PNB

Office of the EVP and Chief Financial Officer
Trunk Lines: 8526-3131 to 70/8891-6040 to 70
Local: 4474

February 23, 2024

MS. ALEXANDRA D. TOM WONG
Head, Disclosure Department
Philippine Stock Exchange
6/F PSE Tower
28th Street corner 5th Avenue
BGC, Taguig City

MR. ANTONINO A. NAKPIL
President & CEO
Philippine Dealing & Exchange Corp.
29/F, BDO Equitable Tower,
8751 Paseo de Roxas, Makati City

Dear Madam/Sir:

We submit a copy of the Audited Financial Statements of Philippine National Bank and Subsidiaries as of December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021.

Very truly yours,

FRANCIS B. ALBALATE
Executive Vice President &
Chief Financial Officer

PNB

Office of the EVP and Chief Financial Officer

Trunk Lines: 8526-3131 to 70/8891-6040 to 70
Local: 4474

CERTIFICATION

I, **FRANCIS B. ALBALATE**, is a duly authorized representative of Philippine National Bank ("PNB"), a universal banking corporation organized and existing under the laws of the Republic of the Philippines under SEC Registration No. AS096-005555, with principal office address at the PNB Financial Center, Pres. Diosdado Macapagal Blvd., Pasay City, Metro Manila, on oath state that:

1. On behalf of PNB, I have caused this Audited Financial Statement of PNB and its Subsidiaries as of December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 to be prepared;

2. I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;

3. PNB will comply with the requirements set forth in SEC Notice dated May 12, 2021 for a complete and official submission of reports and/or documents through electronic mail; and

4. I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of the filing fee.

IN WITNESS WHEREOF, I have hereunto set my hand on February 23, 2024 in Pasay City, Metro Manila.

FRANCIS B. ALBALATE
Executive Vice President and
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this 23 FEB 2024 in ~~PASAY CITY~~, affiant exhibited to me his SSS ID No. 33-1489981-0.

Doc. No. 60
Page No. 13
Book No. IX
Series of 2024.

Atty. Jamie D. Real
Commission No. 23-15, Roll No. 68794
Notary Public in and for Pasay City until December 31, 2024
9th Floor PNB Financial Center
Pres. Diosdado Macapagal Blvd., Pasay City
PTR No. 8456119/Jan. 03, 2024/Pasay City
IBP Lifetime No. 01865[illegible]

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 23, 2024**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **ASO96-005555** 3. BIR Tax Identification No. **000-188-209-000**

4. **PHILIPPINE NATIONAL BANK**
   Exact name of registrant as specified in its charter

5. **PHILIPPINES** 6. Use Only)

   Province, country or other jurisdiction of incorporation — Industry Classification Code:

7. **PNB Financial Center, Pres. Diosdado Macapagal Blvd., Pasay City, Metro Manila**
   1300
   Address of principal office
   Postal Code
8. **(632) 8526-3131 to 70/(632) 8891-6040 to 70**
   Issuer's telephone number, including area code

9. **Not Applicable**
   Former name or former address, if changed since last report

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	**1,525,764,850**

11. Indicate the item numbers reported herein: **Item 9**

Attached is a copy of the Audited Financial Statements of Philippine National Bank and Subsidiaries as of December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021.

SIGNATURES

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

PHILIPPINE NATIONAL BANK	**February 23, 2024**
Issuer	Date

FRANCIS B. ALBALATE
Executive Vice President & Chief Financial Officer
Signature and Title*

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	0	9	6	-	0	0	5	5	5	5

COMPANY NAME

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

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

PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
gregorioar@pnb.com.ph		

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
36,081	04/30	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
Mr. Aidell Amor R. Gregorio		8891-6040 to 70	

CONTACT PERSON's ADDRESS

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.*

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 Stockholders and the Board of Directors
Philippine National Bank
PNB Financial Center
President Diosdado Macapagal Boulevard
Pasay City

Report on the Consolidated and Parent Company Financial Statements

Opinion

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

In our opinion, the accompanying 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 its 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 audit 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 International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's 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 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 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 and the Parent Company's application of the expected credit losses (ECL) model in calculating the allowance for credit losses on loans and receivables is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's and the Parent Company's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset, expected recoveries from defaulted accounts, and impact of any financial support and credit enhancements extended by any party; and incorporating forward-looking information in calculating ECL.

Allowance for credit losses on loans and receivables as of December 31, 2023 amounted to ₱42.6 billion for the Group and the Parent Company. Provision for credit losses in 2023 amounted to ₱5.7 billion and ₱5.5 billion for the Group and the Parent Company, respectively.

The disclosures related to the allowance for credit losses on loans and receivables are included in Note 16 of the financial statements.

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

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

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

We recalculated impairment provisions on a sample basis. We involved our internal specialist in the performance of the above procedures.

We reviewed the completeness of the disclosures made in the financial statements.

Impairment Testing of Goodwill
As of December 31, 2023, the goodwill of the Group and the Parent Company amounted to ₱10.2 billion and ₱10.3 billion, respectively, as a result of the acquisition of Allied Banking Corporation in 2013. Under PFRS, the Group and the Parent Company are required to test the amount of goodwill for impairment annually. Goodwill has been allocated to three cash generating units (CGUs) namely Retail Banking, Corporate Banking, and Treasury. The Group and the Parent Company performed the impairment testing using the value in use calculation. The annual impairment test is significant to our audit because it involves significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty, specifically estimates of loan and deposit growth rates, interest margin, discount rates, and long-term growth rate.

The disclosures related to goodwill impairment are included in Note 14 to the financial statements.

Audit response
We involved our internal specialist in evaluating the methodology and the assumptions used by the Group and the Parent Company. We compared the key assumptions used, such as loan and deposit growth rates, interest margin and long-term growth rate to the historical performance of the CGUs and to economic and industry forecasts. We tested the parameters used in the derivation of the discount rate against market data. We also reviewed the 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.

Other Information

The other information consists of 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, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditor's report.

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

In connection with our audit 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 financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 financial statements, including the disclosures, and whether the 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 and the Parent Company to express an opinion on the consolidated and parent company 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

SGV
Building a better
working world

Report on the Supplementary Information Required Under Revenue Regulations 15-2010 and Section 174 of the Manual of Regulations for Banks (MORB)

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 Revenue Regulations 15-2010 in Note 40 and with Section 174 of the MORB in Note 41 to the financial statements are presented for purposes of filing with the Bureau of Internal Revenue and Bangko Sentral ng Pilipinas, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of Philippine National Bank. 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 Leslie Anne G. Huang.

SYCIP GORRES VELAYO & CO.

Leslie Anne G. Huang
Partner
CPA Certificate No. 134290
Tax Identification No. 238-044-991
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-150-2022, November 7, 2022, valid until November 6, 2025
PTR No. 10079947, January 5, 2024, Makati City

February 23, 2024

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

(In Thousands)

