458	**–**	–	19,878,458
Payments of cash dividends (Note 24)	**(5,113,448)**	(4,036,932)	(2,685,900)	**(5,113,448)**	(4,036,932)	(2,685,900)

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
Settlement of bonds payable (Note 18)	**(₱8,322,167)**	(₱15,000,000)	(₱30,000,000)	**(₱8,322,167)**	(₱15,000,000)	(₱30,000,000)
Payments of principal portion of lease liabilities (Note 27)	**(665,311)**	(467,208)	(597,435)	**(444,547)**	(263,672)	(410,396)
Net cash provided by (used in) financing activities	**808,252**	(21,061,860)	27,659,945	**1,029,016**	(20,858,324)	27,846,984
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(22,690,563)**	(9,592,219)	(17,098,717)	**(22,312,815)**	(16,166,856)	(15,231,091)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**13,689,421**	16,024,863	15,984,210	**10,073,767**	13,649,247	13,724,265
Due from Bangko Sentral ng Pilipinas (Note 7)	**107,100,295**	124,283,115	152,156,449	**92,920,540**	114,528,773	141,811,190
Due from other banks (Note 7)	**13,614,609**	10,694,312	18,228,721	**12,347,169**	9,897,264	17,197,750
Interbank Loans Receivable and SPURA (Note 8)	**43,564,970**	36,559,224	18,290,851	**41,597,949**	35,030,997	15,604,167
	177,969,295	187,561,514	204,660,231	**156,939,425**	173,106,281	188,337,372
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**15,998,094**	13,689,421	16,024,863	**13,041,135**	10,073,767	13,649,247
Due from Bangko Sentral ng Pilipinas (Note 7)	**84,595,973**	107,100,295	124,283,115	**73,156,991**	92,920,540	114,528,773
Due from other banks (Note 7)	**19,964,415**	13,614,609	10,694,312	**17,352,830**	12,347,169	9,897,264
Interbank Loans Receivable and SPURA (Note 8)	**34,720,250**	43,564,970	36,559,224	**31,075,654**	41,597,949	35,030,997
	₱155,278,732	₱177,969,295	₱187,561,514	**₱134,626,610**	₱156,939,425	₱173,106,281

OPERATING CASH FLOWS FROM INTEREST

	Consolidated			Parent Company		
	For Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
Interest received	**₱77,684,904**	₱55,046,301	₱46,638,694	**₱65,838,503**	₱46,629,590	₱40,552,433
Interest paid	**23,792,369**	10,491,895	₱7,384,207	**19,502,833**	9,166,498	6,480,050

See accompanying Notes to Financial Statements.

1. Corporate Information

China Banking Corporation (the Parent Company) is a publicly listed universal bank incorporated in the Philippines. The Parent Company acquired its universal banking license in 1991. It provides expanded commercial banking products and services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury products, trust products, foreign exchange, corporate finance and other investment banking services through a network of 480 and 479 local branches as of December 31, 2023 and 2022, respectively.

The Parent Company acquired its original Certification of Incorporation issued by the Securities and Exchange Commission (SEC) on July 20, 1920. By virtue of Section 11 of Republic Act No. 11232 also known as the "Revised Corporation Code of the Philippines," which took effect on February 23, 2019, the Parent Company has a perpetual existence.

The Parent Company has the following subsidiaries:

	Effective Percentages of Ownership		Country of Incorporation and Place of Business	
Subsidiary	**2023**	2022		Principal Activities
Chinabank Insurance Brokers, Inc. (CIBI)	**100.00%**	100.00%	Philippines	Insurance brokerage
CBC Properties and Computer Center, Inc. (CBC-PCCI)	**100.00%**	100.00%	Philippines	Computer services
China Bank Savings, Inc. (CBSI)	**99.64%**	99.60%	Philippines	Retail and consumer banking
China Bank Capital Corporation (CBCC)	**100.00%**	100.00%	Philippines	Investment house
CBC Assets One (SPC) Inc.	**100.00%**	100.00%	Philippines	Special purpose corporation
China Bank Securities Corporation (CBCSec)	**100.00%**	100.00%	Philippines	Stock brokerage
Resurgent Capital (FIST-AMC) Inc,*	**100.00%**	100.00%	Philippines	FIST Corporation

The Parent Company has no ultimate parent company. SM Investments Corporation, its significant investor, has effective ownership in the Parent Company of 22.51% as of December 31, 2023 and 2022.

The Parent Company's principal place of business is at 8745 Paseo de Roxas cor. Villar St., Makati City.

2. Summary of Material Accounting Policy Information

The material accounting policy information that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation

The accompanying consolidated financial statements include the financial statements of the Parent Company and its subsidiaries (collectively referred to as "the Group").

The accompanying financial statements have been prepared on a historical cost basis except for financial instruments at fair value through profit or loss (FVTPL), derivative contracts designated as hedges and financial assets at fair value through other comprehensive income (FVOCI). The financial statements are presented in Philippine Peso, and all values are rounded to the nearest thousand except when otherwise indicated.

The financial statements of the Parent Company reflect the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). 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 functional currency of the Parent Company and each of the subsidiaries is the Philippine Peso, except for the FCDU of the Parent Company and CBSI whose functional currency is USD.

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

The balance sheets of the Group and of the Parent Company are presented in order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 23.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheets 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 asset and settle the liability simultaneously. The Group and the Parent Company assess that they have currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group, the Parent Company and all of the counterparties.

Income and expenses 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 and the Parent Company.

Basis of Consolidation and Investments in Subsidiaries
The consolidated financial statements of the Group are prepared for the same reporting year as the Parent Company, using consistent accounting policies. All significant intra-group balances, transactions and income and expenses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date on which control is obtained by the Parent Company.

The Group controls an investee if and only if the Group has:

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

Non-Controlling Interest
Non-controlling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Parent Company.

Non-controlling interest is presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Any losses applicable to the non-controlling interest are allocated against the interests of the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amendments to PFRS which became effective as of January 1, 2023. Except as otherwise indicated, these changes in the accounting policies did not have any significant impact on the financial position or performance of the Group:

- Amendments to PAS 1, *Presentation of Financial Statements,* and PFRS Practice Statement 2, *Making Materiality Judgments, Disclosure of Accounting Policies*

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

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

  The amendments to the Practice Statement provide non-mandatory guidance. Early application is permitted as long as this fact is disclosed. The application of these amendments is reflected in the Group’s financial statements under Note 2.

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

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

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

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

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

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

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

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

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

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

Material Accounting Policy Information

Foreign Currency Translation
The consolidated financial statements are presented in Philippine Peso.

Transactions and balances
The books of accounts of the RBU are maintained in Philippine Peso, the RBU's functional currency, while those of the FCDU are maintained in United States (US) dollars (USD), the FCDU's functional currency.

RBU
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 at end of the year, and foreign currency-denominated income and expenses, at the exchange rates on transaction dates. Foreign exchange differences arising from restatements of foreign currency-denominated assets and liabilities are credited to or charged against operations in the period 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
As at the reporting date, the assets and liabilities of the FCDU are translated into the Parent Company's presentation currency (the Philippine Peso) at the BAP closing rate at the reporting date, and its income and expenses are translated at the BAP weighted average rate for the year. Exchange differences arising on translation are taken directly to the statement of comprehensive income under 'Cumulative translation adjustment'. Upon actual remittance or transfer of the FCDU income to RBU, the related exchange difference arising from translation lodged under 'Cumulative translation adjustment' is recognized in the statement of income of the RBU books.

Fair Value Measurement
The Group measures financial instruments, such as financial instruments at FVTPL, derivative contracts designated as hedges, and financial assets at FVOCI at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 5.

The methods and assumptions used by the Group and Parent Company in estimating fair values are disclosed in Note 5.

SPURA
Securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized in the balance sheet. An asset corresponding to the cash paid, including accrued interest, is recognized in the balance sheet as SPURA. The difference between the purchase price and the resale price is treated as interest income and is accrued over the life of the agreement using the EIR method.

Financial Instruments - Initial Recognition

Date of recognition
Purchases or sales of financial assets, except for derivative instruments, that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Group, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that such asset is delivered by the Group. Any change in fair value of a financial asset is recognized in the statement of income for assets classified as financial assets at FVTPL, and in equity for assets classified as financial assets at FVOCI. Derivatives are recognized on a trade date basis. Deposits, amounts due from banks, 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 recognized at fair value. Except for financial assets and financial liabilities at FVTPL, the initial measurement of financial instruments includes transaction costs.

Classification and Measurement
Under PFRS 9, the classification and measurement of financial assets is driven by the contractual cash flow characteristics of the financial assets and the entity's business model for managing the financial assets.

As part of its classification process, the Group assesses the contractual terms of financial assets to identify whether they meet the 'solely payments of principal and interest' (SPPI) test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g., 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. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

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

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- the expected frequency, value, and timing of sales are also important aspects of the Group's assessment.

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

The Group's measurement categories are described below:

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

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment in value. The amortization is included in 'Interest income' in the statement of income. The expected credit losses (ECL) are recognized in the statement of income under 'Provision for impairment and credit losses'. The effects of revaluation of foreign currency-denominated investments are recognized in the statement of income. Gains or losses arising from disposals and redemptions of these instruments are included in 'Gains (losses) on disposal and redemption of investment securities at amortized cost' in the statement of income.

The Group may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

The Group's financial assets at amortized cost are presented in the balance sheet as Due from BSP, Due from other banks, Interbank loans receivable and SPURA, Investment securities at amortized cost, Loans and receivables, Accrued interest receivables, and certain financial assets under Other assets.

Financial Assets at FVTPL
Debt instruments that neither meet the amortized cost nor the FVOCI criteria, or that meet the criteria but the Group has chosen to designate as at FVTPL at initial recognition, are classified as financial assets at FVTPL. Equity investments are classified as financial assets at FVTPL, unless the Group irrevocably designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Group's financial assets at FVTPL include government securities, corporate bonds, derivatives, and equity securities which are held for trading purposes.

A financial asset is considered as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or financial guarantee.

Gains and losses arising from changes in the fair value (mark-to-market) of the financial assets at FVTPL are included in 'Trading and securities gain (loss) - net' account in the statement of income.

Interest recognized based on the contractual interest rate of these investments is reported in the statement of income under 'Interest income' account while dividend income is reported in the statement of income under 'Miscellaneous income' account when the right of payment has been established.

Derivative instruments
The Parent Company is a party to derivative instruments, particularly, forward exchange contracts, interest rate swaps (IRS), cross currency swaps (CCS), futures, and warrants. These contracts are entered into as a service to customers, as a means of reducing and managing the Parent Company's foreign exchange risk and interest rate risk, as well as for trading purposes. Such derivative financial instruments, which are not designated as accounting hedges, are carried at fair value through profit or loss.

Any gains or losses arising from changes in fair value of derivative instruments that are not designated as accounting hedges are taken directly to the statement of income under 'Foreign exchange gain (loss) - net' for forward exchange contracts and 'Trading and securities gain (loss) - net' for IRS, CCS, futures and warrants.

Financial Assets at FVOCI - Equity Investments
At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI. However, such designation is not permitted if the equity investment is held by the Group for trading. The Group has designated certain equity instruments as at FVOCI.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in 'Net unrealized gain (loss) on financial assets at FVOCI' in the balance sheet. When the asset is disposed of, the cumulative gain or loss previously recognized in the 'Net unrealized gain (loss) on financial assets at FVOCI' account is not reclassified to profit or loss, but is reclassified directly to Surplus account. Any dividends earned on holding these equity instruments are recognized in profit or loss under 'Miscellaneous income' account.

Financial Assets at FVOCI - Debt Investments
The Group applies the category of debt instruments measured at FVOCI when both of the following conditions are met:

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

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value being recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss. Provision for credit and impairment losses is recognized in profit or loss with the corresponding allowance for ECL recognized in OCI and accumulated in 'Net unrealized gain (loss) on financial assets at FVOCI' in the balance sheets.

On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

Reclassification
The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. A change in business model occurs when the Group either begins or ceases to perform an activity that is significant to its operations. A change in the objective of the Group's business model will be effected only at the beginning of the next reporting period following the change in the business model.

Impairment of Financial assets
ECL represents credit losses that reflect an unbiased and probability-weighted measure of expected cash shortfalls, discounted at the EIR, which is determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions. The credit risk and impairment assessment policy of the Group and Parent Company are disclosed in Note 6.

Hedge Accounting
For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when the risk being hedged is the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment;
- Cash flow hedges when the risk being hedged is the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; and
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Parent Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged, and how the Parent Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

The Parent Company applies the IBOR reform Phase 1 reliefs to hedging relationships directly affected by IBOR reform during the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (RFR). A hedging relationship is affected if IBOR reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. IBOR reform Phase 1 also requires that for hedging relationships affected by IBOR reform, the Parent Company must assume that, for the purpose of assessing expected future hedge effectiveness, the interest rate is not altered as a result of IBOR reform. Further, the Parent Company is not required to discontinue the hedging relationship. The hedge ineffectiveness must be recognized in profit or loss, as normal.

The reliefs cease to apply once certain conditions are met. These include when the uncertainty arising from IBOR reform is no longer present with respect to the timing and amount of the benchmark-based cash flows of the hedged item, if the hedging relationship is discontinued, or once amounts in the cash flow hedge reserve have been released.

IBOR reform Phase 2 provides temporary reliefs that allow the Parent Company's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an alternative risk-free rate (RFR). The reliefs require the Parent Company to amend the hedge designations and hedge documentation. Under one of the reliefs, the Parent Company may elect RFRs to be deemed as meeting the PFRS 9 requirement to be separately identifiable components of the hedged item. In view of the reliefs, the Parent Company has amended its hedge documentations and deemed Secured Overnight Financing Rate (SOFR) to be "separately identifiable" risk component since the Parent Company has a reasonable expectation that the rate will meet the "separately identifiable" requirement within 24 months from its designation.

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognized in OCI as cash flow hedge reserve (Note 26) presented under 'Hedge-related reserve' in the balance sheet, while any ineffective portion is recognized immediately in the statement of income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

For cash flow hedges, to calculate the change in fair value of the hedged item attributable to the hedged risk, the Parent Company uses the hypothetical derivative method. The hypothetical derivative method involves establishing a notional derivative that would be the ideal hedging instrument for the hedged exposure (normally an interest rate swap with no unusual terms and a zero fair value at inception of the hedge relationship). The fair value of the hypothetical derivative is then used as a proxy for the net present value of the hedged future cash flows against which changes in value of the actual hedging instrument are compared to assess effectiveness and measure ineffectiveness.

When foreign exchange forward contracts are used in hedging relationships, the Parent Company can designate the instrument in its entirety or exclude the forward element by designating the spot element only. The forward element in a foreign exchange forward contract is the difference between the spot and forward prices. When only the spot element is designated, the Parent Company has a choice to apply the cost of hedging accounting to the excluded forward element. In applying the cost of hedging accounting to the forward element of the foreign exchange forward contract, the change in the fair value of the forward element is recognized in OCI and accumulated in a separate component of equity. In case of a time period-related hedged item, the forward element that exists at inception is amortized from the separate component of equity to profit or loss on a systematic and rational basis. The unamortized portion of the cost of hedging is presented under 'Hedge-related reserve' in the balance sheet. The amortization of the forward element is presented under 'Foreign exchange gain (loss) - net' in the statements of income.

When the Parent Company discontinues hedge accounting for a cash flow hedge, it must account for the amount that has been accumulated in the cash flow hedge reserve as follows: (a) the amount remains in accumulated other comprehensive income if the hedged future cash flows are still expected to occur or (b) the amount is immediately reclassified to profit or loss as a reclassification adjustment if the hedged future cash flows are no longer expected to occur. Any amount immediately reclassified to profit or loss as a reclassification adjustment is presented under 'Trading and securities gain (loss) - net' in the statements of income.

As of December 31, 2023 and 2022, the Parent Company has interest rate swaps and foreign exchange forward contracts that have been designated as hedging instruments in cash flow hedges (Note 26).

Financial Liabilities
Financial liabilities which include deposit liabilities, bills payable, bonds payable, derivative liabilities, and other liabilities (except tax-related payables, pre-need reserves and post-employment defined benefit obligation) are recognized when the Group becomes a party to the contractual terms of the instrument.

Financial liabilities, except derivative liabilities, are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method. All interest-related charges incurred on financial liabilities are recognized as an expense in the statements of income under 'Interest expense'.

Deposit liabilities are stated at amounts in which they are to be paid. Interest is accrued periodically and recognized in a separate liability account before recognizing as part of deposit liabilities.

'Bills payable' and 'Bonds payable' are recognized initially at fair value, which is the issue proceeds (fair value of consideration received) less any issuance costs. These are subsequently measured at amortized cost, any difference between the proceeds net of transaction costs and the redemption value is recognized in the statement of income over the period of the borrowings using the effective interest method.

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 is considered as a loan to the Group, reflecting the economic substance of such transaction.

Derivative liabilities are recognized initially and subsequently measured at fair value with changes in fair value recognized in the statement of income, unless designated as an accounting hedge.

Derecognition of Financial Assets and Liabilities

Financial assets
A financial asset (or, where 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 control of the asset.

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

Modification of financial assets
In certain circumstances, the Group modifies the original terms and conditions of a financial asset or 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.

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

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income. A modified financial asset that does not result in derecognition is classified as Stage 3 if there are indicators of impairment or unlikeliness to pay. Otherwise, the modified financial asset is classified as Stage 1 or Stage 2, depending on whether the asset exhibits significant increase in credit risk (Note 6).

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

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.

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 the Group is required, over the duration of the commitment, 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 balance sheet. 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 loan commitments is recognized in 'Other liabilities'.

Write-offs
Financial assets are written off either partially or in their entirety when the Group no longer expects collections or recoveries within a foreseeable future. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to the 'Miscellaneous income' account in the statement of income.

Investment in Associates
Associates pertain to all entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20.00% and 50.00% of the voting rights. In the consolidated and parent company financial statements, investments in associates are accounted for under the equity method of accounting.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Profits or losses resulting from transactions between the Group and an associate are eliminated to the extent of the interest in the associate.

Dividends earned on this investment are recognized as a reduction from the carrying value of the investment.

The financial statements of the associate are prepared for the same reporting period as the Parent Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Investment in Subsidiaries
In the parent company financial statements, investment in subsidiaries is accounted for under the equity method of accounting similar to the investment in associates.

Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of fair value of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as gain on bargain purchase under 'Miscellaneous income'.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the date of acquisition, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment identified for segment reporting purposes.

Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Cash Dividend Distribution to Equity Holders of the Parent Company
The Group recognizes a liability to make cash distributions to equity holders of the Parent Company when the distribution is authorized and the distribution is no longer at the discretion of the Group. A corresponding amount is recognized directly in equity.

Bank Premises, Furniture, Fixtures and Equipment
Land is stated at cost less any impairment in value while depreciable properties such as buildings, leasehold improvements, and furniture, fixtures and equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value. Such cost includes the cost of replacing part of the bank premises, furniture, fixtures and equipment when that cost is incurred and if the recognition criteria are met, but excluding repairs and maintenance costs.

Construction-in-progress is stated at cost less any impairment in value. The initial cost comprises its construction cost and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs. Construction-in-progress is not depreciated until such time that the relevant assets are completed and put into operational use.

Depreciation and amortization is calculated using the straight-line method over the estimated useful life (EUL) of the depreciable assets as follows:

	EUL
Buildings	50 years
Furniture, fixtures and equipment	3 to 5 years
Leasehold improvements	Shorter of 6 years or the related lease terms

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 bank premises, furniture, fixtures and equipment and leasehold improvements.

An item of bank premises, furniture, fixtures 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 in the year the asset is derecognized.

Investment Properties

Investment properties include real properties acquired in settlement of loans and receivables which are measured initially at cost, including certain transaction costs. Investment properties acquired through a nonmonetary asset exchange is measured initially at fair value unless (a) the exchange lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. The difference between the fair value of the investment property upon foreclosure and the carrying value of the loan is recognized under 'Gain on asset foreclosure and dacion transactions' in the statement of income. Subsequent to initial recognition, depreciable investment properties are stated at cost less accumulated depreciation and any accumulated impairment in value, except for land which is stated at cost less impairment in value.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Depreciation is calculated on a straight-line basis using the remaining EUL of the building and improvement components of investment properties which range from 10 to 30 years from the time of acquisition of the investment properties.

Investment properties are derecognized when they have either been disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from their disposal. Any gains or losses on the derecognition of an investment property are recognized as 'Gain on sale of investment properties' in the statement of income in the year of derecognition.

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.

Intangible Assets

Intangible assets include exchange trading right for the Group and software costs and branch licenses resulting from the Parent Company's acquisition of CBSI, Unity Bank, and PDB (Notes 11 and 14).

Software costs

Costs related to software purchased by the Group for use in operations are amortized on a straight-line basis over 3 to 10 years. The amortization method and useful life are reviewed periodically to ensure that the method and period of amortization are consistent with the expected pattern of economic benefits embodied in the asset.

Branch licenses

The branch licenses are initially measured at cost as of the date of acquisition (at fair value if part of assets acquired in a business combination) and are deemed to have an indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate net cash inflows for the Group.

Such intangible assets are not amortized, instead they are tested for impairment annually either individually or at the CGU level. Impairment is determined by assessing the recoverable amount of each CGU (or group of CGUs) to which the intangible asset relates. Recoverable amount represents the

CGU's value in use. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized.

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

Exchange Trading Right
Exchange trading right is a result of the Philippine Stock Exchange (PSE) conversion plan, as discussed in Note 14, to preserve access of CBCSec to the trading facilities and continue transacting business in the PSE. Exchange trading right is carried at original cost less any allowance for impairment loss. CBCSec does not intend to sell the exchange trading right in the near future.

The exchange trading right is an intangible asset that is regarded as having an indefinite useful life as there is no foreseeable limit to the period over which this asset is expected to generate net cash inflows for the Group but is tested annually for any impairment in realizable value.

<u>Impairment of Non-financial Assets</u>
At each reporting date, the Group assesses whether there is any indication that its non-financial assets (e.g., investment in associates, investment properties, bank premises, furniture, fixtures and equipment, goodwill and intangible 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 (or CGU's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset (or CGU) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU).

An impairment loss is charged to operations in the year in which it arises.

For non-financial assets, excluding goodwill and branch licenses, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed, except for goodwill, 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, 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 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.

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

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

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

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

The right-of-use assets are also subject to impairment. Refer to the accounting policies on Impairment of Non-financial Assets.

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

iii) Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of branch sites (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of ATM

sites that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

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

Sale (assignment)-and-leaseback transaction
In a sale (assignment)-and-leaseback transaction, a seller-lessee (assignor-lessee) transfers an asset to a buyer-lessor (assignee-lessor) and leases that asset back for a period of time. In accounting for sale (assignment)-and-leaseback transactions where the Parent Company is the buyer-lessor (assignee-lessor), the Parent Company first determines whether the initial transfer of the underlying asset from the seller-lessee (assignor-lessee) to the Parent Company is a sale in accordance with PFRS 15.

PFRS 15 requires an entity to satisfy the performance obligation by transferring a promised good or service (i.e., asset) to the customer. An asset is transferred when (or as) the customer obtains control of the asset. For the purpose of determining control in accordance with PFRS 15, a customer does not obtain control of such asset if the contract contains an option to purchase.

If the transfer of the asset meets the requirements for a "sale" in PFRS 15, then a sale has occurred and the transaction is accounted under PFRS 16's lessor accounting requirements. Otherwise, there is no sale and the transaction is accounted for as a financing arrangement under PFRS 9 (Note 10).

Capital Stock
Capital stocks are recorded at par. Proceeds in excess of par value are recognized under equity as 'Capital paid in excess of par value' in the balance sheet. Incremental costs incurred which are directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Revenue Recognition

Revenues within the scope of PFRS 15, Revenue from Contracts with Customers
Revenue from contract with customers is recognized upon transfer of promised goods or services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group and the Parent Company exercise judgment, taking into consideration all of the relevant facts and circumstances, when applying each step of the five-step model to contracts with customers.

The following specific recognition criteria must be met before revenue is recognized for contracts within the scope of PFRS 15:

Fee and commission income
The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be 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. These fees include investment fund fees, custodian fees, fiduciary fees, credit-related fees, asset management fees, portfolio and other management fees, and advisory fees.

b. *Fee income from providing transactions 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, 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.

Loan syndication fees are recognized in the statement of income when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same EIR as for the other participants.

Service charges and penalties
Service charges and penalties are recognized only upon collection or accrued where there is a reasonable degree of certainty as to their collectability.

Other income
Income from sale of service is recognized upon rendition of the service. Income from sale of properties is recognized when control has been transferred to the counterparty and when the collectability of the sales price is reasonably assured.

<u>Revenues outside the scope of PFRS 15</u>

Interest income
For all interest-bearing financial assets, interest income is recorded either (i) at EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability, or (ii) at rate stated in the contract. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, as applicable, but not future credit losses. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as ‘Interest income’. Loan commitment fees for loans that are likely to be drawn down are deferred (together with any incremental costs) and recognized as an adjustment to the EIR on the loan. If the commitment expires without the Group making the loan, the commitment fees are recognized as other income on expiry.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

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

Expense Recognition

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

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

Taxes and licenses
This includes all other taxes, local and national, including gross receipts taxes (GRT), documentary stamp taxes, real estate taxes, licenses, and permit fees. Taxes and licenses are recognized when incurred.

Retirement Benefits

Defined benefit plan
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets and adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The defined benefit obligation is calculated annually by an independent actuary. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on government bonds that have terms to maturity approximating the terms of the related retirement liability. 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 and remeasurements comprise the following:

(a) service cost;
(b) net interest on the net defined benefit liability or asset; and
(c) remeasurements of 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 profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period 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 Philippine 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 profit or loss.

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 profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the 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).

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

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Share-based Payments (Stock Grants)
Employees (including senior executives) of the Group receive remuneration in the form of share-based payments (stock grants), whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions
The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognized in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions. No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the Group or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

When the equity-settled transactions vest immediately but the grant date is not yet determined as of reporting date, the Group recognizes the expense and the corresponding increase in equity using the estimated grant date fair value as of reporting date. Subsequently, once the grant date is determined, the Group revises the estimate based on the actual grant date fair value.

Provisions and Contingencies

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 an interest expense.

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

Income Taxes

Current tax

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 taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the reporting date. Management periodically evaluates positions taken in the tax return with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred tax

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

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

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries and associates.

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

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

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

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

Earnings per Share

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

The Parent Company computes diluted EPS when there are outstanding dilutive potential common shares. Diluted EPS is computed by adjusting both the net income for the year and the weighted average number of common shares outstanding during the year with the impact of the dilutive potential common stock issuance transaction.

Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective shareholders of the Parent Company and its subsidiaries. Dividends declared during the year that are approved after the reporting date are dealt with as an event after the reporting date.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 32. The Group's revenue-producing assets are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Fiduciary Activities

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

Events after the Reporting Period

Any post year-end events that provide additional information about the Group's position at the reporting date (adjusting event) are reflected in the Group's financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

Standards Issued but Not Yet Effective

There are new PFRSs, amendments, interpretation and annual improvements, to existing standards which are effective for annual periods subsequent to 2023. The Group will adopt the following relevant pronouncements in accordance with their transitional provisions when they become effective; and, unless otherwise stated, none of these are expected to have significant impact on the Group's financial statements:

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

  The amendments clarify:
  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

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

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

- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*
  The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

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

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

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

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

- Amendments to PAS 21*, Lack of exchangeability*
  The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information.

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*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial and Sustainability Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Significant Accounting Judgments and Estimates

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

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

<u>Judgments</u>

a. *Fair value of financial instruments*
Where the fair values of financial assets and financial liabilities recorded on the balance sheet or disclosed in the notes cannot be derived from active markets, they are determined using discounted cash flow model, incorporating inputs such as current market rates of comparable instruments. The carrying values and corresponding fair values of financial instruments, as well as the manner in which fair values were determined, are discussed in more detail in Note 5.

b. *Contingencies*
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on the financial statements (Note 31).

c. *Evaluation of business model in managing financial assets*
The Group manages its financial assets based on business models that maintain an adequate level of financial assets to match its expected cash outflows, largely arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for investment and trading activities consistent with its risk appetite.

   The Group developed business models which reflect how it manages its portfolio of financial instruments. In determining the classification of a financial instrument under PFRS 9, the Group evaluates which business model a financial asset or a portfolio of financial assets belong to, taking into consideration the objectives of each business model established by the Group, various risks and key performance indicators being reviewed and monitored by responsible officers, as well as the manner of compensation for them. The Group also considers the frequency, value, reasons, and timing of past sales and expectation of future sales activity in this evaluation.

In addition, PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers certain circumstances to assess that an increase in the frequency and value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Group can explain the reasons for those sales and why those sales do not reflect a change in the Group's objective for the business model.

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

In 2023, 2022, and 2021, investment securities at amortized cost held by the Parent Company were either redeemed or sold. The disposals were assessed by the Parent Company as not inconsistent with the portfolios' business models considering the conditions and reasons for which the disposals were made. Further, the disposals did not result in a change in business model and the remaining securities in the affected portfolios continue to be accounted for at amortized cost. The details of and the reasons for the disposals and redemptions are disclosed in Note 9.

d. *Testing the cash flow characteristics of financial assets*
In determining the classification of financial assets under PFRS 9, the Group assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal amount outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk), i.e., cash flows that are non-SPPI, does not meet the amortized cost and FVOCI criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Group assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Group considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

e. *Hedge accounting*
In 2020, the Parent Company designated the hedge relationship between its floating rate bond payable and an interest rate swap as a cash flow hedge. In 2021, the Parent Company designated the hedge relationships between (i) the interest rate risk component of its Treasury time deposits and Retail Banking Business Segment (RBB) time deposits and (ii) interest rate swaps as cash flow hedges. In 2022, the Parent Company designated the hedge relationship between (i) the foreign exchange risk component of certain foreign exchange spot transactions and of future interest payments and (ii) and the spot element of certain foreign exchange forward contracts. In 2023, the

Parent Company pre-terminated the floating rate bond payable due to existing market conditions. Consequently, this resulted to the discontinuance of the hedge relationship between the floating rate bond payable and the interest rate swap as a cash flow hedge.

The Parent Company's hedge accounting policies include an element of judgment and estimation, in particular in respect of the existence of highly probable cash flows for inclusion within the cash flow hedge. Estimates of future interest rates and the general economic environment will influence the availability and timing of suitable hedged items, with an impact on the effectiveness of the hedge relationships. Details of the Parent Company's hedging transactions are described in Note 26.

The Parent Company applies the temporary reliefs provided by the IBOR reform Phase 1 amendments, which enable its hedge accounting to continue during the period of uncertainty, before the replacement of an existing interest rate benchmark with an alternative nearly RFR. The reliefs end when the Parent Company judges that the uncertainty arising from IBOR reform is no longer present for the hedging relationships referenced to IBORs. This applies when the hedged item has already transitioned from LIBOR to SOFR and also to exposures that have transitioned or will transition via fallback to SOFR when LIBOR ceases. The one-week and two-month LIBOR ceased on January 1, 2022. The overnight and 1-, 3-, 6-, and 12-month USD LIBOR ceased on July 1, 2023.

The IBOR reform Phase 2 provides temporary reliefs to enable the Parent Company's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. In view of the reliefs, the Parent Company designated SOFR as the new hedged risk component for these hedging relationships to replace LIBOR starting July 1, 2023. The Parent Company deemed SOFR to be a separately identifiable risk component since the Parent Company has a reasonable expectation that the RFR will meet the "separately identifiable" requirement within 24 months from its designation. The adoption of transition changes in interest rate benchmark did not have a material impact on the Parent Company's hedges.

Estimates

a. *Expected credit losses on financial assets and commitments*

The Group reviews its debt financial assets and commitments at each reporting date to determine the amount of ECL to be recognized in the balance sheet and any changes thereto in the statement of income. In particular, judgments and estimates by management are required in determining:

- whether a financial asset has had a significant increase in credit risk since initial recognition;
- whether a default has taken place and what comprises a default;
- macro-economic factors that are relevant in measuring a financial asset's probability of default as well as the Group's forecast of these macro-economic factors;
- probability weights applied over a range of possible outcomes;
- sufficiency and appropriateness of data used and relationships assumed in building the components of the Group's expected credit loss models; and
- the measurement of the exposure at default for unused commitments on which an expected credit loss should be recognized and the applicable loss rate.

The related allowance for credit losses of financial assets and commitments of the Group and the Parent Company are disclosed in Notes 16 and 21, respectively.

b. *Impairment of goodwill and branch licenses*
The Group performs impairment review of goodwill and branch licenses with indefinite useful life annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill and branch licenses by assessing the recoverable amount of the cash generating unit (CGU) to which the goodwill and branch licenses are attributed. The recoverable amount of the CGU is determined based on a value in use (VIU) calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. For VIU, the Group estimates the discount rate used for the computation of the net present value by reference to the weighted cost of capital of comparable banks. The impairment assessment process requires significant judgment and is based on assumptions, specifically loan and deposit growth rates, discount rate, and the long-term growth rates.

Where the recoverable amount is less than the carrying amount of the CGU to which goodwill and branch licenses have been allocated, an impairment loss is recognized immediately in the statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The carrying values of the Group's goodwill and branch licenses are disclosed in Note 14.

c. *Present value of defined benefit obligation and retirement expense*
The determination of the Group's net present value of defined benefit obligation and annual retirement expense is determined using actuarial valuations. An actuarial valuation involves making assumptions that may differ from actual developments in the future. These assumptions include, among others, discount rates and salary rates.

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of the reporting date. The salary increase rates were based on the Group's expectations of future salary increases, which take into account the inflation, seniority and promotion.

The present value of the defined benefit obligation, including the details of the assumptions used in the calculation, are disclosed in Note 25.

d. *Recognition of deferred income taxes*
Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management discretion is required to determine the amount of deferred tax assets that can be recognized, based on the forecasted level of future taxable profits and the related future tax planning strategies. Key assumptions used in forecast of future taxable income include loan portfolio and deposit growth rates.

The Group believes it will be able to generate sufficient taxable income in the future to utilize its recorded deferred tax assets. Taxable income is sourced mainly from interest income from lending activities and earnings from service charge, fees, commissions, and trust activities.

The recognized and unrecognized deferred tax assets are disclosed in Note 28.

e. *Impairment on other non-financial assets*
The Group assesses impairment on its non-financial assets (e.g., investment properties and bank premises, furniture, fixtures and equipment) and considers the following impairment indicators:

- 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.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Except for investment properties where recoverable amount is determined based on fair value less cost to sell, the recoverable amount of all other non-financial assets is determined based on the asset's value in use whose computation considers the present value of estimated future cash flows expected to be generated from the continued use of the asset. The Group is required to make estimates and assumptions that can materially affect the carrying amount of the asset being assessed.

The carrying values of the Group's non-financial assets are disclosed in Notes 12 and 13.

4. Financial Instrument Categories

The following table presents the total carrying amount of the Group's and the Parent Company's financial instruments per category:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Financial assets				
Cash and other cash items	**₱15,998,094**	₱13,689,421	**₱13,041,135**	₱10,073,767
Financial assets at FVTPL	**13,631,287**	4,727,580	**12,642,063**	3,514,576
Derivative contracts designated as hedge	**3,946,553**	6,203,379	**3,946,553**	6,203,379
Financial assets at FVOCI	**106,541,487**	43,316,757	**93,826,436**	41,151,125
Financial assets at amortized cost				
Due from BSP	**84,595,973**	107,100,295	**73,156,991**	92,920,540
Due from other banks	**19,964,415**	13,614,609	**17,352,830**	12,347,169
Interbank loans receivables and SPURA	**34,720,250**	43,564,970	**31,075,654**	41,597,949
Investment securities at amortized cost	**380,461,421**	357,985,926	**373,567,542**	351,802,877
Loans and receivables	**771,991,759**	699,594,789	**663,182,149**	613,197,254
Accrued interest receivable	**11,464,932**	9,781,803	**10,382,588**	8,730,710
Other assets (Note 15)	**4,650,413**	3,736,308	**2,140,987**	1,662,648
	1,307,849,163	1,235,378,700	**1,170,858,741**	1,122,259,147
Total financial assets	**₱1,447,966,584**	₱1,303,315,837	**₱1,294,314,928**	₱1,183,201,994

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Financial liabilities				
Other financial liabilities:				
Deposit liabilities	**₱1,186,723,555**	₱1,065,914,677	**₱1,050,574,754**	₱959,418,569
Bonds payable	**19,989,307**	28,312,870	**19,989,307**	28,312,870
Bills payable	**84,798,489**	70,375,267	**84,798,489**	70,375,267
Accrued interest and other expenses*	**8,121,715**	5,811,342	**7,222,567**	5,224,797
Manager's check	**2,109,463**	1,550,669	**1,419,764**	1,296,109
Other liabilities (Note 21)	**15,298,017**	15,620,840	**12,784,282**	12,988,527
	1,317,040,546	1,187,585,665	**1,176,789,163**	1,077,616,139
Financial liabilities at FVTPL:				
Derivative liabilities	**938,722**	1,549,561	**938,722**	1,549,561
Derivative contracts designated as hedge	**8,049,417**	4,156,612	**8,049,417**	4,156,612
Total financial liabilities	**₱1,326,028,685**	₱1,193,291,838	**₱1,185,777,302**	₱1,083,322,312

*Accrued interest and other expenses excludes accrued taxes and other licenses (Note 20).

5. Fair Value Measurement

The Group has assets and liabilities in the Group and Parent Company balance sheets that are measured at fair value on a recurring and non-recurring basis after initial recognition. Recurring fair value measurements are those that another PFRS requires or permits to be recognized in the balance sheet at the end of each financial reporting period. These include financial assets and liabilities at FVTPL and financial assets at FVOCI.

As of December 31, 2023 and 2022, except for the following financial instruments, the carrying values of the Group's and the Parent Company's financial assets and liabilities as reflected in the balance sheets and related notes approximate their respective fair values:

	2023			
	Consolidated		Parent Company	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Investment securities at amortized cost (Note 9)				
Government bonds	**₱254,849,986**	**₱253,652,604**	**₱248,501,733**	**₱247,485,441**
Private bonds	**125,611,435**	**119,279,664**	**125,065,809**	**118,745,420**
	380,461,421	**372,932,268**	**373,567,542**	**366,230,861**
Loans and receivables (Note 10)				
Corporate and commercial lending	**579,165,319**	**562,274,548**	**566,077,609**	**547,527,290**
Consumer lending	**180,835,652**	**195,194,554**	**85,470,471**	**87,861,765**
Trade-related lending	**11,890,709**	**12,020,823**	**11,618,254**	**11,719,952**
Others	**100,079**	**117,817**	**15,815**	**17,831**
	771,991,759	**769,607,742**	**663,182,149**	**647,126,838**
Sales contracts receivable (Note 15)	**1,612,416**	**1,764,176**	**203,033**	**208,516**
	773,604,175	**771,371,918**	**663,385,182**	**647,335,354**
	₱1,154,065,596	**₱1,144,304,186**	**₱1,036,952,724**	**₱1,013,566,215**
Non-financial Assets				
Investment properties (Note 13)				
Land	**₱2,419,721**	**₱5,087,793**	**₱710,166**	**₱2,761,507**
Buildings and improvements	**1,516,391**	**2,819,037**	**1,027,404**	**1,206,243**
	₱3,936,112	**₱7,906,830**	**₱1,737,570**	**₱3,967,750**
Financial Liabilities				
Time deposit liabilities (Note 17)	**₱611,466,946**	**₱586,818,584**	**₱520,931,657**	**₱497,886,696**
Bills payable (Note 19)	**84,798,489**	**84,370,558**	**84,798,489**	**84,370,558**
Bonds payable (Note 18)	**19,989,307**	**19,989,307**	**19,989,307**	**19,989,307**
	₱716,254,742	**₱691,178,449**	**₱625,719,453**	**₱602,246,561**

	2022			
	Consolidated		Parent Company	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Investment securities at amortized cost (Note 9)				
Government bonds	₱229,958,237	₱221,875,352	₱224,469,204	₱216,648,069
Private bonds	128,027,689	118,225,116	127,333,673	117,575,907
	357,985,926	340,100,468	351,802,877	334,223,976
Loans and receivables (Note 10)				
Corporate and commercial lending	538,008,002	529,819,391	523,005,015	512,983,314
Consumer lending	144,021,855	144,355,710	73,041,104	63,792,006
Trade-related lending	17,452,061	17,500,762	17,132,202	17,148,707
Others	112,871	119,095	18,933	21,936
	699,594,789	691,794,958	613,197,254	593,945,963
Sales contracts receivable (Note 15)	1,406,217	1,529,793	180,659	191,276
	701,001,006	693,324,751	613,377,913	594,137,239
	₱1,058,986,932	₱1,033,425,219	₱965,180,790	₱928,361,215
Non-financial Assets				
Investment properties (Note 13)				
Land	₱2,390,581	₱7,015,136	₱571,111	₱4,605,181
Buildings and improvements	1,524,310	2,448,238	916,147	923,011
	₱3,914,891	₱9,463,374	₱1,487,258	₱5,528,192
Financial Liabilities				
Time deposit liabilities (Note 17)	₱492,474,358	₱467,484,286	₱431,055,393	₱410,538,638
Bills payable (Note 19)	70,375,267	68,992,828	70,375,267	68,992,828
Bonds payable (Note 18)	28,312,870	27,560,343	28,312,870	27,560,343
	₱591,162,495	₱564,037,457	₱529,743,530	₱507,091,809

The methods and assumptions used by the Group and Parent Company in estimating the fair values of the financial instruments follow:

Cash and other cash items, due from BSP and other banks, interbank loans receivable and SPURA and accrued interest receivable – The carrying amounts approximate their fair values in view of the relatively short-term maturities of these instruments.

Debt securities – Fair values are generally based on quoted market prices. If the market prices are not readily available, fair values are estimated using directly or indirectly either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology.

Equity securities – For publicly traded equity securities, fair values are based on quoted prices. For unquoted equity securities, remeasurement to their fair values is not material to the financial statements.

Loans and receivables and sales contracts receivable (SCR) included in other assets – Fair values of loans and receivables and SCR are estimated using the discounted cash flow methodology, where future cash flows are discounted using the Group's current incremental lending rates for similar types of loans and receivables.

Accounts receivable, RCOCI and other financial assets included in other assets – Quoted market prices are not readily available for these assets. These are reported at cost and are not significant in relation to the Group's total portfolio of financial assets.

Derivative instruments (included under FVTPL and designated as hedges) – Fair values are estimated based on discounted cash flows, using prevailing interest rate differential and spot exchange rates.

Deposit liabilities (time, demand, and savings deposits) – Fair values of time deposits are estimated using the discounted cash flow methodology, where future cash flows are discounted using the Group's current incremental borrowing rates for similar borrowings and with maturities consistent with those remaining for the liability being valued. For demand and savings deposits, carrying amounts approximate fair values considering that these are currently due and demandable.

Bonds payable and Bills payable – Unless quoted market prices are readily available, fair values are estimated using the discounted cash flow methodology, where future cash flows are discounted using the current incremental borrowing rates for similar borrowings and with maturities consistent with those remaining for the liability being valued.

Manager's checks and accrued interest and other expenses – Carrying amounts approximate fair values due to the short-term nature of the accounts.

Other liabilities – Carrying amounts approximate fair values due to the short-term nature of the accounts.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique:

Level 1: quoted prices in active markets for identical assets or liabilities;
Level 2: 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); and
Level 3: inputs that are not based on observable market data or unobservable inputs.