	Consolidated		Parent Company	
	December 31		December 31	
	2023	2022	**2023**	2022
ASSETS				
Cash and Other Cash Items	**₱21,151,391**	₱22,217,915	**₱21,052,526**	₱22,103,095
Due from Bangko Sentral ng Pilipinas (Notes 7 and 17)	**95,410,350**	94,701,360	**95,410,350**	94,701,360
Due from Other Banks (Note 33)	**21,243,856**	26,010,183	**13,626,624**	17,599,374
Interbank Loans Receivable (Notes 8 and 33)	**35,634,440**	16,290,101	**33,437,319**	14,734,743
Securities Held Under Agreements to Resell (Notes 8 and 35)	**69,694,538**	64,523,863	**69,694,538**	64,523,863
Trading and Investment Securities				
Financial Assets at Fair Value Through Profit or Loss (FVTPL) (Note 9)	**10,516,864**	7,347,201	**10,363,259**	7,195,685
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Note 9)	**164,531,492**	158,183,525	**164,136,971**	157,205,907
Investment Securities at Amortized Cost (Note 9)	**123,200,427**	110,467,960	**122,730,465**	110,328,678
Loans and Receivables (Notes 10 and 33)	**616,710,746**	593,099,915	**602,158,763**	577,995,018
Property and Equipment (Note 11)	**10,754,018**	11,973,547	**9,862,219**	10,619,033
Investments in Subsidiaries and an Associate (Note 12)	**3,199,124**	2,688,764	**20,567,070**	20,384,104
Investment Properties (Note 13)	**14,579,558**	13,794,986	**14,111,607**	13,264,820
Deferred Tax Assets (Note 30)	**6,981,726**	6,616,902	**6,929,669**	6,574,190
Intangible Assets (Note 14)	**1,301,726**	1,863,922	**1,214,890**	1,753,616
Goodwill (Note 14)	**10,184,843**	11,221,410	**10,325,201**	11,361,768
Other Assets (Note 15)	**5,454,301**	4,155,522	**4,752,685**	3,398,996
TOTAL ASSETS	**₱1,210,549,400**	₱1,145,157,076	**₱1,200,374,156**	₱1,133,744,250
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 17 and 33)				
Demand	**₱228,405,865**	₱220,043,866	**₱228,144,045**	₱219,805,641
Savings	**541,009,449**	519,940,535	**540,063,571**	518,928,640
Time	**145,752,061**	112,113,308	**141,770,924**	108,766,087
Long Term Negotiable Certificates	**12,803,543**	19,130,012	**12,803,543**	19,130,012
	927,970,918	871,227,721	**922,782,083**	866,630,380
Financial Liabilities at FVTPL (Notes 18, 23 and 35)	**555,811**	1,039,776	**555,811**	1,039,776
Bills and Acceptances Payable (Notes 19, 33 and 35)	**20,162,603**	14,980,373	**20,162,603**	13,888,035
Lease Liabilities (Notes 29 and 33)	**3,832,884**	3,636,391	**3,723,316**	3,604,077
Accrued Taxes, Interest and Other Expenses (Note 20)	**10,465,373**	9,117,393	**10,049,650**	8,487,700
Bonds Payable (Note 21)	**41,490,871**	58,439,097	**41,490,871**	58,439,097
Income Tax Payable	**180,364**	983,051	**103,470**	916,235
Other Liabilities (Note 22)	**14,741,922**	15,827,640	**13,553,863**	14,093,805
	1,019,400,746	975,251,442	**1,012,421,667**	967,099,105
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Capital Stock (Note 25)	**61,030,594**	61,030,594	**61,030,594**	61,030,594
Capital Paid in Excess of Par Value (Note 25)	**32,116,560**	32,116,560	**32,106,560**	32,106,560
Surplus Reserves (Notes 10, 25 and 32)	**4,677,930**	4,929,242	**4,677,930**	4,929,242
Surplus (Note 25)	**91,979,317**	73,748,748	**92,174,169**	73,919,909
Net Unrealized Losses on Financial Assets at FVOCI (Notes 9 and 33)	**(1,722,653)**	(5,959,275)	**(1,722,653)**	(5,959,275)
Remeasurement Losses on Retirement Plan (Note 28)	**(2,728,542)**	(2,222,945)	**(2,728,542)**	(2,222,945)
Accumulated Translation Adjustment (Note 25)	**1,999,668**	2,314,447	**1,999,668**	2,314,447
Other Equity Reserves (Notes 12 and 25)	**248,830**	248,830	**390,517**	390,517
Share in Aggregate Reserves on Life Insurance Policies (Note 12)	**24,246**	136,096	**24,246**	136,096
Other Equity Adjustment	**13,959**	13,959	**–**	–
	187,639,909	166,356,256	**187,952,489**	166,645,145
NON-CONTROLLING INTERESTS (Note 12)	**3,508,745**	3,549,378	**–**	–
	191,148,654	169,905,634	**187,952,489**	166,645,145
TOTAL LIABILITIES AND EQUITY	**₱1,210,549,400**	₱1,145,157,076	**₱1,200,374,156**	₱1,133,744,250

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF INCOME

(In Thousands, Except Earnings per Share)

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
INTEREST INCOME ON						
Loans and receivables (Notes 10 and 33)	**₱40,757,927**	₱34,424,531	₱34,157,780	**₱40,119,733**	₱33,794,036	₱33,449,961
Investment securities at amortized cost and FVOCI (Note 9)	**12,608,170**	8,154,922	5,963,594	**12,560,530**	8,143,092	5,962,614
Deposits with banks and others (Notes 7, 12 and 33)	**2,607,973**	1,417,661	1,248,155	**2,252,437**	1,330,052	1,219,996
Financial assets at FVTPL (Note 9)	**251,894**	292,685	632,492	**243,483**	284,251	565,447
Interbank loans receivable and securities held under agreements to resell (Note 8)	**3,368,565**	954,603	400,356	**3,360,981**	896,683	348,153
	59,594,529	45,244,402	42,402,377	**58,537,164**	44,448,114	41,546,171
INTEREST EXPENSE ON						
Deposit liabilities (Notes 17 and 33)	**13,005,646**	5,371,667	4,813,766	**12,971,817**	5,383,153	4,885,785
Bonds payable (Note 21)	**1,660,193**	2,111,192	2,231,863	**1,660,193**	2,111,192	2,231,863
Bills payable and other borrowings (Notes 19, 29 and 33)	**335,847**	433,973	511,921	**319,588**	363,544	425,080
	15,001,686	7,916,832	7,557,550	**14,951,598**	7,857,889	7,542,728
NET INTEREST INCOME	**44,592,843**	37,327,570	34,844,827	**43,585,566**	36,590,225	34,003,443
Service fees and commission income (Notes 26 and 33)	**6,591,256**	6,997,609	6,340,326	**5,754,883**	5,563,369	5,310,729
Service fees and commission expense	**1,266,613**	1,429,195	1,051,376	**1,150,389**	935,945	846,165
NET SERVICE FEES AND COMMISSION INCOME	**5,324,643**	5,568,414	5,288,950	**4,604,494**	4,627,424	4,464,564
OTHER OPERATING INCOME						
Net gains on sale or exchange of assets (Note 26)	**4,541,567**	7,775,154	981,462	**4,621,894**	7,770,001	974,024
Foreign exchange gains - net (Note 23)	**1,367,409**	1,608,281	743,549	**1,149,699**	1,149,444	623,493
Trading and investment securities gains (losses) - net (Notes 9 and 33)	**394,103**	(1,280,783)	731,572	**394,755**	(1,277,759)	600,580
Equity in net earnings (losses) of subsidiaries and an associate (Note 12)	**268,093**	(56,060)	50,789	**560,393**	747,341	(650,134)
Miscellaneous (Note 27)	**871,394**	1,136,692	1,070,047	**624,907**	721,433	759,826
TOTAL OTHER OPERATING INCOME	**7,442,566**	9,183,284	3,577,419	**7,351,648**	9,110,460	2,307,789
TOTAL OPERATING INCOME	**57,360,052**	52,079,268	43,711,196	**55,541,708**	50,328,109	40,775,796
PROVISION FOR IMPAIRMENT, CREDIT AND OTHER LOSSES (Note 16)	**5,923,054**	7,198,117	10,725,014	**5,700,264**	7,305,653	10,971,740
IMPAIRMENT IN VALUE OF GOODWILL (Note 14)	**1,036,567**	–	2,153,997	**1,036,567**	–	2,153,997
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 25, 28 and 33)	**10,464,071**	9,762,776	9,985,822	**9,709,419**	9,012,641	9,274,801
Taxes and licenses (Note 30)	**4,852,190**	5,225,595	3,988,371	**4,778,102**	5,120,690	3,903,066
Depreciation and amortization (Note 11)	**3,976,069**	4,225,746	2,845,717	**3,720,234**	3,909,420	2,499,071
Occupancy and equipment-related costs (Note 29)	**916,735**	1,099,876	1,124,166	**797,259**	952,932	1,002,093
Miscellaneous (Note 27)	**8,218,171**	8,051,942	8,202,755	**7,948,947**	7,810,430	7,974,555
TOTAL OPERATING EXPENSES	**28,427,236**	28,365,935	26,146,831	**26,953,961**	26,806,113	24,653,586
OTHER INCOME						
Gain on loss of control of subsidiaries - net (Note 12)	**–**	–	16,807,275	**–**	–	16,916,842
Gain on remeasurement of retained interest (Note 12)	**–**	–	16,477,968	**–**	–	16,383,008
TOTAL OTHER INCOME	**–**	–	33,285,243	**–**	–	33,299,850
INCOME BEFORE INCOME TAX	**21,973,195**	16,515,216	37,970,597	**21,850,916**	16,216,343	36,296,323
PROVISION FOR INCOME TAX (Note 30)	**4,007,375**	4,931,228	5,545,194	**3,847,968**	4,684,025	5,012,561
NET INCOME FROM CONTINUING OPERATIONS	**17,965,820**	11,583,988	32,425,403	**18,002,948**	11,532,318	31,283,762
NET LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX (Notes 12 and 36)	**–**	–	(735,365)	**–**	–	–
NET INCOME	**₱17,965,820**	₱11,583,988	₱31,690,038	**₱18,002,948**	₱11,532,318	₱31,283,762
ATTRIBUTABLE TO:						
Equity Holders of the Parent Company (Note 31)	**₱17,979,257**	₱11,532,318	₱31,630,626			
Non-controlling Interests	**(13,437)**	51,670	59,412			
	₱17,965,820	₱11,583,988	₱31,690,038			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)	**₱11.78**	₱7.56	₱20.73	**₱11.80**	₱7.56	₱20.50
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company from Continuing Operations (Note 31)	**₱11.78**	₱7.56	₱21.21	**₱11.80**	₱7.56	₱20.50

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
NET INCOME	**₱17,965,820**	₱11,583,988	₱31,690,038	**₱18,002,948**	₱11,532,318	₱31,283,762
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that recycle to profit or loss in subsequent periods:						
Net change in unrealized loss on debt securities at FVOCI, net of tax (Note 9)	**2,505,660**	(4,764,711)	(3,178,301)	**2,485,994**	(4,754,670)	(3,158,391)
Share in changes in net unrealized losses on financial assets at FVOCI of subsidiaries and an associate (Notes 9 and 12)	**362,392**	(885,481)	(558,030)	**382,058**	(902,788)	(663,471)
	2,868,052	(5,650,192)	(3,736,331)	**2,868,052**	(5,657,458)	(3,821,862)
Accumulated translation adjustment	**(341,822)**	1,102,022	1,008,640	**(109,124)**	421,609	(117,264)
Share in changes in accumulated translation adjustment of subsidiaries and an associate (Note 12)	**–**	–	–	**(205,655)**	389,442	902,788
	2,526,230	(4,548,170)	(2,727,691)	**2,553,273**	(4,846,407)	(3,036,338)
Items that do not recycle to profit or loss in subsequent periods:						
Net change in unrealized gain (loss) on equity securities at FVOCI (Note 9)	**1,368,570**	394,654	(21,809)	**1,368,570**	401,920	63,722
Remeasurement gains (losses) on retirement plan (Note 28)	**(493,906)**	495,353	285,632	**(512,517)**	489,953	500,862
Share in changes in aggregate reserves (losses) on life insurance policies (Note 12)	**(111,850)**	762,490	412,444	**(111,850)**	762,490	412,444
Share in changes in remeasurement gains (losses) of subsidiaries and an associate (Note 12)	**(8,275)**	7,708	(1,482)	**6,920**	12,169	(216,477)
	754,539	1,660,205	674,785	**751,123**	1,666,532	760,551
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**3,280,769**	(2,887,965)	(2,052,906)	**3,304,396**	(3,179,875)	(2,275,787)
TOTAL COMPREHENSIVE INCOME	**₱21,246,589**	₱8,696,023	₱29,637,132	**₱21,307,344**	₱8,352,443	₱29,007,975
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	**₱21,283,653**	₱8,352,443	₱29,354,839			
Non-controlling interests	**(37,064)**	343,580	282,293			
	₱21,246,589	₱8,696,023	₱29,637,132			

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

(In Thousands)

	Consolidated													
	Equity Attributable to Equity Holders of the Parent Company													
	Capital Stock (Note 25)	**Capital Paid in Excess of Par Value** (Note 25)	**Surplus Reserves** (Notes 10, 25 and 32)	**Surplus** (Note 25)	**Net Unrealized Gains (Losses) on Financial Assets at FVOCI** (Notes 9 and 33)	**Remeasurement Losses on Retirement Plan** (Note 28)	**Accumulated Translation Adjustment** (Note 25)	**Other Equity Reserves** (Notes 12 and 25)	**Share in Aggregate Reserves (Losses) on Life Insurance Policies** (Note 12)	**Reserves of a Disposal Group Classified as Held for Sale** (Notes 12 and 36)	**Other Equity Adjustment**	**Total**	**Non-controlling Interests** (Note 12)	**Total Equity**
Balance at January 1, 2023	**₱61,030,594**	**₱32,116,560**	**₱4,929,242**	**₱73,748,748**	**(₱5,959,275)**	**(₱2,222,945)**	**₱2,314,447**	**₱248,830**	**₱136,096**	**₱–**	**₱13,959**	**₱166,356,256**	**₱3,549,378**	**₱169,905,634**
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**17,979,257**	**4,236,622**	**(505,597)**	**(314,779)**	**–**	**(111,850)**	**–**	**–**	**21,283,653**	**(37,064)**	**21,246,589**
Transfer to surplus reserves (Notes 10, 25 and 32)	**–**	**–**	**(251,312)**	**251,312**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Declaration of dividends by subsidiaries to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,569)**	**(3,569)**
Balance at December 31, 2023	**₱61,030,594**	**₱32,116,560**	**₱4,677,930**	**₱91,979,317**	**(₱1,722,653)**	**(₱2,728,542)**	**₱1,999,668**	**₱248,830**	**₱24,246**	**₱–**	**₱13,959**	**₱187,639,909**	**₱3,508,745**	**₱191,148,654**
Balance at January 1, 2022	₱61,030,594	₱32,116,560	₱5,147,440	₱61,998,232	(₱703,737)	(₱2,725,067)	₱1,503,396	₱248,830	(₱626,394)	₱–	₱13,959	₱158,003,813	₱3,219,143	₱161,222,956
Total comprehensive income (loss) for the year	–	–	–	11,532,318	(5,255,538)	502,122	811,051	–	762,490	–	–	8,352,443	343,580	8,696,023
Transfer to surplus reserves (Notes 10, 25 and 32)	–	–	(218,198)	218,198	–	–	–	–	–	–	–	–	–	–
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(13,345)	(13,345)
Balance at December 31, 2022	₱61,030,594	₱32,116,560	₱4,929,242	₱73,748,748	(₱5,959,275)	(₱2,222,945)	₱2,314,447	₱248,830	₱136,096	₱–	₱13,959	₱166,356,256	₱3,549,378	₱169,905,634
Balance at January 1, 2021	₱61,030,594	₱32,116,560	₱5,032,097	₱54,498,066	₱3,054,403	(₱3,009,452)	₱717,872	₱277,855	(₱1,038,838)	₱88,616	₱13,959	₱152,781,732	₱3,201,276	₱155,983,008
Total comprehensive income (loss) for the year	–	–	–	31,630,626	(3,758,140)	284,385	785,524	–	412,444	–	–	29,354,839	282,293	29,637,132
Declaration of property dividends (Note 12)	–	–	–	(23,935,371)	–	–	–	–	–	–	–	(23,935,371)	–	(23,935,371)
Transfer to surplus reserves (Notes 10, 25 and 32)	–	–	115,343	(115,343)	–	–	–	–	–	–	–	–	–	–
Sale of interest in a subsidiary (Note 12)	–	–	–	(79,746)	–	–	–	–	–	(88,616)	–	(168,362)	(259,721)	(428,083)
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	(29,025)	–	–	–	(29,025)	–	(29,025)
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(4,705)	(4,705)
Balance at December 31, 2021	₱61,030,594	₱32,116,560	₱5,147,440	₱61,998,232	(₱703,737)	(₱2,725,067)	₱1,503,396	₱248,830	(₱626,394)	₱–	₱13,959	₱158,003,813	₱3,219,143	₱161,222,956