As of December 31, 2023 and 2022, the fair value hierarchy of the Group's and the Parent Company's assets and liabilities are presented below:

	Consolidated			
	2023			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets at FVTPL				
Held-for-trading				
Government bonds	**₱650,086**	**₱7,536,794**	**₱–**	**₱8,186,880**
Treasury notes	**–**	**1,135,824**	**–**	**1,135,824**
Treasury bills	**–**	**772,482**	**–**	**772,482**
Private bonds	**1,252,276**	**–**	**–**	**1,252,276**
Quoted equity shares	**897,898**	**–**	**–**	**897,898**
Financial assets designated at FVTPL	**450,825**	**161,662**	**–**	**612,487**
Derivatives with positive fair value held for trading	**–**	**773,440**	**–**	**773,440**
Derivative contracts designated as hedges	**–**	**3,946,553**	**–**	**3,946,553**
FVOCI financial assets				
Government bonds	**29,614,852**	**55,522,517**	**–**	**85,137,369**
Quoted private bonds	**19,774,579**	**–**	**–**	**19,774,579**
Quoted equity shares	**1,601,596**	**–**	**–**	**1,601,596**
	₱54,242,112	**₱69,849,272**	**₱–**	**₱124,091,384**
Derivative liabilities	**₱–**	**₱938,722**	**₱–**	**₱938,722**
Derivative contracts designated as hedges	**–**	**8,049,417**	**–**	**8,049,417**
	₱–	**₱8,988,139**	**₱–**	**₱8,988,139**

(Forward)

	Consolidated			
	2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Fair values of financial assets carried at amortized cost				
Investment securities at amortized cost				
Government bonds	**₱253,652,604**	**₱–**	**₱–**	**₱253,652,604**
Private bonds	**63,038,700**	**–**	**56,240,963**	**119,279,663**
Loans and receivables		**–**		
Corporate and commercial loans	**–**	**–**	**562,274,548**	**562,274,548**
Consumer loans	**–**	**–**	**195,194,554**	**195,194,554**
Trade-related loans	**–**	**–**	**12,020,823**	**12,020,823**
Others	**–**	**–**	**117,817**	**117,817**
Sales contracts receivable	**–**	**–**	**1,764,176**	**1,764,176**
Fair values of non-financial assets carried at cost				
Investment properties				
Land	**–**	**–**	**5,087,793**	**5,087,793**
Buildings and improvements	**–**	**–**	**2,819,037**	**2,819,037**
	₱316,691,304	**₱–**	**₱835,519,711**	**₱1,152,211,015**
Fair values of liabilities carried at amortized cost				
Time deposit liabilities	**₱–**	**₱–**	**₱586,818,584**	**₱586,818,584**
Bills payable	**–**	**–**	**84,370,558**	**84,370,558**
Bonds payable	**–**	**–**	**19,989,307**	**19,989,307**
	₱–	**₱–**	**691,178,449**	**₱691,178,449**

	Consolidated			
	2022			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets at FVTPL				
Held-for-trading				
Government bonds	₱202,348	₱180,513	₱–	₱382,861
Treasury notes	–	563,548	–	563,548
Treasury bills	–	201,779	–	201,779
Private bonds	760,600	–	–	760,600
Quoted equity shares	700,112	–	–	700,112
Financial assets designated at FVTPL	949,032	153,986	–	1,103,018
Derivative assets	–	1,015,662	–	1,015,662
Derivative contracts designated as hedges	–	6,203,379	–	6,203,379
FVOCI financial assets				
Government bonds	9,189,227	18,258,420	–	27,447,647
Quoted private bonds	15,236,902	–	–	15,236,902
Quoted equity shares	603,898	–	–	603,898
	₱27,642,119	₱26,577,287	₱–	₱54,219,406
Derivative liabilities	₱–	₱1,549,561	₱–	₱1,549,561
Derivative contracts designated as hedges	–	4,156,612	–	4,156,612
	₱–	₱5,706,173	₱–	₱5,706,173
Fair values of financial assets carried at amortized cost				
Investment securities at amortized cost				
Government bonds	₱221,875,352	₱–	₱–	₱221,875,352
Private bonds	67,100,457	–	51,124,658	118,225,115
Loans and receivables				
Corporate and commercial loans	–	–	529,819,391	529,819,391
Consumer loans	–	–	144,355,710	144,355,710
Trade-related loans	–	–	17,500,762	17,500,762
Others	–	–	119,095	119,095
Sales contracts receivable	–	–	1,529,793	1,529,793

(Forward)

	Consolidated			
	2022			
	Level 1	Level 2	Level 3	Total
Fair values of non-financial assets carried at cost				
Investment properties				
Land	₱–	₱–	₱7,015,136	₱7,015,136
Buildings and improvements	–	–	2,448,238	2,448,238
	₱288,975,809	₱–	₱753,912,783	₱1,042,888,592
Fair values of liabilities carried at amortized cost				
Time deposit liabilities	₱–	₱–	₱467,484,286	₱467,484,286
Bills payable	–	–	68,992,828	68,992,828
Bonds payable	–	–	27,560,343	27,560,343
	₱–	₱–	₱564,037,457	₱564,037,457

	Parent Company			
	2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements				
Financial assets at FVTPL				
Held-for-trading				
Government bonds	**₱599,186**	**₱7,536,794**	**₱–**	**₱8,135,980**
Treasury notes	**–**	**1,135,824**	**–**	**1,135,824**
Treasury bills	**–**	**772,482**	**–**	**772,482**
Private bonds	**1,252,276**	**–**	**–**	**1,252,276**
Quoted equity shares	**572,061**	**–**	**–**	**572,061**
Derivatives with positive fair value held for trading	**–**	**773,440**	**–**	**773,440**
Derivatives with Positive Fair Value Held for Hedging	**–**	**3,946,553**	**–**	**3,946,553**
FVOCI financial assets				
Government bonds	**17,102,362**	**55,522,516**	**–**	**72,624,878**
Quoted private bonds	**19,686,382**	**–**	**–**	**19,686,382**
Quoted equity shares	**1,495,421**	**–**	**–**	**1,495,421**
	₱40,707,688	**₱69,687,609**	**₱–**	**₱110,395,297**
Derivative liabilities	**₱–**	**₱938,722**	**₱–**	**₱938,722**
Derivative contracts designated as hedge	**–**	**8,049,417**	**–**	**8,049,417**
	₱–	**₱8,988,139**	**₱–**	**₱8,988,139**
Fair values of financial assets carried at amortized cost				
Investment securities at amortized cost				
Government bonds	**₱247,485,441**	**₱–**	**₱–**	**₱247,485,441**
Private bonds	**62,504,457**	**–**	**56,240,963**	**118,745,420**
Loans and receivables				
Corporate and commercial loans	**–**	**–**	**547,527,290**	**547,527,290**
Consumer loans	**–**	**–**	**87,861,765**	**87,861,765**
Trade-related loans	**–**	**–**	**11,719,952**	**11,719,952**
Others	**–**	**–**	**17,831**	**17,831**
Sales contracts receivable	**–**	**–**	**208,516**	**208,516**
Fair values of non-financial assets carried at cost				
Investment properties				
Land	**–**	**–**	**2,761,507**	**2,761,507**
Buildings and improvements	**–**	**–**	**1,206,243**	**1,206,243**
	₱309,989,898	**₱–**	**₱707,544,067**	**₱1,017,533,965**
Fair values of liabilities carried at amortized cost				
Time deposit liabilities	**₱–**	**₱–**	**₱497,886,696**	**₱497,886,696**
Bills payable	**–**	**–**	**84,370,558**	**84,370,558**
Bonds payable	**–**	**–**	**19,989,307**	**19,989,307**
	₱–	**₱–**	**602,246,561**	**602,246,561**

	Parent Company			
	2022			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets at FVTPL				
Held-for-trading				
Government bonds	₱202,348	₱180,513	₱–	₱382,861
Treasury notes	–	563,548	–	563,548
Treasury bills	–	201,779	–	201,779
Private bonds	760,600	–	–	760,600
Quoted equity shares	590,126	–	–	590,126
Derivative assets	–	1,015,662	–	1,015,662
Derivative contracts designated as hedges	–	6,203,379	–	6,203,379
FVOCI financial assets				
Government bonds	7,196,313	18,258,420	–	25,454,733
Quoted private bonds	15,088,429	–	–	15,088,429
Quoted equity shares	588,192	–	–	588,192
	₱24,426,008	₱26,423,301	₱–	₱50,849,309
Derivative liabilities	₱–	₱1,549,561	₱–	₱1,549,561
Derivative contracts designated as hedge	–	4,156,612	–	4,156,612
	₱–	₱5,706,173	₱–	₱5,706,173
Fair values of financial assets carried at amortized cost				
Investment securities at amortized cost				
Government bonds	₱216,648,069	₱–	₱–	₱216,648,069
Private bonds	66,451,249	–	51,124,658	117,575,907
Loans and receivables				
Corporate and commercial loans	–	–	512,983,314	512,983,314
Consumer loans	–	–	63,792,006	63,792,006
Trade-related loans	–	–	17,148,707	17,148,707
Others	–	–	21,936	21,936
Sales contracts receivable	–	–	191,276	191,276
Fair values of non-financial assets carried at cost				
Investment properties				
Land	–	–	4,605,181	4,605,181
Buildings and improvements	–	–	923,011	923,011
	₱283,099,318	₱–	₱650,790,089	₱933,889,407
Fair values of liabilities carried at amortized cost				
Time deposit liabilities				
Bills payable	₱–	₱–	₱410,538,638	₱410,538,638
Bonds payable	–	–	68,992,828	68,992,828
	–	–	27,560,343	27,560,343
	₱–	₱–	₱507,091,809	₱507,091,809

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

The inputs used in the fair value measurement based on Level 2 are as follows:

Government securities – interpolated rates based on market rates of benchmark securities

Derivative assets and liabilities – fair values are calculated by reference to the prevailing interest differential and spot exchange rate as of the reporting date, taking into account the remaining term to maturity of the derivative assets and liabilities.

Inputs used in estimating fair values of financial instruments carried at amortized cost and categorized under Level 3 include risk-free rates and applicable risk premium.

The fair values of the Group's and Parent Company's investment properties have been determined by the appraisal method by independent external and in-house appraisers based on highest and best use of the property being appraised. Valuations were derived on the basis of recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued.

The table below summarizes the valuation techniques used and the significant unobservable inputs used in the valuation for each type of investment properties held by the Group and the Parent Company:

	Valuation Techniques	**Significant Unobservable Inputs**
Land	Market Data Approach	Price per square meter, size, location, shape, time element and corner influence
Land and Building	Market Data Approach and Cost Approach	Reproduction Cost New

Descriptions of the valuation techniques and significant unobservable inputs used in the valuation of the Group and the Parent Company's investment properties are as follows:

<u>Valuation Techniques</u>

Market Data Approach	A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.
Cost Approach	It is an estimate of the investment required to duplicate the property in its present condition. It is reached by estimating the value of the building "as if new" and then deducting the depreciated cost. Fundamental to the Cost Approach is the estimate of Reproduction Cost New of the improvements.

<u>Significant unobservable inputs</u>

Reproduction Cost New	The cost to create a virtual replica of the existing structure, employing the same design and similar building materials.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a Main Road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a Main Road are superior to properties located along a secondary road.

Significant unobservable inputs

Time Element	"An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investors' perceptions of the market over time". In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.
Corner influence	Bounded by two (2) roads.

6. Financial Risk Management Objectives and Policies

The Group's activities are principally related to the profitable use of financial instruments. Risks are inherent in these activities but are managed by the Group through a rigorous, comprehensive, and continuous process of identification, measurement, monitoring and mitigation of these risks, partly through the effective use of risk and authority limits and thresholds, process controls and monitoring, and independent controls. As reflected in its corporate actions and organizational improvements, the Group has placed due importance on expanding and strengthening its risk management process and considers it as a vital component to the Group's continuing profitability and financial stability. Central to the Group's risk management process is its adoption of a risk management program intended to avoid unnecessary risks, manage and mitigate inherent risks, and maximize returns from taking acceptable risks necessary to sustain its business viability and good financial position in the market.

The key financial risks that the Group faces are: credit risk, market risk, and liquidity risk. The Group's risk management objective is primarily focused on controlling and mitigating these risks. The Parent Company and its subsidiaries manage their respective financial risks separately. The subsidiaries, particularly CBSI, have their own risk management processes but are structured similar to that of the Parent Company. To a large extent, the respective risk management programs and objectives are the same across the Group. The severity of risk, materiality, and regulations are primary considerations in determining the scope and extent of the risk management processes put in place for the subsidiaries.

Risk Management Structure

The BOD of the Parent Company is ultimately responsible for the oversight of the Parent Company's risk management processes. On the other hand, the risk management processes of the subsidiaries are the separate responsibilities of their respective BODs. The BOD of the Parent Company created a separate board-level independent committee with explicit authority and responsibility for managing and monitoring risks.

The BOD has delegated to the Risk Oversight Committee (ROC) the formulation and supervision of the risk management process which includes, among others, determining the appropriate risk mitigating strategies and operating principles, adoption of industry standards, development of risk metrics, monitoring of key risk indicators, and the imposition of risk parameters. The ROC is composed of three members of the BOD, all of whom are independent directors.

The Risk Management Group (RMG) is the operating unit of the ROC primarily responsible for the implementation of the risk management strategies approved by the Board of Directors. The implementation cuts across all departments of the Parent Company and involves all of the Parent Company's financial instruments, whether "on-books" or "off-books". The RMG is likewise responsible for monitoring the implementation of specific risk control procedures and enforcing compliance thereto. The RMG is also directly involved in the day-to-day monitoring of material risks ensuring that the Parent Company, in its transactions and dealings, engages only in risk-taking activities duly approved by the ROC. The RMG also ensures that relevant information is accurately and completely captured on a timely basis in the management reporting system of the Parent Company. The RMG is headed by the Chief Risk Officer (CRO) who reports the results of risk measurements to the ROC.

Apart from RMG, each business unit has created and put in place various process controls which ensure that all the external and internal transactions and dealings of the unit are in compliance with the unit's risk management objectives.

The Internal Audit Division also plays a crucial role in risk management primarily because it is independent of the business units and reports exclusively to the Audit Committee which, in turn, is comprised of independent directors. The Internal Audit Division focuses on ensuring that adequate controls are in place and on monitoring compliance to controls. The regular audit covers all processes and controls, including those under the risk management framework handled by the RMG. The audit of these processes and controls is undertaken regularly. The audit results and exceptions, including recommendations for their resolution or improvement, are discussed initially with the business units concerned before these are presented to the Audit Committee.

Risk Management Reporting

The CRO reports to the ROC and is a resource of the Credit Committee (CreCom), Asset-Liability Committee (ALCO), Operations Committee (OpsCom) and Technology Steering Committee (TSC). The CRO reports on key risk indicators and specific risk management issues that would need resolution from top management. This is undertaken after the risk issues and key risk indicators have been discussed with the business units concerned. The RMG's function, particularly, that of the CRO, as well as the Board's risk oversight responsibilities are articulated in the risk management manual based on the requirements of BSP Circular No. 971, *Guidelines on Risk Governance*.

The key risk indicators were formulated on the basis of the financial risks faced by the Parent Company. These indicators contain information from all business units that provide measurements on the level of the risks taken by the Parent Company in its products, transactions, and financial structure. Among others, the report on key risk indicators includes information on the Parent Company's aggregate credit exposure, credit metric forecasts, hold limit exceptions, Value-at-Risk (VaR), Maximum Cumulative Outflow (MCO) and Earnings-at-Risk (EAR) analysis, utilization of market and credit limits and thresholds, liquidity risk limits and ratios, overall loan loss provisioning, and risk profile changes. Loan loss provisioning and credit limit utilization are, however, discussed in more detail in the Credit Committee. On a monthly basis, detailed reporting of industry, customer, and geographic risks is included in the discussion with the ROC. A comprehensive risk report is presented to the BOD on a periodic basis for an overall assessment of the level of risks taken by the Parent Company. On the other hand, the Chief Audit Executive reports to the Audit Committee on a monthly basis on the results of branch or business unit audits and for the resolution of pending but important internal audit issues.

Risk Mitigation
The Parent Company uses derivatives to manage exposures to financial instruments resulting from changes in interest rates and foreign currencies exposures. However, the nature and extent of use of these financial instruments to mitigate risks are limited to those allowed by the BSP for the Parent Company and its subsidiaries.

To further mitigate risks throughout its different business units, the Parent Company formulates risk management policies and continues to improve its existing policies. These policies further serve as the framework and set of guidelines in the creation or revisions of operating policies and manuals for each business unit. In the process design and implementation, preventive controls are preferred over detection controls. Clear delineation of responsibilities and separation of incompatible duties among officers and staff, as well as, among business units are reiterated in these policies. To the extent possible, reporting and accounting responsibilities are segregated from units directly involved in operations and frontline activities (i.e., players must not be scorers). This is to improve the credibility and accuracy of management information. Any inconsistencies in the operating policies and manuals with the risk framework created by the RMG are taken up and resolved in the ROC.

The Operational Risk Assessment Program and IT Risk Frameworks require the Parent Company to undergo periodic operational risk assessment and for all business units & allied businesses to conduct risk and control self-assessments. These enable determination of priority risk areas, assessment of mitigating controls in place, and institutionalization of additional measures to ensure both a controlled operating environment and proper handling of IT risk exposures. RMG maintains and updates the Parent Company's Centralized Loss Database wherein all reported incidents of losses shall be encoded to enable assessment of weaknesses in the processes and come up with viable improvements to avoid recurrence.

Monitoring and controlling risks are primarily performed based on various limits and thresholds established by the top management covering the Group's transactions and dealings. These limits and thresholds reflect the Group's business strategies and market environment, as well as the levels of risks that the Group is willing to tolerate, with additional emphasis on selected industries. In addition, the Group monitors and measures the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Liquidity risk, interest rate risk, and market risk exposures are measured and monitored through the reports generated by a cloud-based automated system (Ambit Focus system).

BSP issued Circular No. 639 dated January 15, 2009 which mandated the use of the Internal Capital Adequacy Assessment Process (ICAAP) by all universal and commercials banks to determine their minimum required capital relative to their business risk exposures. In this regard, the Board approved the engagement of the services of a consultant to assist in the bank-wide implementation and embedding of the ICAAP, as provided for under Pillar 2 of Basel II and BSP Circular No. 639.

On April 5, 2023, the BOD approved the 2023 ICAAP document for submission to the BSP. The Pillar 1 Plus approach used the Pillar 1 capital as the baseline. The process of allocating capital for all types of risks above the Pillar 1 capital levels includes quantification of capital buffer for Pillar 2 risks under normal business cycle/condition, in addition to the quantification based on the results of the Integrated Stress Test (IST). The adoption of the IST allows the Parent Company to quantify its overall vulnerability to market shocks and operational losses in a collective manner driven by events rather than in silo. The capital assessment in the document discloses that the Group and the Parent Company has appropriate and sufficient level of internal capital.

The Parent Company submitted its annually-updated ICAAP document, in compliance with BSP requirements, on March 31, 2023.

Business Continuity Management
In the aftermath of the pandemic in the past three years, the Group has built its business resilience around policies that would ensure that the Group is able to service and respond to the requirements of its clients, to perform its functions as a Domestic Systemically Important Bank (DSIB), and to continue to fulfill the transaction cycle in its operations.

The Group implemented "The New Normal Work Force and Work Management Plan for the COVID-19 Pandemic" to provide general direction and guidance in sustaining the operations of the Group through the pandemic. The plan put in place health and safety protocols which along with the implementation of the buddy branch system ensured the uninterrupted delivery of services. On April 1, 2022, select personnel from Head Office and subsidiaries were transferred to the SM Mega Tower extension office providing the different business units with the capacity of splitting their teams and operate in two different sites to make certain that the services continue in the event of business interruptions brought about by a pandemic or similar occurrence. Changes in the processes of business units arising from the implementation of the plan and the establishment of the extension office are continuously updated and incorporated in the risk and control self-assessment and business impact analysis tools to reflect the changes in the risk profile. Appropriate measures are also updated and implemented in light of these changes.

Credit Risk
Credit risk is the risk of financial loss on account of a counterparty to a financial product failing to honor its debt obligation. 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 (i.e., investment securities issued by either sovereign or corporate entities), or enters into either market-traded or over-the-counter derivatives, through implied or actual contractual agreements (i.e., on or off-balance sheet exposures). The Group manages its credit risk at various levels (i.e., strategic level, portfolio level down to individual credit or transaction).

The Group established risk limits and thresholds for purposes of monitoring and managing credit risk from individual counterparties and/or groups of counterparties, major industries, as well as countries. It also conducts periodic assessment of the creditworthiness of its counterparties. In addition, the Group obtains collateral where appropriate, enters into master netting agreements and collateral arrangements with counterparties, and limits the duration of exposures.

RMG continues to run approximations of the increase in NPL under various scenarios, presenting the results to the Risk Oversight Committee. In addition to factoring in the expert judgment of the lending units, RMG has made adjustments to the assumptions to reflect the improving economic conditions. This includes recognizing that borrowers severely affected by the pandemic have already been identified and booked as non-performing. The status of accounts that underwent restructuring or with terms modification is consistently monitored, with particular focus on those with high risk ratings considered in the NPL approximations. Furthermore, the assumptions include accounts that may potentially default on their debt obligations based on regulatory assessments.

Credit Risk Rating and Scoring Models
The Parent Company employs four credit risk rating models for diverse segments, covering corporate borrowers, retail small and medium entities and individual accounts (non-consumer), financial institutions, and sovereign counterparties. Additionally, it utilizes bureau credit scores for consumer loan products, including housing loans, auto loans, Contract-to-Sell (CTS) without recourse, and credit cards, to assess credit risk comprehensively.

The assessment of credit risk for corporate borrowers with total assets, total facilities, or total credit exposures amounting to at least ₱15 million is conducted using the Internal Credit Risk Rating System (ICRRS). This model adheres to the technical specifications outlined in BSP Circular 855, *Guidelines on Sound Credit Risk Management Practices*. The ICRRS comprises two components, namely: a) Borrower Risk Rating, providing an evaluation of the creditworthiness of the borrower, without considering the proposed facility and security arrangements, and b) Loan Exposure Rating, offering an assessment of the proposed facilities as mitigated or enhanced by security/collateral arrangements.

For retail small and medium entities and individual non-consumer loan accounts, credit risk is evaluated through the Borrower Credit Score (BCS). In addition, the Group has implemented a risk rating system designed to specifically assess Philippine universal, commercial, thrift, rural, and cooperative banks as well as foreign financial institutions. Furthermore, it has introduced a Sovereign Risk Rating scorecard to gauge a country's strength, considering factors such as economic fundamentals, fiscal policy, institutional strength, and vulnerability to extreme events.

For consumer loans, the Parent Company recently implemented the use of Transunion credit score (TU) as the primary scorecard for assessing credit in housing loans and CTS without recourse applications. The TU score was initially adopted for credit cards, wherein it is utilized to screen applications in line with the Bank's credit acceptance criteria. Consistent with the approach taken for other consumer loan products, the Parent Company is currently in the process of updating its policies to incorporate the use of the TU credit score for auto loans in the credit evaluation process.

The Group regularly monitors the performance of its rating models and scorecards. Throughout the years, it has partnered with third party consultants such as Moody's Analytics for model validation, model recalibration, and knowledge transfer projects. Internally, a comprehensive review of the performance of the models is conducted, subjecting the models to various statistical metrics, ensuring the reliability of these tools in the Group's credit evaluation process. Validation results are reported to the Risk Oversight Committee.

To manage model risks effectively, the Group has crafted a Model Risk Policy for Credit Risk. This policy closely aligns with the principles laid out in the "Supervisory Guidance on Model Risk Management" issued by the Office of the Comptroller of the Currency (OCC), an independent bureau of the U.S. Department of the Treasury, and satisfies the validation requirements set by the BSP for internal rating systems outlined in BSP Circular 855. The framework is designed to manage risks associated with the use of models within the organization, promoting confidence and reliability of model outputs, and supporting effective risk management practices. It serves as a guiding document to ensure models are developed, validated, implemented, and monitored in a consistent, transparent, and controlled manner. Moreover, it establishes a governance framework that clearly defines the roles, responsibilities, and accountabilities of the stakeholders involved in the model life cycle.

Concentration of Assets and Liabilities and Off-Balance Sheet Items

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

In order to avoid excessive concentrations of risk, the Parent Company's policies and procedures include specific guidelines focusing on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The distribution of the Group's and Parent Company's assets and liabilities, and credit commitment items by geographic region as of December 31, 2023 and 2022 (in millions) follows:

	Consolidated					
	2023			2022		
	Assets*	**Liabilities**	**Commitments****	Assets*	Liabilities	Commitments**
Geographic Region						
Philippines	**₱1,358,418**	**₱1,232,543**	**₱49,617**	₱1,219,178	₱1,122,325	₱35,423
Asia	**23,093**	**38,861**	**5,356**	21,752	24,703	7,499
Europe	**60,628**	**48,048**	**884**	42,051	37,883	1,127
United States	**5,808**	**6,577**	**380**	20,318	8,381	161
Others	**20**	–	**25**	17	–	3
	₱1,447,967	**₱1,326,029**	**₱56,262**	₱1,303,316	₱1,193,292	₱44,213

**Amounts are net of related allowance for credit losses*
***Consists of Committed credit lines, Unused commercial letters of credit, Credit card lines, Outstanding guarantees issued, and Standby credit commitments*

	Parent Company					
	2023			2022		
	Assets*	**Liabilities**	**Commitments****	Assets*	Liabilities	Commitments**
Geographic Region						
Philippines	**₱1,204,766**	**₱1,092,291**	**₱47,927**	₱1,099,064	₱1,012,355	₱33,907
Asia	**23,093**	**38,861**	**5,356**	21,752	24,703	7,499
Europe	**60,628**	**48,048**	**884**	42,051	37,883	1,127
United States	**5,808**	**6,577**	**380**	20,318	8,381	161
Others	**20**	–	**25**	17	–	3
	₱1,294,315	**₱1,185,777**	**₱54,572**	₱1,183,202	₱1,083,322	₱42,697

**Amounts are net of related allowance for credit losses*
***Consists of Committed credit lines, Unused commercial letters of credit, Credit card lines, Outstanding guarantees issued, and Standby credit commitments*

Information on credit concentration as to industry of financial assets (gross of unearned discount and allowance for credit losses) is presented below:

	Consolidated				
	2023				
	Loans and Receivables	**Financial Investments**	**Loans and Advances to Banks**	**Commitments**	**Total**
Financial intermediaries	**₱102,574,807**	**₱358,511,818**	**₱139,280,638**	**₱27,994,387**	**₱628,361,650**
Real estate, renting and business services	**214,867,430**	**73,914,541**	**–**	**251,629**	**289,033,600**
Electricity, gas and water	**100,637,828**	**26,290,258**	**–**	**2,478,533**	**129,406,619**
Manufacturing	**61,807,926**	**1,376,321**	**–**	**10,101,234**	**73,285,481**
Wholesale and retail trade	**50,624,655**	**–**	**–**	**9,357,281**	**59,981,936**
Transportation, storage and communication	**54,284,111**	**3,738,632**	**–**	**294,604**	**58,317,347**
Arts, entertainment and recreation	**48,962,012**	**4,225,784**	**–**	**23,026**	**53,210,822**
Accommodation and food service activities	**10,171,827**	**5,104,470**	**–**	**1,501,915**	**16,778,212**
Mining and quarrying	**12,439,631**	**–**	**–**	**5,579**	**12,445,210**
Construction	**11,193,782**	**–**	**–**	**2,027,527**	**13,221,309**
Professional, scientific and technical activities	**1,873,140**	**9,365,392**	**–**	**170,436**	**11,408,968**
Agriculture	**8,608,120**	**–**	**–**	**56,655**	**8,664,775**
Education	**3,986,419**	**568,000**	**–**	**74,924**	**4,629,343**
Public administration and defense	**192,985**	**–**	**–**	**225,841**	**418,826**
Others*	**108,770,565**	**17,307,055**	**–**	**1,698,302**	**127,775,922**
	₱790,995,238	**₱500,402,271**	**₱139,280,638**	**₱56,261,873**	**₱1,486,940,020**

**Others consist of administrative and support service, health, household, and other activities.*

	Consolidated				
	2022				
	Loans and Receivables	Financial Investments	Loans and Advances to Banks	Commitments	Total
Financial intermediaries	₱122,768,549	₱268,327,309	₱162,813,886	₱22,663,997	₱576,573,741
Real estate, renting and business services	185,743,662	67,532,003	–	543,466	253,819,131
Electricity, gas and water	84,314,281	28,088,810	–	3,120,478	115,523,569
Transportation, storage and communication	58,232,646	1,316,348	–	901,375	60,450,369
Wholesale and retail trade	48,849,880	–	–	10,330,040	59,179,920
Manufacturing	44,443,178	4,224,082	–	215,879	48,883,139
Arts, entertainment and recreation	38,666,435	4,241,027	–	1,922,391	44,829,853
Accommodation and food service activities	9,613,592	4,998,276	–	117,278	14,729,146
Construction	13,340,903	–	–	5,299	13,346,202
Mining and quarrying	10,178,863	–	–	2,781,399	12,960,262
Agriculture	947,422	8,398,018	–	219,699	9,565,139
Professional, scientific and technical activities	9,010,166	–	–	42,818	9,052,984
Education	3,894,828	568,000	–	55,237	4,518,065
Public administration and defense	191,203	–	–	163,279	354,482
Others*	87,519,627	17,859,548	–	1,130,178	106,509,353
	₱717,715,235	₱405,553,421	₱162,813,886	₱44,212,813	₱1,330,295,355

**Others consist of administrative and support service, health, household, and other activities.*

	Parent Company				
	2023				
	Loans and Receivables	**Financial Investments**	**Loans and Advances to Banks**	**Commitments**	**Total**
Financial intermediaries	**₱102,372,440**	**₱339,406,237**	**₱121,585,475**	**₱28,015,283**	**₱591,379,435**
Real estate, renting and business services	**183,890,538**	**73,457,967**	**–**	**208,233**	**257,556,738**
Electricity, gas and water	**98,999,202**	**26,006,043**	**–**	**2,462,283**	**127,467,528**
Manufacturing	**60,053,892**	**1,376,321**	**–**	**10,030,990**	**71,461,203**
Wholesale and retail trade	**48,457,409**	**–**	**–**	**9,124,413**	**57,581,822**
Transportation, storage and communication	**52,973,021**	**3,735,585**	**–**	**284,782**	**56,993,388**
Arts, entertainment and recreation	**48,930,795**	**4,201,284**	**–**	**22,606**	**53,154,685**
Accommodation and food service activities	**9,605,482**	**5,035,594**	**–**	**1,501,915**	**16,142,991**
Mining and quarrying	**12,435,720**	**–**	**–**	**5,579**	**12,441,299**
Construction	**10,449,504**	**–**	**–**	**1,998,677**	**12,448,181**
Professional, scientific and technical activities	**1,795,656**	**9,365,392**	**–**	**170,436**	**11,331,484**
Agriculture	**6,065,522**	**–**	**–**	**48,655**	**6,114,177**
Education	**3,637,883**	**450,000**	**–**	**74,924**	**4,162,807**
Public administration and defense	**192,985**	**–**	**–**	**225,841**	**418,826**
Others*	**38,088,866**	**16,763,625**	**–**	**397,661**	**55,250,152**
	₱677,948,915	**₱479,798,048**	**₱121,585,475**	**₱54,572,278**	**₱1,333,904,716**

**Others consist of administrative and support service, health, household, and other activities.*

	Parent Company				
	2022				
	Loans and Receivables	Financial Investments	Loans and Advances to Banks	Commitments	Total
Financial intermediaries	₱122,139,768	₱259,789,084	₱146,865,657	₱22,661,497	₱551,456,006
Real estate, renting and business services	158,474,935	67,002,809	–	309,597	225,787,341
Electricity, gas and water	82,579,587	28,085,921	–	3,120,478	113,785,986
Transportation, storage and communication	56,478,328	1,316,348	–	820,034	58,614,710
Wholesale and retail trade	46,391,648	–	–	10,099,392	56,491,040
Arts, entertainment and recreation	43,018,144	4,224,082	–	215,804	47,458,030
Manufacturing	38,648,650	4,224,987	–	1,922,391	44,796,028
Accommodation and food service activities	9,047,908	4,980,701	–	103,578	14,132,187
Construction	13,340,695	–	–	5,299	13,345,994
Mining and quarrying	9,131,937	–	–	2,697,673	11,829,610
Professional, scientific and technical activities	881,915	8,398,018	–	219,699	9,499,632
Agriculture	7,062,774	–	–	34,718	7,097,492
Education	3,503,357	450,000	–	163,279	4,116,636
Public administration and defense	191,203	–	–	55,237	246,440
Others*	36,663,618	17,513,737	–	268,162	54,445,517
	₱627,554,467	₱395,985,687	₱146,865,657	₱42,696,838	₱1,213,102,649

**Others consist of administrative and support service, health, household, and other activities.*

Maximum exposure to credit risk

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

	Consolidated		
	2023		
	Gross maximum exposure	**Net exposure**	**Financial effect of collateral or credit enhancement**
Credit risk exposure relating to on-balance sheet items are as follows:			
Loans and receivables	**₱771,991,759**	**₱501,265,255**	**₱270,726,504**
Interbank loans receivable and SPURA	**34,720,250**	**22,088,980**	**12,631,270**
Sales contracts receivable	**1,612,416**	**–**	**1,612,416**
	₱808,324,425	**₱523,354,235**	**₱284,970,190**

	Consolidated		
	2022		
	Gross maximum exposure	Net exposure	Financial effect of collateral or credit enhancement
Credit risk exposure relating to on-balance sheet items are as follows:			
Loans and receivables	₱699,594,789	₱466,526,632	₱233,068,157
Interbank loans receivable and SPURA	43,564,970	28,769,544	14,795,426
Sales contracts receivable	1,406,217	–	1,406,217
	₱744,565,976	₱495,296,176	₱249,269,800

	Parent Company		
	2023		
	Gross maximum exposure	**Net exposure**	**Financial effect of collateral or credit enhancement**
Credit risk exposure relating to on-balance sheet items are as follows:			
Loans and receivables	**₱663,182,149**	**₱444,929,488**	**₱218,252,661**
Interbank loans receivable and SPURA	**31,075,654**	**22,088,980**	**8,986,674**
Sales contracts receivable	**203,033**	**–**	**203,033**
	₱694,460,836	**₱467,018,468**	**₱227,442,368**

	Parent Company		
	2022		
	Gross maximum exposure	Net exposure	Financial effect of collateral or credit enhancement
Credit risk exposure relating to on-balance sheet items are as follows:			
Loans and receivables	₱613,197,254	₱426,316,586	₱186,880,668
Interbank loans receivable and SPURA	41,597,949	28,769,545	12,828,404
Sales contracts receivable	180,659	–	180,659
	₱654,975,862	₱455,086,131	₱199,889,731

For the Group, the fair values of collateral held for loans and receivables and sales contracts receivable amounted to ₱521.73 billion and ₱3.09 billion, respectively, as of December 31, 2023 and ₱518.85 billion and ₱2.73 billion, respectively, as of December 31, 2022.

For the Parent Company, the fair values of collateral held for loans and receivables and sales contracts receivable amounted to ₱469.26 billion and ₱0.64 billion, respectively, as of December 31, 2023 and ₱472.66 billion and ₱0.80 billion, respectively, as of December 31, 2022.

The fair values of the financial collaterals held for SPURA are disclosed in Note 35.

Credit risk, in respect of derivative financial products, is limited to those with positive fair values, which are included under financial assets at FVTPL (Note 9). As a result, the maximum credit risk, without taking into account the fair value of any collateral and netting agreements, is limited to the amounts on the balance sheet plus commitments to customers such as unused commercial letters of credit, outstanding guarantees and others as disclosed in Note 31.

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

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions – cash or securities
- For consumer lending – real estate and chattel over vehicle
- For corporate lending and commercial lending – real estate, chattel over properties, assignment of deposits, shares of stocks, bonds, and guarantees

Management requests additional collateral in accordance with the underlying agreement and takes into consideration the market value of collateral during its review of the adequacy of allowance for credit losses.

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

Collateral valuation
To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Group's balance sheet. However, the fair value of collateral affects the calculation of loss allowances. It is generally assessed, at a minimum, at inception and re-assessed on an annual basis. To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by internal or external appraisers.

Credit quality per class of financial assets

Loans and Receivables
The credit quality of financial assets is managed by the Group using an internal credit rating system for the purpose of measuring credit risk in a consistent manner as accurately as possible. The model on risk ratings is assessed regularly because the Group uses this information as a tool for business and financial decision making.

It is the Parent Company's policy to apply the appropriate risk rating model across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Parent Company's rating policy. The attributable risk ratings are assessed and monitored regularly.

The rating categories are further described below. Note that for BCS, basis is the mapping of the BCS Score to the Borrower Risk Rating (BRR).

High Grade
This includes all borrowers whose ratings are considered as Low Risk, indicating a very low probability of going into default in the coming year. In terms of borrower credit ratings, these include the following:

ICRRS and BCS-Covered
- BRR 1 (Exceptional)
- BRR 2 (Excellent)
- BRR 3 (Strong)
- BRR 4 (Good)

Generally, a Low Risk (High Grade) rating is indicative of a high capacity to fulfill its obligations supported by robust financials (i.e., profitable, with returns considerably higher than the industry, elevated capacities to service its liabilities), gainful positioning in growing industries (i.e., participation in industries where conditions are very favorable and in which they are able to get a good share of the market), and very strong leadership providing clear strategic direction and/or excellent training and development programs.

Standard Grade
This includes all borrowers whose ratings are considered as Moderate Risk and are seen to withstand typical swings in the economic cycle without going into default. However, any prolonged unfavorable economic period would create deterioration that may already be beyond acceptable levels. In terms of borrower credit ratings, these include the following:

ICRRS and BCS-Covered

- BRR 5 (Satisfactory)
- BRR 6 (Acceptable)
- BRR 7 (Fair)

Generally, a Moderate Risk (Standard Grade) rating signifies a borrower whose financial performance is sufficient to service obligations and is at par with competitors in the industry. In terms of management, it is run by executives with adequate personal and professional qualifications and sufficient experience in similar companies. In terms of growth potential, it is engaged in an industry with stable outlook, supportive of continuing operations.

Sub-Standard Grade
In terms of borrower credit ratings, this includes the following:

A. Unclassified (ICRRS and BCS-Covered)

- BRR 8 (Watchlist)
- BRR 9 (Speculative)
- BRR 10 (Highly Speculative)

B. Adversely Classified (ICRRS and BCS-Covered)

- BRR 11 (Especially Mentioned)
- BRR 12 (Substandard)

For accounts that are Unclassified, a High Risk (Sub-Standard Grade) rating is indicative of borrowers where there are unfavorable industry or company-specific factors. This may be financial in nature (i.e., marginal operating performance, returns that are lower than those of the industry, and/or diminished capacity to pay off obligations that are due), related to management quality (including negative information regarding the company or specific executives) and/or unfavorable industry conditions. The borrower might find it difficult to cope with any significant economic downturn and a default in such a case is more than a possibility. These accounts require a closer monitoring for any signs of further deterioration that can trigger review for possible downgrade to adverse classification.

Adversely Classified accounts are automatically considered as High Risk and generally includes past due accounts. However, in some cases, even accounts that are neither past due nor impaired qualifies for adverse classification. Reasons for this include among others the following: consecutive net losses, emerging weaknesses in terms of cash flow, negative equity, and/or breach in the covenants per term loan agreement.

Impaired
Adversely Classified accounts (refer to the description in the preceding paragraph) rated as BRR 13 (Doubtful) and BRR 14 (Loss), which generally pertain to accounts in default or those demonstrating objective evidence of impairment, are classified as Impaired.

For the Parent Company's borrowers whose exposures are purely consumer loans, the basis for credit quality rating is the BSP classification for those that are booked as Current (i.e., Standard Grade if Unclassified and Sub-Standard Grade if Adversely Classified) and impairment status for those that are booked as Past Due / Items in Litigation. For the Group, the consumer loans of CBSI covered by application scorecard with score ranks of 1-4, and which are Current and Unclassified, are classified as High Grade while the remaining consumer loans are classified consistent with the Parent Company's.

The financial assets are also grouped according to stage whose description is explained as follows:

Stage 1 – those that are considered current and up to 30 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 – those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 30 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 – those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

The following tables illustrate the Group's and the Parent Company's credit exposures (amounts in millions):

Consolidated		**2023**		
		ECL Staging		
Corporate and commercial lending	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Neither past due nor impaired				
High grade	**₱42,146**	**₱179**	**₱–**	**₱42,325**
Standard grade	**347,082**	**7,095**	**–**	**354,177**
Sub-Standard	**137,574**	**44,935**	**–**	**182,509**
Unrated	**1,264**	**41**	**–**	**1,305**
Past due but not impaired	**–**	**1,833**	**–**	**1,833**
Impaired	**–**	**–**	**15,763**	**15,763**
Gross carrying amount	**₱528,066**	**₱54,083**	**₱15,763**	**₱597,912**

Consolidated		**2023**		
		ECL Staging		
Consumer Lending	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Neither past due nor impaired				
High grade	**₱21,599**	**₱17**	**₱–**	**₱21,616**
Standard grade	**131,145**	**5,129**	**–**	**136,274**
Sub-Standard	**3,958**	**7,590**	**–**	**11,548**
Unrated	**1,451**	**1,284**	**–**	**2,735**
Past due but not impaired	**–**	**3,406**	**–**	**3,406**
Impaired	**–**	**–**	**5,205**	**5,205**
Gross carrying amount	**₱158,153**	**₱17,426**	**₱5,205**	**₱180,784**

Consolidated	**2023**			
	ECL Staging			
Trade-related Lending	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Neither past due nor impaired				
High grade	**₱1,615**	**₱–**	**₱–**	**₱1,615**
Standard grade	**4,095**	**11**	**–**	**4,106**
Sub-Standard	**6,087**	**128**	**–**	**6,215**
Unrated	**–**	**–**	**–**	**–**
Past due but not impaired	**–**	**–**	**–**	**–**
Impaired	**–**	**–**	**261**	**261**
Gross carrying amount	**₱11,797**	**₱139**	**₱261**	**₱12,197**

Consolidated	**2023**			
	ECL Staging			
Others	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Neither past due nor impaired				
High grade	**₱43**	**₱–**	**₱–**	**₱43**
Standard grade	**22**	**–**	**–**	**22**
Sub-Standard	**–**	**5**	**–**	**5**
Unrated	**15**	**–**	**–**	**15**
Past due but not impaired	**–**	**–**	**–**	**–**
Impaired	**–**	**–**	**17**	**17**
Gross carrying amount	**₱80**	**₱5**	**₱17**	**₱102**

Consolidated	**2023**			
	ECL Staging			
Loans and receivables – total	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Neither past due nor impaired				
High grade	**₱65,403**	**₱196**	**₱–**	**₱65,599**
Standard grade	**482,344**	**12,235**	**–**	**494,579**
Sub-Standard	**147,619**	**52,658**	**–**	**200,277**
Unrated	**2,730**	**1,325**	**–**	**4,055**
Past due but not impaired	**–**	**5,239**	**–**	**5,239**
Impaired	**–**	**–**	**21,246**	**21,246**
Gross carrying amount	**₱698,096**	**₱71,653**	**₱21,246**	**₱790,995**

Consolidated	2022			
	ECL Staging			
Corporate and commercial lending	Stage 1	Stage 2	Stage 3	Total
Neither past due nor impaired				
High grade	₱34,841	₱141	₱–	₱34,982
Standard grade	337,287	12,964	–	350,251
Sub-Standard	112,348	44,515	–	156,863
Unrated	520	70	–	590
Past due but not impaired	–	587	–	587
Impaired	–	–	12,137	12,137
Gross carrying amount	₱484,996	₱58,277	₱12,137	₱555,410

Consolidated	2022			
	ECL Staging			
Consumer Lending	Stage 1	Stage 2	Stage 3	Total
Neither past due nor impaired				
High grade	₱19,511	₱–	₱–	₱19,511
Standard grade	102,420	5,665	–	108,085
Sub-Standard	1,926	4,538	–	6,464
Unrated	842	1,334	–	2,176
Past due but not impaired	–	3,165	–	3,165
Impaired	–	–	5,064	5,064
Gross carrying amount	₱124,699	₱14,702	₱5,064	₱144,465

Consolidated	2022			
	ECL Staging			
Trade-related Lending	Stage 1	Stage 2	Stage 3	Total
Neither past due nor impaired				
High grade	₱1,982	₱–	₱–	₱1,982
Standard grade	10,065	327	–	10,392
Sub-Standard	4,713	432	–	5,145
Unrated	3	–	–	3
Past due but not impaired	–	–	–	–
Impaired	–	–	203	203
Gross carrying amount	₱16,763	₱759	₱203	₱17,725

Consolidated	2022			
	ECL Staging			
Others	Stage 1	Stage 2	Stage 3	Total
Neither past due nor impaired				
High grade	₱68	₱–	₱–	₱68
Standard grade	7	5	–	12
Sub-Standard	–	5	–	5
Unrated	19	–	–	19
Past due but not impaired	–	4	–	4
Impaired	–	–	7	7
Gross carrying amount	₱94	₱14	₱7	₱115

Consolidated	2022			
	ECL Staging			
Loans and receivables – total	Stage 1	Stage 2	Stage 3	Total
Neither past due nor impaired				
High grade	₱56,402	₱141	₱–	56,543
Standard grade	449,779	18,961	–	468,740
Sub-Standard	118,987	49,492	–	168,479
Unrated	1,384	1,403	–	2,787
Past due but not impaired	–	3,755	–	3,755
Impaired	–	–	17,411	17,411
Gross carrying amount	₱626,552	₱73,752	₱17,411	717,715

Parent Company	**2023**			
	ECL Staging			
Corporate and commercial lending	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Neither past due nor impaired				
High grade	**₱41,128**	**₱179**	**₱–**	**₱41,307**
Standard grade	**339,965**	**7,095**	**–**	**347,060**
Sub-Standard	**137,574**	**42,129**	**–**	**179,703**
Unrated	**1,264**	**41**	**–**	**1,305**
Past due but not impaired	**–**	**1,248**	**–**	**1,248**
Impaired	**–**	**–**	**13,029**	**13,029**
Gross carrying amount	**₱519,931**	**₱50,692**	**₱13,029**	**₱583,652**

Parent Company	**2023**			
	ECL Staging			
Consumer Lending	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Neither past due nor impaired				
High grade	**₱104**	**₱17**	**₱–**	**₱121**
Standard grade	**58,788**	**5,129**	**–**	**63,917**
Sub-Standard	**3,958**	**7,590**	**–**	**11,548**
Unrated	**1,451**	**1,284**	**–**	**2,735**
Past due but not impaired	**–**	**861**	**–**	**861**
Impaired	**–**	**–**	**3,186**	**3,186**
Gross carrying amount	**₱64,301**	**₱14,881**	**₱3,186**	**₱82,368**

Parent Company	**2023**			
	ECL Staging			
Trade-related Lending	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Neither past due nor impaired				
High grade	**₱1,339**	**₱–**	**₱–**	**₱1,339**
Standard grade	**4,095**	**3**	**–**	**4,098**
Sub-Standard	**6,087**	**128**	**–**	**6,215**
Unrated	**–**	**–**	**–**	**–**
Past due but not impaired	**–**	**–**	**–**	**–**
Impaired	**–**	**–**	**261**	**261**
Gross carrying amount	**₱11,521**	**₱131**	**₱261**	**₱11,913**

Parent Company	**2023**			
	ECL Staging			
Others	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Neither past due nor impaired				
High grade	**₱–**	**₱–**	**₱–**	**₱–**
Standard grade	**–**	**–**	**–**	**–**
Sub-Standard	**–**	**–**	**–**	**–**
Unrated	**16**	**–**	**–**	**16**
Past due but not impaired	**–**	**–**	**–**	**–**
Impaired	**–**	**–**	**–**	**–**
Gross carrying amount	**₱16**	**₱–**	**₱–**	**₱16**

Parent Company	**2023**			
	ECL Staging			
Loans and receivables – total	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Neither past due nor impaired				
High grade	**₱42,571**	**₱196**	**₱–**	**₱42,767**
Standard grade	**402,848**	**12,227**	**–**	**415,075**
Sub-Standard	**147,619**	**49,847**	**–**	**197,466**
Unrated	**2,731**	**1,325**	**–**	**4,056**
Past due but not impaired	**–**	**2,109**	**–**	**2,109**
Impaired	**–**	**–**	**16,476**	**16,476**
Gross carrying amount	**₱595,769**	**₱65,704**	**₱16,476**	**₱677,949**

Parent Company	2022			
	ECL Staging			
Corporate and commercial lending	Stage 1	Stage 2	Stage 3	Total
Neither past due nor impaired				
High grade	₱33,842	₱141	₱–	₱33,983
Standard grade	330,747	9,339	–	340,086
Sub-Standard	112,348	42,540	–	154,888
Unrated	520	70	–	590
Past due but not impaired	–	402	–	402
Impaired	–	–	9,206	9,206
Gross carrying amount	₱477,457	₱52,492	₱9,206	₱539,155

Parent Company	2022			
	ECL Staging			
Consumer Lending	Stage 1	Stage 2	Stage 3	Total
Neither past due nor impaired				
High grade	₱182	₱–	₱–	₱182
Standard grade	51,977	5,665	–	57,642
Sub-Standard	1,926	4,538	–	6,464
Unrated	842	1,334	–	2,176
Past due but not impaired	–	1,187	–	1,187
Impaired	–	–	3,338	3,338
Gross carrying amount	₱54,927	₱12,724	₱3,338	₱70,989

Parent Company	2022			
	ECL Staging			
Trade-related Lending	Stage 1	Stage 2	Stage 3	Total
Neither past due nor impaired				
High grade	₱1,982	₱–	₱–	₱1,982
Standard grade	10,064	–	–	10,064
Sub-Standard	4,713	426	–	5,139
Unrated	3	–	–	3
Past due but not impaired	–	–	–	–
Impaired	–	–	203	203
Gross carrying amount	₱16,762	₱426	₱203	₱17,391

Parent Company	2022			
	ECL Staging			
Others	Stage 1	Stage 2	Stage 3	Total
Neither past due nor impaired				
High grade	₱–	₱–	₱–	₱–
Standard grade	–	–	–	–
Sub-Standard	–	–	–	–
Unrated	19	–	–	19
Past due but not impaired	–	–	–	–
Impaired	–	–	–	–
Gross carrying amount	₱19	₱–	₱–	₱19

Parent Company	2022			
	ECL Staging			
Loans and receivables – total	Stage 1	Stage 2	Stage 3	Total
Neither past due nor impaired				
High grade	₱36,006	₱141	₱–	₱36,147
Standard grade	392,788	15,004	–	407,792
Sub-Standard	118,987	47,504	–	166,491
Unrated	1,384	1,404	–	2,788
Past due but not impaired	–	1,589	–	1,589
Impaired	–	–	12,747	12,747
Gross carrying amount	₱549,165	₱65,642	₱12,747	₱627,554

Depository accounts with the BSP and counterparty banks, Trading and Investment Securities

For these financial assets, outstanding exposure is rated primarily based on credit ratings from international external credit rating agencies accessed through the Group's Bloomberg terminal or from other publicly available information. Otherwise, rating is based on risk grades by Philratings.