Parent Company

	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Notes 10, 25 and 32)	Surplus (Note 25)	Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Notes 9 and 33)	Remeasurement Losses on Retirement Plan (Note 28)	Accumulated Translation Adjustment (Note 25)	Other Equity Reserves (Notes 12 and 25)	Share in Aggregate Reserves (Losses) on Life Insurance Policies (Note 12)	Reserves of a Disposal Group Held for Sale (Notes 12 and 36)	Total Equity
Balance at January 1, 2023	**₱61,030,594**	**₱32,106,560**	**₱4,929,242**	**₱73,919,909**	**(₱5,959,275)**	**(₱2,222,945)**	**₱2,314,447**	**₱390,517**	**₱136,096**	**₱–**	**₱166,645,145**
Total comprehensive income (loss) for the year	–	–	–	**18,002,948**	**4,236,622**	**(505,597)**	**(314,779)**	–	**(111,850)**	–	**21,307,344**
Transfer to surplus reserves (Notes 10, 25 and 32)	–	–	**(251,312)**	**251,312**	–	–	–	–	–	–	–
Balance at December 31, 2023	**₱61,030,594**	**₱32,106,560**	**₱4,677,930**	**₱92,174,169**	**(₱1,722,653)**	**(₱2,728,542)**	**₱1,999,668**	**₱390,517**	**₱24,246**	**₱–**	**₱187,952,489**
Balance at January 1, 2022	₱61,030,594	₱32,106,560	₱5,147,440	₱62,169,393	(₱703,737)	(₱2,725,067)	₱1,503,396	₱390,517	(₱626,394)	₱–	₱158,292,702
Total comprehensive income (loss) for the year	–	–	–	11,532,318	(5,255,538)	502,122	811,051	–	762,490	–	8,352,443
Transfer to surplus reserves (Notes 10, 25 and 32)	–	–	(218,198)	218,198	–	–	–	–	–	–	–
Balance at December 31, 2022	₱61,030,594	₱32,106,560	₱4,929,242	₱73,919,909	(₱5,959,275)	(₱2,222,945)	₱2,314,447	₱390,517	₱136,096	₱–	₱166,645,145
Balance at January 1, 2021	₱61,030,594	₱32,106,560	₱5,032,097	₱54,843,588	₱3,054,403	(₱3,009,452)	₱717,872	₱419,542	(₱1,038,838)	₱88,616	₱153,244,982
Total comprehensive income (loss) for the year	–	–	–	31,283,762	(3,758,140)	284,385	785,524	–	412,444	–	29,007,975
Declaration of property dividends (Note 12)	–	–	–	(23,935,371)	–	–	–		–	–	(23,935,371)
Transfer to surplus reserves (Notes 10, 25 and 32)	–	–	115,343	(115,343)	–	–	–	–	–	–	–
Sale of interest in a subsidiary (Note 12)	–	–	–	92,757	–	–	–	–	–	(88,616)	4,141
Settlement of share-based payments (Note 25)	–	–	–	–	–	–	–	(29,025)	–	–	(29,025)
Balance at December 31, 2021	₱61,030,594	₱32,106,560	₱5,147,440	₱62,169,393	(₱703,737)	(₱2,725,067)	₱1,503,396	₱390,517	(₱626,394)	₱–	₱158,292,702

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES						
Income from continuing operations before income tax	**₱21,973,195**	₱16,515,216	₱37,970,597	**₱21,850,916**	₱16,216,343	₱36,296,323
Loss from discontinued operations before income tax (Note 36)	**–**	–	(626,763)	**–**	–	–
Income before income tax	**21,973,195**	16,515,216	37,343,834	**21,850,916**	16,216,343	36,296,323
Adjustments for:						
Provision for impairment, credit and other losses (Note 16)	**5,923,054**	7,198,117	10,813,155	**5,700,264**	7,305,653	10,971,740
Net gains on sale or exchange of assets (Note 26)	**(4,541,567)**	(7,775,154)	(981,462)	**(4,621,894)**	(7,770,001)	(974,024)
Depreciation and amortization (Note 11)	**3,976,069**	4,225,746	2,894,759	**3,720,234**	3,909,420	2,499,071
Amortization of premium (discount) on investment securities	**(2,888,201)**	(935,770)	294,421	**(2,891,341)**	(936,131)	296,554
Impairment in value of goodwill (Note 14)	**1,036,567**	–	2,153,997	**1,036,567**	–	2,153,997
Unrealized foreign exchange losses (gains) on bonds, bills and acceptances payable	**(209,842)**	6,502,018	5,334,118	**(209,842)**	6,491,373	5,328,215
Net losses (gains) on financial assets at FVTPL (Note 9)	**(399,339)**	211,235	846,625	**(400,113)**	208,211	977,617
Equity in net losses (earnings) of subsidiaries and an associate (Note 12)	**(268,093)**	56,060	(50,789)	**(560,393)**	(747,341)	650,134
Amortization of transaction costs on borrowings (Notes 17 and 21)	**90,011**	105,480	116,898	**90,011**	105,480	116,898
Net losses (gains) on financial assets at FVOCI and investment securities at amortized cost (Note 9)	**5,236**	1,069,548	(1,540,192)	**5,358**	1,069,548	(1,578,197)
Accretion to interest income of loss on loan modifications	**–**	(369,152)	(351,502)	**–**	(369,152)	(351,502)
Gain on loss of control of subsidiaries - net (Note 12)	**–**	–	(16,807,275)	**–**	–	(16,916,842)
Gain on remeasurement of retained interest (Note 12)	**–**	–	(16,477,968)	**–**	–	(16,383,008)
Changes in operating assets and liabilities:						
Decrease (increase) in amounts of:						
Interbank loan receivable (Note 8)	**1,828,975**	(4,854,939)	(891,301)	**2,407,631**	(4,656,651)	(859,213)
Financial assets at FVTPL	**(2,770,324)**	3,609,221	11,812,813	**(2,767,461)**	3,606,381	9,959,744
Loans and receivables	**(32,170,920)**	4,448,687	(13,325,214)	**(32,262,933)**	4,995,515	(16,184,925)
Other assets	**(2,608,270)**	(243,158)	1,398,479	**(2,505,688)**	(1,340,408)	(368,189)
Increase (decrease) in amounts of:						
Financial liabilities at FVTPL	**(483,965)**	148,245	190,292	**(483,965)**	148,430	190,544
Deposit liabilities	**56,719,665**	(23,726,210)	4,603,064	**56,128,172**	(32,924,438)	5,943,796
Accrued taxes, interest and other expenses	**1,435,027**	1,518,737	246,627	**1,623,234**	1,139,793	681,686
Other liabilities	**(1,584,110)**	616,446	(7,663,779)	**(1,053,706)**	1,084,236	(1,511,065)
Net cash generated from (used in) operations	**45,063,168**	8,320,373	19,959,600	**44,805,051**	(2,463,739)	20,939,354
Income taxes paid	**(3,919,287)**	(2,050,109)	(2,285,669)	**(3,826,112)**	(1,802,246)	(1,841,579)
Net cash provided by (used in) operating activities	**41,143,881**	6,270,264	17,673,931	**40,978,939**	(4,265,985)	19,097,775
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from:						
Disposal/maturities of financial assets at FVOCI	**562,251,372**	643,902,197	212,560,360	**561,071,652**	643,888,779	210,574,683
Maturities/early redemptions of investment securities at amortized cost	**64,078,361**	141,160,199	39,790,071	**61,007,188**	141,171,532	39,085,249
Disposal of investment properties	**5,113,184**	6,844,641	293,738	**4,874,843**	6,842,374	214,782
Disposal of property and equipment	**1,295,493**	108,253	201,593	**1,022,920**	32,546	301,198
Disposal of investment in a subsidiary (Note 12)	**–**	–	1,001,558	**–**	–	1,001,558
Cash dividends from a subsidiary (Note 12)	**–**	–	–	**448,900**	1,092,000	–
Return of investment (Note 12)	**–**	–	–	**–**	7,500,000	–
Acquisitions of:						
Financial assets at FVOCI	**(562,081,002)**	(638,254,305)	(224,330,405)	**(561,446,524)**	(637,154,487)	(224,330,405)
Investment securities at amortized cost	**(76,625,183)**	(162,392,791)	(33,372,543)	**(73,223,330)**	(162,392,791)	(33,372,543)
Software cost (Note 14)	**(598,969)**	(881,572)	(655,455)	**(597,165)**	(848,426)	(612,515)
Property and equipment (Note 11)	**(419,859)**	(547,083)	(1,120,741)	**(407,645)**	(535,981)	(675,730)
Additional investments in an associate (Note 12)	**–**	(392,000)	(245,000)	**–**	(392,000)	(245,000)
Net cash used in investing activities	**(6,986,603)**	(10,452,461)	(5,876,824)	**(7,249,161)**	(796,454)	(8,058,723)

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES						
Settlement of bills and acceptances payable	**(₱136,027,137)**	(₱277,002,294)	(₱273,753,842)	**(₱134,014,712)**	(₱274,908,050)	(₱272,556,037)
Proceeds from issuances of bills and acceptances payable	**140,964,503**	237,506,670	237,327,616	**140,044,415**	236,171,512	236,637,024
Payment of principal portion of lease liabilities (Note 29)	**(1,314,516)**	(1,113,225)	(1,231,287)	**(1,232,928)**	(1,068,038)	(1,213,912)
Settlement of bonds payable (Note 21)	**(16,560,000)**	–	(13,870,000)	**(16,560,000)**	–	(13,870,000)
Net cash used in financing activities	**(12,937,150)**	(40,608,849)	(51,527,513)	**(11,763,225)**	(39,804,576)	(51,002,925)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**21,220,128**	(44,791,046)	(39,730,406)	**21,966,553**	(44,867,015)	(39,963,873)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**22,217,915**	27,552,773	25,135,724	**22,103,095**	27,454,459	25,038,434
Due from Bangko Sentral ng Pilipinas	**94,701,360**	161,001,912	202,129,356	**94,701,360**	161,001,912	202,129,356
Due from other banks	**26,010,183**	27,222,083	19,733,300	**17,599,374**	19,324,000	12,131,726
Interbank loans receivable (Note 8)	**9,782,452**	30,453,378	38,939,572	**8,824,713**	29,042,376	37,464,504
Securities held under agreements to resell	**64,523,863**	15,796,673	15,819,273	**64,523,863**	15,796,673	15,819,273
	217,235,773	262,026,819	301,757,225	**207,752,405**	252,619,420	292,583,293
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**21,151,391**	22,217,915	27,552,773	**21,052,526**	22,103,095	27,454,459
Due from Bangko Sentral ng Pilipinas	**95,410,350**	94,701,360	161,001,912	**95,410,350**	94,701,360	161,001,912
Due from other banks	**21,243,856**	26,010,183	27,222,083	**13,626,624**	17,599,374	19,324,000
Interbank loans receivable (Note 8)	**30,955,766**	9,782,452	30,453,378	**29,934,920**	8,824,713	29,042,376
Securities held under agreements to resell	**69,694,538**	64,523,863	15,796,673	**69,694,538**	64,523,863	15,796,673
	₱238,455,901	₱217,235,773	₱262,026,819	**₱229,718,958**	₱207,752,405	₱252,619,420
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest paid	**₱13,298,198**	₱7,312,461	₱7,690,053	**₱13,269,068**	₱7,256,130	₱7,670,243
Interest received	**55,438,281**	43,082,036	42,928,178	**54,445,224**	42,297,774	42,075,051
Dividends received	–	–	–	**448,900**	1,092,000	–

See accompanying Notes to Financial Statements.

(Amounts in Thousand Pesos except When Otherwise Indicated)

1. Corporate Information

Philippine National Bank (PNB or the Parent Company) is a universal bank established in the Philippines in 1916. On June 21, 1989, PNB's shares were listed with the Philippine Stock Exchange (PSE). As of December 31, 2023 and 2022, the shares of PNB are held by the following:

	2023	2022
LT Group, Inc. (LTG) (indirect ownership through its various holding companies)	**59.83%**	59.83%
PCD Nominee Corporation *	**14.44%**	15.85%
Other stockholders owning less than 10% each	**25.73%**	24.32%
	100.00%	100.00%

** Acts as a trustee-nominee for PNB shares lodged under the PCD system*

PNB's immediate parent company, LTG, and ultimate parent company, Tangent Holdings Corporation, are also incorporated in the Philippines.

The Parent Company provides a full range of banking and other financial services, which include deposit-taking, lending, bills discounting, trade finance, foreign exchange dealings, treasury operations, wealth management, fund transfers, remittance and trust services. The Parent Company operates through its 631 and 651 domestic branches as of December 31, 2023 and 2022, respectively, as it continues to streamline its physical branch network through consolidation and expand customer reach via its digital channels. As of the same dates, the Parent Company has 73 and 72 overseas branches, representative offices, remittance centers and subsidiaries, respectively, in 17 locations in Asia, North America and Europe.

The subsidiaries of the Parent Company are engaged in a number of diversified financial and related businesses such as remittance, banking, investment banking, leasing, stock brokerage and/or related services. The Parent Company and the subsidiaries are collectively referred hereinto as the Group.

The principal place of business of the Parent Company is at PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City, Metro Manila, Philippines.

2. Summary of Material Accounting Policies

2.1 Basis of Preparation of the Financial Statements

The Group prepared the accompanying financial statements on a historical cost basis, except for the following accounts which are measured at fair value:
- financial assets and liabilities at fair value through profit or loss (FVTPL); and
- financial assets at fair value through other comprehensive income (FVOCI).

The financial statements of the Parent Company which include its Head Office in Pasay City, Philippines, and all of its domestic and foreign branches, reflect the accounts maintained in its Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of RBU and FCDU is Philippine pesos (₱ or PHP) and United States Dollar (USD), respectively. The individual financial statements of these units are combined and any inter-unit accounts and transactions are eliminated. The presentation currency is the PHP.

The Group presents the amounts in the financial statements to the nearest thousand pesos (₱000), unless otherwise stated.

2.2 Statement of Compliance

The Group prepared these financial statements in accordance with Philippine Financial Reporting Standards (PFRS) adopted by the Philippine Securities and Exchange Commission (SEC).

2.3 Presentation of the Financial Statements

The Group presents the statements of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 24.

The Group generally presents financial assets and financial liabilities at their gross amounts in the statement of financial position, unless the offsetting criteria under PFRS are met. The Group does not also set off items of income and expenses, unless offsetting is required or permitted by PFRS, or is specifically disclosed in the Group's accounting policies.

The Group presents its consolidated financial statements and parent company financial statements side-by-side to comply with the requirements of the Bangko Sentral ng Pilipinas (BSP).

2.4 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. The financial statements of the subsidiaries are prepared on the same reporting period as the Parent Company using consistent accounting policies. In the consolidation, the Group eliminates in full all significant intra-group balances, transactions, and results of intra-group transactions.

The Group consolidates its subsidiaries from the date on which the Group obtains control over the subsidiary (see definition of 'control' in *2.12 Investments in Subsidiaries, Associates and Joint Ventures*). For partially-owned subsidiaries, the Group attributes the subsidiary's income, expenses and components of other comprehensive income (OCI) to the equity holders of the Parent Company and to the non-controlling interests (NCI), even if this results in deficit balances of the NCI. NCI represents the portion of profit or loss and the net assets not held by the Group, which are presented separately in the consolidated financial statements. NCI consists of the amount attributed to such interest from the date of business combination and its share in any changes in equity of the subsidiary.