For counterparties without external rating, the reference used for determining credit quality is the Bank's internal risk rating system. Exposures with neither external nor internal ratings are included under "Unrated".

The external risk rating of the Group's depository accounts with the BSP and counterparty banks, and trading and investment securities, is grouped as follows:

Credit Quality Rating	Credit Rating Agency		
	Moody's	**S&P**	**Fitch**
High Grade	Aaa Aa1/Aa2/Aa3	AAA AA+/AA /AA−	AAA AA+/AA /AA−
Standard Grade	A1/A2/A3 Baa1/Baa2/Baa3	A+/A/A− BBB+/BBB/BBB−	A+/A/A− BBB+/BBB/BBB−
Substandard Grade	Ba1/Ba2/Ba3 B1/B2/B3 Caa1/Caa2/Caa3 Ca	BB+/BB/BB− B+/B/B− CCC+/CCC /CCC− CC C R	BB+/BB/BB− B+/B/B− CCC+/CCC /CCC− CC C

Rating Description

High Grade
AAA – An obligor has exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events. This denotes the lowest expectation of default risk.

AA – An obligor has very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events. It differs from the highest-rated obligors at a minimal degree. This denotes expectation of very low default risk.

Standard Grade
A – An obligor has strong capacity for payment of financial commitments. It is more likely to fulfill its debt obligations but carries a slightly higher risk compared to higher ratings. Its capacity may be more vulnerable to adverse business or economic conditions than obligors in higher ratings. This denotes expectation of low default risk.

BBB – An obligor has adequate capacity for payment of financial commitments, but adverse business or economic conditions are more likely to impair this capacity.

Sub-Standard Grade
BB – An obligor exhibits elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists that supports the servicing of financial commitments.

B – An obligor has the capacity to meet its current financial commitments; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment. This indicates that material default risk is present, but a limited margin of safety remains.

CCC – An obligor is currently vulnerable and its capacity to meet its financial commitments relies on favorable business, financial and economic conditions. This indicates that default is a real possibility with very low margin for safety.

CC – An obligor is highly vulnerable to defaulting on its debt obligations. Although default has not yet occurred, it is anticipated and considered probable (or extremely likely to happen). This denotes expectation of greater likelihood of default risk.

C – An obligor has started experiencing default or is at high risk of facing nonpayment and is nearing default, with little prospect for recovery of principal and interest.

R (Regulatory) – An obligor has experienced a regulatory action or intervention that significantly impacts its ability to meet its debt obligations. This rating specifically highlights the influence of regulatory actions rather than a traditional default on debt payments which serves as a warning about the heightened risks associated with the rated financial instruments or issuer.

Impaired
RD (Restrictive Default) – An obligor is experiencing financial difficulties and has failed to meet some of its debt payments, but has also taken certain actions to prevent a more severe default situation. It has not entered into bankruptcy filings, administration, receivership, liquidation, or other formal winding-up procedure, and has not otherwise ceased operating. This signifies an elevated level of risk and uncertainty related to the obligor's ability to fulfill its financial commitments.

SD (Selective Default) – An obligor has failed to meet one or more debt obligations while still fulfilling their other financial commitments. It is experiencing financial stress and may be struggling to meet all of its debt obligations.

D (Default) – An obligor is experiencing financial distress and has defaulted on its debt, which means that it has failed to make timely payments or has not fulfilled its financial commitments as agreed upon. It has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure or that has otherwise ceased business and debt is still outstanding.

In the case of PHP-denominated securities which are not rated by either S&P, Moody's, or Fitch, but have an external rating by Philratings, the following grouping was applied.

Credit Quality Rating	External Credit Risk Rating
High grade	PRSAaa, PRSAa+, PRSAa, PRSAa−
Standard grade	PRSA+, PRSA, PRSA−, PRSBaa+, PRSBaa, PRSBaa−
Sub-Standard grade	PRSBa+, PRSBa, PRSBa−, PRSB+, PRSB, PRSB−, PRSCaa+, PRSCaa, PRSCaa−, PRSCa+, PRSCa, PRSCa−,

Rating Description

High Grade
PRSAaa – The company's capacity to meet its financial commitments relative to that of other Philippine corporates is Very Strong.

PRSAa – The company differs from the highest rated corporates only to a small degree, and its capacity to meet its financial commitments relative to that of other Philippine corporates is Strong.

Standard Grade
PRSA – The company is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than higher-rated corporates; The obligor's capacity to meet its financial commitments relative to that of other Philippine corporates is Above Average.

PRSBaa – The company's capacity to meet its financial commitments relative to that of other Philippine corporates is Average. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the corporation to meet its financial commitments.

Sub-Standard Grade
PRSBa – The company's capacity to meet its financial commitments relative to that of other Philippine corporates is Below Average. The company faces ongoing uncertainties or exposure to adverse business, financial or economic conditions, which could result in an inadequate capacity on the part of the corporation to meet its financial commitments.

PRSB – The company's capacity to meet its financial commitments relative to that of other Philippine corporates is Weak. Adverse business, financial or economic conditions will likely impair the corporation's capacity or willingness to meet its financial commitments.

PRSCaa – The company is Currently Vulnerable and is dependent upon favorable business and financial conditions to meet its financial commitments.

PRSCa – The company is Currently Highly Vulnerable to defaulting on its financial commitments.

Impaired
PRSC – The company is In Default on its financial commitments.

For counterparty banks with no external rating but rated under the Bank' Camelot Rating System, the following grouping was applied:

Credit Quality Rating	Camelot Rating
High grade	A1, A2, A3, B1, B2, B3
Standard grade	C1, C2, C3, C4
Sub-Standard grade	D1, D2, D3, D4, E1, E2, E3

Rating Description

High Grade
A – Exceptional Bank with strong business franchise, financials and prospects

B – Bank with good fundamentals; some minor weaknesses may exist but should be resolved in due course

Standard Grade
C – Bank with adequate fundamentals; some aspects raise concerns that prevent it from achieving a higher rating

Sub-Standard Grade
D – Bank with weaknesses; capability / ability to resolve such weaknesses is put into question

Impaired
E – Bank with very serious problems / negative fundamentals

For corporate issuers with no external rating but are rated under the Bank's ICRRS, the grouping used for corporate borrowers will apply.

The succeeding tables show the credit exposures of the Group and the Parent Company related to these financial assets (amounts in millions):

Consolidated	**2023**				2022			
Investment securities	**ECL Staging**				ECL Staging			
at amortized cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Neither past due nor impaired								
High grade	**₱50,040**	**₱–**	**₱–**	**₱50,040**	₱57,060	₱–	₱–	₱57,060
Standard grade	**307,987**	**5,274**	**–**	**313,261**	280,612	1,436	–	282,048
Sub-Standard	**14,858**	**–**	**–**	**14,858**	14,937	1,600	–	16,537
Unrated	**–**	**–**	**–**	**–**	–	–	–	–
Past due but not impaired	**–**	**–**	**–**	**–**	–	–	–	–
Impaired	**–**	**–**	**–**	**–**	–	–	–	–
Gross carrying amount	**₱372,885**	**₱5,274**	**₱–**	**₱378,159**	₱352,609	₱3,036	₱–	₱355,645

Consolidated	**2023**				2022			
Financial assets at FVOCI	**ECL Staging**				ECL Staging			
(debt securities)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Neither past due nor impaired								
High grade	**₱4,410**	**₱–**	**₱–**	**₱4,410**	₱3,392	₱–	₱–	₱3,392
Standard grade	**97,843**	**1,051**	**–**	**98,894**	36,405	1,315	–	37,720
Sub-Standard	**1,608**	**–**	**–**	**1,608**	1,573	–	–	1,573
Unrated	**–**	**–**	**–**	**–**	–	–	–	–
Past due but not impaired	**–**	**–**	**–**	**–**	–	–	–	–
Impaired	**–**	**–**	**–**	**–**	–	–	–	–
Gross carrying amount	**₱103,861**	**₱1,051**	**₱–**	**₱104,912**	₱41,370	₱1,315	₱–	₱42,685

Parent Company	**2023**				2022			
Investment securities	**ECL Staging**				ECL Staging			
at amortized cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Neither past due nor impaired								
High grade	**₱50,040**	**₱–**	**₱–**	**₱50,040**	₱57,060	₱–	₱–	₱57,060
Standard grade	**301,290**	**5,274**	**–**	**306,564**	274,627	1,436	–	276,063
Sub-Standard	**14,858**	**–**	**–**	**14,858**	14,937	1,600	–	16,537
Unrated	**–**	**–**	**–**	**–**	–	–	–	–
Past due but not impaired	**–**	**–**	**–**	**–**	–	–	–	–
Impaired	**–**	**–**	**–**	**–**	–	–	–	–
Gross carrying amount	**₱366,188**	**₱5,274**	**₱–**	**₱371,462**	₱346,624	₱3,036	₱–	₱349,660

Parent Company	**2023**				2022			
Financial assets at FVOCI	**ECL Staging**				ECL Staging			
(debt securities)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Neither past due nor impaired								
High grade	**₱4,276**	**₱–**	**₱–**	**₱4,276**	₱3,280	₱–	₱–	₱3,280
Standard grade	**85,376**	**1,051**	**–**	**86,427**	34,376	1,315	–	35,691
Sub-Standard	**1,608**	**–**	**–**	**1,608**	1,572	–	–	1,572
Unrated	**–**	**–**	**–**	**–**	–	–	–	–
Past due but not impaired	**–**	**–**	**–**	**–**	–	–	–	–
Impaired	**–**	**–**	**–**	**–**	–	–	–	–
Gross carrying amount	**₱91,260**	**₱1,051**	**₱–**	**₱92,311**	₱39,228	₱1,315	₱–	₱40,543

Consolidated	**2023**				
	High Grade	**Standard Grade**	**Sub-Standard Grade**	**Unrated**	**Total**
Due from BSP*	**₱–**	**₱84,596**	**₱–**	**₱–**	**₱84,596**
Due from other banks*	**3,871**	**16,082**	**–**	**11**	**19,964**
Interbank loans receivable and SPURA*	**22,089**	**12,631**	**–**	**–**	**34,720**
Financial assets at FVTPL	**1,994**	**11,185**	**452**	**–**	**13,631**
	₱27,954	**₱124,494**	**₱452**	**₱11**	**₱152,911**

**These financial assets are classified as Stage 1.*

Parent Company	**2023**				
	High Grade	**Standard Grade**	**Sub-Standard Grade**	**Unrated**	**Total**
Due from BSP*	**₱–**	**₱73,157**	**₱–**	**₱–**	**₱73,157**
Due from other banks*	**3,330**	**14,020**	**–**	**3**	**17,353**
Interbank loans receivable and SPURA*	**22,089**	**8,987**	**–**	**–**	**31,076**
Financial assets at FVTPL	**1,056**	**11,134**	**452**	**–**	**12,642**
	₱26,475	**₱107,298**	**₱452**	**₱3**	**₱134,228**

**These financial assets are classified as Stage 1.*

Consolidated	2022				
	High Grade	Standard Grade	Sub-Standard Grade	Unrated	Total
Due from BSP*	₱–	₱107,100	₱–	₱–	₱107,100
Due from other banks*	1,367	12,226	21	1	13,615
Interbank loans receivable and SPURA*	15,419	28,146	–	–	43,565
Financial assets at FVTPL	1,558	2,393	541	236	4,728
	₱18,344	₱149,865	₱562	₱237	₱169,008

**These financial assets are classified as Stage 1.*

Parent Company	2022				
	High Grade	Standard Grade	Sub-Standard Grade	Unrated	Total
Due from BSP*	₱–	₱92,921	₱–	₱–	₱92,921
Due from other banks*	927	11,399	21	–	12,347
Interbank loans receivable and SPURA*	15,419	26,179	–	–	41,598
Financial assets at FVTPL	345	2,393	541	236	3,515
	₱16,691	₱132,892	₱562	₱236	₱150,381

**These financial assets are classified as Stage 1.*

Restructured Loans

The following table presents the carrying amount of restructured loans (gross of allowance for impairment and credit losses) of the Group and Parent Company as of December 31, 2023 and 2022:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Loans and advances to customers				
Corporate and commercial lending	**₱7,454,119**	₱1,526,923	**₱7,003,118**	₱1,150,752
Consumer lending	**1,049,702**	1,251,472	**1,007,035**	1,223,941
Total restructured financial assets	**₱8,503,821**	₱2,778,395	**₱8,010,153**	₱2,374,693

Impairment Assessment

The Group recognizes a credit loss allowance on a financial asset based on whether it has had a significant increase in credit risk since initial recognition. Accordingly, the Group categorizes its financial assets into three categories: stage 1 – financial asset that has not had a significant increase in credit risk; stage 2 – financial asset that has had a significant increase in credit risk; and stage 3 – financial asset in default.

Generally, the Group assesses the presence of a significant increase in credit risk based on the number of notches that a financial asset's credit risk rating has declined since origination. When applicable, the Group also applies a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Group shall revert it to stage 1.

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, when (a) the borrower becomes at least 90 days past due on its contractual payments (unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate), (b) it is classified as doubtful or loss under prudential reporting; (c) it is in litigation; and/or (d) full repayment of principal and interest is unlikely without foreclosure of collateral, if any. As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances or loss events 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 (i.e., to have cured) when it no longer meets any of the default criteria for a consecutive period of 180 days (i.e., consecutive payments from the borrowers for 180 days).

The Group then measures the credit loss allowance on a financial instrument at an amount equal to 12-month expected credit losses for items categorized as stage 1 and lifetime credit losses for items categorized as stage 2 and stage 3.

The Group modeled the following inputs to the expected credit loss formula separately. The formula is applied to each financial asset, with certain exceptions wherein a collective or other general approach is applied:

Exposure at Default (EAD)
The Group defines EAD as the principal and interests that would not be collected assuming the borrower defaults during a future point in time. The Group computes for a financial asset's EAD using the expected contractual cash flows during the contractual life of the financial instrument. A financial asset's EAD is defined as the sum of EAD from principal and EAD from interest.

Probability of default (PD)
The Group uses forward-looking PD estimates that are unbiased and probability-weighted using a range of possible outcomes. The PD for each individual instrument is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Group segmented its 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. The Group's PDs are mainly categorized into three: (a) corporate; (b) sovereign; and (c) retail.

Loss given default (LGD)
The Group's LGD model considers certain factors such as the historical cash flow recovery and reasonable and supportable information about future economic conditions, where appropriate. Generally, the model utilizes the Group's existing loan exposure rating system which is designed to capture these factors as well as the characteristics of collaterals related to an exposure. In cases wherein this does not apply, the Group looks into the standard characteristics of collaterals (e.g., auto and housing loans) in order to estimate an LGD factor. In the case of exposures without collaterals (e.g., securities), the Group uses internationally-accepted standard LGD factors.

Credit Review
In accordance with BSP Circular 855, credit reviews are conducted on loan accounts to evaluate whether loans are granted in accordance with the Parent Company's policies and to assess loan quality and appropriateness of classification. Results of credit reviews are promptly reported to management to apprise them of any significant findings for proper corrective actions.

Market Risk
Market risk is the risk of loss that may result from changes in the value of a financial product. The Parent Company's market risk originates from its holdings of domestic and foreign-denominated debt securities, foreign exchange instruments, equities, foreign exchange derivatives, and interest rate derivatives.

The RMG of the Parent Company is responsible for assisting the ROC with its responsibility for identifying, measuring, managing, and controlling market risk. Market risk management measures the Parent Company market risk exposures through the use of VaR. VaR is a statistical measure that estimates the maximum potential loss from a portfolio over a holding period, within a given confidence level.

VaR assumptions
The Parent Company calculates the VaR in trading activities. The Parent Company uses the Historical Simulation Full Valuation approach to measure VaR for all treasury traded instruments, using a 99.00% confidence level and a 1-day holding period.

The use of a 99.00% confidence level means that, within a one day horizon, losses exceeding the VaR figure should occur, on average, not more than once every hundred days. The validity of the VaR model is verified through back testing, which examines how frequently actual and hypothetical daily losses exceeds daily VaR. The Parent Company measures and monitors the VaR and profit and loss on a daily basis.

Since VaR is an integral part of the Parent Company's market risk management, VaR limits have been established for all trading positions and exposures are reviewed daily against the limits by management. Further, stress testing is performed for monitoring extreme events.

Limitations of the VaR Methodology

The VaR models are designed to measure market risk in a normal market environment using equally weighted historical data. The use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that future price movements will follow the same distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the assumptions. VaR may also be under- or over-estimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99.00% confidence level.

In practice, the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR models, actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in the VaR calculation. Market risk positions are also subject to regular stress tests to ensure that the Group would withstand an extreme market event.

A summary of the VaR position of the trading portfolio of the Parent Company is as follows:

	Interest Rate[1]	Foreign Exchange[2]	Price[3]	Interest Rate[4]	Interest Rate[5]
			(In Millions)		
2023					
31 December	**₱44.59**	**₱1.94**	**₱31.99**	**₱9.85**	**₱2.45**
Average daily	**54.31**	**39.88**	**35.23**	**10.26**	**2.16**
Highest	**111.63**	**144.42**	**41.34**	**17.44**	**3.94**
Lowest	**16.70**	**1.94**	**24.65**	**5.17**	**0.004**
2022					
31 December	₱14.77	₱38.66	₱24.65	₱6.45	₱2.04
Average daily	31.96	21.83	16.72	4.27	2.16
Highest	60.07	83.37	24.65	9.23	3.76
Lowest	13.89	3.19	9.56	0.75	1.50

[1] Interest rate VaR for debt securities (Interest rate VaR for foreign currency denominated debt securities are translated to PHP using daily closing rate)
[2] FX VaR is the bankwide foreign exchange risk
[3] Price VaR for equity securities and futures
[4] Interest rate VaR for FX swaps and FX forwards
[5] Interest rate VaR for IRS

Interest Rate Risk
The Group's interest rate risk originates from its holdings of interest rate sensitive assets and interest rate sensitive liabilities. The Parent Company follows prudent policies in managing its exposures to interest rate fluctuations, and constantly monitors and discusses its exposure in Asset and Liability Committee (ALCO) meetings held every week.

As of December 31, 2023 and 2022, 57.86% and 60.30% of the Group's total loan portfolio, respectively, comprised of floating rate loans which are repriced periodically by reference to the transfer pool rate which reflects the Group's internal cost of funds. As of December 31, 2023 and 2022, 62.18% and 63.55% of the Parent's total loan portfolio, respectively, were subject to interest repricing. In keeping with banking industry practice, the Group aims to achieve stability and lengthen the term structure of its deposit base, while providing adequate liquidity to cover transactional banking requirements of customers.

Savings account interest rates are set by reference to prevailing market rates, while interest rates on time deposits and special savings accounts are usually priced by reference to prevailing rates of short-term government bonds and other money market instruments, or, in the case of foreign currency deposits, inter-bank deposit rates and other benchmark deposit rates in international money markets with similar maturities.

The Group is likewise exposed to fair value interest rate risk due to its holdings of fixed rate government bonds as part of its financial assets at FVOCI and FVTPL portfolios. Market values of these investments are sensitive to fluctuations in interest rates. The following table provides for the average effective interest rates of the Group and of the Parent Company as of December 31, 2023 and 2022:

	Consolidated		**Parent Company**	
	2023	2022	**2023**	2022
Peso				
Assets				
Due from BSP	**1.68%**	0.80%	**0.81%**	0.58%
Due from banks	**0.09%**	0.10%	**0.04%**	0.05%
Interbank Loans Receivable and SPURA	**5.20%**	3.17%	**5.20%**	3.17%
Investment securities*	**5.60%**	4.71%	**5.63%**	4.74%
Loans and receivables	**7.22%**	6.27%	**6.71%**	5.76%
Liabilities				
Deposit liabilities	**2.42%**	1.03%	**2.19%**	0.96%
Bills payable	–	2.63%	–	2.63%
Bonds payable	**2.74%**	2.97%	**2.74%**	2.97%
USD				
Assets				
Due from banks	**2.44%**	0.65%	**2.44%**	0.65%
Interbank Loans Receivable and SPURA	**5.06%**	1.62%	**5.06%**	1.62%
Investment securities*	**4.08%**	3.75%	**4.10%**	3.77%
Loans and receivables	**5.37%**	3.90%	**5.37%**	3.90%
Liabilities				
Deposit liabilities	**0.73%**	0.52%	**0.73%**	0.52%
Bills payable	**4.22%**	2.26%	**4.22%**	2.26%
Bonds payable	–	3.32%	–	3.32%

** Consists of financial assets at FVTPL, Financial assets at FVOCI, and Investment securities at amortized cost*

The repricing gap analysis method is used by the Group to measure the sensitivity of its assets and liabilities to interest rate fluctuations. This analysis measures the Group's susceptibility to changes in interest rates. The repricing gap is calculated by first distributing the assets and liabilities contained in the Group's balance sheet into tenor buckets according to the time remaining to the next repricing date (or the time remaining to maturity if there is no repricing), and then obtaining the difference between the total of the repricing (interest rate sensitive) assets and the total of repricing (interest rate sensitive) liabilities.

A gap is considered negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities.

Accordingly, during a period of rising interest rates, a bank with a positive gap would be in a position to invest in higher yielding assets earlier than it would need to refinance its interest rate sensitive liabilities. During a period of falling interest rates, a bank with a positive gap would tend to see its interest rate sensitive assets repricing earlier than its interest rate sensitive liabilities, restraining the growth of its net income or resulting in a decline in net interest income.

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

	Consolidated							
	2023				2022			
	Up to 3 Months	**>3 to 12 Months**	**>12 Months**	**Total**	Up to 3 Months	>3 to 12 Months	>12 Months	Total
Financial Assets								
Due from BSP	**₱81,776**	**₱–**	**₱2,820**	**₱84,596**	₱103,609	₱–	₱3,491	₱107,100
Due from other banks	**19,964**	**–**	**–**	**19,964**	13,615	–	–	13,615
Interbank Loans Receivable and SPURA	**34,720**	**–**	**–**	**34,720**	43,565	–	–	43,565
Investment securities	**33,536**	**21,656**	**443,812**	**499,004**	16,606	20,776	368,648	406,030
Loans and receivables	**282,121**	**173,652**	**316,219**	**771,992**	251,017	159,098	289,480	699,595
Total financial assets	**452,117**	**195,308**	**762,851**	**1,410,276**	428,412	179,874	661,619	1,269,905
Financial Liabilities								
Deposit liabilities	**448,556**	**146,122**	**592,046**	**1,186,724**	398,760	72,009	595,146	1,065,915
Bills payable	**54,163**	**19,446**	**11,189**	**84,798**	31,101	15,194	24,080	70,375
Bonds payable	**19,989**	**–**	**–**	**19,989**	–	8,313	20,000	28,313
Total financial liabilities	**522,708**	**165,568**	**603,235**	**1,291,511**	429,861	95,516	639,226	1,164,603
Hedge Receive	**189,870**	**85,373**	**1,232**	**276,475**	61,331	8,363	–	69,694
Hedge Pay	**133,005**	**116,662**	**34,546**	**284,213**	–	–	69,694	69,694
Repricing gap	**(₱13,726)**	**(₱1,549)**	**₱126,302**	**₱111,027**	₱59,882	₱92,721	(₱47,301)	₱105,302

	Parent Company							
	2023				2022			
	Up to 3 Months	**>3 to 12 Months**	**>12 Months**	**Total**	Up to 3 Months	>3 to 12 Months	>12 Months	Total
Financial Assets								
Due from BSP	**₱73,157**	**₱–**	**₱–**	**₱73,157**	₱92,921	₱–	₱–	₱92,921
Due from other banks	**17,353**	**–**	**–**	**17,353**	12,347	–	–	12,347
Interbank Loans Receivable and SPURA	**31,076**	**–**	**–**	**31,076**	41,598	–	–	41,598
Investment securities	**25,375**	**18,534**	**434,612**	**478,521**	14,912	19,767	361,790	396,469
Loans and receivables	**277,318**	**130,565**	**255,299**	**663,182**	246,513	123,243	243,441	613,197
Total financial assets	**424,279**	**149,099**	**689,911**	**1,263,289**	408,291	143,010	605,231	1,156,532

(Forward)

	Parent Company							
	2023				2022			
	Up to 3 Months	**>3 to 12 Months**	**>12 Months**	**Total**	Up to 3 Months	>3 to 12 Months	>12 Months	Total
Financial Liabilities								
Deposit liabilities	**₱402,980**	**₱111,143**	**₱536,452**	**₱1,050,575**	₱370,272	₱50,527	₱538,620	₱959,419
Bills payable	**54,163**	**19,446**	**11,189**	**84,798**	31,101	15,194	24,080	70,375
Bonds payable	**19,989**	**–**	**–**	**19,989**	–	8,313	20,000	28,313
Total financial liabilities	**477,132**	**130,589**	**547,641**	**1,155,362**	401,373	74,034	582,700	1,058,107
Hedge Receive	**189,870**	**85,373**	**1,232**	**276,475**	61,331	8,363	–	69,694
Hedge Pay	**133,005**	**116,662**	**34,546**	**284,213**	–	–	69,694	69,694
Repricing gap	**₱4,012**	**(₱12,779)**	**₱108,956**	**₱100,189**	₱68,249	₱77,339	(₱47,163)	₱98,425

The Group monitors its exposure to fluctuations in interest rates by using scenario analysis to estimate the impact of interest rate movements on its interest income. This is done by modeling the impact to the Group's interest income and interest expenses to parallel changes in the interest rate curve in a given 12-month period. Interest rate risk exposure is managed through approved limits.

The following tables set forth the estimated change in the Group's and Parent Company's annualized net interest income due to a parallel change in the interest rate curve as of December 31, 2023 and 2022 (in millions):

	Consolidated			
	2023			
	Change in interest rates (in basis points)			
	100bp rise	**50bp rise**	**50bp fall**	**100bp fall**
Change in annualized net interest income	**(₱98)**	**(₱49)**	**₱49**	**₱98**
As a percentage of the Group's net interest income for the year ended December 31, 2023	**(0.18%)**	**(0.09%)**	**0.09%**	**0.18%**

	Consolidated			
	2022			
	Change in interest rates (in basis points)			
	100bp rise	50bp rise	50bp fall	100bp fall
Change in annualized net interest income	₱1,294	₱647	(₱647)	(₱1,294)
As a percentage of the Group's net interest income for the year ended December 31, 2022	2.84%	1.42%	(1.42%)	(2.84%)

	Parent Company			
	2023			
	Change in interest rates (in basis points)			
	100bp rise	**50bp rise**	**50bp fall**	**100bp fall**
Change in annualized net interest income	**(₱6)**	**(₱3)**	**₱3**	**₱6**
As a percentage of the Parent Company's net interest income for the year ended December 31, 2023	**(0.01%)**	**(0.01%)**	**0.01%**	**0.01%**

	Parent Company			
	2022			
	Change in interest rates (in basis points)			
	100bp rise	50bp rise	50bp fall	100bp fall
Change in annualized net interest income	₱1,263	₱631	(₱631)	(₱1,263)
As a percentage of the Parent Company's net interest income for the year ended December 31, 2022	3.25%	1.63%	(1.63%)	(3.25%)

The following tables set forth the estimated change in the Group's and Parent Company's income before tax and equity due to a reasonably possible change in the market prices of quoted bonds classified under financial assets at FVTPL and financial assets at FVOCI, brought about by movement in the interest rate curve as of December 31, 2023 and 2022 (in millions):

	Consolidated			
	2023			
	Change in interest rates (in basis points)			
	25bp rise	**10bp rise**	**10bp fall**	**25bp fall**
Change in income before tax	**(₱44)**	**(₱17)**	**₱17**	**₱44**
Change in equity	**(1,416)**	**(566)**	**566**	**1,416**

	Consolidated			
	2022			
	Change in interest rates (in basis points)			
	25bp rise	10bp rise	10bp fall	25bp fall
Change in income before tax	(₱15)	(₱6)	₱6	₱15
Change in equity	(411)	(164)	164	411

	Parent Company			
	2023			
	Change in interest rates (in basis points)			
	25bp rise	**10bp rise**	**10bp fall**	**25bp fall**
Change in income before tax	**(₱42)**	**(₱17)**	**₱17**	**₱42**
Change in equity	**(1,342)**	**(537)**	**537**	**1,342**

	Parent Company			
	2022			
	Change in interest rates (in basis points)			
	25bp rise	10bp rise	10bp fall	25bp fall
Change in income before tax	(₱15)	(₱6)	₱6	₱15
Change in equity	(395)	(158)	158	395

The table below shows the Parent Company's exposures to significant IBOR-related IRS that have yet to transition to a risk-free rate (RFR) as of December 31, 2022. The table excludes exposures that would have matured before the mandatory transition date on June 30, 2023 for the overnight and 1-, 3-, 6-, and 12-month USD LIBOR.

	2022	
	Nominal Amount	Carrying Value
Derivative assets	$175,464	₱9,508
Derivative liabilities	666,000	12,072
Derivative contracts designated as hedges	1,250,000	6,185,749

As of July 1, 2023, all IBOR-related exposures of the Parent Company have transitioned to the RFR and the transition resulted to a net decrease in the fair value of derivative assets (net) amounting to ₱47.07 million.

Foreign Currency Risk

The Group's foreign exchange risk originates from its holdings of foreign currency-denominated assets (foreign exchange assets) and foreign currency-denominated liabilities (foreign exchange liabilities).

Foreign exchange liabilities generally consist of foreign currency-denominated deposits in the Group's FCDU account made in the Philippines or generated from remittances to the Philippines by persons overseas who retain for their own benefit or for the benefit of a third party, foreign currency deposit accounts with the Group.

Foreign currency liabilities are generally used to fund the Group's foreign exchange assets which generally consist of foreign currency-denominated loans and investments in the FCDU. Banks are required by the BSP to match the foreign currency-denominated liabilities with assets held in the FCDU that are denominated in the same foreign currency.

The Group's policy is to maintain foreign currency exposure within existing regulations, and within acceptable risk limits. The Group believes in ensuring its foreign currency is at all times within limits prescribed for financial institutions who are engaged in the same types of businesses in which the Group and its subsidiaries are engaged.

The table below summarizes the Group's and Parent Company's exposure to foreign exchange risk, excluding the US Dollar denominated assets and liabilities under FCDU with functional currency also in US Dollars. Included in the table are the Group's and Parent Company's assets and liabilities at carrying amounts (stated in US Dollars), categorized by currency with its PHP equivalent:

	Consolidated							
	2023				2022			
	USD	**Other Currencies***	**Total in USD**	**PHP**	USD	Other Currencies*	Total in USD	PHP
Assets								
Cash and other cash items	**$383**	**$8,299**	**$8,682**	**₱480,703**	$27	$2,462	$2,489	₱138,809
Due from other banks	**58,388**	**8,367**	**66,755**	**3,696,213**	65,090	5,621	70,711	3,942,531
Financial assets at FVTPL	**–**	**1,497**	**1,497**	**82,936**	150	2,065	2,215	123,504
Financial assets at FVOCI	**–**	**–**	**–**	**–**	–	–	–	–
Investment securities at amortized cost	**–**	**26,799**	**26,799**	**1,483,858**	–	25,953	25,953	1,447,018
Loans and receivables	**59,110**	**27,970**	**87,080**	**4,821,603**	92,025	29,991	122,016	6,803,000
Accrued interest receivable	**32**	**465**	**497**	**27,530**	250	335	585	32,618
Other assets	**20**	**27**	**47**	**2,598**	–	1,203	1,203	67,115
	117,933	**73,424**	**191,357**	**10,595,441**	157,542	67,630	225,172	12,554,595
Liabilities								
Deposit liabilities	**–**	**26,551**	**26,551**	**1,470,129**	–	71,552	71,552	3,989,416
Bills payables	**180,034**	**38,130**	**218,164**	**12,079,922**	241,462	–	241,462	13,462,731
Accrued interest and other expenses	**269**	**1**	**270**	**14,927**	446	1	447	24,890
Other liabilities	**32,904**	**154**	**33,058**	**1,830,413**	54,710	1,258	55,968	3,120,472
	213,207	**64,836**	**278,043**	**15,395,391**	296,618	72,811	369,429	20,597,509
Currency spot	**(107,357)**	**(243)**	**(107,600)**	**(5,957,809)**	11,321	(324)	10,997	613,143
Currency forwards	**3,927,925**	**(9,598)**	**3,918,327**	**216,957,909**	1,793,782	4,406	1,798,188	100,257,988
Net Exposure	**$3,725,294**	**($1,253)**	**$3,724,041**	**₱206,200,150**	$1,666,027	($1,099)	$1,664,928	₱92,828,217

**Other currencies include EUR, CNY, JPY, GBP, AUD, SGD, CHF, CAD, NZD, AED, HKD*

	Parent Company							
	2023				2022			
	USD	Other Currencies*	Total in USD	PHP	USD	Other Currencies*	Total in USD	PHP
Assets								
Cash and other cash items	**$383**	**$8,299**	**$8,682**	**₱480,703**	$27	$2,462	$2,489	₱138,809
Due from other banks	**54,734**	**8,367**	**63,101**	**3,493,920**	63,046	5,621	68,667	3,828,545
Financial assets at FVTPL	**–**	**1,497**	**1,497**	**82,936**	150	2,065	2,215	123,404
Financial assets at FVOCI	**–**	**–**	**–**	**–**	–	–	–	–
Investment securities at amortized cost	**–**	**26,799**	**26,799**	**1,483,858**	–	25,953	25,953	1,447,018
Loans and receivables	**59,110**	**27,970**	**87,080**	**4,821,603**	92,025	29,991	122,016	6,803,000
Accrued interest receivable	**32**	**465**	**497**	**27,530**	250	335	585	32,618
Other assets		**27**	**27**	**1,535**	–	1,203	1,203	67,115
	114,259	**73,424**	**187,683**	**10,392,085**	155,498	67,630	223,128	12,440,509
Liabilities								
Deposit liabilities	**–**	**26,551**	**26,551**	**1,470,129**	–	71,552	71,552	3,989,416
Bills payables	**180,034**	**38,130**	**218,164**	**12,079,922**	241,462	–	241,462	13,462,731
Accrued interest and other expenses	**269**	**1**	**270**	**14,927**	446	1	447	24,890
Other liabilities	**29,251**	**154**	**29,405**	**1,628,151**	52,666	1,258	53,924	3,006,508
	209,554	**64,836**	**274,390**	**15,193,129**	294,574	72,811	367,385	20,483,545
Currency spot	**(107,357)**	**(243)**	**(107,600)**	**(5,957,809)**	11,321	(324)	10,997	613,143
Currency forwards	**3,927,925**	**(9,598)**	**3,918,327**	**216,957,909**	1,793,782	4,406	1,798,188	100,257,988
Net Exposure	**$3,725,273**	**($1,253)**	**$3,724,020**	**₱206,199,056**	$1,666,027	($1,099)	$1,664,928	₱92,828,095

**Other currencies include EUR, CNY, JPY, GBP, AUD, SGD, CHF, CAD, NZD, AED, HKD*

The following table sets forth, for the period indicated, the impact of the range of reasonably possible changes in the US$ exchange rate and other currencies per Philippine Peso on the pre-tax income and equity (in millions).

		Consolidated			
		2023		2022	
	Change in Foreign Exchange Rate	Sensitivity of Pretax Income	Sensitivity of Equity	Sensitivity of Pretax Income	Sensitivity of Equity
USD	**1%**	**₱1**	**₱333**	₱4	₱208
Other	**1%**	**–**	**–**	–	–
USD	**(1%)**	**(1)**	**(333)**	(4)	(208)
Other	**(1%)**	**–**	**–**	–	–

		Parent Company			
		2023		2022	
	Change in Foreign Exchange Rate	Sensitivity of Pretax Income	Sensitivity of Equity	Sensitivity of Pretax Income	Sensitivity of Equity
USD	**1%**	**₱1**	**₱326**	₱4	₱201
Other	**1%**	**–**	**–**	–	–
USD	**(1%)**	**(1)**	**(326)**	(4)	(201)
Other	**(1%)**	**–**	**–**	–	–

The impact in pre-tax income and equity is due to the effect of foreign currency behaviour to Philippine Peso.

Equity Price Risk

Equity price risk is the risk that the fair values of equities change as a result of movements in both the level of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Group's investment portfolio.

The effect on the Group and Parent Company's equity as a result of a change in the fair value of equity instruments held as at FVOCI due to a reasonably possible change in equity indices, with all other variables held constant, is as follows (in millions):

	Consolidated		Parent Company	
	Change in equity index	Effect on Equity	Change in equity index	Effect on Equity
2023	**+10%**	**₱6.4**	**+10%**	**₱6.8**
	−10%	**(7.3)**	**−10%**	**(6.2)**
2022	+10%	₱17.9	+10%	₱17.9
	−10%	7.2	−10%	7.2

Liquidity Risk and Funding Management

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Group's inability to meet its obligations when they become due without incurring unacceptable losses or costs.

The Group's liquidity management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the Group's business operations or unanticipated events created by customer behavior or capital market conditions. The Group seeks to ensure liquidity through a combination of active management of liabilities, a liquid asset portfolio composed of deposits reserves and high quality securities, the securing of money market lines, and the maintenance of repurchase facilities to address any unexpected liquidity situations.

The tables below show the maturity profile of the Group's and the Parent Company's assets and liabilities, based on contractual undiscounted cash flows (in millions):

	Consolidated					
	December 31, 2023					
	On demand	**Less than 1 year**	**1 to 2 years**	**2 to 3 years**	**More than 3 years**	**Total**
Financial Assets						
Cash and other cash items	**₱15,998**	**₱–**	**₱–**	**₱–**	**₱–**	**₱15,998**
Due from BSP	**84,596**	**–**	**–**	**–**	**–**	**84,596**
Due from other banks	**19,964**	**–**	**–**	**–**	**–**	**19,964**
Interbank loans receivable and SPURA	**3,645**	**31,075**	**–**	**–**	**–**	**34,721**
Derivative contracts designated as hedges	**–**	**758**	**1,990**	**3,207**	**–**	**5,955**
Financial assets at FVTPL	**938**	**10,984**	**2,365**	**463**	**2,757**	**17,507**
Financial assets at FVOCI	**–**	**14,538**	**10,127**	**12,526**	**88,473**	**125,664**
Financial assets at AC	**–**	**36,975**	**28,994**	**33,051**	**280,589**	**379,609**
Loans and receivables	**–**	**267,586**	**133,171**	**110,916**	**394,680**	**906,353**
	125,141	**361,916**	**176,647**	**160,163**	**766,499**	**1,590,368**
Financial Liabilities						
Deposit liabilities						
Demand	**291,397**	**–**	**–**	**–**	**–**	**291,397**
Savings	**283,859**	**–**	**–**	**–**	**–**	**283,859**
Time	**–**	**599,900**	**9,083**	**705**	**5,897**	**615,585**
Bills payable	**9,471**	**36,075**	**16,490**	**18,664**	**4,098**	**84,798**
Manager's checks	**–**	**2,109**	**–**	**–**	**–**	**2,109**
Accrued interest and other expenses	**–**	**8,589**	**–**	**–**	**–**	**8,589**

(Forward)

	Consolidated December 31, 2023					
	On demand	**Less than 1 year**	**1 to 2 years**	**2 to 3 years**	**More than 3 years**	**Total**
Derivative contracts designated as hedges	**₱–**	**₱7,437**	**₱66**	**₱17**	**₱–**	**₱7,520**
Derivative liabilities	**–**	**939**	**–**	**–**	**–**	**939**
Bonds payable	**–**	**19,989**	**–**	**–**	**–**	**19,989**
Other liabilities:						
Lease payable	**–**	**147**	**502**	**890**	**1,809**	**3,348**
Accounts payable	**–**	**5,904**	**–**	**–**	**–**	**5,904**
Acceptances payable	**–**	**2,269**	**–**	**–**	**–**	**2,269**
Due to PDIC	**–**	**1,030**	**–**	**–**	**–**	**1,030**
Margin deposits	**–**	**–**	**–**	**–**	**–**	**–**
Other credits – dormant	**–**	**415**	**–**	**–**	**40**	**455**
Due to the Treasurer of the Philippines	**–**	**721**	**–**	**–**	**–**	**721**
Miscellaneous	**–**	**1,103**	**–**	**–**	**–**	**1,103**
Total liabilities	**584,727**	**686,627**	**26,140**	**20,276**	**11,845**	**1,329,617**
Net Position	**(₱459,586)**	**(₱324,711)**	**₱150,507**	**₱139,887**	**₱754,654**	**₱260,751**

	Consolidated December 31, 2022					
	On demand	Less than 1 year	1 to 2 years	2 to 3 years	More than 3 years	Total
Financial Assets						
Cash and other cash items	₱13,689	₱–	₱–	₱–	₱–	₱13,689
Due from BSP	107,100	–	–	–	–	107,100
Due from other banks	13,615	–	–	–	–	13,615
Interbank loans receivable and SPURA	1,967	41,598	–	–	–	43,565
Derivative contracts designated as hedges	–	69	3,506	2,765	–	6,340
Financial assets at FVTPL	1,213	650	88	295	1,254	3,500
Financial assets at FVOCI	–	3,520	3,359	7,284	41,776	55,939
Financial assets at AC	–	35,249	35,289	26,955	260,974	358,467
Loans and receivables	–	184,428	53,992	65,147	414,149	717,716
	137,584	265,514	96,234	102,446	718,153	1,319,931
Financial Liabilities						
Deposit liabilities						
Demand	272,110	–	–	–	–	272,110
Savings	301,331	–	–	–	–	301,331
Time	–	482,104	4,638	2,410	3,321	492,473
Bills payable	5,472	40,823	21,284	2,796	–	70,375
Manager's checks	–	1,551	–	–	–	1,551
Accrued interest and other expenses	–	6,116	–	–	–	6,116
Derivative contracts designated as hedges	–	70	15	4,176	–	4,261
Derivative liabilities	–	1,550	–	–	–	1,550
Bonds payable	–	8,381	19,932	–	–	28,313
Other liabilities:						
Lease payable	–	203	556	799	1,413	2,971
Accounts payable	–	6,557	–	–	–	6,557
Acceptances payable	–	2,912	–	–	–	2,912
Due to PDIC	–	901	–	–	–	901
Margin deposits	–	–	–	–	–	–
Other credits – dormant	–	351	–	–	47	398
Due to the Treasurer of the Philippines	–	535	–	–	–	535
Miscellaneous	–	611	–	–	–	611
Total liabilities	578,913	552,665	46,425	10,181	4,781	1,192,965
Net Position	(₱441,329)	(₱287,151)	₱49,809	₱92,265	₱713,372	₱126,966

	Parent Company					
	December 31, 2023					
	On demand	**Less than 1 year**	**1 to 2 years**	**2 to 3 years**	**More than 3 years**	**Total**
Financial Assets						
Cash and other cash items	**₱13,041**	**₱–**	**₱–**	**₱–**	**₱–**	**₱13,041**
Due from BSP	**73,157**	–	–	–	–	**73,157**
Due from other banks	**17,353**	–	–	–	–	**17,353**
Interbank loans receivable and SPURA	–	**31,076**	–	–	–	**31,076**
Derivative contracts designated as hedges	–	**758**	**1,990**	**3,207**	–	**5,955**
Financial assets at FVTPL	–	**10,984**	**2,365**	**463**	**2,706**	**16,518**
Financial assets at FVOCI	–	**5,561**	**9,914**	**12,120**	**85,354**	**112,949**
Financial assets at AC	–	**36,336**	**26,228**	**32,776**	**277,375**	**372,715**
Loans and receivables	–	**235,674**	**111,610**	**91,004**	**355,019**	**793,307**
	103,551	**320,389**	**152,107**	**139,570**	**720,454**	**1,436,071**
Financial Liabilities						
Deposit liabilities						
Demand	**266,548**	–	–	–	–	**266,548**
Savings	**263,095**	–	–	–	–	**263,095**
Time	–	**517,838**	**6,864**	**173**	**176**	**525,051**
Bills payable	**9,471**	**36,075**	**16,490**	**18,664**	**4,099**	**84,799**
Manager's checks	–	**1,420**	–	–	–	**1,420**
Accrued interest and other expenses	–	**7,499**	–	–	–	**7,499**
Derivative contracts designated as hedges	–	**7,437**	**66**	**17**	–	**7,520**
Derivative liabilities	–	**939**	–	–	–	**939**
Bonds payable	–	**19,989**	–	–	–	**19,989**
Other liabilities:	–	–	–	–	–	–
Lease payable	–	**70**	**348**	**890**	**1,271**	**2,579**
Accounts payable	–	**4,378**	–	–	–	**4,378**
Acceptances payable	–	**2,269**	–	–	–	**2,269**
Due to PDIC	–	**1,030**	–	–	–	**1,030**
Margin deposits	–	–	–	–	–	–
Other credits – dormant	–	**415**	–	–	–	**415**
Due to the Treasurer of the Philippines	–	**677**	–	–	–	**677**
Miscellaneous	–	**929**	–	–	–	**929**
Total liabilities	**539,114**	**600,965**	**23,768**	**19,744**	**5,546**	**1,189,137**
Net Position	**(₱435,563)**	**(₱280,576)**	**128,339**	**₱119,826**	**₱714,908**	**₱246,934**

	Parent Company					
	December 31, 2022					
	On demand	Less than 1 year	1 to 2 years	2 to 3 years	More than 3 years	Total
Financial Assets						
Cash and other cash items	₱10,074	₱–	₱–	₱–	₱–	₱10,074
Due from BSP	92,921	–	–	–	–	92,921
Due from other banks	12,347	–	–	–	–	12,347
Interbank loans receivable and SPURA	–	41,598	–	–	–	41,598
Derivative contracts designated as hedges	–	69	3,506	2,765	–	6,340
Financial assets at FVTPL	–	650	88	295	1,254	2,287
Financial assets at FVOCI	–	3,071	2,719	7,097	40,886	53,773
Financial assets at AC		34,689	34,743	24,218	258,635	352,285
Loans and receivables	–	156,001	38,515	52,315	380,724	627,555
	115,342	236,078	79,571	86,690	681,499	1,199,180
Financial Liabilities						
Deposit liabilities						
Demand	248,861	–	–	–	–	248,861
Savings	279,502	–	–	–	–	279,502
Time	–	430,436	548	56	16	431,056

(Forward)

	Parent Company					
	December 31, 2022					
	On demand	Less than 1 year	1 to 2 years	2 to 3 years	More than 3 years	Total
Bills payable	₱5,472	₱40,823	₱21,284	₱2,796	₱–	₱70,375
Manager's checks	–	1,296	–	–	–	1,296
Accrued interest and other expenses	–	5,400	–	–	–	5,400
Derivative contracts designated as hedges	–	70	15	4,176	–	4,261
Derivative liabilities	–	1,550	–	–	–	1,550
Bonds payable	–	8,381	19,932	–	–	28,313
Other liabilities:	–	–	–	–	–	–
Lease payable	–	41	329	799	1,224	2,393
Accounts payable	–	4,694	–	–	–	4,694
Acceptances payable	–	2,912	–	–	–	2,912
Due to PDIC	–	901	–	–	–	901
Margin deposits	–	–	–	–	–	–
Other credits – dormant	–	351	–	–	–	351
Due to the Treasurer of the Philippines	–	503	–	–	–	503
Miscellaneous	–	461	–	–	–	461
Total liabilities	533,835	497,819	42,108	7,827	1,240	1,082,829
Net Position	(₱418,493)	(₱261,741)	₱37,463	₱78,863	₱680,259	₱116,351

Liquidity risk is monitored and controlled primarily by a gap analysis of maturities of relevant assets and liabilities reflected in the MCO report, as well as an analysis of available liquid assets. Instead of relying solely on contractual maturities profile, the Parent Company uses Behavioral MCO to capture a going concern view. Furthermore, internal liquidity ratios and monitoring of large fund providers have been set to determine sufficiency of liquid assets over deposit liabilities. Liquidity is managed by the Parent Company and its subsidiaries on a daily basis, while scenario stress tests and sensitivity analysis are conducted periodically.

7. Due From BSP and Other Banks

Due from BSP

This account consists of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Demand deposit account (Note 17)	**₱70,715,958**	₱77,550,280	**₱67,756,976**	₱73,920,525
Special deposit account	**13,880,000**	29,550,000	**5,400,000**	19,000,000
Others	**15**	15	**15**	15
	₱84,595,973	₱107,100,295	**₱73,156,991**	₱92,920,540

Due from Other Banks

This consists of deposit accounts with:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Local banks	**₱12,413,625**	₱7,284,505	**₱12,413,625**	₱7,284,505
Foreign banks	**7,550,790**	6,330,104	**4,939,205**	5,062,664
	₱19,964,415	₱13,614,609	**₱17,352,830**	₱12,347,169

Due from Other Banks includes margin deposits with various counterparties to meet the collateral requirements for the Parent Company's interbank loans payable (Note 19).

Interest Income on Due from BSP and Other Banks
This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Due from BSP	**₱274,996**	₱218,951	₱311,645	**₱176,246**	₱136,287	₱129,874
Due from other banks	**1,770,997**	948,607	1,216,160	**872,971**	656,515	1,088,850
	₱2,045,993	₱1,167,558	₱1,527,805	**₱1,049,217**	₱792,802	₱1,218,724

The average interest rates on Due from BSP and Other Banks are disclosed in Note 6.

8. Interbank Loans Receivable and Securities Purchased Under Resale Agreements

This account consists of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Interbank loans receivable	**₱22,088,980**	₱28,769,544	**₱22,088,980**	₱28,769,545
SPURA	**12,631,270**	14,795,426	**8,986,674**	12,828,404
	₱34,720,250	₱43,564,970	**₱31,075,654**	₱41,597,949

Interbank Loans Receivable
As of December 31, 2023 and 2022, interbank loans receivable includes short-term foreign currency-denominated loans granted to other banks.

In 2023, 2022, and 2021, the interest rates of foreign currency-denominated interbank loans receivable range from 5.35%% to 5.45%%, from 4.25% to 4.60%, and from 0.05% to 0.16%, respectively.

Securities Purchased Under Resale Agreement
This account represents overnight placements with the BSP where the underlying securities cannot be sold or repledged to parties other than the BSP.

Interest rates of SPURA for both the Group and the Parent Company range from 5.50% to 6.41% in 2023, from 2.00% to 5.00% in 2022, and a fixed rate of 2.00% in 2021.

9. Trading and Investment Securities

Financial Assets at FVTPL

This account consists of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Held for trading				
Government bonds	**₱8,186,880**	₱382,861	**₱8,135,980**	₱382,861
Treasury notes	**1,135,824**	563,548	**1,135,824**	563,548
Treasury bills	**772,482**	201,779	**772,482**	201,779
Private bonds	**1,252,276**	760,600	**1,252,276**	760,600
Quoted equity shares	**897,898**	700,112	**572,061**	590,126
	12,245,360	2,608,900	**11,868,623**	2,498,914
Financial assets designated at FVTPL	**612,487**	1,103,018	–	–
Derivative contracts not designated as hedges (Note 26)	**773,440**	1,015,662	**773,440**	1,015,662
Total	**₱13,631,287**	₱4,727,580	**₱12,642,063**	₱3,514,576

As of December 31, 2023 and 2022, HFT securities include fair value gain of ₱53.64 million and fair value loss of ₱98.39 million, respectively, for the Group. As of December 31, 2023 and 2022, HFT securities include fair value loss of ₱10.85 million and fair value loss of ₱91.18 million, respectively, for the Parent Company.

Effective interest rates for peso-denominated financial assets at FVTPL for both the Group and the Parent Company range from 0.32% to 9.08% in 2023, from 0.18% to 8.98% in 2022, and from 0.65% to 8.80% in 2021. Effective interest rates for foreign currency-denominated financial assets at FVTPL for the Group and Parent Company range from 2.10% to 10.16% in 2023, from 1.27% to 6.84% in 2022, and from 0.12% to 7.10% in 2021.

Financial Assets at FVOCI

This account consists of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Debt Securities				
Government bonds (Note 29)	**₱85,137,369**	₱27,447,647	**₱72,624,878**	₱25,454,732
Private bonds	**19,774,579**	15,236,902	**19,686,382**	15,088,429
	104,911,948	42,684,549	**92,311,260**	40,543,161
Equity Securities				
Quoted equity shares	**1,601,596**	603,898	**1,495,421**	588,192
Unquoted equity shares	**27,943**	28,310	**19,755**	19,772
	1,629,539	632,208	**1,515,176**	607,964
Total	**₱106,541,487**	₱43,316,757	**₱93,826,436**	₱41,151,125

Unquoted equity securities

This account consists of shares of stocks of various unlisted private corporations. The Group has designated these equity securities as at FVOCI as these will not be sold in the foreseeable future.

Net unrealized gains (losses)
As of December 31, 2023 and 2022, financial assets at FVOCI include fair value losses of ₱1.55 billion and ₱4.42 billion, respectively, for both the Group and the Parent Company. The fair value losses are recognized in OCI. As of December 31, 2023, accumulated credit losses on debt financial assets at FVOCI recognized in OCI amounted to ₱134.81 million and ₱134.78 million for the Group and the Parent Company, respectively, while as of December 31, 2022, it amounted to ₱124.31 million and ₱124.38 million for the Group and the Parent Company, respectively.

Effective interest rates for peso-denominated financial assets at FVOCI for both the Group and Parent Company range from 2.08% to 8.58% in 2023, from 1.75% to 8.50% in 2022, and from 1.40% to 5.40% in 2021.

Effective interest rates for foreign currency-denominated financial assets at FVOCI for both the Group and Parent Company range from 1.37% to 7.95% in 2023 and 2022, and from 0.83% to 7.00% in 2021.

Investment Securities at Amortized Cost
This account consists of:

	Consolidated		**Parent Company**	
	2023	2022	**2023**	2022
Government bonds (Note 19)	**₱251,385,497**	₱226,517,019	**₱245,233,998**	₱221,225,162
Private bonds	**126,773,880**	129,128,451	**126,228,229**	128,434,431
	378,159,377	355,645,470	**371,462,227**	349,659,593
Unamortized premium – net	**2,843,560**	2,879,276	**2,640,762**	2,676,055
Allowance for credit losses (Note 16)	**(541,516)**	(538,820)	**(535,447)**	(532,771)
	₱380,461,421	₱357,985,926	**₱373,567,542**	₱351,802,877

Effective interest rates for peso-denominated investment securities at amortized cost for the Group and the Parent Company range from 1.85% to 7.14% in 2023, from 1.66% to 7.14% in 2022, and from 1.28% to 7.14% in 2021. Effective interest rates for foreign currency-denominated investment securities at amortized cost for the Group and the Parent Company range from 0.57% to 10.34% in 2023, 2022 and 2021.

Redemption and Sale of Investment Securities at Amortized Cost
In 2023 and 2022, investment securities at amortized cost held by the Parent Company with carrying values prior to redemption of ₱1.65 billion and ₱76.9 million, respectively, were redeemed by their respective counterparty issuers in accordance with the terms and conditions in the bond indentures which resulted in a gain of ₱0.08 million and ₱1.92 million, respectively. In 2021, the Parent Company sold investment securities at amortized cost with carrying values prior to the sale amounting to ₱55.77 billion, which resulted in a gain of ₱4.06 billion, primarily due to liquidity-related reasons.

These redemptions and disposals of investment securities at amortized cost were assessed by the Parent Company as not inconsistent with the portfolios' business models considering the conditions and reasons for which the redemptions and disposals were made (see Note 3).

Interest Income on Investment Securities at Amortized Cost and at FVOCI
This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Financial assets at FVOCI	₱4,087,792	₱1,479,250	₱900,827	₱3,885,167	₱1,423,113	₱847,216
Investment securities at amortized cost	19,148,548	13,580,803	8,292,920	18,845,660	13,353,283	8,087,436
	₱23,236,340	₱15,060,053	₱9,193,747	₱22,730,827	₱14,776,396	₱8,934,652

10. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Loans and discounts				
Corporate and commercial lending	₱597,912,215	₱555,410,114	₱583,652,086	₱539,155,413
Consumer lending	180,783,562	144,464,852	82,367,782	70,988,726
Trade-related lending	12,197,414	17,725,069	11,913,049	17,391,202
Others*	102,047	115,200	15,998	19,126
	790,995,238	717,715,235	677,948,915	627,554,467
Unearned discounts	(1,622,481)	(1,177,922)	(440,915)	(182,760)
	789,372,757	716,537,313	677,508,000	627,371,707
Allowance for impairment and credit losses (Note 16)	(17,380,998)	(16,942,524)	(14,325,851)	(14,174,453)
	₱771,991,759	₱699,594,789	₱663,182,149	₱613,197,254

*Others include employee loans and foreign bills purchased

Information on the amounts of secured and unsecured loans and receivables (gross of unearned discounts and allowance for impairment and credit losses) of the Group and Parent Company are as follows:

	Consolidated				Parent Company			
	2023		2022		2023		2021	
	Amounts	%	Amounts	%	Amounts	%	Amounts	%
Loans secured by								
Real estate	₱109,418,722	13.83	₱94,305,837	13.14	₱74,868,845	11.04	₱63,717,907	10.15
Chattel mortgage	25,099,865	3.17	21,083,673	2.94	6,256,291	0.92	4,708,259	0.75
Guarantee by the Republic of the Philippines	65,508	0.01	80,362	0.01	65,508	0.01	80,362	0.01
Deposit hold out	6,759,661	0.86	6,034,139	0.84	6,521,592	0.96	5,765,877	0.92
Shares of stock of other banks	8,323,900	1.05	8,332,250	1.16	8,323,900	1.23	8,332,250	1.33
Others*	122,306,961	15.46	104,383,376	14.54	122,216,525	18.03	104,276,013	16.62
	271,974,617	34.38	234,219,637	32.63	218,252,661	32.19	186,880,668	29.78
Unsecured loans	519,020,621	65.62	483,495,598	67.37	459,696,254	67.81	440,673,799	70.22
	₱790,995,238	100.00	₱717,715,235	100.00	₱677,948,915	100.00	₱627,554,467	100.00

*Others includes loans secured by shares of stocks of other firms, deed of assignment of accounts receivable, assignment/pledge of government securities, mortgage trust indenture, and other collaterals.

Modification of Loans and Receivables

COVID-19 Pandemic
In 2020, the Group provided payment reliefs / grace periods in accordance with Bayanihan to Heal as One Act ("Bayanihan 1 Act") and Bayanihan to Recover as One Act ("Bayanihan 2 Act") which were enacted on March 25, 2020 and September 11, 2020, respectively. In addition, the Group offered financial reliefs, aside from those covered by Bayanihan 1 Act and Bayanihan 2 Act, to their borrowers or counterparties as a response to the effect of the COVID-19 pandemic, particularly the modification of existing loans and receivables which includes extension of payment terms.

Based on the Group's assessments, the modifications in the contractual cash flows as a result of the above reliefs are not substantial and, therefore, do not result in the derecognition of the affected financial assets but would require the recognition of modification losses. The total modification losses resulting from Bayanihan 1 Act and Bayanihan 2 Act are not material for the Parent Company. For CBSI, the total modification loss in 2020 amounted to ₱203.75 million. In 2023 and 2022, the accretion on the modified loans amounted to ₱9.95 million and ₱44.09 million, respectively.

Assignment and Leaseback Transaction with a Repurchase Option
In 2023, the Parent Company (assignee-lessor) entered into an assignment and leaseback transaction with option to repurchase as settlement of a loan receivable, which was assessed by the Parent Company as a loan modification in accordance with the applicable accounting standards (see Note 2). The Parent Company assessed that the modification in the contractual cash flows under the terms of the transaction is 'not substantial' and, therefore, does not result in the derecognition of the original loan receivable. As a result of the transaction, the Parent Company recognized a modification gain included under 'Miscellaneous income' amounting to ₱163.21 million (Note 22). As of December 31, 2023, the unamortized balance of the modification gain amounted to ₱138.51 million, net of amortization due to accretion amounting to ₱24.70 million.

Interest Income on Loans and Receivables
As of December 31, 2023 and 2022, 57.86% and 60.30%, respectively, of the total receivables from customers of the Group and 62.16% and 63.55%, respectively, of the total receivables from customers of the Parent Company were subject to interest repricing.

Remaining receivables of the Group carry annual fixed interest rates ranging from 2.00% to 39.42% in 2023, from 2.00% to 39.42% in 2022, and from 1.75% to 39.42% in 2021 for peso-denominated receivables, and from 3.00% to 10.50% in 2023, from 4.00% to 10.50% in 2022, and from 2.25% to 10.50% in 2021 for foreign currency-denominated receivables.

Remaining receivables of the Parent Company carry annual fixed interest rates ranging from 2.00% to 30.00% in 2023, from 2.00% to 30.00% in 2022, and from 1.75% to 30.00% in 2021 for peso-denominated receivables and from 3.00% to 10.50% in 2023, from 4.00% to 10.50% in 2022, and from 2.38% to 10.50% in 2021 for foreign currency-denominated receivables.

11. **Equity Investments**

This account consists of investments in:

A. Subsidiaries

	2023	2022
Balance at beginning of the year		
CBSI	**₱15,591,412**	₱14,059,458
CBCC	**3,017,191**	2,694,466
CBC-PCCI	**44,953**	80,625
CIBI	**410,240**	356,796
	19,063,796	17,191,345
Share in net income (losses)		
CBSI	**1,851,012**	1,624,613
CBCC	**550,838**	318,085
CBC-PCCI	**27,200**	(3,440)
CIBI	**112,647**	105,428
	2,541,697	2,044,686
Share in Other Comprehensive Income		
Items that recycle to profit or loss in subsequent periods:		
Net unrealized gain (loss) on debt financial assets FVOCI		
CBSI	**62,206**	(120,193)
CBCC	**(96,469)**	13,172
	(34,263)	(107,021)
Cumulative translation adjustments		
CBSI	**81,508**	34,911
	81,508	34,911
Items that do not recycle to profit or loss in subsequent periods:		
Net unrealized gain (loss) on equity financial assets at FVOCI		
CBSI	**8,774**	(3,789)
CBCC	**81,659**	(10,585)
	90,433	(14,374)
Remeasurement gains (losses) on defined benefit assets/obligations		
CBSI	**(41,539)**	(3,588)
CBCC	**(2,124)**	2,053
CBC-PCCI	**(3,449)**	(7,232)
CIBI	**(4,157)**	(1,984)
	(51,269)	(10,751)
Additional investments		
CBSI	**1,000,064**	–
	1,000,064	–

(Forward)

	2023	2022
Cash dividends		
CBC-PCCI	**(₱15,000)**	(₱25,000)
CIBI	**(60,000)**	(50,000)
	(75,000)	(75,000)
Balance at end of the year		
CBSI	**18,553,395**	15,591,412
CBCC	**3,551,095**	3,017,191
CBC-PCCI	**53,746**	44,953
CIBI	**458,730**	410,240
	₱22,616,966	₱19,063,796

B. Associates:

	2023	2022
Balance at beginning of the year	**₱983,243**	₱796,519
Share in net income	**435,075**	285,059
Share in OCI:		
Item that recycle to profit or loss in subsequent periods:		
Net unrealized gain (loss) on FVOCI	**140,244**	(213,444)
Items that do not recycle to profit or loss in subsequent periods:		
Remeasurement gain (loss) on life insurance reserves	**(4,284)**	110,416
Remeasurement gain (loss) on defined benefit plan	**(4,326)**	4,693
Cash dividends	**(160,000)**	–
Balance at end of the year	**₱1,389,952**	₱983,243

CBSI

Cost of investment includes the original amount incurred by the Parent Company from its acquisition of CBSI in 2007 amounting to ₱1.07 billion.

On August 2, 2023, the BOD of the Parent Company took up and approved, confirmed, and ratified the capital infusion amounting to ₱2.00 billion to China Bank Savings, Inc. (CBSI), in order to support CBSI's sustained loan expansion and enhance its ability to cover and serve more segments of the banking and unbanked population. The additional capital is to be infused to CBSI in tranches and is based on certain conditions. On December 22, 2023, the Parent Company infused additional capital to CBSI amounting to ₱1.00 billion.

Merger of CBSI with PDB

The BOD of both CBSI and PDB, in their meeting held on June 26, 2014, approved the proposed merger of PDB with CBSI, with the latter as the surviving bank. On November 6, 2015, the BSP issued the Certificate of Authority on the Articles of Merger and the Plan of Merger, as amended, of CBSI and PDB. On December 17, 2015, CBSI obtained SEC's approval of its merger with PDB, whereby the entire assets and liabilities of PDB shall be transferred to and absorbed by CBSI.

Acquisition of PDB
In 2014, the Parent Company made tender offers to non-controlling stockholders of PDB. As of December 31, 2014, the Parent Company owns 99.85% and 100.00% of PDB's outstanding common and preferred stocks, respectively.

The consideration transferred for the acquisition of PDB amounted to:

Acquisition of majority of PDB's capital stock	₱1,421,346
Tender offers	255,354
	₱1,676,700

In 2014 and 2015, the Parent Company made additional capital infusion to PDB amounting to ₱1.30 billion and ₱1.70 billion, respectively.

In 2015, the Monetary Board (MB) of the BSP granted to the Group investment and merger incentives in the form of waiver of special licensing fees for 67 additional branch licenses in restricted areas. This is in addition to the initial investment and merger incentives of 30 new branches in restricted areas and 35 branches to be transferred from unrestricted to restricted areas granted to the Parent Company by the MB in 2014. These branch licenses were granted under the Strengthening Program for Rural Bank (SPRB) Plus Framework.

The branch licenses have the following fair values:

114 Commercial Bank branch licenses	₱2,280,000
18 Thrift Bank branch licenses	270,000
	2,550,000
Deferred tax liability	(765,000)
	₱1,785,000

On April 6, 2016, the Parent Company's BOD approved the allocation of the 67 additional branch licenses in restricted areas as follows: 49 to the Parent Company and 18 to CBSI. Goodwill from acquisition of PDB is computed as follows:

Consideration transferred		₱1,676,700
Less: Fair value of identifiable assets and liabilities acquired		
Net liabilities of PDB*	(₱725,207)	
Branch licenses, net of deferred tax liability (Note 14)	1,785,000	1,059,793
		₱616,907

**inclusive of the existing branch licenses of PDB with an aggregate fair value of ₱289.50 million (Note 14)*

CIBI
On February 21, 2023, the BOD of CIBI declared and approved cash dividends amounting to ₱60.00 million for stockholders on record as of declaration date, payable on March 1, 2023.

On February 8, 2022, the BOD of CIBI declared and approved cash dividends amounting to ₱50.00 million for stockholders on record as of declaration date, payable on March 1, 2022.

CBC-PCCI
On June 14, 2023, the BOD of CBC-PCCI declared and approved cash dividends amounting to ₱15.00 million for stockholders on record as of July 31, 2023, payable on August 15, 2023.

On June 1, 2022, the BOD of CBC-PCCI declared and approved cash dividends amounting to ₱25.00 million for stockholders on record as of July 30, 2022, payable on August 5, 2022.

CBCC
On April 1, 2015, the BOD approved the investment of the Parent Company in an investment house subsidiary, CBCC, up to the amount of ₱500.00 million. On April 30, 2015, the BSP approved the Parent Company's investment of up to 100% or up to ₱500.00 million common shares in CBCC. On November 27, 2015, the SEC approved the Articles of Incorporation and By-Laws of CBCC and granted CBCC the license to operate as an investment house.

CBCC acquisition of CBCSec (formerly ATC Securities, Inc.)
On May 19, 2016, the BOD of CBCC approved the acquisition of ATC Securities, Inc. (ATC).

On June 29, 2016, CBCC and the shareholders of ATC (the Original Shareholders) entered into an Agreement for the Purchase of Shares whereby CBCC agreed to buy, and the Original Shareholders agreed to sell, 3,800,000 shares representing 100% of the issued and outstanding shares of ATC.

On July 6, 2017, the SEC approved the change of name from ATC Securities, Inc. to China Bank Securities Corporation.

CBC Assets One (SPC), Inc.
CBC Assets One (SPC), Inc. was incorporated on June 15, 2016 as a wholly-owned special purpose company of CBCC for asset-backed securitization. It has not yet commenced commercial operations.

Resurgent Capital (FIST-AMC), Inc.
Resurgent Capital (FIST-AMC), Inc. was incorporated on September 6, 2021 as a wholly-owned FIST Corporation of CBCC. The primary purpose is to invest in, or acquire, Non-Performing Assets ("NPAs") of any financial institution. It has not yet commenced commercial operations.

Investment in Associates
Investment in associates in the consolidated and the parent company financial statements pertain to investment in MCB Life and CBC-PCCI's investment in Urban Shelters (accounted for by CBC−PCCI in its financial statements as an investment in an associate). Investment in Urban Shelters is carried at nil amount as of December 31, 2023 and 2022.

MCB Life
In 2006, the Parent Company and Manufacturers Life Insurance Company (Manulife) entered into a joint project where the Parent Company will invest in a life insurance company owned by Manulife, and such company will be offering innovative insurance and financial products for health, wealth, and education through the Parent Company's branches nationwide. The Parent Company acquired 5.00% interest in Manulife China Bank Life Assurance Corporation (MCB Life) on August 8, 2007. This investment is accounted for as an investment in an associate by virtue of the Bancassurance Alliance Agreement which provides the Parent Company the right to be represented in MCB Life's BOD and, thus, exercise significant influence over the latter.

The BSP requires the Parent Company to maintain a minimum of 5.00% ownership over MCB Life in order for MCB Life to be allowed to continue distributing its insurance products through the Parent Company's branches.

On September 12, 2014, the BSP approved the request of the Parent Company to raise its capital investment in MCB Life from 5.00% to 40.00% of its authorized capital through purchase of 1.75 million common shares.

On June 30, 2023, the Parent Company received ₱160.00 million cash dividends from MCB Life. The following tables show the summarized financial information of MCB Life:

	2023	2022
Total assets	**₱64,827,549**	₱62,278,613
Total liabilities	**61,352,672**	59,869,929
Equity	**3,474,877**	2,408,684

	2023	2022
Revenues	**₱11,604,711**	₱13,402,185
Benefits, claims and operating expenses	**10,184,949**	12,540,513
Income before income tax	**1,419,762**	861,672
Net income	**1,087,688**	712,647

Commission income earned by the Group from its bancassurance agreement is included under 'Miscellaneous income' in the statements of income (Note 22).

12. Bank Premises, Furniture, Fixtures and Equipment and Right-of-use Assets

The composition of and movements in this account follow:

	Consolidated							
	2023							
	Land (Note 24)	Furniture, Fixtures and Equipment	Buildings	Leasehold Improvements	Construction-in-Progress	Right-of-use Assets Land	Right-of-use Assets Building	Total
Cost								
Balance at beginning of year	**₱4,039,674**	**₱7,867,507**	**₱2,341,062**	**₱2,577,648**	**₱197,953**	**₱173,372**	**₱4,442,821**	**₱21,640,037**
Additions	**2,081**	**780,722**	**128,359**	**237,706**	**224,144**	**178,795**	**864,202**	**2,416,009**
Disposals/transfers (Note 14)	**–**	**(235,226)**	**(117,112)**	**(52,902)**	**(83,923)**	**(19,809)**	**(263,756)**	**(772,728)**
Balance at end of year	**4,041,755**	**8,413,003**	**2,352,309**	**2,762,452**	**338,174**	**332,358**	**5,043,267**	**23,283,318**
Accumulated Depreciation and Amortization								
Balance at beginning of year	**–**	**6,705,162**	**1,536,021**	**1,963,439**	**–**	**100,813**	**1,997,342**	**12,302,777**
Depreciation and amortization	**–**	**481,955**	**93,548**	**214,137**	**–**	**54,980**	**852,490**	**1,697,110**
Disposals/transfers (Note 14)	**–**	**(116,446)**	**(191,551)**	**(16,662)**	**–**	**(32,062)**	**(438,692)**	**(795,413)**
Balance at end of year	**–**	**7,070,671**	**1,438,018**	**2,160,914**	**–**	**123,731**	**2,411,140**	**13,204,474**
Net Book Value at End of Year	**₱4,041,755**	**₱1,342,332**	**₱914,291**	**₱601,538**	**₱338,174**	**₱208,627**	**₱2,632,127**	**₱10,078,844**

	Consolidated							
	2022							
	Land (Note 24)	Furniture, Fixtures and Equipment	Buildings	Leasehold Improvements	Construction-in-Progress	Right-of-use Assets Land	Right-of-use Assets Building	Total
Cost								
Balance at beginning of year	₱3,288,630	₱7,591,749	₱2,135,583	₱2,332,201	₱164,049	₱173,372	₱4,083,498	₱19,769,082
Additions	751,044	672,624	100,908	258,753	166,042	–	591,492	2,540,863
Disposals/transfers (Note 14)	–	(396,866)	104,571	(13,306)	(132,138)	–	(232,169)	(669,908)
Balance at end of year	4,039,674	7,867,507	2,341,062	2,577,648	197,953	173,372	4,442,821	21,640,037
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	6,502,808	1,285,935	1,792,013	–	85,578	1,869,889	11,536,223
Depreciation and amortization	–	499,943	69,362	204,736	–	15,235	662,836	1,452,112
Disposals/transfers (Note 14)	–	(297,589)	180,724	(33,310)	–	–	(535,383)	(685,558)
Balance at end of year	–	6,705,162	1,536,021	1,963,439	–	100,813	1,997,342	12,302,777
Net Book Value at End of Year	₱4,039,674	₱1,162,345	₱805,041	₱614,209	₱197,953	₱72,559	₱2,445,479	₱9,337,260

	Parent Company							
	2023							
	Land (Note 24)	**Furniture, Fixtures and Equipment**	**Buildings**	**Leasehold Improvements**	**Construction-in-Progress**	**Right-of-use Assets Land**	**Right-of-use Assets Building**	**Total**
Cost								
Balance at beginning of year	**₱3,641,705**	**₱6,427,184**	**₱1,587,263**	**₱1,766,195**	**₱69,136**	**₱181,451**	**₱3,430,246**	**₱17,103,180**
Additions	**2,081**	**567,149**	**101,390**	**140,498**	**148,428**	**178,795**	**450,682**	**1,589,023**
Disposals/transfers (Note 14)	**–**	**(72,753)**	**(117,112)**	**(52,902)**	**(2,469)**	**(19,809)**	**(65,839)**	**(330,884)**
Balance at end of year	**3,643,786**	**6,921,580**	**1,571,541**	**1,853,791**	**215,095**	**340,437**	**3,815,089**	**18,361,319**
Accumulated Depreciation and Amortization								
Balance at beginning of year	**–**	**5,503,828**	**1,015,974**	**1,320,605**	**–**	**100,813**	**1,491,398**	**9,432,618**
Depreciation and amortization	**–**	**365,613**	**89,252**	**137,026**	**–**	**54,980**	**629,178**	**1,276,049**
Disposals/transfers (Note 14)	**–**	**52,722**	**(191,313)**	**(16,662)**	**–**	**(32,062)**	**(246,152)**	**(433,467)**
Balance at end of year	**–**	**5,922,163**	**913,913**	**1,440,969**	**–**	**123,731**	**1,874,424**	**10,275,200**
Net Book Value at End of Year	**₱3,643,786**	**₱999,417**	**₱657,628**	**₱412,822**	**₱215,095**	**₱216,706**	**₱1,940,665**	**₱8,086,119**

	Parent Company							
	2022							
	Land (Note 24)	Furniture, Fixtures and Equipment	Buildings	Leasehold Improvements	Construction-in-Progress	Right-of-use Assets Land	Right-of-use Assets Building	Total
Cost								
Balance at beginning of year	₱2,890,661	₱6,274,945	₱1,411,257	₱1,641,021	₱7,593	₱181,451	₱3,046,270	15,453,198
Additions	751,044	513,336	71,435	138,480	66,717	–	469,136	2,010,148
Disposals/transfers (Note 14)	–	(361,097)	104,571	(13,306)	(5,174)	–	(85,160)	(360,166)
Balance at end of year	3,641,705	6,427,184	1,587,263	1,766,195	69,136	181,451	3,430,246	17,103,180
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	5,380,492	765,171	1,205,028	–	85,578	1,416,790	8,853,059
Depreciation and amortization	–	354,034	58,696	199,125	–	15,235	463,892	1,090,982
Disposals/transfers (Note 14)	–	(230,698)	192,107	(83,548)	–	–	(389,284)	(511,423)
Balance at end of year	–	5,503,828	1,015,974	1,320,605	–	100,813	1,491,398	9,432,618
Net Book Value at End of Year	₱3,641,705	₱923,356	₱571,289	₱445,590	₱69,136	₱80,638	₱1,938,848	₱7,670,562

The Group adopted the deemed cost model as of January 1, 2004 and considered the carrying value of the land determined under its previous accounting method (revaluation method) as the deemed cost of the asset as of January 1, 2005. Accordingly, revaluation increment amounting to ₱1.28 billion was closed to surplus (Note 24) in 2011.

As of December 31, 2023 and 2022, the gross carrying amount of fully depreciated furniture, fixtures and equipment still in use amounted to ₱3.66 billion and ₱3.45 billion, respectively, for the Group and ₱2.76 billion and ₱2.67 billion, respectively, for the Parent Company.

Gains on sale of furniture, fixtures and equipment amounting to ₱1.50 million, ₱2.40 million and nil in 2023, 2022, and 2021, respectively, for the Group and the Parent Company are included in the statements of income under ‘Miscellaneous income’ account (Note 22).

In 2021, depreciation and amortization amounting to ₱1.47 billion and ₱1.11 billion for the Group and Parent Company, respectively, are included in the statements of income under ‘Depreciation and amortization’ account.

13. Investment Properties

The composition of and movements in this account follow:

	Consolidated		
	2023		
	Land	**Buildings and Improvements**	**Total**
Cost			
Balance at beginning of year	**₱2,827,624**	**₱2,808,393**	**₱5,636,017**
Additions	**683,873**	**432,569**	**1,116,442**
Disposals/write-off/transfers	**(991,880)**	**(330,799)**	**(1,322,679)**
Balance at end of year	**2,519,617**	**2,910,163**	**5,429,780**
Accumulated Depreciation and Amortization			
Balance at beginning of year	**–**	**1,014,155**	**1,014,155**
Depreciation and amortization	**–**	**158,481**	**158,481**
Disposals/write-off/transfers	**–**	**(103,304)**	**(103,304)**
Balance at end of year	**–**	**1,069,332**	**1,069,332**
Allowance for Impairment Losses (Note 16)			
Balance at beginning of year	**437,043**	**269,928**	**706,971**
Reversals during the year	**(36,396)**	**(5,081)**	**(41,477)**
Disposals/write-off/transfers	**(300,751)**	**59,593**	**(241,158)**
Balance at end of year	**99,896**	**324,440**	**424,336**
Net Book Value at End of Year	**₱2,419,721**	**₱1,516,391**	**₱3,936,112**

	Consolidated		
	2022		
	Land	Buildings and Improvements	Total
Cost			
Balance at beginning of year	₱2,919,414	₱2,748,948	₱5,668,362
Additions	382,970	406,435	789,405
Disposals/write-off/transfers	(474,760)	(346,990)	(821,750)
Balance at end of year	2,827,624	2,808,393	5,636,017
Accumulated Depreciation and Amortization			
Balance at beginning of year	–	1,021,540	1,021,540

(Forward)

	Consolidated		
	2022		
	Land	Buildings and Improvements	Total
Depreciation and amortization	₱–	₱145,753	₱145,753
Disposals/write-off/transfers	–	(153,138)	(153,138)
Balance at end of year	–	1,014,155	1,014,155
Allowance for Impairment Losses (Note 16)			
Balance at beginning of year	313,985	339,499	653,484
Reversals during the year	–	75,000	75,000
Disposals/write-off/transfers	123,058	(144,571)	(21,513)
Balance at end of year	437,043	269,928	706,971
Net Book Value at End of Year	₱2,390,581	₱1,524,310	₱3,914,891

	Parent Company		
	2023		
	Land	**Buildings and Improvements**	**Total**
Cost			
Balance at beginning of year	**₱1,091,352**	**₱1,483,566**	**₱2,574,918**
Additions	**278,719**	**250,232**	**528,951**
Disposals/write-off/transfers	**(411,679)**	**(96,692)**	**(508,371)**
Balance at end of year	**958,392**	**1,637,106**	**2,595,498**
Accumulated Depreciation and Amortization			
Balance at beginning of year	**–**	**551,574**	**551,574**
Depreciation and amortization	**–**	**103,590**	**103,590**
Disposals/write-off/transfers	**–**	**(55,832)**	**(55,832)**
Balance at end of year	**–**	**599,332**	**599,332**
Allowance for Impairment Losses (Note 16)			
Balance at beginning of year	**520,241**	**15,845**	**536,086**
Reversals during the year	**(36,396)**	**(5,081)**	**(41,477)**
Disposals/write-off/transfers	**(235,619)**	**(394)**	**(236,013)**
Balance at end of year	**248,226**	**10,370**	**258,596**
Net Book Value at End of Year	**₱710,166**	**₱1,027,404**	**₱1,737,570**

	Parent Company		
	2022		
	Land	Buildings and Improvements	Total
Cost			
Balance at beginning of year	₱1,067,631	₱1,444,203	₱2,511,834
Additions	117,439	156,212	273,651
Disposals/write-off/transfers	(93,718)	(116,849)	(210,567)
Balance at end of year	1,091,352	1,483,566	2,574,918

(Forward)

	Parent Company		
	2022		
	Land	Buildings and Improvements	Total
Accumulated Depreciation and Amortization			
Balance at beginning of year	₱–	₱545,792	₱545,792
Depreciation and amortization	–	89,274	89,274
Disposals/write-off/transfers	–	(83,492)	(83,492)
Balance at end of year	–	551,574	551,574
Allowance for Impairment Losses (Note 16)			
Balance at beginning and end of year	384,983	201,689	586,672
Provisions (reversals) during the year	135,258	(185,844)	(50,586)
Disposals/write-off/transfers	–	–	–
Balance at end of year	520,241	15,845	536,086
Net Book Value at End of Year	₱571,111	₱916,147	₱1,487,258

The Group's investment properties consist entirely of real estate properties acquired in settlement of loans and receivables. The difference between the fair value of the investment property upon foreclosure and the carrying value of the loan is recognized under 'Gain (loss) on asset foreclosure and dacion transactions' in the statements of income.

In 2021, depreciation and amortization amounting to ₱150.23 million and ₱91.72 million for the Group and Parent Company, respectively, are included in the statements of income under 'Depreciation and amortization' account.

Details of rental income earned and direct operating expenses incurred on investment properties follow:

	Consolidated		
	2023	2022	2021
Rent income on investment properties	**₱98,876**	₱89,903	₱96,759
Direct operating expenses on investment properties generating rent income	**1,320**	1,277	1,277
Direct operating expenses on investment properties not generating rent income	**95,856**	91,414	74,293

	Parent Company		
	2023	2022	2021
Rent income on investment properties	**₱51,313**	₱44,640	₱54,400
Direct operating expenses on investment properties generating rent income	**414**	371	371
Direct operating expenses on investment properties not generating rent income	**31,909**	21,843	32,765

Rent income earned from leasing out investment properties is included under 'Miscellaneous income' in the statements of income (Note 22).

Direct operating expenses include occupancy cost, repairs and maintenance, and taxes and licenses related to the investment properties.

On August 26, 2011, the Parent Company was registered as an Economic Zone Information Technology (IT) Facilities Enterprise with the Philippine Economic Zone Authority (PEZA) to operate and maintain a proposed 17-storey building located inside the CBP-IT Park in Barangays Mabolo, Luz, Hipodromo, Carreta, and Kamputhaw, Cebu City, for lease to PEZA-registered IT enterprises, and to be known as Chinabank Corporate Center. This registration is under PEZA Registration Certificate No. 11-03-F.

Under this registration, the Parent Company is entitled to five percent (5.00%) final tax on gross income earned from locator IT enterprises and related operations in accordance with existing PEZA rules. The Parent Company shall also be exempted from the payment of all national and local taxes in relation to this registered activity.

14. Goodwill and Intangible Assets

Goodwill

Goodwill represents the excess of the acquisition costs over the fair value of the identifiable assets and liabilities of companies acquired by the Group.

The Group attributed the goodwill arising from its acquisition of CBSI and PDB to factors such as an increase in geographical presence and customer base due to the branches acquired. CBSI as the surviving entity from the merger with PDB, is the identified CGU for this goodwill. The Parent Company's Retail Banking Business (RBB) has been identified as the CGU for impairment testing of the goodwill from its acquisition of CBSI.

As of December 31, 2023 and 2022, the amount of goodwill per CGU follows:

	Consolidated	Parent Company
RBB	₱222,841	₱222,841
CBSI	616,907	–
Total	₱839,748	₱222,841

The recoverable amount of the CGUs has been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period, which do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the CGU being tested. Other than loans and deposits growth rates, the significant and most sensitive assumptions used in computing for the recoverable values of the CGUs follow:

	2023		2022	
	RBB	**CBSI**	RBB	CBSI
Discount rate	**10.41%**	**9.01%**	10.85%	10.66%
Long-term growth rate	**1.00%**	**1.00%**	1.00%	1.00%

With regard to the assessment of value-in-use of the CGU, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount as of December 31, 2023 and 2022.

Intangible Assets
This account consists of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Branch licenses	**₱3,677,100**	₱3,677,100	**₱455,000**	₱455,000
Capitalized software costs	**381,051**	387,545	**328,317**	323,314
Exchange trading right	**12,000**	12,000	**–**	–
	4,070,151	4,076,645	**783,317**	778,314
Allowance for impairment losses (Note 16)	**(293,502)**	(293,002)	**(57,000)**	(57,000)
	₱3,776,649	₱3,783,643	**₱726,317**	₱721,314

Branch Licenses
Branch licenses of the Group arose from the acquisitions of CBSI, Unity Bank, and PDB. As of December 31, 2023 and 2022, details of branch licenses in the Group's and the Parent Company's financial statements follow:

	Consolidated	Parent Company
Branch license from CBSI acquisition	₱477,600	₱455,000
Branch license from Unity Bank acquisition	360,000	–
Branch license from PDB acquisition*	2,839,500	–
	3,677,100	455,000
Allowance for impairment losses	(289,502)	(57,000)
	₱3,387,598	₱398,000

**mostly attributable to the Parent Company*

Each branch to which the branch license is attributed is the CGU that is tested independently for impairment assessment. Other than loans and deposits growth rates, the significant and most sensitive assumptions used in computing for the recoverable values of the CGUs follow:

	2023		2022	
	RBB	**CBSI**	RBB	CBSI
Discount rate	**10.41%**	**9.01%**	10.85%	10.66%
Long-term growth rate	**1.00%**	**1.00%**	1.00%	1.00%

Capitalized Software Costs
The movements in the account follow:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Cost				
Balance at beginning of year	**₱2,101,442**	₱1,989,078	**₱2,026,390**	₱1,935,527
Additions	**192,662**	135,198	**185,157**	97,442
Disposals/write-off/reclassification (Note 12)	**(46,856)**	(22,834)	**(36,072)**	(6,579)
Balance at end of year	**2,247,248**	2,101,442	**2,175,475**	2,026,390

(Forward)

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Accumulated Depreciation and Amortization				
Balance at beginning of year	**₱1,713,897**	₱1,577,287	**₱1,703,076**	₱1,565,087
Depreciation and amortization	**150,555**	139,279	**147,801**	136,903
Disposals/write-off/reclassification (Note 12)	**1,745**	(2,669)	**(3,719)**	1,086
Balance at end of year	**1,866,197**	1,713,897	**1,847,158**	1,703,076
Net Book Value at End of Year	**₱381,051**	₱387,545	**₱328,317**	₱323,314

Exchange Trading Right

As of December 31, 2023 and 2022, the Group has an exchange trading right with the following carrying values:

	2023	2022
Cost	**₱12,000**	₱12,000
Allowance for impairment losses	**(4,000)**	(3,500)
	₱8,000	₱8,500

The trading right has an indefinite useful life and, thus, is not amortized but is subject for impairment at every reporting date. In 2023 and 2022, the Group recognized an impairment loss amounting to ₱0.50 million and nil, respectively.

Under the PSE rules, all exchange membership seats are pledged at its full value to the PSE to secure the payment of all debts to other members of the exchange arising out of or in connection with the present or future members' contracts.

15. Other Assets

This account consists of:

	Consolidated		Parent Company	
	2023	**2022**	**2023**	**2022**
Financial assets				
Accounts receivable	**₱3,575,524**	₱2,785,372	**₱2,309,407**	₱1,654,697
Sales contract receivable	**1,676,807**	1,470,031	**240,330**	218,909
RCOCI	**318,667**	162,048	**103,204**	110,051
Others	**48,293**	30,687	**9,535**	8,704
	5,619,291	4,448,138	**2,662,476**	1,992,361
Non-financial assets				
Net plan assets (Note 25)	**734,973**	400,416	**665,588**	287,120
Prepaid expenses	**609,706**	484,093	**505,267**	413,011
Creditable withholding taxes	**40,083**	412,316	**–**	383,928
Security deposit	**376,067**	372,088	**323,566**	319,586
Documentary stamps	**310,776**	227,704	**189,688**	152,759
Sundry debits	**184,988**	224,659	**114,898**	160,077
Miscellaneous	**1,292,875**	880,876	**674,673**	454,796
	3,549,468	3,002,152	**2,473,680**	2,171,277
	9,168,759	7,450,290	**5,136,156**	4,163,638
Allowance for impairment losses (Note 16)	**(968,878)**	(711,830)	**(521,489)**	(329,713)
	₱8,199,881	₱6,738,460	**₱4,614,667**	₱3,833,925

Accounts receivable
Accounts receivable includes non-interest-bearing advances to officers and employees, with terms ranging from 1 to 30 days, and receivables of the Parent Company from automated teller machine (ATM) transactions of clients of other banks that transacted through any of the Parent Company's ATM terminals.

Sales contract receivable
This refers to the amortized cost of receivables arising from the subsequent sale of assets acquired in settlement of loans through foreclosure or dation in payment where the sale is on installment basis and the title to the said property is transferred to the buyers only upon full payment of the agreed selling price.

SCR bears fixed interest rates per annum in 2023 and 2022 ranging from 6.00% to 10.00% and 5.50% to 10.00%, respectively.

Miscellaneous
Miscellaneous consists mainly of unissued stationery and supplies, inter-office float items, and deposits for various services.