When the Group's ownership interest in a subsidiary changes but does not result in a loss of control, the Group adjusts the carrying amounts of the controlling interests and the NCI to their new relative interests in the subsidiary. The Group recognizes any difference between the amount by which the NCI is adjusted and the fair value of the consideration paid or received directly in equity as 'Other equity reserves', which is attributed to the owners of the Parent Company.

Consolidation of a subsidiary ceases when the Group loses control over the subsidiary. In such circumstances, the Group derecognizes the assets (including goodwill), liabilities, NCI, and other components of equity of the subsidiary, and recognizes the consideration received and any investment retained at their fair values. The Group records any resulting difference in the statement of income as 'Gain on loss of control of subsidiaries - net'.

2.5 Foreign Currency Translation

For financial reporting purposes, the Group translates all accounts in the FCDU books and foreign currency-denominated accounts in the RBU books into their equivalents in Philippine pesos. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements are measured using that functional currency.

2.5.1 Transactions and Balances

As at reporting date, the Group translates the following foreign currency-denominated accounts in the RBU in Philippine peso using:

Financial statement accounts in RBU	Exchange rate
Monetary assets and liabilities	Bankers Association of the Philippines (BAP) closing rate at end of year
Income and expenses	Rate prevailing at transaction date
Non-monetary items measured at historical cost in a foreign currency	Rate at the date of initial transaction
Non-monetary items measured at fair value in a foreign currency	Rate at the date when fair value is determined

The Group recognizes in the statement of income any foreign exchange differences arising from revaluation of monetary assets and liabilities. For non-monetary items measured at fair values, the Group recognizes any foreign exchange differences arising from revaluation in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

2.5.2 FCDU and Overseas Branches and Subsidiaries

As at the reporting date, the Group translates the assets and liabilities of the FCDU and overseas branches and subsidiaries in Philippine peso at the BAP closing rate prevailing at the reporting date, and their income and expenses at the average exchange rate for the year. Foreign exchange differences arising on translation are taken directly to OCI under 'Accumulated translation adjustment'. Upon disposal of a foreign entity or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in OCI relating to the particular foreign operation is recognized in the statement of income.

2.6 Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new pronouncements effective as at January 1, 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements.

- Amendments to Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies*
  The amendments provide guidance and examples to help entities apply materiality judgments 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. The amendments have had an impact on the Group's disclosure of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments also 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, *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*
  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented.

- Amendments to PAS 12, *Income Taxes – International Tax Reform – Pillar Two Model Rules*
  The amendments have been introduced in response to the Base Eroson and Profit Sharing Pillar Two model rules of the Organization for Economic Cooperation and Development and include:
  - A mandatory temporary exemption to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
  - Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

  The mandatory temporary exemption – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023 but not for any interim periods ending on or before December 31, 2023.

  The Group has reviewed its corporate structure in light of the introduction of Pillar Two Model Rules in the various jurisdictions in which it operates. The Group has determined that it is not subject to Pillar Two taxes since its effective tax rate is above 15% in all the jurisdictions in which it operates (except for domestic subsidiaries, which are not material to the Group).

Therefore, as the related Pillar Two disclosures are not required, the amendments have no impact on the Group's consolidated financial statements.

2.7 Business Combinations

The Group accounts for business combinations using the acquisition method. Under this method, the Group measures the acquisition cost as the aggregate of the acquisition-date fair value of the consideration transferred and any amount of NCI in the acquiree. The Group then allocates that cost to the acquired identifiable assets and liabilities based on their respective fair values. Any excess acquisition cost over the fair value of the net assets acquired is allocated to goodwill (see related accounting policy under *2.13.3 Intangible Assets*). If the fair value of the net assets acquired exceeds the acquisition cost, the gain is recognized in the statement of income. The Group recognizes any acquisition-related costs as administrative expenses as they are incurred. The Group also recognizes any contingent consideration to be transferred by the acquirer at its fair value at the acquisition date.

In business combinations involving entities under common control, the Group determines whether or not the business combination has commercial substance. When there is commercial substance, the Group accounts for the transaction using the acquisition method as discussed above. Otherwise, the Group accounts for the transaction similar to a pooling of interests (i.e., the assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values, and any resulting difference with the fair value of the consideration given is accounted for as an equity transaction).

2.8 Non-current Assets and Disposal Group Held for Sale and Discontinued Operations

The Group classifies non-current assets and disposal group as held for sale if their carrying amounts will be recovered principally through a sale transaction. As such, non-current assets and disposal groups are measured at the lower of their carrying amounts and fair value less costs to sell (i.e., the incremental costs directly attributable to the sale, excluding finance costs and income taxes).

The Group regards the criteria for held for sale classification as met only when:

- the Group has initiated an active program to locate a buyer;
- the Group is committed to the plan to sell the asset or disposal group, which should be available for immediate sale in its present condition;
- the sale is highly probable (i.e, expected to happen within one year from the date of the classification); and
- actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn.

The Group presents separately the assets and liabilities of disposal group classified as held for sale in the statement of financial position.

The Group classifies a disposal group as discontinued operation if it is a component of the Group that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

The Group excludes discontinued operations from the results of continuing operations and presents them as a single amount as profit or loss after tax from discontinued operations in the statement of income.

If the above criteria are no longer met, the Group ceases to classify the asset or disposal group as held for sale. In such cases, the Group measures such asset or disposal group at the lower of its:

- carrying amount before it was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had it not been classified as such; and
- recoverable amount at the date of the subsequent decision not to sell.

The Group also amends financial statements for the periods since classification as held for sale if the asset or disposal group that ceases to be classified as held for sale is a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture or an associate. Accordingly, for all periods presented, the Group reclassifies and includes in income from continuing operations the results of operations of the asset or disposal group previously presented in discontinued operations.

2.9 Fair Value Measurement

Fair value is the price that the Group would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). The fair value measurement is based on the presumption that these transactions take place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The Group measures the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. If an asset or a liability measured at fair value has both bid and ask prices, the Group uses the price within the bid-ask spread, which is the most representative of fair value in the circumstances.

For nonfinancial assets, the Group measures their fair value considering a market participant's ability to generate economic benefits by using an asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described in Note 5, based on the lowest level input that is significant to the fair value measurement as a whole.

2.10 Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items (COCI), amounts due from BSP and other banks, interbank loans receivable and securities held under agreements to resell that are convertible to known amounts of cash, with original maturities of three months or less from dates of placements and that are subject to an insignificant risk of changes in fair value. Due from BSP includes statutory reserves required by the BSP, which the Group considers as cash equivalents wherein drawings can be made to meet cash requirements.

2.11 Financial Instruments

2.11.1 Initial Recognition of Financial Instruments

The Group recognizes purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace on settlement date (i.e., the date that an asset is delivered to or by the Group), while derivatives are recognized on trade date (i.e., the date that the Group commits to purchase or sell). The Group recognizes deposits, amounts due to banks and customers and loans when cash is received by the Group or advanced to the borrowers.

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

2.11.2 Classification and Subsequent Measurement of Financial Instruments

The Group classifies and measures financial assets at FVTPL unless these are measured at FVOCI or at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing those financial assets.

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

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

For financial liabilities, the Group classifies them as either financial liabilities at FVTPL or financial liabilities at amortized cost.

Financial assets at FVTPL
Financial assets at FVTPL include the following:
- Financial assets held for trading – those acquired for the purpose of selling or repurchasing in the near term;
- Derivative instruments – contracts entered into by the Group (such as currency forwards, currency swaps, interest rate swaps and warrants) as a service to customers and as a means of reducing or managing their respective financial risk exposures, as well as for trading purposes;

- Financial assets that are not SPPI, irrespective of the business model; or
- Debt financial assets designated upon initial recognition at FVTPL – those assets where the Group applied the fair value option at initial recognition if doing so eliminates or significantly reduces an accounting mismatch

The Group carries financial assets at FVTPL in the statement of financial position at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Group recognizes any gains or losses arising from changes in fair values of financial assets at FVTPL directly in the statement of income under 'Trading and investment securities gains (losses) - net', except for currency forwards and currency swaps, where fair value changes are included under 'Foreign exchange gains - net'.