16. Allowance for Impairment and Credit Losses

Changes in the allowance for impairment and credit losses are as follows:

	Consolidated		**Parent Company**	
	2023	2022	**2023**	2022
Balances at beginning of year				
Loans and receivables	**₱16,942,524**	₱15,057,609	**₱14,174,453**	₱12,489,884
Investment securities at amortized cost	**538,820**	3,093,747	**532,771**	2,886,272
Financial assets at FVOCI *	**124,309**	61,495	**124,378**	60,998
Investment properties	**706,971**	653,484	**536,086**	586,672
Accrued interest receivable	**996,346**	478,814	**660,751**	182,375
Intangible assets	**293,002**	293,002	**57,000**	57,000
Investment in subsidiaries	**–**	–	**59,902**	59,902
Other assets	**711,830**	685,057	**329,713**	379,619
Off-balance sheet exposures *	**782,341**	740,877	**772,323**	730,859
	21,096,143	21,064,085	**17,247,377**	17,433,581
Provisions charged to operations	**1,246,003**	9,012,633	**208,011**	7,427,202
Accounts charged off and others	**(1,588,373)**	(8,980,575)	**(923,455)**	(7,613,406)
	(342,370)	32,058	**(715,444)**	(186,204)
Balances at end of year				
Loans and receivables (Note 10)	**17,380,998**	16,942,524	**14,325,851**	14,174,453
Investment securities at amortized cost (Note 9)	**541,516**	538,820	**535,447**	532,771
Financial assets at FVOCI * (Note 9)	**134,809**	124,309	**134,776**	124,378
Investment properties (Note 13)	**424,336**	706,971	**258,596**	536,086
Accrued interest receivable	**502,132**	996,346	**131,270**	660,751
Intangible assets	**293,502**	293,002	**57,000**	57,000
Investment in subsidiaries	**–**	–	**59,902**	59,902
Other assets (Note 15)	**968,878**	711,830	**521,489**	329,713
Off-balance sheet exposures * (Note 21)	**507,602**	782,341	**507,602**	772,323
	₱20,753,773	₱21,096,143	**₱16,531,933**	₱17,247,377

* *The allowance for credit and impairment losses in the above table are presented as contra-asset in determining the carrying amount of the related asset accounts, except for the expected credit losses on "Financial assets at FVOCI" and "Off-balance sheet exposures" which are presented under "Net unrealized gain (loss) on financial assets at FVOCI" (Equity) and "Other Liabilities" (Liability), respectively.*

At the current level of allowance for impairment and credit losses, management believes that the Group has sufficient allowance to cover any losses that may be incurred from the non-collection or non-realization of its loans and receivables and other risk assets.

Below is the breakdown of provision for credit losses in 2023, 2022, and 2021.

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Loans and receivables:						
Corporate and commercial lending	**₱930,730**	₱6,851,108	₱5,887,208	**₱679,626**	₱6,064,157	₱6,228,681
Consumer lending	**744,560**	(33,430)	1,803,215	**(41,352)**	(500,018)	533,013
Trade-related lending	**136,317**	(232,200)	21,737	**138,415**	(241,718)	25,858
Others	**(258)**	(519)	855	–	(328)	328
Investments:						
Investment securities at amortized cost	**5,100**	1,365,391	394,228	**5,080**	1,251,442	369,383
Financial assets at FVOCI (debt securities)	**11,623**	58,111	13,226	**11,659**	58,677	13,057
	1,828,072	8,008,461	8,120,469	**793,428**	6,632,212	7,170,320
Impact to profit or loss of movements in ECL for off-books exposures	**(263,419)**	26,637	271,578	**(263,419)**	26,637	271,578
Other assets	**(318,650)**	977,535	484,697	**(321,998)**	768,353	237,979
Provisions charged to operations	**₱1,246,003**	₱9,012,633	₱8,876,744	**₱208,011**	₱7,427,202	₱7,679,877

The tables below illustrate the movements of the allowance for impairment and credit losses during 2023 (effect of movements in ECL due to transfers between stages are shown in the total column):

	Consolidated			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	
Corporate and commercial lending	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
Loss allowance at January 1, 2023	**₱4,885,938**	**₱2,085,985**	**₱7,617,468**	**₱14,589,391**
Transfers:				
Transfer from Stage 1 to Stage 2	**(148,218)**	**382,190**	**–**	**233,972**
Transfer from Stage 1 to Stage 3	**(58,465)**	**–**	**1,905,735**	**1,847,270**
Transfer from Stage 2 to Stage 1	**102,525**	**(582,257)**	**–**	**(479,732)**
Transfer from Stage 2 to Stage 3	**–**	**(107,895)**	**950,470**	**842,575**
Transfer from Stage 3 to Stage 1	**1,234**	**–**	**(95,766)**	**(94,532)**
Transfer from Stage 3 to Stage 2	**–**	**898**	**(15,231)**	**(14,333)**
New financial assets originated *	**2,943,438**	**680,808**	**1,207,173**	**4,831,419**
Changes in PDs / LGDs / EADs	**(568,215)**	**(291,163)**	**(2,935,129)**	**(3,794,507)**
Financial assets derecognized during the period	**(1,596,828)**	**(434,809)**	**(438,019)**	**(2,469,656)**
FX and other movements	**(14,893)**	**(4,161)**	**47,308**	**28,254**
Provision for credit losses during the period	**660,578**	**(356,389)**	**626,541**	**930,730**
Write-offs, foreclosures, and other movements	**14,893**	**4,161**	**(853,693)**	**(834,639)**
Loss allowance at December 31, 2023	**₱5,561,409**	**₱1,733,757**	**₱7,390,316**	**₱14,685,482**

** Stage classification of new financial assets originated pertains to the stage as of end of year*

	Consolidated			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	
Consumer lending	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
Loss allowance at January 1, 2023	**₱802,246**	**₱344,449**	**₱1,074,458**	**₱2,221,153**
Transfers:				
Transfer from Stage 1 to Stage 2	**(47,731)**	**89,195**	**–**	**41,464**
Transfer from Stage 1 to Stage 3	**(6,208)**	**–**	**243,006**	**236,798**
Transfer from Stage 2 to Stage 1	**4,812**	**(16,827)**	**–**	**(12,015)**
Transfer from Stage 2 to Stage 3	**–**	**(14,034)**	**144,636**	**130,602**
Transfer from Stage 3 to Stage 1	**506**	**–**	**(21,463)**	**(20,957)**
Transfer from Stage 3 to Stage 2	**–**	**3,410**	**(125,287)**	**(121,877)**

(Forward)

Consumer lending	Consolidated ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
New financial assets originated *	₱416,585	₱65,930	₱744,830	₱1,227,345
Changes in PDs / LGDs / EADs	(40,793)	(45,831)	124,139	37,515
Financial assets derecognized during the period	(203,809)	(209,980)	(360,526)	(774,315)
FX and other movements	–	–	–	–
Provision for credit losses during the period	123,362	(128,137)	749,335	744,560
Write-offs, foreclosures, and other movements	–	–	(515,062)	(515,062)
Loss allowance at December 31, 2023	₱925,608	₱216,312	₱1,308,731	₱2,450,651

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Trade-related lending	Consolidated ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2023	₱57,721	₱16,244	₱55,575	₱129,540
Transfers:				
Transfer from Stage 1 to Stage 2	–	–	–	–
Transfer from Stage 1 to Stage 3	(215)	–	11,642	11,427
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer from Stage 2 to Stage 3	–	(235)	8,843	8,608
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated *	38,071	18,081	190,253	246,405
Changes in PDs / LGDs / EADs	(3)	(6,681)	(1,426)	(8,110)
Financial assets derecognized during the period	(57,506)	(16,090)	(53,172)	(126,768)
FX and other movements	1,657	–	3,098	4,755
Provision for credit losses during the period	(17,996)	(4,925)	159,238	136,317
Write-offs, foreclosures, and other movements	(1,657)	–	(21,517)	(23,174)
Loss allowance at December 31, 2023	₱38,068	₱11,319	₱193,296	₱242,683

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Others	Consolidated ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2023	₱67	₱139	₱2,234	₱2,440
Transfers:				
Transfer from Stage 1 to Stage 2	–	–	–	–
Transfer from Stage 1 to Stage 3	–	–	84	84
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated *	–	–	1,697	1,697
Changes in PDs / LGDs / EADs	(66)	(139)	(1,834)	(2,039)
Financial assets derecognized during the period	–	–	–	–
FX and other movements	–	–	–	–
Provision for credit losses during the period	(66)	(139)	(53)	(258)
Write-offs, foreclosures, and other movements	–	–	–	–
Loss allowance at December 31, 2023	₱1	₱–	₱2,181	₱2,182

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Loans and receivables – total	Consolidated ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2023	**₱5,745,972**	**₱2,446,817**	**₱8,749,735**	**₱16,942,524**
Transfers:				
Transfer from Stage 1 to Stage 2	**(195,949)**	**471,385**	**–**	**275,436**
Transfer from Stage 1 to Stage 3	**(64,888)**	**–**	**2,160,467**	**2,095,579**
Transfer from Stage 2 to Stage 1	**107,337**	**(599,084)**	**–**	**(491,747)**
Transfer from Stage 2 to Stage 3	**–**	**(122,164)**	**1,103,949**	**981,785**
Transfer from Stage 3 to Stage 1	**1,740**	**–**	**(117,229)**	**(115,489)**
Transfer from Stage 3 to Stage 2	**–**	**4,308**	**(140,518)**	**(136,210)**
New financial assets originated *	**3,398,094**	**764,819**	**2,143,953**	**6,306,866**
Changes in PDs / LGDs / EADs	**(609,077)**	**(343,814)**	**(2,814,250)**	**(3,767,141)**
Financial assets derecognized during the period	**(1,858,143)**	**(660,879)**	**(851,717)**	**(3,370,739)**
FX and other movements	**(13,236)**	**(4,161)**	**50,406**	**33,009**
Provision for credit losses during the period	**765,878**	**(489,590)**	**1,535,061**	**1,811,349**
Write-offs, foreclosures, and other movements	**13,236**	**4,161**	**(1,390,272)**	**(1,372,875)**
Loss allowance at December 31, 2023	**₱6,525,086**	**₱1,961,388**	**₱8,894,524**	**₱17,380,998**

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Investment securities at amortized cost	Consolidated ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2023	**₱493,776**	**₱45,044**	**₱–**	**₱538,820**
Transfers:				
Transfer from Stage 1 to Stage 2	**(13,553)**	**52,823**	**–**	**39,270**
Transfer from Stage 1 to Stage 3	**–**	**–**	**–**	**–**
Transfer from Stage 2 to Stage 1	**2,655**	**(25,006)**	**–**	**(22,351)**
Transfer from Stage 2 to Stage 3	**–**	**–**	**–**	**–**
Transfer from Stage 3 to Stage 1	**–**	**–**	**–**	**–**
Transfer from Stage 3 to Stage 2	**–**	**–**	**–**	**–**
New financial assets originated or purchased *	**51,026**	**167**	**–**	**51,193**
Changes in PDs / LGDs / EADs	**(13,061)**	**(12,078)**	**–**	**(25,139)**
Financial assets derecognized during the period	**(35,915)**	**(4,362)**	**–**	**(40,277)**
FX and other movements	**2,208**	**196**	**–**	**2,404**
Provision for credit losses during the period	**(6,640)**	**11,740**	**–**	**5,100**
Write-offs, foreclosures, and other movements	**(2,208)**	**(196)**	**–**	**(2,404)**
Loss allowance at December 31, 2023	**₱484,928**	**₱56,588**	**₱–**	**₱541,516**

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Financial assets at FVOCI (debt securities)	Consolidated ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2023	**₱98,933**	**₱25,376**	**₱–**	**₱124,309**
Transfers:				
Transfer from Stage 1 to Stage 2	**(214)**	**1,934**	**–**	**1,720**
Transfer from Stage 1 to Stage 3	**–**	**–**	**–**	**–**
Transfer from Stage 2 to Stage 1	**686**	**(25,375)**	**–**	**(24,689)**
Transfer from Stage 2 to Stage 3	**–**	**–**	**–**	**–**
Transfer from Stage 3 to Stage 1	**–**	**–**	**–**	**–**
Transfer from Stage 3 to Stage 2	**–**	**–**	**–**	**–**
New financial assets originated or purchased *	**45,807**	**180**	**–**	**45,987**
Changes in PDs / LGDs / EADs	**1,269**	**–**	**–**	**1,269**
Financial assets derecognized during the period	**(13,925)**	**–**	**–**	**(13,925)**
FX and other movements	**1,106**	**155**	**–**	**1,261**
Provision for credit losses during the period	**34,729**	**(23,106)**	**–**	**11,623**
Write-offs, foreclosures, and other movements	**(968)**	**(155)**	**–**	**(1,123)**
Loss allowance at December 31, 2023	**₱132,694**	**₱2,115**	**₱–**	**₱134,809**

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Corporate and commercial lending	Parent Company ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2023	**₱4,801,942**	**₱2,000,803**	**₱6,537,938**	**₱13,340,683**
Transfers:				
Transfer from Stage 1 to Stage 2	**(146,783)**	**380,293**	**–**	**233,510**
Transfer from Stage 1 to Stage 3	**(58,168)**		**1,895,933**	**1,837,765**
Transfer from Stage 2 to Stage 1	**93,834**	**(570,771)**	**–**	**(476,937)**
Transfer from Stage 2 to Stage 3	**–**	**(104,209)**	**858,266**	**754,057**
Transfer from Stage 3 to Stage 1	**989**	**–**	**(87,672)**	**(86,683)**
Transfer from Stage 3 to Stage 2	**–**	**782**	**(12,328)**	**(11,546)**
New financial assets originated *	**2,929,459**	**675,714**	**726,298**	**4,331,471**
Changes in PDs / LGDs / EADs	**(564,884)**	**(285,181)**	**(2,918,362)**	**(3,768,427)**
'inancial assets derecognized during the period	**(1,561,203)**	**(400,083)**	**(200,552)**	**(2,161,838)**
'X and other movements	**(14,893)**	**(4,161)**	**47,308**	**28,254**
Provision for credit losses during the period	**678,351**	**(307,616)**	**308,891**	**679,626**
Write-offs, foreclosures, and other movements	**14,893**	**4,161**	**(524,611)**	**(505,557)**
Loss allowance at December 31, 2023	**₱5,495,186**	**₱1,697,348**	**₱6,322,218**	**₱13,514,752**

** Stage classification of new financial assets originated or purchased pertains to the stage as of end of year*

Consumer lending	Parent Company ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2023	**₱80,491**	**₱267,456**	**₱370,292**	**₱718,239**
Transfers:				
Transfer from Stage 1 to Stage 2	**(37,160)**	**49,426**	**–**	**12,266**
Transfer from Stage 1 to Stage 3	**(571)**	**–**	**20,719**	**20,148**
Transfer from Stage 2 to Stage 1	**688**	**(1,310)**	**–**	**(622)**
Transfer from Stage 2 to Stage 3	**–**	**(1,397)**	**12,196**	**10,799**
Transfer from Stage 3 to Stage 1	**150**	**–**	**(7,432)**	**(7,282)**
Transfer from Stage 3 to Stage 2	**–**	**1,026**	**(100,311)**	**(99,285)**
New financial assets originated *	**95,559**	**12,362**	**4,929**	**112,850**
Changes in PDs / LGDs / EADs	**28,801**	**(37,230)**	**129,250**	**120,821**
Financial assets derecognized during the period	**(4,165)**	**(182,472)**	**(24,410)**	**(211,047)**
FX and other movements	**–**	**–**	**–**	**–**
Provision for credit losses during the period	**83,302**	**(159,595)**	**34,941**	**(41,352)**
Write-offs, foreclosures, and other movements	**–**	**–**	**(96,560)**	**(96,560)**
Loss allowance at December 31, 2023	**₱163,793**	**₱107,861**	**₱308,673**	**₱580,327**

** Stage classification of new financial assets originated or purchased pertains to the stage as of end of year*

Trade-related lending	Parent Company ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2023	**₱57,720**	**₱2,236**	**₱55,575**	**₱115,531**
Transfers:				
Transfer from Stage 1 to Stage 2	**–**	**–**	**–**	**–**
Transfer from Stage 1 to Stage 3	**(215)**	**–**	**11,642**	**11,427**
Transfer from Stage 2 to Stage 1	**–**	**–**	**–**	**–**
Transfer from Stage 2 to Stage 3	**–**	**(235)**	**8,843**	**8,608**
Transfer from Stage 3 to Stage 1	**–**	**–**	**–**	**–**
Transfer from Stage 3 to Stage 2	**–**	**–**	**–**	**–**
New financial assets originated *	**37,016**	**461**	**190,253**	**227,730**
Changes in PDs / LGDs / EADs	**–**	**–**	**(1,426)**	**(1,426)**

(Forward)

Trade-related lending	Parent Company ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Financial assets derecognized during the period	(57,506)	(2,001)	(53,172)	(112,679)
FX and other movements	1,657	–	3,098	4,755
Provision for credit losses during the period	(19,048)	(1,775)	159,238	138,415
Write-offs, foreclosures, and other movements	(1,657)	–	(21,517)	(23,174)
Loss allowance at December 31, 2023	₱37,015	₱461	₱193,296	₱230,772

** Stage classification of new financial assets originated or purchased pertains to the stage as of end of year*

Loans and receivables – total	Parent Company ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2023	₱4,940,153	₱2,270,495	₱6,963,805	₱14,174,453
Transfers:				
Transfer from Stage 1 to Stage 2	(183,943)	429,719	–	245,776
Transfer from Stage 1 to Stage 3	(58,954)	–	1,928,294	1,869,340
Transfer from Stage 2 to Stage 1	94,522	(572,081)	–	(477,559)
Transfer from Stage 2 to Stage 3	–	(105,841)	879,305	773,464
Transfer from Stage 3 to Stage 1	1,139	–	(95,104)	(93,965)
Transfer from Stage 3 to Stage 2	–	1,808	(112,639)	(110,831)
New financial assets originated *	3,062,034	688,537	921,480	4,672,051
Changes in PDs / LGDs / EADs	(536,083)	(322,411)	(2,790,538)	(3,649,032)
Financial assets derecognized during the period	(1,622,874)	(584,556)	(278,134)	(2,485,564)
FX and other movements	(13,236)	(4,161)	50,406	33,009
Provision for credit losses during the period	742,605	(468,986)	503,070	776,689
Write-offs, foreclosures, and other movements	13,236	4,161	(642,688)	(625,291)
Loss allowance at December 31, 2023	₱5,695,994	₱1,805,670	₱6,824,187	₱14,325,851

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Investment securities at amortized cost	Parent Company ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2023	₱487,728	₱45,043	₱–	₱532,771
Transfers:				
Transfer from Stage 1 to Stage 2	(13,553)	52,823	–	39,270
Transfer from Stage 1 to Stage 3	–	–	–	–
Transfer from Stage 2 to Stage 1	2,655	(25,006)	–	(22,351)
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated or purchased *	51,910	167	–	52,077
Changes in PDs / LGDs / EADs	(14,540)	(12,077)	–	(26,617)
Financial assets derecognized during the period	(35,341)	(4,362)	–	(39,703)
FX and other movements	2,208	196	–	2,404
Provision for credit losses during the period	(6,661)	11,741	–	5,080
Write-offs, foreclosures, and other movements	(2,208)	(196)	–	(2,404)
Loss allowance at December 31, 2023	₱478,859	₱56,588	₱–	₱535,447

** Stage classification of new financial assets originated pertains to the stage as of end of year*

	Parent Company			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	
Financial assets at FVOCI (debt securities)	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
Loss allowance at January 1, 2023	**₱99,003**	**₱25,375**	**₱–**	**₱124,378**
Transfers:				
Transfer from Stage 1 to Stage 2	**(214)**	**1,934**	**–**	**1,720**
Transfer from Stage 1 to Stage 3	**–**	**–**	**–**	**–**
Transfer from Stage 2 to Stage 1	**686**	**(25,375)**	**–**	**(24,689)**
Transfer from Stage 2 to Stage 3	**–**	**–**	**–**	**–**
Transfer from Stage 3 to Stage 1	**–**	**–**	**–**	**–**
Transfer from Stage 3 to Stage 2	**–**	**–**	**–**	**–**
New financial assets originated or purchased *	**45,806**	**181**	**–**	**45,987**
Changes in PDs / LGDs / EADs	**1,305**	**–**	**–**	**1,305**
Financial assets derecognized during the period	**(13,925)**	**–**	**–**	**(13,925)**
FX and other movements	**1,106**	**155**	**–**	**1,261**
Provision for credit losses during the period	**34,764**	**(23,105)**	**–**	**11,659**
Write-offs, foreclosures, and other movements	**(1,106)**	**(155)**	**–**	**(1,261)**
Loss allowance at December 31, 2023	**₱132,661**	**₱2,115**	**₱–**	**₱134,776**

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Comparative figures for the movement of allowance for credit and impairment losses for 2022 are shown below:

	Consolidated			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Corporate and commercial lending	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Loss allowance at January 1, 2022	₱3,015,176	₱3,204,874	₱5,814,240	₱12,034,290
Transfers:				
Transfer from Stage 1 to Stage 2	(190,176)	823,884	–	633,708
Transfer from Stage 1 to Stage 3	(730)	–	113,269	112,539
Transfer from Stage 2 to Stage 1	32,783	(232,131)	–	(199,348)
Transfer from Stage 2 to Stage 3	–	(1,400,135)	5,627,387	4,227,252
Transfer from Stage 3 to Stage 1	140	–	(5,396)	(5,256)
Transfer from Stage 3 to Stage 2	–	1,124	(119,364)	(118,240)
New financial assets originated *	2,718,295	622,610	532,548	3,873,453
Changes in PDs / LGDs / EADs	58,593	(225,633)	677,027	509,987
Financial assets derecognized during the period	(748,143)	(708,608)	(715,580)	(2,172,331)
FX and other movements	(7,926)	(2,469)	(261)	(10,656)
Provision for credit losses during the period	1,862,836	(1,121,358)	6,109,630	6,851,108
Write-offs, foreclosures, and other movements	7,926	2,469	(4,306,402)	(4,296,007)
Loss allowance at December 31, 2022	₱4,885,938	₱2,085,985	₱7,617,468	₱14,589,391

** Stage classification of new financial assets originated pertains to the stage as of end of year*

	Consolidated			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Consumer lending	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Loss allowance at January 1, 2022	₱570,316	₱175,111	₱2,043,684	₱2,789,111
Transfers:				
Transfer from Stage 1 to Stage 2	(29,074)	55,808	–	26,734
Transfer from Stage 1 to Stage 3	(3,995)	–	219,387	215,392
Transfer from Stage 2 to Stage 1	1,626	(67,053)	–	(65,427)
Transfer from Stage 2 to Stage 3	–	(18,507)	185,771	167,264
Transfer from Stage 3 to Stage 1	237	–	(126,143)	(125,906)
Transfer from Stage 3 to Stage 2	–	757	(139,229)	(138,472)
New financial assets originated *	771,609	76,340	50,798	898,747

(Forward)

Consumer lending	Consolidated ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Changes in PDs / LGDs / EADs	(₱441,222)	₱150,142	(₱184,945)	(₱476,025)
Financial assets derecognized during the period	(67,251)	(28,149)	(440,337)	(535,737)
FX and other movements	–	–	–	–
Provision for credit losses during the period	231,930	169,338	(434,698)	(33,430)
Write-offs, foreclosures, and other movements	–	–	(534,528)	(534,528)
Loss allowance at December 31, 2022	₱802,246	₱344,449	₱1,074,458	₱2,221,153

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Trade-related lending	Consolidated ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2022	₱123,568	₱14,772	₱92,124	₱230,464
Transfers:				
Transfer from Stage 1 to Stage 2	–	–	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated *	57,512	16,127	–	73,639
Changes in PDs / LGDs / EADs	149	66	(10,491)	(10,276)
Financial assets derecognized during the period	(123,508)	(14,721)	(1,357)	(139,586)
FX and other movements	(154,923)	(1,054)	–	(155,977)
Provision for credit losses during the period	(220,770)	418	(11,848)	(232,200)
Write-offs, foreclosures, and other movements	154,923	1,054	(24,701)	131,276
Loss allowance at December 31, 2022	₱57,721	₱16,244	₱55,575	₱129,540

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Others	Consolidated ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2022	₱3	₱–	₱3,741	₱3,744
Transfers:				
Transfer from Stage 1 to Stage 2	–	–	–	–
Transfer from Stage 1 to Stage 3	1	–	162	163
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer from Stage 2 to Stage 3	–	1	330	331
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated *	73	153	482	708
Changes in PDs / LGDs / EADs	(7)	(14)	(644)	(665)
Financial assets derecognized during the period	(3)	(1)	(1,052)	(1,056)
FX and other movements	–	–	–	–
Provision for credit losses during the period	64	139	(722)	(519)
Write-offs, foreclosures, and other movements	–	–	(785)	(785)
Loss allowance at December 31, 2022	₱67	₱139	₱2,234	₱2,440

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Loans and receivables – total	Consolidated ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2022	₱3,709,063	₱3,394,757	₱7,953,789	₱15,057,609
Transfers:				
Transfer from Stage 1 to Stage 2	(219,250)	879,692	–	660,442
Transfer from Stage 1 to Stage 3	(4,724)	–	332,818	328,094
Transfer from Stage 2 to Stage 1	34,409	(299,184)	–	(264,775)
Transfer from Stage 2 to Stage 3	–	(1,418,641)	5,813,488	4,394,847
Transfer from Stage 3 to Stage 1	377	–	(131,539)	(131,162)
Transfer from Stage 3 to Stage 2	–	1,881	(258,593)	(256,712)
New financial assets originated *	3,547,489	715,230	583,828	4,846,547
Changes in PDs / LGDs / EADs	(382,487)	(75,439)	480,947	23,021
Financial assets derecognized during the period	(938,905)	(751,479)	(1,158,326)	(2,848,710)
FX and other movements	(162,849)	(3,523)	(261)	(166,633)
Provision for credit losses during the period	1,874,060	(951,463)	5,662,362	6,584,959
Write-offs, foreclosures, and other movements	162,849	3,523	(4,866,416)	(4,700,044)
Loss allowance at December 31, 2022	₱5,745,972	₱2,446,817	₱8,749,735	₱16,942,524

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Investment securities at amortized cost	Consolidated ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2022	₱447,645	₱38,388	₱2,607,714	₱3,093,747
Transfers:				
Transfer from Stage 1 to Stage 2	(6,794)	26,811	–	20,017
Transfer from Stage 1 to Stage 3	–	–	–	–
Transfer from Stage 2 to Stage 1	743	(27,696)	–	(26,953)
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated or purchased *	37,525	2,557	–	40,082
Changes in PDs / LGDs / EADs	34,827	5,146	1,339,286	1,379,259
Financial assets derecognized during the period	(16,908)	(162)	–	(17,070)
FX and other movements	(29,675)	(269)	–	(29,944)
Provision for credit losses during the period	19,718	6,387	1,339,286	1,365,391
Write-offs, foreclosures, and other movements	26,413	269	(3,947,000)	(3,920,318)
Loss allowance at December 31, 2022	₱493,776	₱45,044	₱–	₱538,820

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Financial assets at FVOCI (debt securities)	Consolidated ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2022	₱59,958	₱1,537	₱–	₱61,495
Transfers:				
Transfer from Stage 1 to Stage 2	(1)	1	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–
Transfer from Stage 2 to Stage 1	71	(1,537)	–	(1,466)
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated or purchased *	30,552	25,375	–	55,927
Changes in PDs / LGDs / EADs	8,851	–	–	8,851

(Forward)

Financial assets at FVOCI (debt securities)	Consolidated ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Financial assets derecognized during the period	(₱498)	₱–	₱–	(₱498)
FX and other movements	(4,422)	(281)	–	(4,703)
Provision for credit losses during the period	34,553	23,558	–	58,111
Write-offs, foreclosures, and other movements	4,422	281	–	4,703
Loss allowance at December 31, 2022	₱98,933	₱25,376	₱–	₱124,309

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Corporate and commercial lending	Parent Company ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2022	₱2,957,844	₱3,152,298	₱4,839,259	₱10,949,401
Transfers:				
Transfer from Stage 1 to Stage 2	(161,104)	795,711	–	634,607
Transfer from Stage 1 to Stage 3	(458)	–	102,778	102,320
Transfer from Stage 2 to Stage 1	31,662	(231,045)	–	(199,383)
Transfer from Stage 2 to Stage 3	–	(1,394,846)	4,974,946	3,580,100
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	1,007	(114,702)	(113,695)
New financial assets originated *	2,622,787	544,328	315,151	3,482,266
Changes in PDs / LGDs / EADs	81,114	(175,806)	698,682	603,990
Financial assets derecognized during the period	(729,903)	(690,844)	(594,645)	(2,015,392)
FX and other movements	(7,926)	(2,469)	(261)	(10,656)
Provision for credit losses during the period	1,836,172	(1,153,964)	5,381,949	6,064,157
Write-offs, foreclosures, and other movements	7,926	2,469	(3,683,270)	(3,672,875)
Loss allowance at December 31, 2022	₱4,801,942	₱2,000,803	₱6,537,938	₱13,340,683

** Stage classification of new financial assets originated or purchased pertains to the stage as of end of year*

Consumer lending	Parent Company ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2022	₱478,079	₱154,386	₱681,717	₱1,314,182
Transfers:				
Transfer from Stage 1 to Stage 2	(27,951)	49,778	–	21,827
Transfer from Stage 1 to Stage 3	(3,455)	–	42,563	39,108
Transfer from Stage 2 to Stage 1	253	(59,680)	–	(59,427)
Transfer from Stage 2 to Stage 3	–	(15,882)	25,477	9,595
Transfer from Stage 3 to Stage 1	–	–	(6,600)	(6,600)
Transfer from Stage 3 to Stage 2	–	301	(96,279)	(95,978)
New financial assets originated *	49,912	1,253	1,597	52,762
Changes in PDs / LGDs / EADs	(371,369)	160,340	(146,175)	(357,204)
Financial assets derecognized during the period	(44,978)	(23,040)	(36,083)	(104,101)
FX and other movements	–	–	–	–
Provision for credit losses during the period	(397,588)	113,070	(215,500)	(500,018)
Write-offs, foreclosures, and other movements	–	–	(95,925)	(95,925)
Loss allowance at December 31, 2022	₱80,491	₱267,456	₱370,292	₱718,239

** Stage classification of new financial assets originated or purchased pertains to the stage as of end of year*

Trade-related lending	Parent Company ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2022	₱120,643	₱14,702	₱90,628	₱225,973
Transfers:				

Trade-related lending	Parent Company ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Transfer from Stage 1 to Stage 2	–	–	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated *	57,511	2,037	–	59,548
Changes in PDs / LGDs / EADs	149	147	(10,352)	(10,056)
Financial assets derecognized during the period	(120,583)	(14,650)	–	(135,233)
FX and other movements	(154,923)	(1,054)	–	(155,977)
Provision for credit losses during the period	(217,846)	(13,520)	(10,352)	(241,718)
Write-offs, foreclosures, and other movements	154,923	1,054	(24,701)	131,276
Loss allowance at December 31, 2022	₱57,720	₱2,236	₱55,575	₱115,531

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Others	Parent Company ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2022	₱–	₱–	₱328	₱328
Transfers:				
Transfer from Stage 1 to Stage 2	–	–	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated *	–	–	–	–
Changes in PDs / LGDs / EADs	–	–	–	–
Financial assets derecognized during the period	–	–	(328)	(328)
FX and other movements	–	–	–	–
Provision for credit losses during the period	–	–	(328)	(328)
Write-offs, foreclosures, and other movements	–	–	–	–
Loss allowance at December 31, 2022	₱–	₱–	₱–	₱–

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Loans and receivables – total	Parent Company ECL Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance at January 1, 2022	₱3,556,566	₱3,321,386	₱5,611,932	₱12,489,884
Transfers:				
Transfer from Stage 1 to Stage 2	(189,055)	845,489	–	656,434
Transfer from Stage 1 to Stage 3	(3,913)	–	145,341	141,428
Transfer from Stage 2 to Stage 1	31,915	(290,725)	–	(258,810)
Transfer from Stage 2 to Stage 3	–	(1,410,728)	5,000,423	3,589,695
Transfer from Stage 3 to Stage 1	–	–	(6,600)	(6,600)
Transfer from Stage 3 to Stage 2	–	1,308	(210,981)	(209,673)
New financial assets originated *	2,730,210	547,618	316,748	3,594,576
Changes in PDs / LGDs / EADs	(290,106)	(15,319)	542,155	236,730

(Forward)

	Parent Company			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Loans and receivables – total	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Financial assets derecognized during the period	(₱895,464)	(₱728,534)	(₱631,056)	(₱2,255,054)
FX and other movements	(162,849)	(3,523)	(261)	(166,633)
Provision for credit losses during the period	1,220,738	(1,054,414)	5,155,769	5,322,093
Write-offs, foreclosures, and other movements	162,849	3,523	(3,803,896)	(3,637,524)
Loss allowance at December 31, 2022	₱4,940,153	₱2,270,495	₱6,963,805	₱14,174,453

** Stage classification of new financial assets originated pertains to the stage as of end of year*

	Parent Company			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Investment securities at amortized cost	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Loss allowance at January 1, 2022	₱436,596	₱38,388	₱2,411,288	₱2,886,272
Transfers:				
Transfer from Stage 1 to Stage 2	(6,794)	26,811	–	20,017
Transfer from Stage 1 to Stage 3	–	–	–	–
Transfer from Stage 2 to Stage 1	743	(27,696)	–	(26,953)
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated or purchased *	34,775	2,556	–	37,331
Changes in PDs / LGDs / EADs	34,826	5,146	1,220,337	1,260,309
Financial assets derecognized during the period	(12,418)	(162)	–	(12,580)
FX and other movements	(26,413)	(269)	–	(26,682)
Provision for credit losses during the period	24,719	6,386	1,220,337	1,251,442
Write-offs, foreclosures, and other movements	26,413	269	(3,631,625)	(3,604,943)
Loss allowance at December 31, 2022	₱487,728	₱45,043	₱–	₱532,771

** Stage classification of new financial assets originated pertains to the stage as of end of year*

	Parent Company			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Financial assets at FVOCI (debt securities)	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Loss allowance at January 1, 2022	₱59,461	₱1,537	₱–	₱60,998
Transfers:				
Transfer from Stage 1 to Stage 2	–	–	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–
Transfer from Stage 2 to Stage 1	71	(1,537)	–	(1,466)
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated or purchased *	30,552	25,375	–	55,927
Changes in PDs / LGDs / EADs	9,024	–	–	9,024
Financial assets derecognized during the period	(105)	–	–	(105)
FX and other movements	(4,422)	(281)	–	(4,703)
Provision for credit losses during the period	35,120	23,557	–	58,677
Write-offs, foreclosures, and other movements	4,422	281	–	4,703
Loss allowance at December 31, 2022	₱99,003	₱25,375	₱–	₱124,378

** Stage classification of new financial assets originated pertains to the stage as of end of year*

The corresponding movement of the gross carrying amount of the financial assets during 2023 are shown below:

	Consolidated			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Corporate and commercial lending	**12–month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
Gross carrying amount at January 1, 2023	**₱484,995,851**	**₱58,277,293**	**₱12,136,970**	**₱555,410,114**
Transfers:				
Transfer from Stage 1 to Stage 2	**(11,128,883)**	**11,128,883**	**–**	**–**
Transfer from Stage 1 to Stage 3	**(2,724,649)**	**–**	**2,724,649**	**–**
Transfer from Stage 2 to Stage 1	**13,284,653**	**(13,284,653)**	**–**	**–**
Transfer from Stage 2 to Stage 3	**–**	**(1,261,406)**	**1,261,406**	**–**
Transfer from Stage 3 to Stage 1	**161,743**	**–**	**(161,743)**	**–**
Transfer from Stage 3 to Stage 2	**–**	**41,647**	**(41,647)**	**–**
New financial assets originated *	**206,140,793**	**19,963,728**	**1,876,904**	**227,981,425**
Changes in EADs	**(29,169,866)**	**(5,638,681)**	**(310,225)**	**(35,118,772)**
Financial assets derecognized during the period	**(133,493,999)**	**(15,143,579)**	**(906,703)**	**(149,544,281)**
Write-offs, foreclosures, and other movements	**–**	**–**	**(816,271)**	**(816,271)**
Total movements of carrying amount	**43,069,792**	**(4,194,061)**	**3,626,370**	**42,502,101**
Gross carrying amount at December 31, 2023	**₱528,065,643**	**₱54,083,232**	**₱15,763,340**	**₱597,912,215**

** Stage classification of new financial assets originated pertains to the stage as of end of year*

	Consolidated			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Consumer lending	**12–month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
Gross carrying amount at January 1, 2023	**₱124,698,727**	**₱14,701,573**	**₱5,064,552**	**₱144,464,852**
Transfers:				
Transfer from Stage 1 to Stage 2	**(6,643,519)**	**6,643,519**	**–**	**–**
Transfer from Stage 1 to Stage 3	**(1,135,889)**	**–**	**1,135,889**	**–**
Transfer from Stage 2 to Stage 1	**1,276,183**	**(1,276,183)**	**–**	**–**
Transfer from Stage 2 to Stage 3	**–**	**(765,964)**	**765,964**	**–**
Transfer from Stage 3 to Stage 1	**222,231**	**–**	**(222,231)**	**–**
Transfer from Stage 3 to Stage 2	**–**	**567,923**	**(567,923)**	**–**
New financial assets originated *	**75,110,114**	**4,875,218**	**853,172**	**80,838,504**
Changes in EADs	**(13,156,822)**	**(1,916,550)**	**(75,817)**	**(15,149,189)**
Financial assets derecognized during the period	**(22,218,339)**	**(5,403,285)**	**(1,128,350)**	**(28,749,974)**
Write-offs, foreclosures, and other movements	**–**	**–**	**(620,631)**	**(620,631)**
Total movements of carrying amount	**33,453,959**	**2,724,678**	**140,073**	**36,318,710**
Gross carrying amount at December 31, 2023	**₱158,152,686**	**₱17,426,251**	**₱5,204,625**	**₱180,783,562**

** Stage classification of new financial assets originated pertains to the stage as of end of year*

	Consolidated			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Trade-related lending	**12–month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
Gross carrying amount at January 1, 2023	**₱16,762,797**	**₱759,519**	**₱202,753**	**₱17,725,069**
Transfers:				
Transfer from Stage 1 to Stage 2	**–**	**–**	**–**	**–**
Transfer from Stage 1 to Stage 3	**(11,642)**	**–**	**11,642**	**–**
Transfer from Stage 2 to Stage 1	**–**	**–**	**–**	**–**
Transfer from Stage 2 to Stage 3	**–**	**(12,095)**	**12,095**	**–**
Transfer from Stage 3 to Stage 1	**–**	**–**	**–**	**–**
Transfer from Stage 3 to Stage 2	**–**	**–**	**–**	**–**
New financial assets originated *	**11,798,499**	**145,990**	**256,776**	**12,201,265**
Changes in EADs	**(690)**	**(5,049)**	**(1,282)**	**(7,021)**

(Forward)

Trade-related lending	Consolidated ECL Staging Stage 1 12–month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Financial assets derecognized during the period	(₱16,751,155)	(₱749,348)	(₱200,329)	(₱17,700,832)
Write-offs, foreclosures, and other movements	–	–	(21,067)	(21,067)
Total movements of carrying amount	(4,964,988)	(620,502)	57,835	(5,527,655)
Gross carrying amount at December 31, 2023	₱11,797,809	₱139,017	₱260,588	₱12,197,414

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Others	Consolidated ECL Staging Stage 1 12–month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount at January 1, 2023	₱94,784	₱13,943	₱6,473	₱115,200
Transfers:				
Transfer from Stage 1 to Stage 2	–	–	–	–
Transfer from Stage 1 to Stage 3	(242)	–	242	–
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated *	64,950	4,547	13,578	83,075
Changes in EADs	(79,390)	(13,942)	(2,896)	(96,228)
Financial assets derecognized during the period	–	–	–	–
Write-offs, foreclosures, and other movements	–	–	–	–
Total movements of carrying amount	(14,682)	(9,395)	10,924	(13,153)
Gross carrying amount at December 31, 2023	₱80,102	₱4,548	₱17,397	₱102,047

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Loans and receivables – total	Consolidated ECL Staging Stage 1 12–month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount at January 1, 2023	₱626,552,159	₱73,752,328	₱17,410,748	₱717,715,235
Transfers:				
Transfer from Stage 1 to Stage 2	(17,772,402)	17,772,402	–	–
Transfer from Stage 1 to Stage 3	(3,872,422)	–	3,872,422	–
Transfer from Stage 2 to Stage 1	14,560,836	(14,560,836)	–	–
Transfer from Stage 2 to Stage 3	–	(2,039,465)	2,039,465	–
Transfer from Stage 3 to Stage 1	383,974	–	(383,974)	–
Transfer from Stage 3 to Stage 2	–	609,570	(609,570)	–
New financial assets originated *	293,114,356	24,989,483	3,000,430	321,104,269
Changes in EADs	(42,406,768)	(7,574,222)	(390,220)	(50,371,210)
Financial assets derecognized during the period	(172,463,493)	(21,296,212)	(2,235,382)	(195,995,087)
Write-offs, foreclosures, and other movements	–	–	(1,457,969)	(1,457,969)
Total movements of carrying amount	71,544,081	(2,099,280)	3,835,202	73,280,003
Gross carrying amount at December 31, 2023	₱698,096,240	₱71,653,048	₱21,245,950	₱790,995,238

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Investment securities at amortized cost	Consolidated ECL Staging Stage 1 12–month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount at January 1, 2023	**₱352,609,868**	**₱3,035,602**	**₱–**	**₱355,645,470**
Transfers:				
Transfer from Stage 1 to Stage 2	**(4,830,200)**	**4,830,200**	**–**	**–**
Transfer from Stage 1 to Stage 3	**–**	**–**	**–**	**–**
Transfer from Stage 2 to Stage 1	**1,411,527**	**(1,411,527)**	**–**	**–**
Transfer from Stage 2 to Stage 3	**–**	**–**	**–**	**–**
Transfer from Stage 3 to Stage 1	**–**	**–**	**–**	**–**
Transfer from Stage 3 to Stage 2	**–**	**–**	**–**	**–**
New financial assets originated or purchased *	**90,108,395**	**102,324**	**–**	**90,210,719**
Changes in EADs	**(4,184,575)**	**(191,608)**	**–**	**(4,376,183)**
Financial assets derecognized during the period	**(62,229,928)**	**(1,090,702)**	**–**	**(63,320,630)**
Write-offs, foreclosures, and other movements	**-**	**-**	**–**	**-**
Total movements of carrying amount	**20,275,219**	**2,238,687**	**–**	**22,513,906**
Gross carrying amount at December 31, 2023	**₱372,885,087**	**₱5,274,289**	**₱–**	**₱378,159,376**

** Stage classification of new financial assets originated or purchased pertains to the stage as of end of year*

Financial assets at FVOCI (debt securities)	Consolidated ECL Staging Stage 1 12–month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount at January 1, 2023	**₱41,369,553**	**₱1,314,996**	**₱–**	**₱42,684,549**
Transfers:				
Transfer from Stage 1 to Stage 2	**(981,609)**	**981,609**	**–**	**–**
Transfer from Stage 1 to Stage 3	**–**	**–**	**–**	**–**
Transfer from Stage 2 to Stage 1	**1,314,996**	**(1,314,996)**	**–**	**–**
Transfer from Stage 2 to Stage 3	**–**	**–**	**–**	**–**
Transfer from Stage 3 to Stage 1	**–**	**–**	**–**	**–**
Transfer from Stage 3 to Stage 2	**–**	**–**	**–**	**–**
New financial assets originated or purchased *	**66,992,040**	**84,861**	**–**	**67,076,901**
Changes in EADs	**(391,830)**	**(15,124)**	**–**	**(406,954)**
Financial assets derecognized during the period	**(4,456,151)**	**–**	**–**	**(4,456,151)**
Write-offs, foreclosures, and other movements	**13,603**	**–**	**–**	**13,603**
Total movements of carrying amount	**62,491,049**	**(263,650)**	**–**	**62,227,399**
Gross carrying amount at December 31, 2023	**₱103,860,602**	**₱1,051,346**	**₱–**	**₱104,911,948**

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Corporate and commercial lending	Parent Company ECL Staging Stage 1 12–month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount at January 1, 2023	**₱477,456,923**	**₱52,492,289**	**₱9,206,201**	**₱539,155,413**
Transfers:				
Transfer from Stage 1 to Stage 2	**(11,000,040)**	**11,000,040**	**–**	**–**
Transfer from Stage 1 to Stage 3	**(2,698,036)**	**–**	**2,698,036**	**–**
Transfer from Stage 2 to Stage 1	**12,504,605**	**(12,504,605)**	**–**	**–**
Transfer from Stage 2 to Stage 3	**–**	**(1,011,085)**	**1,011,085**	**–**
Transfer from Stage 3 to Stage 1	**139,769**	**–**	**(139,769)**	**–**
Transfer from Stage 3 to Stage 2	**–**	**33,767**	**(33,767)**	**–**
New financial assets originated *	**202,584,806**	**18,547,982**	**1,304,217**	**222,437,005**
Changes in EADs	**(28,760,644)**	**(5,081,454)**	**(267,308)**	**(34,109,406)**
Financial assets derecognized during the period	**(130,296,496)**	**(12,785,226)**	**(262,015)**	**(143,343,737)**
Write-offs, foreclosures, and other movements	**–**	**–**	**(487,189)**	**(487,189)**
Total movements of carrying amount	**42,473,964**	**(1,800,581)**	**3,823,290**	**44,496,673**
Gross carrying amount at December 31, 2023	**₱519,930,887**	**₱50,691,708**	**₱13,029,491**	**₱583,652,086**

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Consumer lending	Parent Company ECL Staging Stage 1 12–month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount at January 1, 2023	**₱54,927,439**	**₱12,723,233**	**₱3,338,054**	**₱70,988,726**
Transfers:				
Transfer from Stage 1 to Stage 2	**(5,621,650)**	**5,621,650**	**–**	**–**
Transfer from Stage 1 to Stage 3	**(590,878)**	**–**	**590,878**	**–**
Transfer from Stage 2 to Stage 1	**877,485**	**(877,485)**	**–**	**–**
Transfer from Stage 2 to Stage 3	**–**	**(441,244)**	**441,244**	**–**
Transfer from Stage 3 to Stage 1	**187,829**	**–**	**(187,829)**	**–**
Transfer from Stage 3 to Stage 2	**–**	**506,687**	**(506,687)**	**–**
New financial assets originated *	**22,023,392**	**3,759,159**	**81,734**	**25,864,285**
Changes in EADs	**(4,583,280)**	**(1,714,666)**	**(65,499)**	**(6,363,445)**
Financial assets derecognized during the period	**(2,918,917)**	**(4,696,488)**	**(304,250)**	**(7,919,655)**
Write-offs, foreclosures, and other movements	**–**	**–**	**(202,129)**	**(202,129)**
Total movements of carrying amount	**9,373,981**	**2,157,613**	**(152,538)**	**11,379,056**
Gross carrying amount at December 31, 2023	**₱64,301,420**	**₱14,880,846**	**₱3,185,516**	**₱82,367,782**

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Trade-related lending	Parent Company ECL Staging Stage 1 12–month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount at January 1, 2023	**₱16,762,798**	**₱425,650**	**₱202,754**	**₱17,391,202**
Transfers:				
Transfer from Stage 1 to Stage 2	**–**	**–**	**–**	**–**
Transfer from Stage 1 to Stage 3	**(11,642)**	**–**	**11,642**	**–**
Transfer from Stage 2 to Stage 1	**–**	**–**	**–**	**–**
Transfer from Stage 2 to Stage 3	**–**	**(12,095)**	**12,095**	**–**
Transfer from Stage 3 to Stage 1	**–**	**–**	**–**	**–**
Transfer from Stage 3 to Stage 2	**–**	**–**	**–**	**–**
New financial assets originated *	**11,521,649**	**130,812**	**256,775**	**11,909,236**
Changes in EADs	**–**	**–**	**(1,283)**	**(1,283)**
Financial assets derecognized during the period	**(16,751,156)**	**(413,555)**	**(200,328)**	**(17,365,039)**
Write-offs, foreclosures, and other movements	**–**	**–**	**(21,067)**	**(21,067)**
Total movements of carrying amount	**(5,241,149)**	**(294,838)**	**57,834**	**(5,478,153)**
Gross carrying amount at December 31, 2023	**₱11,521,649**	**₱130,812**	**₱260,588**	**₱11,913,049**

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Others	Parent Company ECL Staging Stage 1 12–month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount at January 1, 2023	**₱19,124**	**₱–**	**₱2**	**₱19,126**
Transfers:				
Transfer from Stage 1 to Stage 2	**–**	**–**	**–**	**–**
Transfer from Stage 1 to Stage 3	**–**	**–**	**–**	**–**
Transfer from Stage 2 to Stage 1	**–**	**–**	**–**	**–**
Transfer from Stage 2 to Stage 3	**–**	**–**	**–**	**–**
Transfer from Stage 3 to Stage 1	**–**	**–**	**–**	**–**
Transfer from Stage 3 to Stage 2	**–**	**–**	**–**	**–**
New financial assets originated *	**–**	**–**	**201**	**201**
Changes in EADs	**(3,329)**	**–**	**–**	**(3,329)**
Financial assets derecognized during the period	**–**	**–**	**–**	**–**
Write-offs, foreclosures, and other movements	**–**	**–**	**–**	**–**
Total movements of carrying amount	**(3,329)**	**–**	**201**	**(3,128)**
Gross carrying amount at December 31, 2023	**₱15,795**	**₱–**	**₱203**	**₱15,998**

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Loans and receivables – total	Parent Company ECL Staging Stage 1 12–month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount at January 1, 2023	**₱549,166,284**	**₱65,641,172**	**₱12,747,011**	**₱627,554,467**
Transfers:				
Transfer from Stage 1 to Stage 2	**(16,621,690)**	**16,621,690**	**–**	**–**
Transfer from Stage 1 to Stage 3	**(3,300,556)**	**–**	**3,300,556**	**–**
Transfer from Stage 2 to Stage 1	**13,382,090**	**(13,382,090)**	**–**	**–**
Transfer from Stage 2 to Stage 3	**–**	**(1,464,424)**	**1,464,424**	**–**
Transfer from Stage 3 to Stage 1	**327,598**	**–**	**(327,598)**	**–**
Transfer from Stage 3 to Stage 2	**–**	**540,454**	**(540,454)**	**–**
New financial assets originated *	**236,129,847**	**22,437,953**	**1,642,927**	**260,210,727**
Changes in EADs	**(33,347,253)**	**(6,796,120)**	**(334,090)**	**(40,477,463)**
Financial assets derecognized during the period	**(149,966,569)**	**(17,895,269)**	**(766,593)**	**(168,628,431)**
Write-offs, foreclosures, and other movements	**–**	**–**	**(710,385)**	**(710,385)**
Total movements of carrying amount	**46,603,467**	**62,194**	**3,728,787**	**50,394,448**
Gross carrying amount at December 31, 2023	**₱595,769,751**	**₱65,703,366**	**₱16,475,798**	**₱677,948,915**

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Investment securities at amortized cost	Parent Company ECL Staging Stage 1 12–month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount at January 1, 2023	**₱346,623,991**	**₱3,035,602**	**₱–**	**₱349,659,593**
Transfers:				
Transfer from Stage 1 to Stage 2	**(4,830,200)**	**4,830,200**	**–**	**–**
Transfer from Stage 1 to Stage 3	**–**	**–**	**–**	**–**
Transfer from Stage 2 to Stage 1	**1,411,527**	**(1,411,527)**	**–**	**–**
Transfer from Stage 2 to Stage 3	**–**	**–**	**–**	**–**
Transfer from Stage 3 to Stage 1	**–**	**–**	**–**	**–**
Transfer from Stage 3 to Stage 2	**–**	**–**	**–**	**–**
New financial assets originated or purchased *	**88,822,380**	**102,324**	**–**	**88,924,704**
Changes in EADs	**(4,168,490)**	**(191,608)**	**–**	**(4,360,098)**
Financial assets derecognized during the period	**(61,671,270)**	**(1,090,702)**	**–**	**(62,761,972)**
Write-offs, foreclosures, and other movements	**–**	**–**	**–**	**–**
Total movements of carrying amount	**19,563,947**	**2,238,687**	**–**	**21,802,634**
Gross carrying amount at December 31, 2023	**₱366,187,938**	**₱5,274,289**	**₱–**	**₱371,462,227**

** Stage classification of new financial assets originated or purchased pertains to the stage as of end of year*

Financial assets at FVOCI (debt securities)	Parent Company ECL Staging Stage 1 12–month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount at January 1, 2023	**₱39,228,165**	**₱1,314,996**	**₱–**	**₱40,543,161**
Transfers:				
Transfer from Stage 1 to Stage 2	**(981,609)**	**981,609**	**–**	**–**
Transfer from Stage 1 to Stage 3	**–**	**–**	**–**	**–**
Transfer from Stage 2 to Stage 1	**1,314,996**	**(1,314,996)**	**–**	**–**
Transfer from Stage 2 to Stage 3	**–**	**–**	**–**	**–**
Transfer from Stage 3 to Stage 1	**–**	**–**	**–**	**–**
Transfer from Stage 3 to Stage 2	**–**	**–**	**–**	**–**
New financial assets originated or purchased *	**56,169,253**	**84,861**	**–**	**56,254,114**
Changes in EADs	**(14,740)**	**(15,124)**	**–**	**(29,864)**
Financial assets derecognized during the period	**(4,456,151)**	**–**	**–**	**(4,456,151)**
Write-offs, foreclosures, and other movements	**–**	**–**	**–**	**–**
Total movements of carrying amount	**52,031,749**	**(263,650)**	**–**	**51,768,099**
Gross carrying amount at December 31, 2023	**₱91,259,914**	**₱1,051,346**	**₱–**	**₱92,311,260**

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Comparative figures for the movement of gross carrying amount for 2022 are shown below:

Corporate and commercial lending	Consolidated ECL Staging Stage 1 12–month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount at January 1, 2022	₱428,829,243	₱50,618,381	₱9,630,798	₱489,078,422
Transfers:				
Transfer from Stage 1 to Stage 2	(28,933,747)	28,933,747	–	–
Transfer from Stage 1 to Stage 3	(210,472)	–	210,472	–
Transfer from Stage 2 to Stage 1	4,822,541	(4,822,541)	–	–
Transfer from Stage 2 to Stage 3	–	(6,882,377)	6,882,377	–
Transfer from Stage 3 to Stage 1	16,701	–	(16,701)	–
Transfer from Stage 3 to Stage 2	–	144,674	(144,674)	–
New financial assets originated *	209,925,720	16,508,948	1,112,976	227,547,644
Changes in EADs	(20,565,292)	(6,923,647)	(59,585)	(27,548,524)
Financial assets derecognized during the period	(108,888,843)	(19,299,892)	(1,243,369)	(129,432,104)
Write-offs, foreclosures, and other movements	–	–	(4,235,324)	(4,235,324)
Total movements of carrying amount	56,166,608	7,658,912	2,506,172	66,331,692
Gross carrying amount at December 31, 2022	₱484,995,851	₱58,277,293	₱12,136,970	₱555,410,114

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Consumer lending	Consolidated ECL Staging Stage 1 12–month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount at January 1, 2022	₱100,240,891	₱16,369,705	₱6,065,253	₱122,675,849
Transfers:				
Transfer from Stage 1 to Stage 2	(6,379,023)	6,379,023	–	–
Transfer from Stage 1 to Stage 3	(690,604)	–	690,604	–
Transfer from Stage 2 to Stage 1	2,718,825	(2,718,825)	–	–
Transfer from Stage 2 to Stage 3	–	(773,367)	773,367	–
Transfer from Stage 3 to Stage 1	191,424	–	(191,424)	–
Transfer from Stage 3 to Stage 2	–	746,478	(746,478)	–
New financial assets originated *	58,478,093	1,246,320	434,540	60,158,953
Changes in EADs	(11,143,173)	(1,460,699)	(330,038)	(12,933,910)
Financial assets derecognized during the period	(18,717,706)	(5,087,062)	(1,019,190)	(24,823,958)
Write-offs, foreclosures, and other movements	–	–	(612,082)	(612,082)
Total movements of carrying amount	24,457,836	(1,668,132)	(1,000,701)	21,789,003
Gross carrying amount at December 31, 2022	₱124,698,727	₱14,701,573	₱5,064,552	₱144,464,852

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Trade-related lending	Consolidated ECL Staging Stage 1 12–month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount at January 1, 2022	₱11,232,490	₱966,231	₱254,831	₱12,453,552
Transfers:				
Transfer from Stage 1 to Stage 2	–	–	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated *	16,754,797	754,444	–	17,509,241
Changes in EADs	–	(1,925)	(2,541)	(4,466)

(Forward)

Trade-related lending	Consolidated ECL Staging Stage 1 12–month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Financial assets derecognized during the period	(₱11,224,490)	(₱959,231)	(₱24,836)	(₱12,208,557)
Write-offs, foreclosures, and other movements	–	–	(24,701)	(24,701)
Total movements of carrying amount	5,530,307	(206,712)	(52,078)	5,271,517
Gross carrying amount at December 31, 2022	₱16,762,797	₱759,519	₱202,753	₱17,725,069

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Others	Consolidated ECL Staging Stage 1 12–month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount at January 1, 2022	₱105,130	₱7,030	₱4,736	₱116,896
Transfers:				
Transfer from Stage 1 to Stage 2	(88)	88	–	–
Transfer from Stage 1 to Stage 3	(471)	–	471	–
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer from Stage 2 to Stage 3	–	(958)	958	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated *	58,394	12,650	2,812	73,856
Changes in EADs	(9,052)	(1,428)	(644)	(11,124)
Financial assets derecognized during the period	(59,129)	(3,439)	(1,075)	(63,643)
Write-offs, foreclosures, and other movements	–	–	(785)	(785)
Total movements of carrying amount	(10,346)	6,913	1,737	(1,696)
Gross carrying amount at December 31, 2022	₱94,784	₱13,943	₱6,473	₱115,200

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Loans and receivables – total	Consolidated ECL Staging Stage 1 12–month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount at January 1, 2022	₱540,407,754	₱67,961,347	₱15,955,618	₱624,324,719
Transfers:				
Transfer from Stage 1 to Stage 2	(35,312,858)	35,312,858	–	–
Transfer from Stage 1 to Stage 3	(901,547)	–	901,547	–
Transfer from Stage 2 to Stage 1	7,541,366	(7,541,366)	–	–
Transfer from Stage 2 to Stage 3	–	(7,656,702)	7,656,702	–
Transfer from Stage 3 to Stage 1	208,125	–	(208,125)	–
Transfer from Stage 3 to Stage 2	–	891,152	(891,152)	–
New financial assets originated *	285,217,004	18,522,362	1,550,328	305,289,694
Changes in EADs	(31,717,517)	(8,387,699)	(392,808)	(40,498,024)
Financial assets derecognized during the period	(138,890,168)	(25,349,624)	(2,288,470)	(166,528,262)
Write-offs, foreclosures, and other movements	–	–	(4,872,892)	(4,872,892)
Total movements of carrying amount	86,144,405	5,790,981	1,455,130	93,390,516
Gross carrying amount at December 31, 2022	₱626,552,159	₱73,752,328	₱17,410,748	₱717,715,235

** Stage classification of new financial assets originated pertains to the stage as of end of year*

	Consolidated			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Investment securities at amortized cost	12–month ECL	Lifetime ECL	Lifetime ECL	Total
Gross carrying amount at January 1, 2022	₱233,410,560	₱3,566,516	₱3,947,000	₱240,924,076
Transfers:				
Transfer from Stage 1 to Stage 2	(2,098,004)	2,098,004	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–
Transfer from Stage 2 to Stage 1	2,968,142	(2,968,142)	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated or purchased *	190,261,714	324,828	–	190,586,542
Changes in EADs	(2,066,581)	(1)	–	(2,066,582)
Financial assets derecognized during the period	(79,484,999)	(65,000)	–	(79,549,999)
Write-offs, foreclosures, and other movements	9,619,036	79,397	(3,947,000)	5,751,433
Total movements of carrying amount	119,199,308	(530,914)	(3,947,000)	114,721,394
Gross carrying amount at December 31, 2022	₱352,609,868	₱3,035,602	₱–	₱355,645,470

** Stage classification of new financial assets originated or purchased pertains to the stage as of end of year*

	Consolidated			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Financial assets at FVOCI (debt securities)	12–month ECL	Lifetime ECL	Lifetime ECL	Total
Gross carrying amount at January 1, 2022	₱27,611,006	₱407,755	₱–	₱28,018,761
Transfers:				
Transfer from Stage 1 to Stage 2	–	–	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–
Transfer from Stage 2 to Stage 1	403,647	(403,647)	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated or purchased *	19,248,977	1,314,996	–	20,563,973
Changes in EADs	(2,561,524)	–	–	(2,561,524)
Financial assets derecognized during the period	(3,423,435)	(4,108)	–	(3,427,543)
Write-offs, foreclosures, and other movements	90,882	–	–	90,882
Total movements of carrying amount	13,758,547	907,241	–	14,665,788
Gross carrying amount at December 31, 2022	₱41,369,553	₱1,314,996	₱–	₱42,684,549

** Stage classification of new financial assets originated pertains to the stage as of end of year*

	Parent Company			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Corporate and commercial lending	12–month ECL	Lifetime ECL	Lifetime ECL	Total
Gross carrying amount as at January 1, 2022	₱421,975,891	₱44,133,134	₱6,613,097	₱472,722,122
Transfers:				
Transfer from Stage 1 to Stage 2	(25,458,513)	25,458,513	–	–
Transfer from Stage 1 to Stage 3	(178,002)	–	178,002	–
Transfer from Stage 2 to Stage 1	4,688,561	(4,688,561)	–	–
Transfer from Stage 2 to Stage 3	–	(6,229,937)	6,229,937	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	130,245	(130,245)	–
New financial assets originated *	201,681,491	14,337,374	797,455	216,816,320
Changes in EADs	(18,543,995)	(3,539,737)	(795)	(22,084,527)
Financial assets derecognized during the period	(106,708,510)	(17,108,742)	(869,058)	(124,686,310)
Write-offs, foreclosures, and other movements	–	–	(3,612,192)	(3,612,192)
Total movements of carrying amount	55,481,032	8,359,155	2,593,104	66,433,291
Gross carrying amount as at December 31, 2022	₱477,456,923	₱52,492,289	₱9,206,201	₱539,155,413

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Consumer lending	Parent Company ECL Staging Stage 1 12–month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2022	₱53,630,564	₱14,419,615	₱3,966,294	₱72,016,473
Transfers:				
Transfer from Stage 1 to Stage 2	(5,811,653)	5,811,653	–	–
Transfer from Stage 1 to Stage 3	(418,097)	–	418,097	–
Transfer from Stage 2 to Stage 1	2,025,099	(2,025,099)	–	–
Transfer from Stage 2 to Stage 3	–	(526,334)	526,334	–
Transfer from Stage 3 to Stage 1	71,880	–	(71,880)	–
Transfer from Stage 3 to Stage 2	–	703,528	(703,528)	–
New financial assets originated *	17,282,658	144,851	7,382	17,434,891
Changes in EADs	(4,390,466)	(1,198,623)	(234,982)	(5,824,071)
Financial assets derecognized during the period	(7,462,546)	(4,606,358)	(396,184)	(12,465,088)
Write-offs, foreclosures, and other movements	–	–	(173,479)	(173,479)
Total movements of carrying amount	1,296,875	(1,696,382)	(628,240)	(1,027,747)
Gross carrying amount as at December 31, 2022	₱54,927,439	₱12,723,233	₱3,338,054	₱70,988,726

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Trade-related lending	Parent Company ECL Staging Stage 1 12–month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2022	₱10,911,196	₱941,208	₱227,455	₱12,079,859
Transfers:				
Transfer from Stage 1 to Stage 2	–	–	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated *	16,754,798	418,650	–	17,173,448
Changes EADs	–	–	–	–
Financial assets derecognized during the period	(10,903,196)	(934,208)	–	(11,837,404)
Write-offs, foreclosures, and other movements	–	–	(24,701)	(24,701)
Total movements of carrying amount	5,851,602	(515,558)	(24,701)	5,311,343
Gross carrying amount as at December 31, 2022	₱16,762,798	₱425,650	₱202,754	₱17,391,202

** Stage classification of new financial assets originated pertains to the stage as of end of year*

Others	Parent Company ECL Staging Stage 1 12–month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at January 1, 2022	₱19,939	₱–	₱353	₱20,292
Transfers:				
Transfer from Stage 1 to Stage 2	–	–	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated *	–	–	–	–
Changes in EADs	(815)	–	–	(815)
Financial assets derecognized during the period	–	–	(351)	(351)
Write-offs, foreclosures, and other movements	–	–	–	–
Total movements of carrying amount	(815)	–	(351)	(1,166)
Gross carrying amount as at December 31, 2022	₱19,124	₱–	₱2	₱19,126

** Stage classification of new financial assets originated pertains to the stage as of end of year*

	Parent Company			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Loans and receivables – total	12–month ECL	Lifetime ECL	Lifetime ECL	Total
Gross carrying amount as at January 1, 2022	₱486,537,590	₱59,493,957	₱10,807,199	₱556,838,746
Transfers:				
Transfer from Stage 1 to Stage 2	(31,270,166)	31,270,166	–	–
Transfer from Stage 1 to Stage 3	(596,099)	–	596,099	–
Transfer from Stage 2 to Stage 1	6,713,660	(6,713,660)	–	–
Transfer from Stage 2 to Stage 3	–	(6,756,271)	6,756,271	–
Transfer from Stage 3 to Stage 1	71,880	–	(71,880)	–
Transfer from Stage 3 to Stage 2	–	833,773	(833,773)	–
New financial assets originated *	235,718,947	14,900,875	804,837	251,424,659
Changes in EADs	(22,935,276)	(4,738,360)	(235,777)	(27,909,413)
Financial assets derecognized during the period	(125,074,252)	(22,649,308)	(1,265,593)	(148,989,153)
Write-offs, foreclosures, and other movements	–	–	(3,810,372)	(3,810,372)
Total movements of carrying amount	62,628,694	6,147,215	1,939,812	70,715,721
Gross carrying amount as at December 31, 2022	₱549,166,284	₱65,641,172	₱12,747,011	₱627,554,467

** Stage classification of new financial assets originated pertains to the stage as of end of year*

	Parent Company			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Investment securities at amortized cost	12–month ECL	Lifetime ECL	Lifetime ECL	Total
Gross carrying amount as at January 1, 2022	₱227,795,892	₱3,566,515	₱3,631,625	₱234,994,032
Transfers:				
Transfer from Stage 1 to Stage 2	(2,098,004)	2,098,004	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–
Transfer from Stage 2 to Stage 1	2,968,142	(2,968,142)	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated or purchased *	187,487,105	324,829	–	187,811,934
Changes in EADs	(2,141,972)	–	–	(2,141,972)
Financial assets derecognized during the period	(76,890,599)	(65,000)	–	(76,955,599)
Write-offs, foreclosures, and other movements	9,503,427	79,396	(3,631,625)	5,951,198
Total movements of carrying amount	118,828,099	(530,913)	(3,631,625)	114,665,561
Gross carrying amount as at December 31, 2022	₱346,623,991	₱3,035,602	₱–	₱349,659,593

** Stage classification of new financial assets originated pertains to the stage as of end of year*

	ECL Staging			
	Stage 1	Stage 2	Stage 3	
Financial assets at FVOCI (debt securities)	12–month ECL	Lifetime ECL	Lifetime ECL	Total
Gross carrying amount as at January 1, 2022	₱25,496,732	₱403,647	₱–	₱25,900,379
Transfers:				
Transfer from Stage 1 to Stage 2	–	–	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–
Transfer from Stage 2 to Stage 1	403,647	(403,647)	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated or purchased *	19,049,256	1,314,996	–	20,364,252
Changes in EADs	(2,413,796)	–	–	(2,413,796)
Financial assets derecognized during the period	(3,307,674)	–	–	(3,307,674)
Write-offs, foreclosures, and other movements	–	–	–	–
Total movements of carrying amount	13,731,433	911,349	–	14,642,782
Gross carrying amount as at December 31, 2022	₱39,228,165	₱1,314,996	₱–	₱40,543,161

** Stage classification of new financial assets originated pertains to the stage as of end of year*

While the Group recognizes through the statement of income the movements in the expected credit losses computed using the models, the Group also complies with BSP's regulatory requirement to appropriate a portion of its retained earnings at an amount necessary to bring to at least 1% the allowance for credit losses on loans (Note 24).

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Provision for Impairment and Credit Losses	**₱1,246,003**	₱9,012,633	₱8,876,744	**₱208,011**	₱7,427,202	₱7,679,877
Appropriation (Un-appropriation) of Retained Earnings*	**21,946**	692,319	943,601	**(77,472)**	651,536	811,587
	₱1,267,949	₱9,704,952	₱9,820,345	**₱130,539**	₱8,078,738	₱8,491,464

**The Parent Company figures exclude the amounts appropriated by CBSI.*

17. **Deposit Liabilities**

As of December 31, 2023 and 2022, 42.92% and 39.47% respectively, of the total deposit liabilities of the Group and 48.61% and 43.86% of the parent are subject to periodic interest repricing. The remaining deposit liabilities bear annual fixed interest rates ranging from 0.06% to 5.98% in 2023, from 0.05% to 4.55% in 2022, and from 0.05% to 4.55% in 2021 for the Group and the Parent Company.

Interest Expense on Deposit Liabilities
This account consists of:

	Consolidated			**Parent Company**		
	2023	2022	2021	**2023**	2022	2021
Demand	**₱348,300**	₱325,725	₱301,420	**₱317,113**	₱296,702	₱266,605
Savings	**4,407,218**	2,294,286	1,556,758	**4,337,101**	2,229,503	1,495,056
Time	**16,985,051**	6,204,472	3,253,399	**12,497,657**	4,815,806	2,510,671
	₱21,740,569	₱8,824,483	₱5,111,577	**₱17,151,871**	₱7,342,011	₱4,272,332

BSP Circular No. 830 requires reserves against deposit liabilities. As of December 31, 2023 and 2022, due from BSP amounting to ₱70.72 billion and ₱77.55 billion, respectively, for the Group and ₱67.76 billion and ₱73.92 billion, respectively, for the Parent Company were set aside as reserves for deposit liabilities per latest report submitted to BSP. As of December 31, 2023 and 2022, the Parent Company is in compliance with such regulation.

On May 27, 2020, BSP issued Circular No. 1087, *Alternative Compliance with the Reserve Requirements of Banks and Non-Bank Financial Institutions with Quasi-Banking Functions (NBQBs),* which provides the following allowable modes of alternative compliance with the required reserves against deposit and deposit liabilities, provided that the following loans were granted, renewed, or restructured after March 15, 2020:

a. Peso-denominated loans that are granted to micro-, small- and medium enterprises (MSMEs)
b. Peso-denominated loans that are granted to large enterprises, excluding banks and NBQBs; provided that large enterprises are directly and adversely impacted by the Covid-19 outbreak

Subsequently on October 8, 2020, BSP issued Circular No. 1100 *Amendment to the Alternative Compliance with the Reserve Requirements of Banks and Non-Bank Financial Institutions with Quasi-Banking Functions (NBQBs)*, which states that a bank/NBQB may continue to utilize past due or non-performing MSME and large enterprise loan as alternative compliance with the reserve requirements for an additional thirty (30) calendar days from the date the loan becomes past due or non-performing, whichever comes earlier.

The use of MSME loans as allowable alternative compliance with the reserve requirement shall be available to banks/NBQBs from April 24, 2020 to December 29, 2022 while the use of loans to a large enterprise as allowable alternative compliance with the reserve requirements shall be available to banks/NBQBs from May 29, 2020 to December 29, 2022. However, the subsequent issuance of BSP Circular No. 1155 *Amendments to the Alternative Compliance with the Reserve Requirements of Banks and NBQBs* further extended the use of MSME loans and loans to a large enterprise as allowable alternative compliance from December 29, 2022 to June 30, 2023.

As of December 31, 2023 and 2022, the Group is in compliance with the reserve requirement.

<u>Long Term Negotiable Certificates of Deposits (LTNCD)</u>
On August 3, 2016, the BOD of the Parent Company approved the issuance of Long Term Negotiable Certificates of Deposits (LTNCD) of up to ₱20.00 billion in tranches of ₱5.00 billion to ₱10.00 billion each and with tenors ranging from 5 to 7 years to support the Group’s strategic initiatives and business growth. On October 27, 2016, the Monetary Board of the BSP approved the LTNCD issuances.

On November 18, 2016, the Parent Company issued the first tranche at par with aggregate principal amount of ₱9.58 billion, which matured on May 18, 2022. The LTNCDs bear a fixed coupon rate of 3.65% per annum, payable quarterly in arrears.

On June 2, 2017, the Parent Company issued at par LTNCDs with aggregate principal amount of ₱6.35 billion, which bear a fixed coupon rate of 3.65% per annum, payable quarterly in arrears, and matured on December 22, 2022, representing the second tranche of the ₱20.00 billion.

On March 7, 2018, the Board of Directors approved the Bank’s Peso funding program of up to ₱50.00 billion via a combination of Long-Term Negotiable Certificate of Time Deposit and/or Retail Bonds and/or Commercial Papers. Part of the funding program is a ₱20.00 billion LTNCD program which was approved by BSP on June 14, 2018.

On July 12, 2018, the Parent Company issued at par LTNCDs with aggregate principal amount of ₱10.25 billion due January 12, 2024, representing the first tranche of the ₱20 billion LTNCD program. The LTNCDs bear a fixed coupon rate of 4.55% per annum, payable quarterly in arrears. The Parent Company settled the LTNCDs on January 12, 2024.

The LTNCDs are included under the ‘Time deposit liabilities’ account.

18. **Bonds Payable**

The Parent Company's bonds payable consists of:

₱20.00 Billion Peso Fixed Rate Bonds due in 2024
On February 18, 2021, the Parent Company issued ₱20.00 billion Peso fixed rate bonds, which bears a fixed coupon rate of 2.50% per annum, payable monthly, and matured on February 18, 2024.

₱15.00 Billion Peso Fixed Rate Bonds due in 2022
On October 22, 2020, the Parent Company issued ₱15.00 billion Peso fixed rate bonds, which bears a fixed coupon rate of 2.75% per annum, payable quarterly, and matured on October 22, 2022.

BSP Circular No. 830 requires reserves against peso-denominated bonds. As of December 31, 2023 and 2022, the Group is in compliance with such regulation.

$150.00 Million Bonds Payable to IFC
On June 18, 2019, the Parent Company issued a $150 million, seven-year bond to International Finance Corporation. The bond reprices semi-annually and carries an interest margin of 120 basis points over 6-month LIBOR.

Shortly thereafter, the Parent Company entered into a seven-year pay-fixed, receive-floating IRS (see Note 26) with the same principal terms to hedge the exposure to interest rate risk attributable to variable cash flow payments on the floating-rate bonds payable (Note 6).

The Bond Subscription Agreement contains certain financial covenants with which the Parent Company should comply during the term of the bond, including the following:

- Risk Weighted Capital Adequacy Ratio of not less than ten per cent (10%);
- Equity to Assets Ratio of not less than five per cent (5%);
- Aggregate Large Exposures Ratio of not more than four hundred per cent (400%);
- Open Credit Exposures Ratio of not more than twenty-five per cent (25%);
- Fixed Assets Plus Equity Participations Ratio of not more than thirty-five per cent (35%);
- Aggregate Foreign Exchange Risk Ratio of not more than twenty-five per cent (25%);
- Single Currency Foreign Exchange Risk Ratio of not more than ten per cent (10%);
- Interest Rate Risk Ratio of not less than negative twenty-five per cent (-25%) and not more than twenty five per cent (25%);
- Aggregate Interest Rate Risk Ratio of not less than negative fifty per cent (-50%) and not more than twenty per cent (20%);
- Open FX Position of 25% of Qualifying Capital and USD 150 million, whichever is lower.

In addition, the Parent Company should also comply with the regulatory requirements related to Economic Group Exposure and Related Party Exposure set by the BSP or the Bond Subscription Agreement, whichever is more stringent.

Non-compliance with these obligations may require the Parent Company to pay the bond immediately. As of December 31, 2022, the Parent Company is in compliance with these covenants and regulatory requirements.

On May 11, 2023, the Parent Company informed IFC of its decision to pre-terminate the $150 million bonds payable with the latter. The pretermination of the bonds took effect on June 15, 2023, and resulted in a loss of ₱17.98 million. On May 18, 2023, the Parent Company pre-terminated the IRS, which was previously designated as a hedging instrument to the $150 million bonds payable with IFC. The pretermination of the IFC bonds payable resulted in the discontinuance of the cash flow hedge and the recycling of the corresponding hedge reserve of the IRS from the OCI to profit or loss. Realized gains from the pre-termination of the IRS amounted to ₱468.35 million.

The movements in the Parent Company's total unamortized discount and debt issue cost on the above bonds payable follow:

	2023	2022
Beginning balance	**₱50,380**	₱176,292
Additions	**–**	151
Amortization	**(57,320)**	(126,063)
Pre-termination	**17,633**	–
Ending balance	**₱10,693**	₱50,380

19. **Bills Payable**

The Parent Company's bills payable consists of the Interbank loans payable and Securities sold under repurchase agreements amounting to ₱84.80 million and ₱70.38 million as of December 31, 2023 and 2022, respectively.

Interbank loans payable consists of foreign currency-denominated borrowings of the Parent Company with annual interest ranging from 0.39% to 6.08%, from 0.38% to 6.25%, and from 0.31% to 1.60%, in 2023, 2022, and 2021, respectively.

The carrying amount of foreign currency-denominated investment securities at amortized cost pledged by the Parent Company as collateral for its interbank borrowings amounted to ₱82.00 billion and ₱67.00 billion as of December 31, 2023 and 2022, respectively. The carrying amount of the peso-denominated investment securities at amortized cost pledged by the Parent Company as collateral for its interbank borrowings amounted to ₱9.90 billion and ₱14.63 billion as of December 31, 2023 and 2022, respectively.

The aggregate fair value of investment securities at amortized cost pledged as collateral amounted to ₱85.15 billion and ₱75.45 billion as of December 31, 2023 and 2022, respectively. The aggregate fair value of financial assets at FVOCI pledged as collateral amounted to ₱5.49 billion and nil as of December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, margin deposits amounting to ₱9.09 billion and ₱7.60 billion, respectively, are deposited with various counterparties to meet the collateral requirements for its interbank loans payable.

20. Accrued Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Accrued payable for employee benefits	**₱2,884,023**	₱2,412,429	**₱2,884,023**	₱2,412,430
Accrued interest payable	**4,091,357**	2,043,498	**3,500,606**	1,805,386
Accrued taxes and other licenses	**467,495**	304,547	**276,860**	174,828
Accrued other expenses payable	**1,146,335**	1,355,415	**837,938**	1,006,981
	₱8,589,210	₱6,115,889	**₱7,499,427**	₱5,399,625

21. Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Financial liabilities				
Accounts payable	**₱5,904,031**	₱6,556,555	**₱4,377,894**	₱4,693,982
Lease liabilities (Note 27)	**3,347,987**	2,970,301	**2,578,292**	2,393,362
Due to PDIC	**1,030,459**	901,387	**1,030,459**	901,387
Acceptances payable	**2,269,296**	2,912,388	**2,269,296**	2,912,388
Expected credit losses on off-balance sheet exposures (Note 16)	**507,602**	782,341	**507,602**	772,323
Due to the Treasurer of the Philippines	**720,591**	535,029	**676,961**	502,686
Other credits – dormant	**414,714**	351,231	**414,714**	351,231
Margin deposits	**–**	483	**–**	483
Miscellaneous	**1,103,337**	611,125	**929,064**	460,685
	15,298,017	15,620,840	**12,784,282**	12,988,527
Non-financial liabilities				
Withholding taxes payable	**292,475**	425,435	**205,055**	372,261
Retirement liabilities (Note 25)	**30,393**	22,689	**–**	–
	322,868	448,124	**205,055**	372,261
	₱15,620,885	₱16,068,964	**₱12,989,337**	₱13,360,788

Accounts payable includes payables to suppliers and service providers, and loan payments and other charges received from customers in advance.

Miscellaneous mainly includes sundry credits, inter-office float items, and dormant deposit accounts.

22. Other Operating Income and Miscellaneous Expenses

Service Charges, Fees and Commissions

Details of this account are as follows:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Service and collection charges:						
Deposits	**₱789,316**	₱724,365	₱544,450	**₱708,979**	₱655,020	₱544,450
Loans	**212,432**	191,466	337,719	**14,943**	13,099	21,252
Remittances	**175,000**	189,575	217,191	**175,000**	189,575	217,191
Others	**392,059**	320,381	206,148	**303,693**	246,405	204,335
	1,568,807	1,425,787	1,305,508	**1,202,615**	1,104,099	987,228
Fees and commissions	**1,731,362**	1,437,291	1,409,864	**719,321**	594,291	451,386
	₱3,300,169	₱2,863,078	₱2,715,372	**₱1,921,936**	₱1,698,390	₱1,438,614

Trading and Securities Gain (Loss) – Net

This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Financial assets at FVOCI	**₱326,063**	₱3,465	₱60,316	**₱326,063**	₱3,465	₱40,937
Held-for-trading (Note 9)	**232,021**	(266,127)	(194,502)	**141,052**	(279,956)	(220,693)
Derivatives (Note 26)	**570,948**	1,190,200	69,013	**570,948**	1,190,200	69,013
Financial assets designated at FVTPL	–	–	1,168	–	–	–
	₱1,129,032	₱927,538	(₱64,005)	**₱1,038,063**	₱913,709	(₱110,743)

Miscellaneous Income

Details of this account are as follows:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Bancassurance (Note 11)	**₱337,123**	₱452,420	₱473,010	**₱294,583**	₱394,198	₱432,082
Dividends (Note 8)	**93,764**	100,627	102,867	**85,989**	98,748	99,326
Rental on investment properties	**90,428**	118,898	101,601	**79,735**	69,741	42,796
Rental of safety deposit boxes	**29,537**	30,693	31,057	**29,537**	30,693	31,057
Fund transfer fees	**23,730**	17,144	21,211	**23,730**	17,144	21,211
Miscellaneous income (Notes 10, 12, 13, and 30)	**871,015**	4,502,397	533,095	**662,888**	4,387,751	492,259
	₱1,445,597	₱5,222,179	₱1,262,841	**₱1,176,462**	₱4,998,275	₱1,118,731

Miscellaneous income includes recovery of charged-off assets and gain on sale of certain assets.

Miscellaneous Expenses

Details of this account are as follows:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Information technology	**₱1,121,290**	₱810,466	₱1,349,236	**₱1,381,030**	₱1,040,601	₱1,281,146
Litigations	**325,189**	332,029	261,282	**147,700**	95,482	83,308
Service charges	**108,559**	128,809	142,951	**105,081**	125,376	142,894
Freight	**86,391**	67,650	63,662	**59,133**	44,774	45,844
Clearing and processing fee	**25,305**	27,827	12,376	**25,305**	27,827	12,376
Membership fees and dues	**27,269**	20,648	20,290	**26,015**	19,589	18,767
Broker’s fee	**27,780**	19,896	20,671	**27,780**	19,896	20,664
Miscellaneous expense	**1,201,834**	1,612,772	1,381,395	**885,229**	1,230,723	1,168,518
	₱2,923,617	₱3,020,097	₱3,251,863	**₱2,657,273**	₱2,604,268	₱2,773,517

23. Maturity Analysis of Assets and Liabilities

The following tables present both the Group's and the Parent Company's assets and liabilities as of December 31, 2023 and 2022 analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the respective reporting date:

	Consolidated					
	2023			2022		
	Within Twelve Months	**Over Twelve Months**	**Total**	Within Twelve Months	Over Twelve Months	Total
Financial assets						
Cash and other cash items	**₱15,998,094**	**₱–**	**₱15,998,094**	₱13,689,421	₱–	₱13,689,421
Due from BSP	**84,595,973**	**–**	**84,595,973**	107,100,295	–	107,100,295
Due from other banks	**19,964,415**	**–**	**19,964,415**	13,614,609	–	13,614,609
Interbank loans receivable and SPURA	**34,720,250**	**–**	**34,720,250**	43,564,970	–	43,564,970
Financial assets at FVTPL	**13,569,574**	**61,713**	**13,631,287**	4,716,692	10,888	4,727,580
Derivative Contracts Designated as Hedge	**–**	**3,946,553**	**3,946,553**	–	6,203,379	6,203,379
Financial assets at FVOCI	**9,940,487**	**96,601,000**	**106,541,487**	1,388,456	41,928,301	43,316,757
Investment securities at amortized cost	**20,745,578**	**360,257,359**	**381,002,937**	14,517,748	344,006,998	358,524,746
Loans and receivables – gross	**191,202,974**	**599,792,264**	**790,995,238**	180,664,506	537,050,729	717,715,235
Accrued interest receivable – gross	**11,967,064**	**–**	**11,967,064**	10,778,149	–	10,778,149
Other assets – gross	**3,942,484**	**1,676,807**	**5,608,310**	2,978,107	1,470,031	4,448,138
	406,646,893	**1,062,335,696**	**1,468,971,608**	395,619,291	930,670,326	1,323,683,279
Non-financial assets						
Bank premises, furniture, fixtures and equipment – net of accumulated depreciation and amortization	–	**10,078,844**	**10,078,844**	–	9,337,260	9,337,260
Investment properties – net of accumulated depreciation	–	**4,360,448**	**4,360,448**	–	4,621,862	4,621,862
Deferred tax assets	–	**6,505,865**	**6,505,865**	–	4,552,692	4,552,692
Investments in associates	–	**1,389,952**	**1,389,952**	–	983,243	983,243
Intangible assets	–	**4,070,151**	**4,070,151**	–	4,076,645	4,076,645
Goodwill	–	**839,748**	**839,748**	–	839,748	839,748
Other assets – gross	**2,814,495**	**734,973**	**3,549,468**	2,601,736	400,416	3,002,152
	2,814,495	**27,979,981**	**30,794,476**	2,601,736	24,811,866	27,413,602
Allowance for impairment and credit losses (Note 16)			**(20,111,362)**			(20,189,493)
Unearned discounts (Note 10)			**(1,622,481)**			(1,177,922)
			(21,733,843)			(21,367,415)
			₱1,478,043,222			₱1,329,729,466
Financial liabilities						
Deposit liabilities	**₱1,171,118,878**	**₱15,604,677**	**₱1,186,723,555**	1,055,547,844	10,366,833	1,065,914,677
Bills payable	**84,798,489**	–	**84,798,489**	70,375,267	–	70,375,267
Bonds payable	**19,989,307**	–	**19,989,307**	–	28,312,870	28,312,870
Manager's checks	**2,109,463**	–	**2,109,463**	1,550,669	–	1,550,669
Accrued interest and other expenses*	**8,121,715**	–	**8,121,715**	5,811,342	–	5,811,342
Derivative liabilities	**938,722**	–	**938,722**	1,549,561	–	1,549,561
Derivative contracts designated as hedges	**7,436,719**	**612,698**	**8,049,417**	4,156,612	–	4,156,612
Other liabilities	**15,298,017**	–	**15,298,017**	15,620,840	–	15,620,840
	1,309,811,310	**16,217,375**	**1,326,028,685**	1,154,612,135	38,679,703	1,193,291,838
Non-financial liabilities						
Accrued interest and other expenses	**467,495**	–	**467,495**	304,547	–	304,547
Deferred tax liabilities	–	**792,114**	**792,114**	–	794,432	794,432
Income tax payable	**133,659**	–	**133,659**	311,915	–	311,915
Other liabilities	**292,475**	**30,393**	**322,868**	425,435	22,689	448,124
	893,629	**822,507**	**1,716,136**	1,041,897	817,121	1,859,018
	₱1,310,704,939	**₱17,039,882**	**₱1,327,744,821**	₱1,155,654,032	₱39,496,824	₱1,195,150,856

*Accrued interest and other expenses include accrued interest payable, accrued payable for employee benefits and accrued other expenses payable (Note 20).

	Parent Company					
	2023			2022		
	Within Twelve Months	**Over Twelve Months**	**Total**	Within Twelve Months	Over Twelve Months	Total
Financial assets						
Cash and other cash items	**₱13,041,135**	**₱–**	**₱13,041,135**	₱10,073,767	₱–	₱10,073,767
Due from BSP	**73,156,991**	**–**	**73,156,991**	92,920,540	–	92,920,540
Due from other banks	**17,352,830**	**–**	**17,352,830**	12,347,169	–	12,347,169
Interbank loans receivable and SPURA	**31,075,654**	**–**	**31,075,654**	41,597,949	–	41,597,949
Financial assets at FVTPL	**12,631,250**	**10,813**	**12,642,063**	3,503,688	10,888	3,514,576
Derivative Contracts Designated as Hedge	**–**	**3,946,553**	**3,946,553**	–	6,203,379	6,203,379
Financial assets at FVOCI	**1,045,144**	**92,781,292**	**93,826,436**	939,856	40,211,269	41,151,125
Investment securities at amortized cost	**20,106,841**	**353,996,148**	**374,102,989**	13,957,866	338,377,782	352,335,648
Loans and receivables – gross	**163,527,755**	**514,421,160**	**677,948,915**	156,001,047	471,553,420	627,554,467
Accrued interest receivable – gross	**10,513,858**	**–**	**10,513,858**	9,391,461	–	9,391,461
Other assets – gross	**2,422,146**	**240,330**	**2,662,476**	1,773,452	218,909	1,992,361
	344,873,604	**965,396,296**	**1,310,269,900**	342,506,795	856,575,647	1,199,082,442
Non-financial assets						
Bank premises, furniture, fixtures and equipment – net of accumulated depreciation and amortization	**–**	**8,086,119**	**8,086,119**	–	7,670,562	7,670,562
Investment properties – net of accumulated depreciation	**–**	**1,996,166**	**1,996,166**	–	2,023,344	2,023,344
Deferred tax assets	**–**	**4,961,076**	**4,961,076**	–	3,150,610	3,150,610
Investments in subsidiaries	**–**	**22,676,868**	**22,676,868**	–	19,123,698	19,123,698
Investment in associates	**–**	**1,389,952**	**1,389,952**	–	983,243	983,243
Intangible assets	**–**	**783,317**	**783,317**	–	778,314	778,314
Goodwill	**–**	**222,841**	**222,841**	–	222,841	222,841
Other assets – gross	**1,808,092**	**665,588**	**2,473,680**	1,884,157	287,120	2,171,277
	1,808,092	**40,781,927**	**42,590,019**	1,884,157	34,239,732	36,123,889
Allowances for impairment and credit losses (Note 16)			**(15,889,555)**			(16,350,676)
Unearned discounts (Note 10)			**(440,915)**			(182,760)
			(16,330,470)			(16,533,436)
			₱1,336,529,449			₱1,218,672,895
Financial liabilities						
Deposit liabilities	**₱1,043,436,247**	**₱7,138,507**	**₱1,050,574,754**	₱958,799,325	₱619,244	₱959,418,569
Bills payable	**84,798,489**	–	**84,798,489**	70,375,267	–	70,375,267
Bonds payable	**19,989,307**	–	**19,989,307**	–	28,312,870	28,312,870
Manager's checks	**1,419,764**	–	**1,419,764**	1,296,109	–	1,296,109
Accrued interest and other expenses*	**7,222,567**	–	**7,222,567**	5,224,797	–	5,224,797
Derivative liabilities	**938,722**	–	**938,722**	1,549,561	–	1,549,561
Derivative Contracts Designated as Hedge	**7,436,719**	**612,698**	**8,049,417**	4,156,612	–	4,156,612
Other liabilities	**12,784,282**	–	**12,784,282**	12,988,527	–	12,988,527
	1,178,026,097	**7,751,205**	**1,185,777,302**	1,054,390,198	28,932,114	1,083,322,312
Non-financial liabilities						
Accrued interest and other expenses	**276,860**	–	**276,860**	174,828	–	174,828
Income tax payable	**48,083**	–	**48,083**	293,422	–	293,422
Other liabilities	**205,055**	–	**205,055**	372,261	–	372,261
	529,998	–	**529,998**	840,511	–	840,511
	₱1,178,556,095	**₱7,751,205**	**₱1,186,307,300**	₱1,055,230,709	₱28,932,114	₱1,084,162,823

*Accrued interest and other expenses include accrued interest payable, accrued payable for employee benefits and accrued other expenses payable (Note 20).