Financial assets at FVOCI
Financial assets at FVOCI include debt and equity securities, which are subsequently measured at fair value. The Group recognizes the unrealized gains and losses arising from the fair valuation of financial assets at FVOCI, net of tax, in the statement of comprehensive income as 'Net change in unrealized gain (loss) on financial assets at FVOCI'.

Debt securities at FVOCI are those that meet both of the following conditions:
- the asset is held within a business model whose objective is to hold the financial asset in order to both collect contractual cash flows and sell the financial asset; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount.

The Group reports the effective yield component of debt securities at FVOCI, as well as the impact of restatement on foreign currency-denominated debt securities at FVOCI, in the statement of income. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in OCI is recognized as 'Trading and investment securities gain (loss) - net' in the statement of income. The Group recognizes the expected credit losses (ECL) arising from impairment of such financial assets in OCI with a corresponding charge to 'Provision for impairment, credit and other losses' in the statement of income (see related accounting policy under *2.11.5 Impairment of Financial Assets*).

Equity securities designated at FVOCI are those that the Group made an irrevocable election at initial recognition to present in OCI the subsequent changes in fair value. The Group recognizes the dividends earned on holding the equity securities at FVOCI in the statement of income when the right to payment has been established. Gains and losses on disposal of these equity securities at FVOCI are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the OCI is reclassified to 'Surplus' or any other appropriate equity account upon disposal. The Group does not subject equity securities at FVOCI to impairment assessment.

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

This accounting policy relates to the statement of financial position captions 'Due from Bangko Sentral ng Pilipinas', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', 'Investment securities at amortized cost', and 'Loans and receivables'.

The Group subsequently measures financial assets at amortized cost using the effective interest method of amortization, less allowance for credit losses. The Group includes the amortization in 'Interest income', and the ECL arising from impairment of such financial assets in 'Provision for impairment, credit and other losses' in the statement of income (see related accounting policy under *2.11.5 Impairment of Financial Assets*).

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

The Group capitalizes the costs incurred in connection with the issuance of debt securities (other than those designated at FVTPL) and amortizes over the terms of the instruments using the effective interest method. The Group includes any unamortized debt issuance costs in the carrying value of the related debt instruments in the statement of financial position.

The Group subsequently measures financial liabilities at amortized cost using the effective interest method of amortization.

Repurchase and reverse repurchase agreements
The Group does not derecognize from the statement of financial position securities sold under agreements to repurchase at a specified future date ('repos'). Instead, the Group recognizes the corresponding cash received, including accrued interest, as a loan to the Group, reflecting the economic substance of such transaction.

Conversely, the Group does not recognize securities purchased under agreements to resell at a specified future date ('reverse repos'). The Group is not permitted to sell or repledge the securities in the absence of default by the owner of the collateral. The Group recognizes the corresponding cash paid, including accrued interest, as a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest method.

2.11.3 Reclassification of Financial Instruments

Subsequent to initial recognition, the Group may reclassify its financial assets only when there is a change in the business models for managing these financial assets. Reclassification of financial liabilities is not allowed.

2.11.4 Derecognition of Financial Instruments

Financial Assets
The Group derecognizes a financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) when:

- the rights to receive cash flows from the asset have expired;

- 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 risk and rewards of the asset but has transferred control over 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 over the asset, the Group recognizes the asset only to the extent of its continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

Financial liabilities
The Group derecognizes a financial liability when the obligation under the liability is discharged or 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, the Group treats such an exchange or modification as a derecognition of the original liability and recognition of a new liability, and Group recognizes the difference in the respective carrying amounts in the statement of income.

2.11.5 Impairment of Financial Assets

ECL methodology
The Group's loss impairment method on financial instruments applies a forward-looking ECL approach, which covers all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. The ECL allowance is based on the credit losses expected to arise on a 12-month duration if there has been no significant increase in credit risk (SICR) of the financial instrument since origination (12-month ECL). Otherwise, if an SICR is observed, then the Group extends its ECL estimation until the end of the life of the financial instrument (Lifetime ECL). Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Staging assessment
The Group categorizes financial instruments subject to the ECL methodology into three stages:
- Stage 1 – comprised of all non-impaired financial instruments which have not experienced an SICR since initial recognition. The Group recognizes 12-month ECL for Stage 1 financial instruments.
- Stage 2 – comprised of all non-impaired financial instruments which have experienced an SICR since initial recognition. The Group recognizes Lifetime ECL for Stage 2 financial instruments.
- Stage 3 – comprised of financial instruments which have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on their estimated future cash flows. The Group recognizes Lifetime ECL for Stage 3 (credit-impaired) financial instruments.

Definition of "default" and "cure"
The Group considers default to have occurred when:
- the obligor is past due for more than 90 days on any material credit obligation to the Group; or
- the obligor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing collateral, as applicable.

The Group no longer considers an instrument to be in default when it no longer meets any of the default criteria and has exhibited satisfactory and acceptable track record for six consecutive payment periods, subject to applicable rules and regulations of the BSP.

Determining SICR
At each reporting date, the Group assesses whether the credit risk on a loan or credit exposure has increased significantly since initial recognition. The Group's assessment of SICR involves looking at both the qualitative and quantitative elements, as well as if the loan or credit exposure is unpaid for at least 30 days ("backstop").

The Group assesses SICR on loans or credit exposures having potential credit weaknesses based on current and/or forward-looking information that warrant management's close attention. Such weaknesses, if left uncorrected, may affect the repayment of these exposures. The loan or credit exposure also exhibits SICR if there are adverse or foreseen adverse economic or market conditions that may affect the counterparty's ability to meet the scheduled repayments in the future.

The Group looks at the quantitative element through statistical models or credit ratings process or scoring process that captures certain information, which the Group considers as relevant in assessing changes in credit risk. The Group also looks at the number of notches downgrade of credit risk rating (CRR) or certain thresholds for the probabilities of default being generated from statistical models to determine whether SICR has occurred subsequent to initial recognition date.

Transfer between stages
The Group transfers credit exposures from Stage 1 to Stage 2 if there is an SICR from initial recognition date. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer an SICR since initial recognition, then the Group reverts them to Stage 1.

The Group transfers credit exposures from Stage 3 (non-performing) to Stage 1 (performing) when there is sufficient evidence to support their full collection. Such exposures should exhibit both of the following indicators:
- quantitative – characterized by payments made within an observation period; and
- qualitative – pertain to the results of assessment of the borrower's financial capacity.

Generally, the Group considers that full collection is probable when payments of interest and/or principal are received for at least six months.

Modified or restructured loans and other credit exposures
In certain circumstances, the Group modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule, which may be provided depending on the borrower's current or expected financial difficulties. Modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date and schedule of periodic payments.

If modifications are considered by the Group as substantial based on qualitative factors, the loan is derecognized as discussed under *2.11.4 Derecognition of Financial Instruments*.

If a loan or credit exposure has been renegotiated or modified without resulting in derecognition, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded, based on the change in cash flows discounted at the loan's original effective interest rate (EIR). The Group also assesses whether there has been a SICR by comparing the risk of default at reporting date based on modified terms, and the risk of default at initial recognition date based on original terms. Derecognition decisions and classification between Stages 2 and 3 are determined on a case-by-case basis.

Purchased or originated credit-impaired loans
The Group considers a loan as credit-impaired on purchase or origination if there is evidence of impairment at the time of initial recognition (i.e., acquired/purchased at a deep discounted price). The Group recognizes the cumulative changes in Lifetime ECL since initial recognition as a loss allowance for purchased or originated credit-impaired loan.