24. Equity

The Parent Company's capital stock consists of (amounts in thousands, except for number of shares):

	2023		2022	
	Shares	**Amount**	Shares	Amount
Common stock – ₱10.00 par value				
Authorized – shares	**3,300,000,000**		3,300,000,000	
Issued and outstanding				
Balance at beginning of year	**2,691,288,212**	**₱26,912,882**	2,691,288,212	₱26,912,882
Issuance through stock grant	**52,100**	**521**	–	–
Balance at end of year	**2,691,340,312**	**₱26,913,403**	2,691,288,212	₱26,912,882

The Parent Company shares are listed in the Philippine Stock Exchange.

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

Date of SEC Approval	Authorized Shares*
April 12, 1991	100,000,000
October 7, 1993	150,000,000
August 30, 1994	200,000,000
July 26, 1995	250,000,000
September 12, 1997	500,000,000
September 5, 2005	1,000,000,000
September 14, 2007	1,600,000,000
September 5, 2008	2,000,000,000
August 29, 2014	2,500,000,000
September 29, 2018	3,300,000,000

** Restated to show the effects of the ten–for–one stock split in 2012*

As reported by the Parent Company's transfer agent, Stock Transfer Service, Inc., the total number of stockholders is 1,826 and 1,875 as of December 31, 2023 and 2022, respectively.

Centennial Stock Grant

In light of the Parent Company's 100th anniversary, the Board of Directors approved on August 5, 2020 a Centennial Stock Grant Plan to issue common shares to eligible grantees.

The Centennial Stock Grant Plan was approved and ratified by the stockholders on October 1, 2020 and the approvals of the relevant regulatory agencies were completed in 2021. New shares were issued from the Parent Company's authorized but unissued shares in favor of the Group's regular employees and certain other officers and contractual employees as of August 16, 2020, numbering around 8,400.

On August 9, 2021, the Philippine Stock Exchange (PSE) approved the Parent Company's application to list 5,451,600 common shares, with a par value of ₱10.00 per share, to cover the Group's Centennial Stock Grant Plan. The Parent Company issued a total of 5.39 million shares on September 1, 2021. This resulted in an increase in the Parent Company's 'Capital stock' and 'Capital paid in excess of par value' totaling ₱132.02 million as of the grant date. The difference in the fair value of the stock grants upon issuance of shares is recognized in the profit or loss.

<u>Dividends</u>
Details of the Parent Company's cash dividend payments follow:

<u>Cash Dividends</u>

Date of Declaration	Date of Record	Date of Payment	Cash Dividend Per Share
April 19, 2023	May 5, 2023	May 18, 2023	1.90
May 5, 2022	May 20, 2022	June 3, 2022	1.50
May 6, 2021	May 21, 2021	June 4, 2021	1.00
June 18, 2020	July 3, 2020	July 17, 2020	1.00
May 2, 2019	May 17, 2019	May 31, 2019	0.88
May 3, 2018	May 17, 2018	June 1, 2018	0.83
May 4, 2017	May 18, 2017	June 2, 2017	0.80
May 5, 2016	May 23, 2016	June 3, 2016	1.00
May 7, 2015	August 12, 2015	September 9, 2015	1.00
May 8, 2014	September 19, 2014	October 15, 2014	1.00
May 2, 2013	July 19, 2013	August 14, 2013	1.20

<u>Stock Dividends</u>

Date of Declaration	Date of Record	Date of Payment	Stock Dividend Per Share
March 15, 2017	October 20, 2017	November 03, 2017	8%
May 05, 2016	May 23, 2016	June 03, 2016	8%
May 07, 2015	August 12, 2015	September 09, 2015	8%
May 08, 2014	September 19, 2014	October 15, 2014	8%
May 02, 2013	July 19, 2013	August 14, 2013	10%

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

As of December 31, 2023 and 2022, surplus includes the amount of ₱1.37 billion, net of deferred tax effect of ₱456.17 million, representing transfer of revaluation increment on land which was carried at deemed cost when the Group transitioned to PFRS in 2005 (Note 12). This amount will be available to be declared as dividends upon sale of the underlying land.

In the consolidated financial statements, a portion of the Group's surplus corresponding to the net earnings of the subsidiaries and associates amounting to ₱10.41 billion and ₱7.43 billion as of December 31, 2023 and 2022, respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon declaration and receipt of cash dividends from the investees.

Reserves
In compliance with BSP regulations, 10.00% of the Parent Company's profit from trust business is appropriated to surplus reserve. This annual appropriation is required until the surplus reserves for trust business equals 20.00% of the Parent Company's authorized capital stock.

Upon adoption of PFRS 9, BSP requires appropriation of a portion of the Group's Surplus at an amount necessary to bring to at least 1% the allowance for credit losses on loans (Note 16).

Capital Management
The primary objectives of the Group's capital management are to ensure that it complies with externally imposed capital requirements and that it 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 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 to shareholders or issue capital securities. No changes were made in the objectives, policies, and processes as of December 31, 2023 and 2022.

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

In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets (RWA), should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (Parent Company and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Qualifying capital and RWA are computed based on BSP regulations. RWA consists of total assets less 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 of the BSP.

On August 4, 2006, the BSP, under BSP Circular No. 538, issued the prescribed guidelines implementing the revised risk-based capital adequacy framework for the Philippine banking system to conform to Basel II capital adequacy framework. The BSP guidelines took effect on July 1, 2007. Thereafter, banks were required to compute their CAR using these guidelines.

Standardized credit risk weights were used in the credit assessment of asset exposures. Third party credit assessments were based on ratings by international credit assessment agencies – Standard & Poor's, Moody's, and Fitch, and BSP-recognized domestic credit assessment agencies such as PhilRatings. Per BSP guidelines, domestic debt issuances may be rated by BSP-recognized domestic credit assessment agencies or by international credit assessment agencies which have developed a national rating system acceptable to the BSP. Internationally-issued debt obligations shall be rated by BSP-recognized international credit assessment agencies only.

On January 15, 2013, the BSP issued 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. The circular took effect on January 1, 2014.

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%. It also introduces a capital conservation buffer of 2.50% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10.00% and this ratio shall be maintained at all times.

Further, existing capital instruments as of December 31, 2010 which do not meet the eligibility criteria for capital instruments under the revised capital framework shall no longer be recognized as capital upon the effectivity of Basel III. Capital instruments issued under BSP Circular Nos. 709 and 716 (the circulars amending the definition of qualifying capital particularly on Hybrid Tier 1 and Lower Tier 2 capitals), starting January 1, 2011 and before the effectivity of BSP Circular No. 781, shall be recognized as qualifying capital until December 31, 2017. In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital.

On April 28, 2020, the BSP issued BSP Memorandum No. M-2020-034 *Relaxation in the Credit Risk Weight for Loans to MSMEs under the BSP's Risk-Based Capital Adequacy Framework,* which provides temporary relaxation in the assigned credit risk weight for loans to micro, small, and medium enterprises (MSMEs) for purposes of computing compliance with the BSP's Risk-Based Capital Adequacy Frameworks.

The following exposures to MSMEs, as defined under Basel III shall be assigned a credit risk weight of 50 percent:

a. MSME exposures that meet the criteria of qualified MSME portfolio, and
b. Current MSME exposures that do not qualify as a highly diversified MSME portfolio.

The foregoing provision under BSP Memorandum No. M-2020-034 shall apply until December 31, 2021. However, it was extended until December 31, 2022 by the subsequent issuance of BSP Memorandum No. M-2022-004 *Extension of BSP Prudential Relief Measures* and further extended until June 30, 2023 by the subsequent issuance of BSP Memorandum No. M-2022-041 *Extension of BSP Prudential Relief Measure on the Relaxation in the Credit Risk Weight for Loans to MSMEs under the BSP's Risk-Based Capital Adequacy Frameworks*.

The CAR of the Group and the Parent Company as of December 31, 2023 and 2022 as reported to the BSP are shown in the table below.

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
	(Amounts in Million Pesos)			
CET 1 Capital	**₱147,553**	₱132,695	**₱144,740**	₱129,945
Less: Regulatory Adjustments	**16,355**	13,079	**31,153**	24,533
	131,198	119,616	**113,587**	105,412
Additional Tier 1 Capital	**–**	–	**–**	–
Less: Regulatory Adjustments	**–**	–	**–**	–
	–	–	**–**	–
Net Tier 1 Capital	**131,198**	119,616	**113,587**	105,412
Tier 2 Capital	**7,632**	6,683	**6,587**	6,125
Less: Regulatory Adjustments	**–**	–	**–**	–
Net Tier 2 Capital	**7,632**	6,683	**6,587**	6,125
Total Qualifying Capital	**₱138,830**	₱126,299	**₱120,174**	₱111,537

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
	(Amounts in Million Pesos)			
Credit RWA	**₱761,451**	₱695,054	**₱656,483**	₱612,227
Market RWA	**14,365**	28,309	**13,921**	28,358
Operational RWA	**84,404**	70,188	**72,233**	59,861
Total RWA	**₱860,220**	₱793,551	**₱742,637**	₱700,446
CET 1 capital ratio	**15.25%**	15.07%	**15.30%**	15.05%
Tier 1 capital ratio	**15.25%**	15.07%	**15.30%**	15.05%
Total capital ratio	**16.14%**	15.92%	**16.18%**	15.92%

The Group and the Parent Company have complied with all externally imposed capital requirements throughout the period.

The issuance of BSP Circular No. 639 covering the ICAAP in 2009 supplements BSP's risk-based capital adequacy framework under Circular No. 538. In compliance with this circular, the Parent Company 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 Parent Company. The level and structure of capital are assessed and determined in light of the Parent Company's business environment, plans, performance, risks, and budget, as well as regulatory edicts. BSP normally requires submission of the ICAAP document every March 31.

However, for 2021 and 2022, in view of the pandemic, the BSP adjusted the deadline for submission from March 31 to June 30. It reverted back to March 31 for 2023. The Group has also complied with this requirement.

On April 16, 2021, the BSP issued Circular No. 1113, which requires that the recovery plan shall be distinct and separate from the ICAAP document. It should be submitted every June 30, beginning in 2022. On October 18, 2022, the BSP issued Circular No. 1158, which enumerates the new guidelines on recovery plan of banks. The Group has complied with the requirements for the 2023 submission.

Leverage Ratio
On June 9, 2015, BSP issued circular No. 881, which approved the guidelines for the implementation of the Basel III Leverage Ratio in the Philippines. The Basel III Leverage Ratio is designed to act as a supplementary measure to the risk-based capital requirements. The leverage ratio intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based "backstop" measure. The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator). The monitoring of the leverage ratio was implemented as a Pillar 1 minimum requirement effective on 1 July 2018. The Basel III leverage ratio of the banks shall not be less than 5.00%.

The BLR of the Group and the Parent Company as of December 31, 2023 and 2022 as reported to the BSP are shown in the table below.

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
	(Amounts in Millions)			
Tier 1 Capital	**₱131,198**	₱119,616	**₱113,587**	₱105,412
Exposure Measure	**1,412,944**	1,365,346	**1,252,635**	1,238,956
Leverage Ratio	**9.29%**	8.76%	**9.07%**	8.51%

Liquidity Coverage Ratio
On 18 February 2016, BSP issued Circular No. 905 which approved the attached liquidity standards, which include guidelines on liquidity coverage ratio (LCR) and LCR disclosure standards that are consistent with the Basel III framework. Banks are required to adopt Basel III's Liquidity Coverage Ratio (LCR) aimed at strengthening the short-term liquidity position of banks. This requires banks to have available High Quality Liquid Assets (HQLA) to meet anticipated net cash outflow for a 30-day period under stress conditions. The standard prescribes that, under a normal situation, the value of the liquidity ratio be no lower than 100% on a daily basis because the stock of unencumbered HQLA is intended to serve as a defense against potential onset of liquidity stress. Beginning January 1, 2019, the prescribed minimum ratio of LCR is 100.00%. As of December 31, 2023 and 2022, the LCR in single currency is 127.02% and 117.00%, respectively, for the Group and 125.61% and 115.79%, respectively, for the Parent Company.

Net Stable Funding Ratio
On 24 May 2018, BSP issued Circular No. 1007 which approved the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards - Net Stable Funding Ratio (NSFR). Banks are required to adopt Basel III's NSFR aimed to promote long-term resilience of banks against liquidity risk. Banks shall maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. The NSFR complements the Liquidity Coverage Ratio (LCR), which promotes short-term resilience of a Bank's liquidity profile. The Group started monitoring and reporting NSFR to the BSP in 2019. The banks shall maintain a NSFR of at least 100.00% at all times. As of December 31, 2023 and 2022, the NSFR is 113.47% and 115.96%, respectively, for the Group and 111.84% and 114.63%, respectively, for the Parent Company.

25. Retirement Plan

The Group has separate funded noncontributory defined benefit retirement plans covering substantially all its officers and regular employees. The retirement plans are administered by the Parent Company's Trust Group which acts as the trustee of the plans. Under these retirement plans, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. The latest actuarial valuation studies of the retirement plans were made as of December 31, 2023.

The Group's annual contribution to the retirement plan consists of a payment covering the current service cost, unfunded actuarial accrued liability, and interest on such unfunded actuarial liability.

The amounts of net defined benefit asset in the balance sheets follow:

	Consolidated		**Parent Company**	
	2023	2022	**2023**	2022
Net plan assets (Note 15)	**₱734,973**	₱400,416	**₱665,588**	₱287,120
Retirement liabilities (Note 21)	**(30,393)**	(22,689)	**–**	–
	₱704,580	₱377,727	**₱665,588**	₱287,120

The movements in the defined benefit asset, present value of defined benefit obligation and fair value of plan assets follow:

Consolidated

	January 1, 2023	**Net benefit cost: Current service cost**	**Net benefit cost: Net interest**	**Net benefit cost: Net pension expense***	**Benefits paid**	**Remeasurements in OCI: Return on plan assets (excluding amount included in net interest)**	**Remeasurements in OCI: Actuarial changes arising from experience adjustments**	**Remeasurements in OCI: Actuarial changes arising from changes in financial assumptions**	**Remeasurements in OCI: Actuarial changes arising from changes in demographic assumptions**	**Remeasurements in OCI: Total remeasurements in OCI**	**Contribution by employer**	**December 31, 2023**
	(a)	**(b)**	**(c)**	**(d) = b + c**	**(e)**	**(f)**	**(g)**	**(h)**	**(i)**	**(j) = f + g + h + i**	**(k)**	**(l) = a + d + e + j + k**
Fair value of plan assets	**₱5,798,068**	**₱–**	**₱387,778**	**₱387,778**	**(₱432,707)**	**₱57,410**	**₱–**	**₱–**	**₱–**	**₱57,410**	**₱788,973**	**₱6,599,522**
Present value of defined benefit obligation	**5,420,341**	**509,507**	**362,700**	**872,207**	**(432,707)**	**–**	**(35,515)**	**80,380**	**(9,764)**	**35,101**	**–**	**5,894,942**
Net defined benefit asset	**₱377,727**	**(₱509,507)**	**₱25,078**	**(₱484,429)**	**₱–**	**₱57,410**	**₱35,515**	**(₱80,380)**	**₱9,764**	**₱22,309**	**₱788,973**	**₱704,580**

**Presented under Compensation and fringe benefits in the statements of income.*

Consolidated

	January 1, 2022	Net benefit cost: Current service cost	Net benefit cost: Net interest	Net benefit cost: Net pension expense*	Benefits paid	Remeasurements in OCI: Return on plan assets (excluding amount included in net interest)	Remeasurements in OCI: Actuarial changes arising from experience adjustments	Remeasurements in OCI: Actuarial changes arising from changes in financial assumptions	Remeasurements in OCI: Actuarial changes arising from changes in demographic assumptions	Remeasurements in OCI: Total remeasurements in OCI	Contribution by employer	December 31, 2022
	(a)	(b)	(c)	(d) = b + c	(e)	(f)	(g)	(h)	(i)	(j) = f + g + h + i	(k)	(l) = a + d + e + j + k
Fair value of plan assets	₱5,602,106	₱–	₱258,678	₱258,678	(₱392,776)	₱59,768	₱–	₱–	₱–	₱59,768	₱270,292	₱5,798,068
Present value of defined benefit obligation	5,129,718	523,487	237,540	761,027	(392,776)	–	166,546	(267,822)	23,648	(77,628)	–	5,420,341
Net defined benefit asset	₱472,388	(₱523,487)	₱21,138	(₱502,349)	₱–	₱59,768	(₱166,546)	₱267,822	(₱23,648)	₱137,396	₱270,292	₱377,727

**Presented under Compensation and fringe benefits in the statements of income.*

Parent Company

		Net benefit cost					Remeasurements in OCI						
	January 1, 2023	**Current service cost**	**Net interest**	**Net pension expense***	**Transfer from Affiliates**	**Benefits paid**	**Return on plan assets (excluding amount included in net interest)**	**Actuarial changes arising from experience adjustments**	**Actuarial changes arising from changes in financial assumptions**	**Actuarial changes arising from changes in demographic assumptions**	**Total remeasurements in OCI**	**Contribution by employer**	**December 31, 2023**
	(a)	**(b)**	**(c)**	**(d) = b + c**	**(e)**	**(f)**	**(g)**	**(h)**	**(i)**	**(j)**	**(k) = g + h + i + j**	**(l)**	**(m) = a + d + e + f + k + l**
Fair value of plan assets	**₱5,084,943**	**₱–**	**₱340,691**	**₱340,691**	**₱–**	**(₱386,709)**	**₱86,283**	**₱–**	**₱–**	**₱–**	**₱86,283**	**₱690,000**	**₱5,815,208**
Present value of defined benefit obligation	**4,797,823**	**419,190**	**321,437**	**740,627**	**(337)**	**(386,709)**	**–**	**(49,822)**	**60,126**	**(12,088)**	**(1,784)**	**–**	**5,149,620**
Net defined benefit asset	**₱287,120**	**(₱419,190)**	**₱19,254**	**(₱399,936)**	**₱337**	**₱–**	**₱86,283**	**₱49,822**	**(₱60,126)**	**₱12,088**	**₱88,067**	**₱690,000**	**₱665,588**

**Presented under Compensation and fringe benefits in the statements of income.*

Parent Company

		Net benefit cost					Remeasurements in OCI						
	January 1, 2022	Current service cost	Net interest	Net pension expense*	Transfer from Affiliates	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from changes in demographic assumptions	Total remeasurements in OCI	Contribution by employer	December 31, 2022
	(a)	(b)	(c)	(d) = b + c	(e)	(f)	(g)	(h)	(i)	(j)	(k) = g + h + i + j	(l)	(m) = a + d + e + f + k + l
Fair value of plan assets	₱4,862,046	₱–	₱227,057	₱227,057	₱–	(₱359,829)	₱102,669	₱–	₱–	₱–	₱102,669	₱253,000	₱5,084,943
Present value of defined benefit obligation	4,561,655	431,784	213,066	644,850	888	(359,829)	–	142,589	(197,051)	4,721	(49,741)	–	4,797,823
Net defined benefit asset	₱300,391	(₱431,784)	₱13,991	(₱417,793)	(₱888)	₱–	₱102,669	(₱142,589)	₱197,051	(₱4,721)	₱152,410	₱253,000	₱287,120

The Group and the Parent Company is recommended to contribute to its defined benefit pension plan in 2024 amounting to ₱72.23 million and nil, respectively.

In 2023 and 2022, the major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Parent Company shares (Note 30)	**25.51%**	25.84%	**28.95%**	29.46%
Equity instruments	**13.26%**	13.73%	**12.62%**	13.03%
Cash and cash equivalents	**0.11%**	0.09%	**0.12%**	0.10%
Debt instruments	**57.96%**	57.35%	**56.29%**	56.62%
Other assets	**3.16%**	2.99%	**2.02%**	0.79%
	100.00%	100.00%	**100.00%**	100.00%

The following table shows the breakdown of fair value of the plan assets:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Deposits in banks	**₱7,265**	₱5,286	**₱7,195**	₱5,246
Financial assets at FVTPL				
Quoted debt securities	**3,734,614**	3,235,622	**3,273,228**	2,879,178
Quoted equity securities	**875,251**	795,788	**733,867**	662,570
Parent Company shares	**1,683,769**	1,498,200	**1,683,769**	1,498,200
Investments in unit investment trust fund	**90,453**	89,704	**–**	–
Loans and receivable	**116**	116	**116**	116
Investment properties*	**3,023**	3,000	**3,000**	3,000
Other assets	**205,030**	170,352	**114,033**	36,633
	₱6,599,521	₱5,798,068	**₱5,815,208**	₱5,084,943

* Investment properties comprise properties located in Manila

The principal actuarial assumptions used in 2023 and 2022 in determining the retirement liability for the Group's and Parent Company's retirement plans are shown below:

	2023					
	Parent	**CBSI**	**CIBI**	**CBC−PCCI**	**CBCC**	**CBSC**
Discount rate:						
January 1	**6.70%**	**6.52%**	**6.79%**	**6.93%**	**6.79%**	**6.79%**
December 31	**5.98%**	**5.96%**	**6.03%**	**6.00%**	**6.00%**	**5.99%**
Salary increase rate	**6.00%**	**6.00%**	**6.00%**	**6.00%**	**6.00%**	**6.00%**

	2022					
	Parent	CBSI	CIBI	CBC−PCCI	CBCC	CBSC
Discount rate:						
January 1	4.67%	4.14%	4.14%	4.91%	4.35%	4.55%
December 31	6.70%	6.52%	6.79%	6.93%	6.79%	6.79%
Salary increase rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

The sensitivity analysis below has been determined based on the impact of reasonably possible changes of each significant assumption on the defined benefit liability as of the end of the reporting period, assuming all other assumptions were held constant:

December 31, 2023	**Parent**	**CBSI**	**CIBI**	**CBC−PCCI**	**CBCC**	**CBSC**
Discount rate						
(+1%)	**(₱78,942)**	**(₱22,213)**	**(₱2,168)**	**(₱3,858)**	**(₱2,540)**	**(₱522)**
(−1%)	**110,847**	**27,113**	**2,771**	**4,571**	**3,016**	**636**
Salary increase rate						
(+1%)	**104,562**	**26,015**	**2,670**	**4,350**	**2,909**	**613**
(−1%)	**(76,103)**	**(21,863)**	**(2,136)**	**(3,754)**	**(2,506)**	**(514)**

December 31, 2022	Parent	CBSI	CIBI	CBC−PCCI	CBCC	CBSC
Discount rate						
(+1%)	(₱64,933)	(₱19,719)	(₱906)	(₱3,109)	(₱1,828)	(₱309)
(−1%)	82,712	23,554	1,117	3,688	2,191	376
Salary increase rate						
(+1%)	78,408	22,861	1,076	3,535	2,140	367
(−1%)	(63,002)	(19,627)	(891)	(3,042)	(1,823)	(307)

The weighted average durations (in years) of the defined benefit obligation are presented below:

	December 31, 2023	December 31, 2022
Parent Company	**8**	8
CBSI	**6**	6
CIBI	**15**	9
CBC−PCCI	**11**	12
CBCC	**11**	9
CBSC	**9**	9

The maturity analyses of the undiscounted benefit payments as of December 31, 2023 and 2022 are as follows:

December 31, 2023	**Parent**	**CBSI**	**CIBI**	**CBC−PCCI**	**CBCC**	**CBSC**	**Total**
1 year and less	**₱1,599,180**	**₱1,226**	**₱–**	**₱16,246**	**₱–**	**₱–**	**₱1,616,652**
More than 1 year to 5 years	**1,898,007**	**148,252**	**3,660**	**26,878**	**–**	**1,584**	**2,078,381**
More than 5 years to 10 years	**2,465,273**	**645,020**	**18,492**	**61,331**	**–**	**2,767**	**3,192,883**
More than 10 years to 15 years	**4,000,343**	**661,767**	**15,142**	**195,615**	**67,460**	**7,737**	**4,948,064**
More than 15 years to 20 years	**6,363,208**	**1,282,602**	**40,076**	**280,759**	**101,107**	**15,050**	**8,082,802**
More than 20 years	**30,587,618**	**11,310,935**	**876,018**	**1,272,314**	**448,822**	**225,291**	**44,720,998**

December 31, 2022	Parent	CBSI	CIBI	CBC−PCCI	CBCC	CBSC	Total
1 year and less	₱1,435,367	₱5,560	₱1,282	₱8,139	₱–	₱–	₱1,450,348
More than 1 year to 5 years	1,760,894	122,392	557	41,500	–	–	1,925,343
More than 5 years to 10 years	2,371,016	538,013	18,695	47,423	–	1,533	2,976,680
More than 10 years to 15 years	3,746,795	751,224	6,995	181,585	56,401	10,042	4,753,042
More than 15 years to 20 years	6,093,752	935,257	16,053	295,088	77,345	15,065	7,432,560
More than 20 years	28,332,630	9,734,299	811,738	999,191	456,819	229,195	28,332,630

The defined benefit plan exposes the Group and the Parent Company to actuarial risks such as longevity risk, investment risk, market risk, and salary risk.

26. Derivative Financial Instruments

Derivative Contracts not Designated as Hedges

Occasionally, the Parent Company enters into forward exchange contracts as an accommodation to its clients. These derivatives are not designated as accounting hedges. As of December 31, 2023 and 2022, the fair values of these derivatives follow:

	2023		2022	
	Derivative Asset	**Derivative Liability**	Derivative Asset	Derivative Liability
Currency forwards	**₱311,418**	**₱417,844**	₱397,445	₱1,028,042
Interest rate swaps (IRS)	**450,913**	**444,621**	533,294	521,398
Futures	**296**	**76,257**	49,903	–
Cross currency swaps	–	–	24,132	121
Warrants	**10,813**	–	10,888	–
	₱773,440	**₱938,722**	₱1,015,662	₱1,549,561

Currency forwards

As of December 31, 2023 and 2022, the aggregate notional amount of outstanding currency forwards and its weighted average rate are as follows:

		2023				2022			
		Notional Amount	**Weighted Average Rate**	**Derivative Assets**	**Derivative Liability**	Notional Amount	Weighted Average Rate	Derivative Assets	Derivative Liability
US Dollar	Buy	**$788,254**	**₱56.12**	**₱20,566**	**₱391,367**	$580,792	₱57.21	₱150,724	₱877,583
	Sell	**$711,266**	**₱55.72**	**199,910**	**19,692**	$495,222	₱55.87	170,325	131,217
Euro	Buy	**€1,900**	**₱61.28**	–	**5,676**	€42,113,043	₱57.92	71,703	2
	Sell	**€38,000**	**₱61.59**	**8,021**	**1**	€38,780	₱59.46	4,629	670
Japanese Yen	Buy	**¥5,500,000**	**₱0.3849**	**81,480**	–				
	Sell	**¥147,000**	**₱0.3922**	**51**	–	¥267,660	₱0.4265	–	8,570
Chinese Yuan	Buy	**CNY18,000**	**₱7.79**	**543**	–	CNY20,000	₱8.08	64	–
	Sell	**CNY10,000**	**₱7.78**	**31**	–	–	–	–	–
Singaporean Dollar	Sell	**$463**	**₱42.01**	**2**	–	–	–	–	–
							–	–	–
Korean Won	Buy	**₩1,000,000**	**₱0.0419**	**814**	–	–	–	–	–
	Sell	**₩5,000,000**	**₱0.0425**	**–**	**1,108**		–		
				₱311,418	**₱417,844**			₱397,445	₱1,018,042

Interest rate swaps

The aggregate notional amounts of the outstanding IRS as of December 31, 2023 and 2022 are as follows:

		2023			2022		
		Notional Amount	**Derivative Asset**	**Derivative Liability**	Notional Amount	Derivative Asset	Derivative Liability
Peso-denominated							
	Fixed Receiver	**₱500,000**	**₱107**	–	₱500,000	₱–	₱2,905
	Fixed Payer	–	–	–	₱500,000	–	4,201
US dollar-denominated							
	Fixed Receiver	**$189,198**	**450,806**	–	$151,000	–	514,292
	Fixed Payer	**$204,365**	–	**444,621**	$200,464	533,294	–
			₱450,913	**₱444,621**		₱533,294	₱521,398

Futures
The aggregate notional amounts of the outstanding futures amounted to US$35 million and US$62 million as of December 31, 2023 and 2022, respectively.

Cross currency swaps
The aggregate notional amounts of the outstanding CCS as of December 31, 2022 are as follows:

	2022		
	Notional Amount	Derivative Asset	Derivative Liability
US dollar			
Buy	$17,180	₱24,132	₱121
	$17,180	₱24,132	₱121

Fair Value Changes of Derivatives
The net movements in fair value changes of derivative instruments are as follows:

	2023	2022
Balance at beginning of year	**(₱533,899)**	₱82,078
Fair value changes during the year	**(2,132,050)**	(1,621,474)
Net settled transactions	**2,500,667**	1,005,497
Balance at end of year	**(₱165,282)**	(₱533,899)

The net movements in the value of the derivatives are presented in the statements of income under the following accounts:

	2023	2022	2021
Foreign exchange losses	**(₱2,702,998)**	(₱2,811,674)	(₱378,469)
Trading and securities gain* (Note 22)	**570,948**	1,190,200	69,013
	(₱2,132,050)	(₱1,621,474)	(₱309,456)

*Net movements in the value related to IRS and futures

Interest income on IRS in 2023, 2022, and 2021 amounted to ₱280.61 million, ₱227.20 million, and ₱332.18 million, respectively, while interest expense on IRS in 2023, 2022, and 2021 amounted to ₱290.57 million, ₱250.64 million, and ₱350.32 million, respectively.

Derivative Contracts Designated as Hedges
The Parent Company enters into hedging transactions, particularly cash flow hedges, to hedge its exposure to variability in future cash flows associated with its assets, liabilities, or highly probable forecast transactions. The following table shows the summary of the hedging transactions of the Parent Company designated as cash flow hedges and the related balances as of December 31, 2023 and 2022, respectively:

				2023				
Hedged Item	**Hedging Instrument**	**Notional Amount**	**Date of Hedge Designation**	**Derivative Asset**	**Derivative Liability**	**Cash Flow Hedge Reserve**	**Cost of Hedge Reserve, net of tax**	**Total Hedge-related Reserve, net of tax**
Current and forecasted issuance of Treasury time deposits	Receive float/ Pay fix IRS	**$500,000**	**June 7, 2021**	**₱616,163**	**₱–**	**₱581,504**	**₱–**	**₱581,504**

(Forward)

Hedged Item	Hedging Instrument	Notional Amount	Date of Hedge Designation	2023 Derivative Asset	Derivative Liability	Cash Flow Hedge Reserve	Cost of Hedge Reserve, net of tax	Total Hedge-related Reserve, net of tax
Current and forecasted issuance of RBB time deposits	Receive float/ Pay fix IRS	**600,000**	**October 20, 2021**	**₱2,797,208**	**₱–**	**₱2,705,699**	**₱–**	**₱2,705,699**
Cash short position in the RBU books and future interest payments pertaining to certain FX spot transactions	Spot element of FX forward contract	**3,882,353**	**July 20, 2022**	**533,182**	**8,049,417**	**–**	**(2,041,009)**	**(2,041,009)**
Total		**$4,982,353**		**₱3,946,553**	**₱8,049,417**	**₱3,287,203**	**(₱2,041,009)**	**₱1,246,194**

Hedged Item	Hedging Instrument	Notional Amount	Date of Hedge Designation	2022 Derivative Asset	Derivative Liability	Cash Flow Hedge Reserve	Cost of Hedge Reserve, net of tax	Total Hedge-related Reserve, net of tax
Floating rate bonds payable	Receive float/ Pay fix IRS	$150,000	June 18, 2019	₱638,504	₱–	₱638,504	₱–	₱638,504
Current and forecasted issuance of Treasury time deposits	Receive float/ Pay fix IRS	500,000	June 7, 2021	1,780,228	–	1,780,228	–	1,780,228
Current and forecasted issuance of RBB time deposits	Receive float/ Pay fix IRS	600,000	October 20, 2021	3,767,017	–	3,767,017	–	3,767,017
Cash short position in the RBU books and future interest payments pertaining to certain FX spot transactions	Spot element of FX forward contract	1,753,507	July 20, 2022	17,630	4,156,612	–	(703,757)	(703,757)
Total		$3,003,507		₱6,203,379	₱4,156,612	₱6,185,749	(₱703,757)	₱5,481,992

As of December 31, 2023 and 2022, the Parent Company assessed that the hedging relationships are expected to be highly effective.

The aggregate net interest income on the IRS designated as hedge amounted to ₱2.78 billion and ₱620.19 million in 2023 and 2022, respectively. The aggregate net interest expense on the IRS designated as hedge amounted to ₱226.51 million in 2021. The ineffective portion of the hedging relationships recognized under 'Trading and securities gain (loss) – net' in the statements of income is a gain amounting to ₱124.52 million for 2023 (Note 22).

The cost of hedging pertaining to the amortization of the forward element presented under 'Foreign exchange gain (loss) – net' in the statements of income amounted to ₱7.90 billion and ₱866.80 million for 2023 and 2022, respectively.

27. **Lease Contracts**

The lease contracts are for periods ranging from one (1) to 15 years from the dates of the contracts and are renewable under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 5.00% to 10.00%.

Movements in the lease liabilities account are as follows:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Beginning Balance	**₱2,970,301**	₱2,846,018	**₱2,393,362**	₱2,187,898
Additions	**1,042,997**	591,491	**629,477**	469,136
Interest expenses	**246,790**	181,789	**193,355**	141,000
Payments	**(912,101)**	(648,997)	**(637,902)**	(404,672)
Ending Balance	**₱3,347,987**	₱2,970,301	**₱2,578,292**	₱2,393,362

Expenses related to short-term leases amounting to ₱604.55 million and ₱484.38 million for the Group and Parent Company in 2023, respectively, and ₱713.25 million and ₱565.72 million for the Group and Parent Company in 2022, respectively, are included in the 'Occupancy cost' account.

Total cash outflows for leases amounted to ₱1.52billion and ₱1.12 billion for the Group and Parent Company in 2023, respectively, and ₱1.36 billion and ₱0.97 billion for the Group and Parent Company in 2022, respectively.

The Group and the Parent Company have also entered into commercial property leases on its investment properties (Note 13).

Future minimum rentals receivable under noncancellable operating leases follow:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Within one year	**₱15,885**	₱18,118	**₱7,662**	₱5,399
After one year but not more than five years	**43,802**	83,042	**15,589**	20,246
	₱59,687	₱101,160	**₱23,251**	₱25,645

Future minimum rentals payable under noncancellable leases follow:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Within one year	**₱698,364**	₱698,057	**₱690,626**	₱647,202
After one year but not more than five years	**2,314,267**	2,134,999	**1,762,022**	1,695,903
After more than five years	**868,208**	750,376	**728,087**	604,134
	₱3,880,839	₱3,583,432	**₱3,180,735**	₱2,947,239

28. **Income and Other Taxes**

Income taxes include corporate income tax and FCDU final taxes, as discussed below, and final tax paid at the rate of 20.00% on gross interest income from government securities and other deposit substitutes. These income taxes, as well as the deferred tax benefits and provisions, are presented as 'Provision for income tax' in the statements of income.

Republic Act (RA) No. 9337, *An Act Amending National Internal Revenue Code*, as amended by RA 10963 otherwise known as the Tax Reform for Acceleration and Inclusion (TRAIN) and RA 11534 otherwise known as Corporate Recovery and Tax Incentives for Enterprises (CREATE), provides that RCIT rate shall be 25.00% while interest expense allowed as a deductible expense is reduced to 20.00% of interest income subject to final tax.

An MCIT of 1.00% for gross income from January 1, 2023 to June 30, 2023, and 2.00% for gross income from July 1, 2023 to December 31, 2023, under Revenue Memorandum Circular (RMC) No. 69-2023 pursuant to CREATE Law, are computed and compared with the RCIT. Any excess MCIT over RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, the NOLCO is allowed as a deduction from taxable income in the next three years from the year of inception.

Effective in May 2004, RA No. 9294 restored the tax exemption of FCDUs and offshore banking units (OBUs). Under such law, the income derived by the FCDU from foreign currency transactions with nonresidents, 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% gross income tax. All other income of the FCDU is subject to the 25.00% corporate tax under the CREATE Law.

Current tax regulations also provide for the ceiling on the amount of entertainment, amusement, and recreation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulations, EAR expense allowed as a deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of the Parent Company's net revenue.

TRAIN Law
RA No. 10963, the Tax Reform for Acceleration and Inclusion (TRAIN), is the first package of the comprehensive tax reform program of the government. The bill was signed into law on December 19, 2018 and took effect on January 1, 2018, amending some provisions of the old Philippine tax system.

Except for resident foreign corporations, which, under the said law, is subject to 7.50%, tax on interest income of foreign currency deposit was increased to 15.00% under TRAIN. Documentary stamp tax on bank checks, drafts, certificate of deposit not bearing interest, all debt instruments, bills of exchange, letters of credit, mortgages, deeds, and others are now subjected to a higher rate.

CREATE Law
RA 11534 otherwise known as Corporate Recovery and Tax Incentives for Enterprises (CREATE) was signed into law last March 26, 2021. The law became effective on April 11, 2021, fifteen (15) days after its publication in a newspaper of general circulation on March 27, 2021.

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

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30.00% to 25.00% for domestic and resident foreign corporations;
- Minimum corporate income tax (MCIT) rate reduced from 2.00% to 1.00% of gross income effective July 1, 2020 to June 30, 2023. From July 1, 2023, RMC No. 69-2023 reverts the rate of MCIT to 2.00% based on the gross income of domestic and resident foreign corporations, including Offshore Banking Units and Regional Operating Headquarters; and
- Interest income of foreign currency remittance transaction deposit received by resident foreign corporations are now subject to 15.00% final tax.

In 2021, the Group applied the provisions of the CREATE Law on its income tax payable, deferred tax assets, and deferred tax liabilities as of December 31, 2020.

There were no tax-related contingent liabilities and contingent assets arising from the changes in the tax rates due to CREATE Law.

RR 4-2011
On March 15, 2011, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 4-2011 which prescribed the attribution and allocation of expenses between FCDUs/EFCDUs or OBU and RBU and within RBU.

On April 6, 2015, the Parent Company and other member banks of the Bankers Association of the Philippines (BAP), filed a Petition for Declaratory Relief with Application for Temporary Restraining Order (TRO) and/or Writ of Preliminary Injunction with the Regional Trial Court of Makati (Makati Trial Court). Further, in Civil Case No. 15-287, the Parent Company and other BAP member banks assailed the validity of RR 4-2011 on the ground, among others, that (a) the RR violates the petitioner-banks substantive due process rights; (b) it is not only illegal but also unfair; (c) that it serves as a deterrent to banks to invest in capital market transactions to the prejudice of the economy; (d) it sets a dangerous precedent for the disallowance of full deductions due to the prescribed method of allocation; and (e) it violates the equal protection clause of the Constitution.

On April 8, 2015, the Makati Trial Court issued a TRO enjoining the BIR from enforcing RR 4-2011. Also, on April 25, 2015, the Makati Trial Court issued a Writ of Preliminary Injunction enjoining the BIR from enforcing, carrying out, or implementing in any way or manner RR 4-2011 against the Parent Company and other BAP member banks, including issuing Preliminary Assessment Notice or Final Assessment Notice against them during the pendency of the litigation, unless sooner dissolved.

On June 10, 2015, the Makati Trial Court issued a Confirmatory Order stating that the TRO and Writ of Preliminary Injunction also prohibits the BIR from ruling or deciding on any administrative matter pending before it in relation to the subject revenue regulations and insofar as the Parent Company and other BAP member banks are concerned.

On May 25, 2019, the Makati Trial Court issued a decision annulling RR 4-2011 and making the Writ of Preliminary Injunction permanent.

On May 10, 2022, the Supreme Court Decision promulgated on December 1, 2021 ruled that RR No. 4-2011 is invalid and void.

The provision for income tax consists of:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Current						
Final tax	**₱3,295,691**	₱1,820,926	₱927,631	**₱3,269,539**	₱1,811,756	₱917,411
RCIT	**1,802,343**	1,293,540	1,359,129	**1,208,582**	829,345	952,844
	5,098,034	3,114,466	2,286,760	**4,478,121**	2,641,101	1,870,255
Deferred	**(1,308,131)**	35,196	70,240	**(1,179,583)**	220,887	197,296
	₱3,789,903	₱3,149,662	₱2,357,000	**₱3,298,538**	₱2,861,988	₱2,067,551

The details of net deferred tax assets follow:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Deferred tax assets (liabilities) on:				
Allowance for impairment and credit losses	**₱5,041,487**	₱4,752,238	**₱3,635,904**	₱3,612,417
Revaluation increment on land (Notes 12 and 24)	**(456,171)**	(456,171)	**(456,171)**	(456,171)
Fair value adjustments on asset foreclosure and dacion transactions - net of depreciated portion	**(84,678)**	(23,963)	**(201,911)**	(118,704)
Net defined benefit asset	**(171,407)**	(99,504)	**(158,796)**	(78,518)
Derivative contracts designated as hedges	**1,805,532**	–	**1,805,532**	–
Others	**371,102**	380,092	**336,518**	191,586
	₱6,505,865	₱4,552,692	**₱4,961,076**	₱3,150,610

Others pertains primarily to the deferred tax assets on derivatives, leases, and foreign exchange revaluation.

The details of net deferred tax liabilities follow:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Deferred tax liabilities (assets) on:				
Branch licenses arising from acquisition of PDB	**₱637,500**	₱637,500	**₱–**	₱–
Fair value adjustments on net assets/ liabilities of PDB and Unity Bank, and others	**154,614**	156,932	–	–
	₱792,114	₱794,432	**₱–**	₱–

In 2023, deferred tax credited to OCI amounted to ₱647.25 million and ₱630.88 million for the Group the Parent Company, respectively. In 2022, deferred tax debited to OCI amounted to ₱35.08 million and ₱38.10 million for the Group and the Parent Company, respectively.

The Group did not set up deferred tax assets on the following temporary differences as it believes that it is highly probable that these temporary differences will not be realized in the near foreseeable future:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Allowance for impairment and credit losses	**₱–**	₱899,580	**₱–**	₱–
Others	**865,254**	16,761	–	–
	₱865,254	₱916,341	**₱–**	₱–

The reconciliation of the statutory income tax to the provision for income tax follows:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	**2022**	2021
Statutory income tax	**₱6,452,032**	₱5,571,366	₱4,365,806	**₱6,327,332**	₱5,492,373	₱4,288,971
Tax effects of						
FCDU income	**(815,421)**	(1,207,137)	(408,410)	**(813,259)**	(1,201,231)	(402,305)
Non-taxable income	**(1,525,269)**	(2,016,646)	(1,650,965)	**(1,357,900)**	(1,856,145)	(1,560,515)
Interest income subjected to final tax	**(821,950)**	(414,022)	(257,644)	**(743,943)**	(386,422)	(179,194)
Nondeductible expenses	**538,939**	1,357,123	685,021	**182,417**	918,033	631,661
Others	**(38,428)**	(141,022)	(713,337)	**(296,109)**	(104,620)	(1,088,232)
CREATE adjustment – deferred tax	**–**	–	593,418	**–**	–	614,018
CREATE adjustment – current tax	**–**	–	(256,889)	**–**	–	(236,853)
Provision for income tax	**₱3,789,903**	₱3,149,662	₱2,357,000	**₱3,298,538**	₱2,861,988	₱2,067,551

29. Trust Operations

Securities and other properties (other than deposits) held by the Parent Company in fiduciary or agency capacities for clients and beneficiaries are not included in the accompanying balance sheets since these are not assets of the Parent Company (Note 31).

In compliance with the requirements of current banking regulations relative to the Parent Company's trust functions: (a) government bonds included under financial assets at FVOCI with total face value of ₱2.91 billion and ₱2.38 billion as of December 31, 2023 and 2022, respectively, are deposited with the BSP as security for the Parent Company's faithful compliance with its fiduciary obligations (Note 9); and (b) a certain percentage of the Parent Company's trust fee income is transferred to surplus reserve. This yearly transfer is required until the surplus reserve for trust function equals 20.00% of the Parent Company's authorized capital stock.

30. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group's related parties include:

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members,
- significant investors,
- subsidiaries, joint ventures and associates and their respective subsidiaries, and
- post-employment benefit plans for the benefit of the Group's employees.

The Group has several business relationships with related parties. Transactions with such parties are normally made in the ordinary course of business and based on the terms and conditions discussed below. Transactions with related parties are settled in cash, unless otherwise indicated.

<u>Transactions with Retirement Plans</u>
Under PFRS, certain post-employment benefit plans are considered as related parties. The Group has business relationships with a number of its retirement plans pursuant to which it provides trust and management services to these plans. Income earned by the Group and Parent Company from such

services amounted to ₱56.74 million and ₱49.77 million, respectively, in 2023, ₱53.24 million and ₱46.24 million, respectively, in 2022, and ₱49.48 million and ₱42.91 million, respectively, in 2021. The Group's retirement funds may hold or trade the Parent Company's shares or securities. Significant transactions of the retirement fund, particularly with related parties, are approved by the Trust Investment Committee (TIC) and the Related Party Transaction (RPT) Committee of the Parent Company. The members of the TIC are directors and key management personnel of the Parent Company.

A summary of transactions with related party retirement plans follows:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Deposits in banks	**₱7,468**	₱5,287	**₱7,195**	₱5,246
Financial assets at FVTPL	**1,683,769**	1,498,200	**1,683,769**	1,498,200
Dividend income	**103,701**	54,579	**103,701**	54,579
Interest income	**98**	46	**95**	44
Total market value of shares	**1,683,769**	1,498,200	**1,683,769**	1,498,200
Number of shares held (in thousands)	**54,579**	54,579	**54,579**	54,579

In 2021, dividend income and interest income of the retirement plan from investments and placements amounted to ₱54.58 million and ₱0.04 million, respectively, for the Group, and ₱54.58 million and ₱0.02 million, respectively, for the Parent Company.

Financial assets at FVTPL represent shares of stock of the Parent Company. Voting rights over the Parent Company's shares are exercised by an authorized trust officer.

Remunerations of Directors and other Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Group, directly or indirectly. The Group considers the members of the ManCom to constitute key management personnel for purposes of PAS 24.

Total remunerations of key management personnel are as follows:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Short-term employee benefits	**₱1,081,311**	₱897,964	₱762,878	**₱959,263**	₱788,136	₱669,174
Post-employment benefits	**4,864**	3,477	3,176	**1,907**	1,663	2,003
	₱1,086,175	₱901,441	₱766,054	**₱961,170**	₱789,799	₱671,177

Members of the BOD are entitled to a per diem and to four percent (4.00%) of the Parent Company's net earnings, with certain deductions in accordance with BSP regulation. On July 18, 2022, the SEC approved the amendment of the Parent Company's by-laws increasing the per diem of the directors for attendance at each meeting of the Board or of any committees to an amount up to ₱10,000 (previously, a fixed amount of ₱500.00) to align with the current industry practice and standards.

Non-executive directors do not receive any performance-related compensation. Directors' remuneration covers all Parent Company's Board activities and membership of committees and subsidiary companies.

The Group also provides banking services to directors and other key management personnel and persons connected to them. These transactions are presented in the tables below.

Other Related Party Transactions

Transactions between the Parent Company and its subsidiaries meet the definition of related party transactions. Transactions between the Group and its associated companies also qualify as related party transactions. Details of the Parent Company's subsidiaries and associate are disclosed in Notes 1 and 11.

Group

Related party transactions of the Group by category of related party are presented below.

	December 31, 2023		
Category	**Amount / Volume**	**Outstanding Balance**	**Terms and Conditions**
Significant Investor			
Loans and receivables		**₱8,323,900**	Secured with shares of stocks; with interest rates ranging from 4% to 4.18%; with remaining term to maturity between 0.62 years to 4.88 years; with allowance for credit losses of ₱4.54 million.
Issuances	**₱–**		
Repayments	**(8,350)**		
Associate			
Deposit liabilities		**1,659**	These are checking accounts with annual average rate of 0.13%.
Deposits	**212**		
Withdrawals	**(1,523)**		
Key Management Personnel			
Loans and receivables		**3,656**	Unsecured officer's credit card accounts with interest of 3% and loan accounts with average 5% rate.
Issuances	**2,061**		
Repayments	**(1,569)**		
Deposit liabilities		**114,323**	These are checking, savings and time deposits with annual average interest rates ranging from 0.25% to 1.00%.
Deposits	**341,843**		
Withdrawals	**(348,676)**		
Other Related Parties			
Loans and receivables		**59,968,980**	Secured and unsecured loans amounting to ₱5.16 billion and ₱54.8 billion, respectively, with interest rates ranging from 2.50 % to 10.80%; with remaining term to maturity between 0.01 years to 12.57 years; with allowance for credit losses of ₱371.3 million.
Issuances	**17,261,831**		
Repayments	**(8,216,634)**		
Deposit liabilities		**541,801**	These are checking and savings accounts with annual average interest rates ranging from 0.13% to 1.00%.
Deposits	**592,183**		
Withdrawals	**(450,813)**		

	December 31, 2022		
Category	Amount / Volume	Outstanding Balance	Terms and Conditions
Significant Investor			
Loans and receivables		₱8,332,250	Secured with shares of stocks; with interest rate ranging from 4% to 4.18%; with remaining term to maturity between 1.17 years to 5.89 years; and with allowance for credit losses of ₱4.51 million
Issuances	₱–		
Repayments	(8,350)		
Deposit liabilities		–	These are checking accounts with annual average rate of 0.13%.
Deposits	600		
Withdrawals	(3,077)		
Associate			
Deposit liabilities		2,970	These are checking accounts with annual average rate of 0.13%.
Deposits	3,941		
Withdrawals	(257,558)		
Key Management Personnel			
Loans and receivables		3,164	Unsecured officer's credit card accounts with interest of 2% and loan accounts with average 5% rate.
Issuances	–		
Repayments	(1,387)		
Deposit liabilities		121,157	These are checking, savings and time deposits with annual average interest rates ranging from 0.25% to 1.00%.
Deposits	563,345		
Withdrawals	(471,820)		
Other Related Parties			
Loans and receivables		50,923,783	Secured and unsecured loans amounting to ₱40.75 billion and ₱10.1 billion, respectively, with interest rates ranging from 2.25 % to 9.69%; with remaining term to maturity between .017 years to 9.87 years; with allowance for credit losses of ₱318.04 million.
Issuances	7,870,487		
Repayments	(4,561,478)		
Deposit liabilities		400,431	These are checking and savings accounts with annual average interest rates ranging from 0.13% to 1.00%.
Deposits	2,069,677		
Withdrawals	(1,830,110)		

Interest income earned and interest expense incurred from the above loans and deposit liabilities in 2023, 2022, and 2021 follow:

	Significant Investor			Associate		
	2023	2022	2021	**2023**	2022	2021
Interest income	**₱340,142**	₱340,483	₱155,890	**₱–**	₱–	₱–
Interest expense	**–**	2	3	**1**	900	2,896

	Key Management Personnel			Other Related Parties		
	2023	2022	2021	**2023**	2022	2021
Interest income	**₱161**	₱164	₱101	**₱2,725,039**	₱2,161,943	₱1,809,292
Interest expense	**4,566**	4,139	1,383	**1,200**	990	689

Related party transactions of the Group with significant investor, associate, and other related parties pertain to transactions of the Parent Company with these related parties.

Parent Company

Related party transactions of the Parent Company by category of related party are presented below.

	December 31, 2023		
Category	**Amount / Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Significant Investor			
Loans and receivables		**₱8,323,900**	Secured with shares of stocks; with interest rates ranging from 4% to 4.18%; with remaining term to maturity between 0.62 years to 4.88 years; with allowance for credit losses of ₱4.54 million.
Issuances	**₱-**		
Repayments	**8,350**		
Deposit liabilities		**–**	
Deposits	**–**		
Withdrawals	**–**		
Subsidiaries			
Deposit liabilities		**590,094**	These are checking and savings accounts with annual average interest rates ranging from 0.13% to 1.00%.
Deposits	**35,904,257**		
Withdrawals	**(36,314,931)**		
Associate			
Deposit liabilities		**1,659**	These are checking accounts with annual average rate of 0.13%.
Deposits	**212**		
Withdrawals	**(1,523)**		
Key Management Personnel			
Loans and receivables		**995**	Unsecured officer's credit card accounts with interest of 3%.
Issuances	**2,061**		
Repayments	**1,165**		
Deposit liabilities		**21,942**	These are checking, savings and time deposit account with annual average interest rates ranging from 0.25% to 1.00%.
Deposits	**305,427**		
Withdrawals	**(310,691)**		
Other Related Parties			
Loans and receivables		**59,968,980**	Secured and unsecured loans amounting to ₱5.16 billion and ₱54.8 billion, respectively, with interest rates ranging from 2.50 % to 10.80%; with remaining term to maturity between .001 years to 12.57 years; with allowance for credit losses of ₱371.3 million.
Issuances	**17,261,831**		
Repayments	**8,216,634**		
Deposit liabilities		**267,455**	These are checking and savings accounts with annual average interest rates ranging from 0.13% to 1.00%.
Deposits	**569,431**		
Withdrawals	**(433,201)**		

	December 31, 2022		
Category	Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
Significant Investor			
Loans and receivables		₱8,332,250	Secured with shares of stocks; with interest rates ranging from 4% to 4.18%; with remaining term to maturity between 1.17 years to 5.89 years; with allowance for credit losses of ₱4.51 million
Issuances	₱–		
Repayments	(8,350)		
Deposit liabilities		–	These are checking accounts with annual average rate of 0.13%.
Deposits	600		
Withdrawals	(2,582)		
Subsidiaries			
Deposit liabilities		345,557	These are checking and savings accounts with annual average interest rates ranging from 0.13% to 1.00%.
Deposits	224,719		
Withdrawals	(383,498)		
Associate			
Deposit liabilities		₱2,970	These are checking accounts with annual average rate of 0.13%.
Deposits	3,941		
Withdrawals	(40,283)		

Category	Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
	December 31, 2022		
Key Management Personnel			
Loans and receivables		₱99	Unsecured officer's credit card accounts with interest of 2%.
Issuances	₱–		
Repayments	(1,018)		
Deposit liabilities		27,205	These are checking, savings and time deposit account with annual average interest rates ranging from 0.25% to 1.00%.
Deposits	449,687		
Withdrawals	(452,521)		
Other Related Parties			
Loans and receivables		50,923,783	Secured and unsecured loans amounting to ₱40.75 billion and ₱10.1 billion, respectively, with interest rates ranging from 2.25 % to 9.69%; with remaining term to maturity between .017 years to 9.87 years; with allowance for credit losses of ₱318.04 million.
Issuances	7,870,487		
Repayments	(4,561,478)		
Deposit liabilities		131,224	These are checking and savings accounts with annual average interest rates ranging from 0.13% to 1.00%.
Deposits	541,484		
Withdrawals	(1,762,978)		

The related party transactions shall be settled in cash.

Interest income earned and interest expense incurred from the above loans and deposit liabilities in 2023, 2022, and 2021 follow:

	Subsidiaries			Associate		
	2023	2022	2021	**2023**	2022	2021
Interest income	**₱–**	₱–	₱–	**₱–**	₱–	₱–
Interest expense	**935**	426	437	**1**	900	2,896

	Key Management Personnel			Other Related Parties		
	2023	2022	2021	**2023**	2022	2021
Interest income	**₱18**	₱2	₱36	**₱2,725,039**	₱2,161,943	₱1,809,292
Interest expense	**30**	29	34	**282**	290	218

	Significant Investor		
	2023	2022	2021
Interest income	**₱340,142**	₱340,483	₱155,890
Interest expense	**–**	2	3

Outright sale of debt securities of the Parent Company with its subsidiaries in 2023 and 2022 amounted to P21.27 billion and P2.84 billion, respectively.

The following table shows the amount and outstanding balance of other related party transactions included in the financial statements:

	Subsidiaries		
	2023	2022	**Nature, Terms and Conditions**
Balance Sheet			
Accounts receivable	**₱33,970**	₱3,845	This pertains to various expenses advanced by CBC in behalf of various subsidiaries.
Security deposits	**10,981**	10,420	This pertains to the rental deposits with CBSI and CBCC for office space leased out to the Parent Company

	Subsidiaries			
	2023	2022	2021	**Nature, Terms and Conditions**
Income Statement				
Trust fee income	**₱528**	₱1,104	₱189	Trust Fee earned by Parent Company from CBCC
Rent income	**3,351**	3,191	3,039	Rent Income from CBCC
Miscellaneous income	**3,850**	9,984	2,850	Certain functions provided by the Parent Company to its subsidiaries such as accounting, human resources, audit, treasury operations, administrative, corporate marketing, and financial control services. Under the agreement between the Parent Company and its subsidiaries, the subsidiaries shall pay the Parent Company an annual fee

	Subsidiaries			
	2023	2022	2021	**Nature, Terms and Conditions**
Interest Income	**₱1,078**	₱251	₱497	Interest earned from cash in bank and short-term investment of Parent Company
Other Income	**23,776**	3,623	14,769	Unrealized gain on money market funds of Parent Company
Occupancy cost	**39,168**	37,267	42,359	Certain units of the condominium owned by CBSI are being leased to the Parent Company for a term of five years, with no escalation clause.
Deferred charges	**307**	2,228	5,371	Arranger fees paid by the Parent Company to CBCC for the issuance of its fixed rate bonds.
Information technology	**340,908**	294,483	240,651	This pertains to the computer and general banking services provided by CBC-PCCI to the Parent Company to support its reporting requirements.
Miscellaneous expenses	**3,248**	5,123	5,718	Brokerage fees paid by the Parent Company to CBSec

31. Commitments and Contingent Assets and 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. Management does not anticipate any material losses as a result of these transactions.

There are several suits, assessments or notices and claims that remain contested. Management believes, based on the opinion of its legal counsels, that the ultimate outcome of such suits, assessments and claims will not have a material effect on the Group’s and the Parent Bank’s financial position and results of operations.

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

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Trust department accounts (Note 29)	**₱282,061,181**	₱222,474,444	**₱282,061,181**	₱222,474,444
Foreign exchange bought	**269,755,228**	138,040,375	**269,755,228**	138,040,375
IRS receivable	**99,809,626**	90,289,612	**99,809,626**	90,289,612
Foreign exchange sold	**44,274,190**	33,914,815	**44,274,190**	33,914,815
Credit card lines	**24,255,716**	18,625,491	**24,255,716**	18,625,491
Unused commercial letters of credit (Note 30)	**15,434,894**	17,158,800	**15,352,213**	17,074,520
Committed credit lines	**9,597,231**	1,906,400	**9,597,231**	1,906,400
Spot exchange sold	**8,544,119**	2,792,488	**8,544,119**	2,792,488
Outstanding guarantees issued	**3,639,666**	2,971,605	**2,032,752**	1,539,908
Standby credit commitment	**3,334,366**	3,550,516	**3,334,366**	3,550,516
Spot exchange bought	**2,619,034**	3,407,837	**2,619,034**	3,407,837
Inward bills for collection	**2,496,350**	2,697,770	**2,496,350**	2,697,770
Late deposits/payments received	**383,716**	309,488	**365,285**	286,522
Deficiency claims receivable	**280,195**	280,195	**280,195**	280,195
Outward bills for collection	**29,729**	21,378	**27,703**	19,337
Others	**9,180**	35,237	**8,742**	30,498

32. **Segment Information**

The Group's operating businesses are recognized and managed separately according to the nature of services provided and the markets served, with each segment representing a strategic business unit. The businesses are organized to cater to the banking needs of market segments, facilitate customer engagement, ensure timely delivery of products and services as well as achieve cost efficiency and economies of scale. In 2022, the Lending Business Segment was split into two separate segments, namely, Institutional Banking Segment and Consumer Banking Segment to integrate various business units for synergy and maximization of potential value in terms of market share, product line, customer base and operational efficiency. Corresponding segment information for all periods presented herein are restated to reflect such change.

The Group's business segments are as follows:

a. Institutional Banking – principally handles lending, trade finance and corollary banking products and services offered to corporate and institutional customers as well as selected middle market clients;

b. Consumer Banking – principally handles home loans, contract-to-sell receivables, loans to developers, auto loans, and credit cards for individual and/or corporate customers;

c. Retail Banking Business – principally handles retail and commercial loans, individual and corporate deposits, overdrafts and funds transfer facilities, trade facilities, and all other services for retail customers;

d. Financial Markets – principally provides money market, trading and treasury services, manages the Bank's funding operations through the use of government securities, placements and acceptances with other banks as well as offers advisory and capital-raising services to corporate clients and remittance transactions;

e. Others – handles other services including but not limited to trust and investment management services, wealth management services to high net-worth customers, asset management, credit management, operations and financial control, cash management services and other support services; and

f. Subsidiaries – handles services of the Parent Bank's subsidiaries and affiliates such as thrift banking business, investment house, insurance brokerage, bancassurance business, stock brokerage and computer-related services.

The Group reports its primary segment information to the Chief Operating Decision Maker (CODM) on the basis of the above-mentioned segments. The CODM of the Group is the President of the Parent Company.

Segment assets are those operating assets that are employed by a segment in its operating activities that are either 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, instead of gross income and expense.

The segment results include internal transfer pricing adjustments across business units as deemed appropriate by management. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to the business units based on a pool of funds rate which approximates the marginal cost of funds.

Other operating income mainly consists of trading and securities gain (loss) − net, service charges, fees and commissions, trust fee income and foreign exchange gain − net. Other operating expense mainly consists of compensation and fringe benefits, provision for impairment and credit losses, taxes and licenses, occupancy, depreciation and amortization, stationery, supplies and postage, and insurance. Other operating income and expense are allocated between segments based on equitable sharing arrangements.

The Group has no significant customers which contributes 10.00% or more of the consolidated revenues.

The Group's asset-producing revenues are located in the Philippines (i.e., one geographical location); therefore, geographical segment information is no longer presented.

The following tables present relevant financial information regarding business segments measured in accordance with PFRS as of and for the years ended December 31, 2023, 2022, and 2021:

	Institutional Banking			Consumer Banking		
	2023	2022	2021	**2023**	2022	2021
Results of Operations						
Net interest income						
Third party	**₱33,129,532**	₱25,742,307	₱23,363,847	**₱5,845,803**	₱5,075,687	₱4,504,508
Intersegment	**(25,423,785)**	(17,783,228)	(14,492,769)	**(3,823,910)**	(2,156,039)	(1,958,541)
	7,705,747	7,959,079	8,871,078	**2,021,893**	2,919,648	2,545,967
Other operating income	**907,815**	4,718,342	704,887	**652,923**	604,030	118,648
Total revenue	**8,613,562**	12,677,421	9,575,965	**2,674,816**	3,523,678	2,664,615
Other operating expense	**(2,134,842)**	(2,956,595)	(1,943,869)	**(2,118,133)**	(1,841,603)	(1,602,155)
Income before provisions and taxes	**6,478,720**	9,720,826	7,632,096	**556,683**	1,682,075	1,062,460
Reversal from (provision for) impairment and credit losses	**19,714**	(8,001,988)	(6,365,299)	**132,471**	496,119	(533,561)
Income before income tax	**6,498,434**	1,718,838	1,266,797	**689,154**	2,178,194	528,899
Provision for income tax	**(118,365)**	(173,284)	(215,239)	**192,931**	25,723	214,281
Net income	**₱6,380,069**	₱1,545,554	₱1,051,558	**₱882,085**	₱2,203,917	₱743,180
Total assets	**₱534,327,778**	₱487,101,912	₱434,242,804	**₱87,575,351**	₱74,317,662	₱71,628,745
Total liabilities	**₱1,282,440**	₱1,423,175	₱740,158	**₱1,056,689**	₱1,658,271	₱1,258,197
Depreciation and amortization	**₱32,274**	₱10,270	₱9,576	**₱83,272**	₱31,988	₱28,738
Capital expenditures	**₱11,214**	₱13,633	₱9,485	**₱28,819**	₱23,344	₱13,541

	Retail Banking Business			Financial Markets		
	2023	2022	2021	**2023**	2022	2021
Results of Operations						
Net interest income						
Third party	**(₱899,965)**	₱1,330,276	₱2,246,145	**₱8,218,160**	₱6,686,447	₱3,511,779
Intersegment	**23,537,023**	19,599,439	16,743,174	**5,776,475**	(92,666)	(373,322)
	22,637,058	20,929,715	18,989,319	**13,994,635**	6,593,781	3,138,457
Other operating income	**2,953,934**	3,350,278	2,371,764	**(6,520,631)**	(265,107)	4,919,675
Total revenue	**25,590,992**	24,279,993	21,361,083	**7,474,004**	6,328,674	8,058,132
Other operating expense	**(12,926,729)**	(12,296,179)	(11,263,339)	**(3,989,905)**	(2,679,584)	(2,310,737)
Income before provisions and taxes	**12,664,263**	11,983,814	10,097,744	**3,484,099**	3,649,090	5,747,395
Reversal from (provision for) impairment and credit losses	**(462,358)**	41,781	(719,487)	**102,129**	36,702	(61,124)

(Forward)

	Retail Banking Business			Financial Markets		
	2023	2022	2021	**2023**	2022	2021
Income before income tax	**₱12,201,905**	₱12,025,595	₱9,378,257	**₱3,586,228**	₱3,685,792	₱5,686,271
Provision for income tax	**(218,363)**	(1,167,406)	(1,545,878)	**(3,154,741)**	(1,547,022)	(727,990)
Net income	**₱11,983,542**	₱10,858,189	₱7,832,379	**₱431,487**	₱2,138,770	₱4,958,281
Total assets	**₱651,728,414**	₱638,675,682	₱628,223,856	**₱510,301,559**	₱453,178,093	₱313,935,966
Total liabilities	**₱639,647,311**	₱650,550,449	₱658,061,048	**₱742,577,884**	₱516,851,926	₱184,942,985
Depreciation and amortization	**₱1,358,704**	₱1,248,459	₱803,283	**₱53,190**	₱26,443	₱34,554
Capital expenditures	**₱185,393**	₱161,139	₱144,043	**₱16,756**	₱17,512	₱8,746

	Other Business and Support Units			Subsidiaries		
	2023	2022	2021	**2023**	2022	2021
Results of Operations						
Net interest income						
Third party	**₱1,011**	₱354	₱103,219	**₱7,233,264**	₱6,754,461	₱5,355,470
Intersegment	**(65,803)**	432,494	81,458	**–**	–	–
	(64,792)	432,848	184,677	**7,233,264**	6,754,461	5,355,470
Other operating income	**(73,502)**	(457,270)	(314,544)	**2,643,111**	2,112,619	1,789,702
Total revenue	**(138,294)**	(24,422)	(129,867)	**9,876,375**	8,867,080	7,145,172
Other operating expense	**(130,545)**	29,942	(963,493)	**(5,737,171)**	(4,610,310)	(4,251,540)
Income before provisions and taxes	**(268,839)**	5,520	(1,093,360)	**4,139,204**	4,256,770	2,893,632
Reversal from (provision for) impairment and credit losses	**(474)**	35,411	(406)	**(1,037,485)**	(1,620,658)	(1,196,867)
Income before income tax	**(269,313)**	40,931	(1,093,766)	**3,101,719**	2,636,112	1,696,765
Provision for income tax	**–**	–	314,405	**(491,365)**	(287,673)	(396,579)
Net income	**(₱269,313)**	₱40,932	(₱779,361)	**₱2,610,354**	₱2,348,439	₱1,300,186
Total assets	**(₱447,403,654)**	(₱434,433,683)	(₱421,058,442)	**₱141,513,774**	₱110,889,800	₱85,346,597
Total liabilities	**(₱198,257,025)**	(₱86,159,361)	₱62,889,576	**₱141,437,522**	₱110,826,396	₱85,304,742
Depreciation and amortization	**(₱1,406)**	₱–	₱465,259	**₱480,112**	₱419,984	₱445,755
Capital expenditures	**₱384,936**	₱338,869	₱257,390	**₱60,990**	₱74,257	₱53,800

	Total		
	2023	2022	2021
Results of Operations			
Net interest income			
Third party	**₱53,527,805**	₱45,589,532	₱39,084,968
Intersegment	**–**	–	–
	53,527,805	45,589,532	39,084,968
Other operating income	**563,650**	10,062,892	9,590,132
Total revenue	**54,091,455**	55,652,424	48,675,100
Other operating expense	**(27,037,325)**	(24,354,329)	(22,335,133)
Income before provisions and taxes	**27,054,130**	31,298,095	26,339,967
Reversal from (provision for) impairment and credit losses	**(1,246,003)**	(9,012,633)	(8,876,744)
Income before income tax	**25,808,127**	22,285,462	17,463,223
Provision for income tax	**(3,789,903)**	(3,149,662)	(2,357,000)
Net income	**₱22,018,224**	₱19,135,800	₱15,106,223
Total assets	**₱1,478,043,222**	₱1,329,729,466	₱1,112,319,526
Total liabilities	**₱1,327,744,821**	₱1,195,150,856	₱993,196,706
Depreciation and amortization	**₱2,006,146**	₱1,737,144	₱1,787,166
Capital expenditures	**₱688,108**	₱628,754	₱487,005

The Group’s share in net income (loss) of an associate included in other operating income amounting to ₱435.08 million, ₱285.06 million, and (₱1.60 million) million in 2023, 2022 and 2021, respectively, are reported under ‘Other Business and Support Units’.

33. Earnings Per Share

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

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

	2023	2022	2021
a. Net income attributable to equity holders of the parent	**₱22,010,790**	₱19,107,504	₱15,088,332
b. Weighted average number of common shares outstanding (Note 24)	**2,691,340**	2,691,288	2,687,696
c. Earnings per share – basic and diluted (a/b)	**₱8.18**	₱7.10	₱5.61

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

34. Supplementary Information for Cash Flow Analysis

The following is a summary of certain non-cash investing activities that relate to the analysis of the statements of cash flows:

	Consolidated		
	2023	2022	2021
Addition to investment properties from settlement of loans	**₱1,116,442**	₱789,405	₱752,756
Fair value gain on FVOCI financial assets	**3,066,480**	(4,160,403)	(50,087)
Cumulative translation adjustment	**49,014**	10,473	12,270
Addition to chattel mortgage from settlement of loans	**481,175**	77,886	596,009

	Parent Company		
	2023	2022	2021
Addition to investment properties from settlement of loans	**₱528,951**	₱273,651	₱81,136
Fair value gain (loss) in FVOCI financial assets	**3,009,733**	(4,036,849)	(16,220)
Cumulative translation adjustment	**81,493**	(25,046)	465
Addition to chattel mortgage from settlement of loans	**43,690**	–	15,830

The following table shows the reconciliation analysis of bonds payable, bills payable, and lease liability under financing activities for both the Group and Parent Company for the years ended December 31, 2023 and 2022:

	Consolidated			
	2023			
	Bills Payable	**Bonds Payable**	**Lease Liability**	**Total**
Balance at beginning of year	**₱70,375,267**	**₱28,312,870**	**₱2,970,301**	**₱101,658,438**
Cash flows during the year				
Proceeds	**563,532,304**	**–**		**563,532,304**
Settlement/payment*	**(548,623,126)**	**(8,322,167)**	**(912,101)**	**(557,857,394)**
Non-cash changes				
Additions	**–**		**1,042,997**	**1,042,997**
Accretion of interest/pretermination	**–**	**39,687**	**246,790**	**286,477**
Foreign exchange movement	**(485,956)**	**(41,083)**	**–**	**(527,039)**
Balance at end of year	**₱84,798,489**	**₱19,989,307**	**₱3,347,987**	**₱108,135,783**

For lease liability, payment refers to both principal and interest components

	Consolidated			
	2022			
	Bills Payable	Bonds Payable	Lease Liability	Total
Balance at beginning of year	₱65,806,274	₱42,473,558	₱2,846,018	₱111,125,850
Cash flows during the year				
Proceeds	402,436,767	–	–	402,436,767
Settlement/payment*	(403,994,487)	(15,000,000)	(648,997)	(419,643,484)
Non-cash changes				
Additions	–	–	591,491	591,491
Accretion of interest	–	126,063	181,789	307,852
Foreign exchange movement	6,126,713	713,249	–	6,839,962
Balance at end of year	₱70,375,267	₱28,312,870	₱2,970,301	₱101,658,438

For lease liability, payment refers to both principal and interest components

	Parent Company			
	2023			
	Bills Payable	**Bonds Payable**	**Lease Liability**	**Total**
Balance at beginning of year	**₱70,375,267**	**₱28,312,870**	**₱2,393,362**	**₱101,081,499**
Cash flows during the year				
Proceeds	**563,532,304**	**–**	**–**	**563,532,304**
Settlement/payment	**(548,623,126)**	**(8,322,167)**	**(637,902)**	**(557,583,195)**
Non-cash changes				
Additions	**–**	**–**	**629,477**	**629,477**
Accretion of interest/pretermination	**–**	**39,687**	**193,355**	**233,042**
Foreign exchange movement	**(485,956)**	**(41,083)**	**–**	**(527,039)**
Balance at end of year	**₱84,798,489**	**₱19,989,307**	**₱2,578,292**	**₱107,366,088**

For lease liability, payment refers to both principal and interest components

	Parent Company			
	2022			
	Bills Payable	Bonds Payable	Lease Liability	Total
Balance at beginning of year	₱65,806,274	₱42,473,558	₱2,187,898	₱110,467,730
Cash flows during the year				
Proceeds	402,436,767	–	–	402,436,767
Settlement/payment*	(403,994,487)	(15,000,000)	(404,672)	(419,399,159)
Non-cash changes				
Additions	–	–	469,136	469,136
Accretion of interest	–	126,063	141,000	267,063
Foreign exchange movement	6,126,713	713,249	–	6,839,962
Balance at end of year	₱70,375,267	₱28,312,870	₱2,393,362	₱101,081,499

For lease liability, payment refers to both principal and interest components

35. **Offsetting of Financial Assets and Liabilities**

The amendments to PFRS 7 require the Group to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the succeeding tables.

Consolidated
December 31, 2023

				Effects of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
Financial instruments recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a−b]**	**Financial instruments**	**Fair value of financial collateral**	**Net exposure [c−d]**
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Financial assets						
SPURA	**₱12,631,270**	**₱–**	**₱12,631,270**	**₱12,631,270**	**₱12,631,270**	**₱–**
Currency forwards	**40,987,512**	**–**	**40,987,512**	**12,395,123**	**–**	**28,592,389**
IRS	**129,121**	**–**	**129,121**	**111,333**	**–**	**17,788**
	₱53,747,903	**₱–**	**₱53,747,903**	**₱25,137,726**	**₱12,631,270**	**₱28,610,177**
Financial liabilities						
Bills payable	**₱75,327,366**	**₱–**	**₱75,327,366**	**₱64,446,855**	**₱75,457,749**	**₱–**
Currency forwards	**15,366,327**	**–**	**15,366,327**	**12,395,123**	**–**	**2,971,204**
IRS	**994,451**	**–**	**994,451**	**111,333**	**–**	**883,118**
	₱91,688,144	**₱–**	**₱91,688,144**	**₱76,953,311**	**₱75,457,749**	**₱3,854,322**

Consolidated
December 31, 2022

				Effects of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
Financial instruments recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a−b]	Financial instruments	Fair value of financial collateral	Net exposure [c−d]
	[a]	[b]	[c]	[d]		[e]
Financial assets						
SPURA	₱14,795,426	₱–	₱14,795,426	₱14,795,426	₱14,795,426	₱-
Currency forwards	33,264,783	–	33,264,783	10,593,404	–	22,671,379
IRS	533,294	–	533,294	25,939	–	507,355
	₱48,593,503	₱–	₱48,593,503	₱25,414,769	₱14,795,426	₱23,178,734
Financial liabilities						
Bills payable	₱70,375,267	₱–	₱70,375,267	₱70,375,267	₱70,375,267	₱-
Currency forwards	11,697,274	–	11,697,274	10,593,404	–	1,103,870
IRS	521,398	–	521,398	25,939	–	495,459
	₱82,593,939	₱–	₱82,593,939	₱80,994,610	₱70,375,267	₱1,599,329

Parent Company
December 31, 2023

				Effects of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
Financial instruments recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a−b]**	**Financial instruments**	**Fair value of financial collateral**	**Net exposure [c−d]**
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Financial assets						
SPURA	**₱8,986,674**	**₱–**	**₱8,986,674**	**₱8,986,674**	**₱8,986,674**	**₱–**
Currency forwards	**40,987,512**	**–**	**40,987,512**	**12,395,123**	**–**	**28,592,389**
IRS	**129,121**	**–**	**129,121**	**111,333**	**–**	**17,788**
	₱50,103,307	**₱–**	**₱50,103,307**	**₱21,493,130**	**₱8,986,674**	**₱28,610,177**
Financial liabilities						
Bills payable	**₱75,327,366**	**₱–**	**₱75,327,366**	**₱64,446,855**	**₱75,457,749**	**₱–**
Currency forwards	**15,366,327**	**–**	**15,366,327**	**12,395,123**	**–**	**2,971,204**
IRS	**994,451**	**–**	**994,451**	**111,333**	**–**	**883,118**
	₱91,688,144	**₱–**	**₱91,688,144**	**₱76,953,311**	**₱75,457,749**	**₱3,854,322**

			Parent Company			
			December 31, 2022			
Financial instruments recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a−b]	Effects of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Fair value of financial collateral	Net exposure [c−d]
	[a]	[b]	[c]	[d]		[e]
Financial assets						
SPURA	₱12,828,404	₱–	₱12,828,404	₱12,828,404	₱12,828,404	₱-
Currency forwards	33,264,783	–	33,264,783	10,593,404	–	22,671,379
IRS	533,294	–	533,294	25,939	–	507,355
	₱46,626,481	₱–	₱46,626,481	₱23,447,747	₱12,828,404	₱23,178,734
Financial liabilities						
Bills payable	₱70,375,267	₱–	₱70,375,267	₱70,375,267	₱70,375,267	₱-
Currency forwards	11,697,274	–	11,697,274	10,593,404	–	1,103,870
IRS	521,398	–	521,398	25,939	–	495,459
	₱82,593,939	₱–	₱82,593,939	₱80,994,610	₱70,375,267	₱1,599,329

The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. These include amounts related to financial collateral both received and pledged, whether cash or non-cash collateral, excluding the extent of over-collateralization.

36. Approval of the Financial Statements

The accompanying consolidated and parent company financial statements were authorized for issue by the Parent Company's BOD on February 26, 2024.

37. Supplementary Information Required Under Section 174 of the MORB

Presented below is the supplementary information required by BSP under Appendix 55 of BSP Circular 1074 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

Basic quantitative indicators of financial performance
The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			**Parent Company**		
	2023	2022	2021	**2023**	2022	2021
Return on average equity	**15.46%**	15.07%	13.58%	**15.46%**	15.07%	13.58%
Return on average assets	**1.57%**	1.56%	1.45%	**1.72%**	1.70%	1.58%
Net interest margin	**4.24%**	4.21%	4.28%	**4.07%**	3.93%	4.02%

Description of capital instruments issued
The Group and the Parent Company consider its common stock as capital instruments eligible as Tier 1 capital.

Significant credit exposures

Information on the significant credit exposures (gross of unearned discounts and allowance for impairment and credit losses) of the Group and Parent Company are as follows:

	Consolidated			
	2023		2022	
	Amounts	**%**	Amounts	%
Real estate, renting and business services	**₱214,867,430**	**27.16**	₱185,743,662	25.88
Financial intermediaries	**102,574,807**	**12.97**	122,768,549	17.11
Electricity, gas and water	**100,637,828**	**12.72**	84,314,281	11.75
Manufacturing	**61,807,926**	**7.81**	58,232,646	8.11
Wholesale and retail trade	**50,624,655**	**6.40**	48,849,880	6.81
Transportation, storage and communication	**54,284,111**	**6.86**	44,443,178	6.19
Arts, entertainment and recreation	**48,962,012**	**6.19**	38,666,435	5.39
Mining and quarrying	**12,439,631**	**1.58**	13,340,903	1.86
Construction	**11,193,782**	**1.42**	10,178,863	1.42
Accommodation and food service activities	**10,171,827**	**1.29**	9,613,592	1.34
Agriculture	**8,608,120**	**1.09**	9,010,166	1.26
Education	**3,986,419**	**0.50**	3,894,828	0.54
Professional, scientific and technical activities	**1,873,140**	**0.24**	947,422	0.13
Public administration and defense	**192,985**	**0.02**	191,203	0.03
Others*	**108,770,565**	**13.75**	87,519,627	12.18
	₱790,995,238	**100.00**	₱717,715,235	100.00

*Others consist of industry/sector under administrative and support service, health, household and other activities which, individually, is not a significant credit exposure.

	Parent Company			
	2023		2022	
	Amounts	**%**	Amounts	%
Real estate, renting and business services	**₱183,890,538**	**27.12**	₱158,474,935	25.25
Financial intermediaries	**102,372,440**	**15.10**	122,139,768	19.46
Electricity, gas and water	**98,999,202**	**14.61**	82,579,587	13.16
Manufacturing	**60,053,892**	**8.86**	56,478,328	9.00
Wholesale and retail trade	**48,457,409**	**7.15**	46,391,648	7.39
Transportation, storage and communication	**52,973,021**	**7.81**	43,018,144	6.85
Arts, entertainment and recreation	**48,930,795**	**7.22**	38,648,650	6.16
Mining and quarrying	**12,435,720**	**1.83**	13,340,695	2.13
Construction	**10,449,504**	**1.54**	9,131,937	1.46
Accommodation and food service activities	**9,605,482**	**1.42**	9,047,908	1.44
Agriculture	**6,065,522**	**0.89**	7,062,774	1.13
Education	**3,637,883**	**0.54**	3,503,357	0.56
Professional, scientific and technical activities	**1,795,656**	**0.26**	881,915	0.14
Public administration and defense	**192,985**	**0.03**	191,203	0.03
Others*	**38,088,866**	**5.62**	36,663,618	5.84
	₱677,948,915	**100.00**	₱627,554,467	100.00

*Others consist of industry/sector under administrative and support service, health, household and other activities which, individually, is not a significant credit exposure.

The BSP considers significant credit exposures when the total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio or 10.00% of Tier 1 capital (see Note 24).

Status of loans

Information on the amounts of performing and non-performing loans and receivables (gross of allowance for impairment and credit losses) of the Group and Parent Company are as follows:

	Consolidated					
	2023			2022		
	Performing	**Non-Performing**	**Total**	Performing	Non-Performing	Total
Loans and discounts						
Corporate and commercial lending	**₱583,158,675**	**₱14,755,319**	**₱597,913,994**	₱543,990,429	₱11,288,208	₱555,278,637
Consumer lending:	**174,103,327**	**5,055,578**	**179,158,905**	138,352,571	5,065,530	143,418,101
Housing	**97,856,796**	**3,302,592**	**101,159,388**	83,063,410	3,448,501	86,511,911
Automatic Payroll Deduction	**49,867,796**	**1,173,977**	**51,041,773**	32,680,505	792,779	33,473,284
Auto	**22,497,952**	**462,803**	**22,960,755**	19,729,996	707,533	20,437,529
Credit Card	**2,881,302**	**80,359**	**2,961,661**	2,068,069	41,999	2,110,068
Others	**999,481**	**35,847**	**1,035,328**	810,591	74,718	885,309
Trade-related lending	**11,955,041**	**242,373**	**12,197,414**	17,522,315	202,754	17,725,069
Others	**97,966**	**4,478**	**102,444**	109,960	5,546	115,506
	₱769,315,009	**₱20,057,748**	**₱789,372,757**	₱699,975,275	₱16,562,038	₱716,537,313

	Parent Company					
	2023			2022		
	Performing	Non-Performing	Total	Performing	Non-Performing	Total
Loans and discounts						
Corporate and commercial lending	**₱570,544,276**	**₱13,111,279**	**₱583,655,555**	₱530,046,824	₱8,980,119	₱539,026,943
Consumer lending:	**78,832,063**	**3,091,334**	**81,923,397**	67,537,410	3,397,025	70,934,435
Housing	**71,072,521**	**2,893,688**	**73,966,209**	60,633,934	3,026,183	63,660,117
Auto	**4,867,384**	**116,650**	**4,984,034**	4,823,796	328,563	5,152,359
Credit Card	**2,881,302**	**80,359**	**2,961,661**	2,068,069	41,999	2,110,068
Others	**10,856**	**637**	**11,493**	11,611	280	11,891
Trade-related lending	**11,670,675**	**242,374**	**11,913,049**	17,188,448	202,754	17,391,202
Others	**15,796**	**203**	**15,999**	19,125	2	19,127
	₱661,062,810	**₱16,445,190**	**₱677,508,000**	₱614,791,807	₱12,579,900	₱627,371,707

Loans per security
As of December 31, 2023 and 2022, secured and unsecured non-performing loans (NPLs) of the Group and the Parent Company follow:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Secured	**₱13,173,475**	₱11,477,782	**₱11,432,038**	₱9,210,369
Unsecured	**6,884,273**	5,084,256	**5,013,152**	3,369,531
	₱20,057,748	₱16,562,038	**₱16,445,190**	₱12,579,900

According to BSP Circular 941, *Amendments to the Regulations on Past Due and Non-Performing Loans*, loans shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement.

Information on the amounts of secured and unsecured loans and receivables (gross of unearned discounts and allowance for impairment and credit losses) of the Group and Parent Company are as follows:

	Consolidated				Parent Company			
	2023		2022		2023		2022	
	Amounts	**%**	Amounts	%	**Amounts**	**%**	Amounts	%
Loans secured by								
Real estate	**₱109,418,722**	**13.83**	₱94,305,837	13.14	**₱74,868,845**	**11.04**	₱63,717,907	10.15
Chattel mortgage	**24,302,537**	**3.07**	21,083,673	2.94	**5,458,963**	**0.81**	4,708,259	0.75
Guarantee by the Republic of the Philippines	**65,508**	**0.01**	80,362	0.01	**65,508**	**0.01**	80,362	0.01
Deposit hold out	**6,759,661**	**0.85**	6,034,139	0.84	**6,521,592**	**0.96**	5,765,877	0.92
Shares of stock of other banks	**8,323,900**	**1.05**	8,332,250	1.16	**8,323,900**	**1.23**	8,332,250	1.33
Others*	**122,306,961**	**15.47**	104,383,376	14.54	**122,216,525**	**18.03**	104,276,013	16.62
	271,177,289	**34.28**	234,219,637	32.63	**217,455,333**	**32.08**	186,880,668	29.78
Unsecured loans	**519,817,949**	**65.72**	483,495,598	67.37	**460,493,582**	**67.92**	440,673,799	70.22
	₱790,995,238	**100.00**	₱717,715,235	100.00	**₱677,948,915**	**100.00**	₱627,554,467	100.00

*Others includes loans secured by shares of stocks of other firms, deed of assignment of accounts receivable, assignment/pledge of government securities, mortgage trust indenture, and other collaterals.

Secured liability and assets pledged as security
The carrying amount of foreign currency-denominated investment securities at amortized cost pledged by the Parent Company as collateral for its interbank borrowings amounted to ₱82.00 billion and ₱67.00 billion as of December 31, 2023 and 2022, respectively. The carrying amount of the peso-denominated investment securities at amortized cost pledged by the Parent Company as collateral for its interbank borrowings amounted to ₱9.90 billion and ₱14.63 billion as of

December 31, 2023 and 2022, respectively. The fair value of investment securities at amortized cost pledged as collateral amounted to ₱85.15 billion and ₱75.45 billion as of December 31, 2023 and 2022, respectively. The aggregate fair value of financial assets at FVOCI pledged as collateral amounted to ₱5.49 billion nil and nil as of December 31, 2023 and 2022, respectively.

Related party loans
As required by the BSP, the Group discloses loan transactions with its and affiliates and investees and with certain directors, officers, stockholders, and related interests (DOSRI). Under existing banking regulations, the limit on the amount of individual loans to DOSRI, of which 70.00% must be secured, should not exceed the regulatory capital or 15.00% of the total loan portfolio, whichever is lower. These limits do not apply to loans secured by assets considered as non-risk as defined in the regulations.

BSP Circular No. 423, dated March 15, 2004, amended the definition of DOSRI accounts. The following table shows information relating to the loans, other credit accommodations, and guarantees classified as DOSRI accounts under regulations existing prior to said Circular, and new DOSRI loans, other credit accommodations granted under said Circular:

	Consolidated			
	2023		2022	
	DOSRI Loans	**Related Party Loans (inclusive of DOSRI Loans)**	DOSRI Loans	Related Party Loans (inclusive of DOSRI Loans)
Total outstanding DOSRI loans	**₱9,222,120**	**₱68,300,578**	₱9,162,853	₱59,971,643
Percent of DOSRI/Related Party loans to total loan portfolio	**1.17%**	**8.63%**	1.28%	8.36%
Percent of unsecured DOSRI/Related Party loans to total outstanding DOSRI/Related Party loans	**2.93%**	**64.90%**	2.88%	67.95%
Percent past due DOSRI/Related Party loans to total outstanding DOSRI/Related Party loans	**–**	**–**	–	–
Percent of non-performing DOSRI/Related Party loans to total outstanding DOSRI/Related Party loans	**–**	**–**	–	–

	Parent Company			
	2023		2022	
	DOSRI Loans	**Related Party Loans (inclusive of DOSRI Loans)**	DOSRI Loans	Related Party Loans (inclusive of DOSRI Loans)
Outstanding DOSRI loans	**₱9,215,417**	**₱68,293,875**	₱9,156,873	₱59,256,132
Percent of DOSRI/Related Party loans to total loan portfolio	**1.36%**	**10.07%**	1.46%	9.44%
Percent of unsecured DOSRI/Related Party loans to total outstanding DOSRI/Related Party loans	**2.92%**	**64.91%**	2.88%	68.77%
Percent past due DOSRI/Related Party loans to total outstanding DOSRI/Related Party loans	**–**	**–**	–	–
Percent of non-performing DOSRI/Related Party loans to total outstanding DOSRI/Related Party loans	**–**	**–**	–	–

The amounts of loans disclosed for related parties above differ with the amounts disclosed for key management personnel since the composition of DOSRI is more expansive than that of key management personnel.

BSP Circular No. 560 provides 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% of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding loans, credit accommodations, and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer, and/or stockholder of the lending institution, 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.

On May 12, 2009, BSP issued Circular No. 654 allowing a separate individual limit of twenty-five (25.00%) of the net worth of the lending bank/quasi-bank to loans of banks/quasi-banks to their subsidiaries and affiliates engaged in energy and power generation.

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

	Consolidated		**Parent Company**	
	2023	2022	**2023**	2022
Trust department accounts (Note 29)	**₱282,061,181**	₱222,474,444	**₱282,061,181**	₱222,474,444
Foreign exchange bought	**269,755,228**	138,040,375	**269,755,228**	138,040,375
IRS receivable	**99,809,626**	90,289,612	**99,809,626**	90,289,612
Foreign exchange sold	**44,274,190**	33,914,815	**44,274,190**	33,914,815
Credit card lines	**24,255,716**	18,625,491	**24,255,716**	18,625,491
Unused commercial letters of credit (Note 30)	**15,434,894**	17,158,800	**15,352,213**	17,074,520
Committed credit lines	**9,597,231**	1,906,400	**9,597,231**	1,906,400
Spot exchange sold	**8,544,119**	2,792,488	**8,544,119**	2,792,488
Outstanding guarantees issued	**3,639,666**	2,971,605	**2,032,752**	1,539,908
Standby credit commitment	**3,334,366**	3,550,516	**3,334,366**	3,550,516
Spot exchange bought	**2,619,034**	3,407,837	**2,619,034**	3,407,837
Inward bills for collection	**2,496,350**	2,697,770	**2,496,350**	2,697,770
Late deposits/payments received	**383,716**	309,488	**365,285**	286,522
Deficiency claims receivable	**280,195**	280,195	**280,195**	280,195
Outward bills for collection	**29,729**	21,378	**27,703**	19,337
Others	**9,180**	35,237	**8,742**	30,498

38. **Supplementary Information Required Under RR No. 15-2010**

In compliance with the requirements set forth by RR No. 15-2010, hereunder are the details of percentage and other taxes paid or accrued by the Parent Company in 2023.

Gross receipts tax	₱2,722,609
Documentary stamps tax	1,513,816
Local taxes	104,774
Fringe benefit tax	17,097
Others	49,033
Total for the year	₱4,407,329

Withholding Taxes
Details of total remittances of withholding taxes in 2023 and amounts outstanding as of December 31, 2023 are as follows:

	Total remittances	Amounts outstanding
Final withholding taxes	₱3,908,613	₱365,983
Withholding taxes on compensation and benefits	834,527	46,197
Expanded withholding taxes	204,219	14,524
	₱4,947,359	₱426,704

Tax Assessment
As of December 31, 2023, the Parent Company has no pending tax assessment from the BIR.