Measurement of ECL
ECLs are generally measured based on the risk of default over one of two different time horizons, depending on whether there has been SICR since initial recognition. ECL calculations are based on the following components:

- Probability of default (PD) – an estimate of the likelihood that a borrower will default on its obligations over the next 12 months for Stage 1 or over the remaining life of the credit exposure for Stages 2 and 3.
- Loss-given-default (LGD) – an estimate of the loss arising in case where default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from any collateral.
- Exposure-at-default (EAD) – an estimate of the exposure at a future/default date taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, expected drawdown on committed facilities and accrued interest from missed payments.
- Discount rate – represents the rate to be used to discount an expected loss to present value at the reporting date using the original EIR determined at initial recognition.

In measuring ECL, the Group considers forward-looking information depending on the credit exposure. The Group applies experienced credit judgment, which is essential in assessing the soundness of forward-looking information and in ensuring that these are adequately supported. Forward-looking macroeconomic information and scenarios consider:

- factors that may affect the general economic or market conditions in which the Group operates, such as gross domestic product growth rates, foreign exchange rates, inflation rate, among others;
- changes in government policies, rules and regulations, such as adjustments to policy rates;
- other factors pertinent to the Group, including the proper identification and mitigation of risks such as incidences of loan defaults or losses.

The Group also measures ECL by evaluating a range of possible outcomes and using reasonable and supportable pieces of information that are available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2.11.6 Financial Guarantees and Undrawn Loan Commitments

The Group gives loan commitments and financial guarantees consisting of letters of credit, letters of guarantees, and acceptances.

Financial guarantees are contracts that require the Group as issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. The Group initially recognizes financial guarantees on trade receivables at fair value under 'Bills and acceptances payable' or 'Other liabilities' in the statement of financial position. Subsequent to initial recognition, the Group measures these financial guarantees at the higher of:

- the initial fair value less any cumulative amount of income or amortization recognized in the statement of income; and
- the ECL determined under PFRS 9.

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer.

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

The Group estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and loan commitments without outstanding drawn amounts is recognized in 'Allowance for credit losses' under 'Loans and receivables'.

2.12 Investments in Subsidiaries, Associates and Joint Ventures

The Group's subsidiaries pertain to investees where the Group demonstrates control. The Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., those existing rights that give the Group 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.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, such as contractual arrangements with other voting shareholders of the investee, rights arising from other contractual arrangements, or any potential voting rights of the Group.

The Group's associate pertains to the investee over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's joint venture pertains to joint arrangements whereby the Group and other parties have joint control of the arrangement and have rights to the net assets of the arrangement.

The Group accounts for its investments in subsidiaries, associates and joint venture under the equity method of accounting. Under this method, the Group carries the investment in the statement of financial position at cost plus post-acquisition changes in the share in the net assets of the investee less accumulated impairment losses, if any (see related accounting policy under *2.13.5 Impairment of Nonfinancial Assets*). The Group reflects its share in the results of operations of the investee and any impairment losses in the statement of income. When there has been a change recognized in the investee's OCI, the Group recognizes its share in any changes and discloses this in the statement of comprehensive income. The Group eliminates any profits or losses arising from transactions between the Group and the investee to the extent of the interest of the Group in the investee. Once the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee.

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

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

Upon loss of control over a subsidiary or significant influence over an associate, the Group measures and recognizes any retained investment at its fair value. Any resulting difference between the aggregate of the investee's carrying amount upon disposal and the fair value of the retained investment, and proceeds from disposal is recognized in the statement of income.

For transactions where ownership interest in a subsidiary, associate or joint venture that did not result in a loss of control or significant influence, as applicable, the Parent Company recognizes the gain or loss in the profit and loss representing the difference between the proceeds from sale and the carrying value of the investment.

2.13 Other Nonfinancial Assets

2.13.1 Property and Equipment

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use (see related accounting policy under *2.16.5 Expenditures on Nonfinancial Assets*).

The Group carries its land at cost less any impairment in value, and its depreciable properties such as buildings, right-of-use assets, furniture, fixtures and equipment, long-term leasehold land, and leasehold improvements at cost less accumulated depreciation and amortization and any impairment in value (see related accounting policy under *2.13.5 Impairment of Nonfinancial Assets*).

For right-of-use assets included under 'Property and equipment', see related accounting policy under *2.18.1 Group as a Lessee Under Lease Contracts*.

2.13.2 Investment Properties and Chattel Mortgage Properties

The Group initially measures investment properties and chattel mortgage properties initially at cost, including transaction costs (see related accounting policy under *2.16.5 Expenditures on Nonfinancial Assets*). When the investment property or chattel mortgage property is acquired through an exchange transaction, the Group measures the asset at its fair value, unless the fair value of such an asset cannot be reliably measured in which case the asset acquired is measured at the carrying amount of asset given up. The Group recognizes any gain or loss on exchange in the statement of income under 'Net gains (losses) on sale or exchange of assets'.

Foreclosed properties are classified under 'Investment properties' upon:
- entry of judgment in case of judicial foreclosure;
- execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
- notarization of the Deed of Dacion in case of payment in kind (dacion en pago).

Subsequent to initial recognition, the Group carries the investment properties and chattel mortgage properties at cost less accumulated depreciation (for depreciable properties) and any impairment in value (see related accounting policy under *2.13.5 Impairment of Nonfinancial Assets*).

The Group transfers assets 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. Conversely, the Group transfers out of 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.

2.13.3 Intangible Assets

The Group initially measures separately acquired intangible assets at cost, and the intangible assets acquired in a business combination at their fair values at the date of acquisition. The Group does not capitalize internally generated intangibles, excluding capitalized development costs, and reflects in profit or loss the related expenditures in the period in which the expenditure is incurred.

Intangibles with finite lives
The Group capitalizes software costs, included in 'Intangible assets', on the basis of the cost incurred to acquire and bring to use the specific software (see related accounting policy under *2.16.5 Expenditures on Nonfinancial Assets*).

Customer relationship intangibles (CRI) and core deposits intangibles (CDI) are the intangible assets acquired by the Group through business combination. The Group initially measures these intangible assets at their fair values at the date of acquisition. The fair value of these intangible assets reflects expectations about the probability that the expected future economic benefits embodied in the asset will flow to the Group.

Following initial recognition, intangibles with finite lives are measured at cost less accumulated amortization and any accumulated impairment losses (see related accounting policy under *2.13.5 Impairment of Nonfinancial Assets*).

Goodwill
The Group initially measures goodwill acquired in a business combination at cost. With respect to investments in an associate, the Group includes goodwill in the carrying amount of the investments. Goodwill is not amortized, but is tested for impairment annually or more frequently if events or changes in circumstances that the carrying value may be impaired (see related accounting policy under *2.13.5 Impairment of Nonfinancial Assets*).

2.13.4 Derecognition of Nonfinancial Assets

The Group derecognizes a nonfinancial asset when it has either been disposed of or when the asset is permanently withdrawn from use and no future benefit is expected from its disposal. The Group recognizes any gains or losses on the disposal of a nonfinancial asset in the statement of income under 'Net gains (losses) on sale or exchange of assets' in the period the asset is derecognized.

2.13.5 Impairment of Nonfinancial Assets

Property and equipment, investment properties, intangible assets with finite lives, chattel mortgage properties, and investments in subsidiaries and an associate
At each reporting date, the Group assesses whether there is any indication that its property and equipment, investment properties, intangible assets with finite lives, chattel mortgage properties, and investments in subsidiaries and an associate may be impaired. When an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use (VIU) and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit (CGU) to which it belongs.

When the carrying amount of an asset exceeds its recoverable amount, the Group considers the asset as impaired and writes the asset down to its recoverable amount. In assessing VIU, the Group discounts the estimated future cash flows 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.

The Group charges the impairment loss against current operations. At each reporting date, the Group assesses whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the recoverable amount and reverses a previously recognized impairment loss 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. The reversal recognized in the statement of income cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. After such reversal, the Group adjusts the depreciation and amortization in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill
The Group performs its annual impairment test of goodwill every fourth quarter, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

The Group determines impairment for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated (or to the aggregate carrying amount of a group of CGUs to which the goodwill relates but cannot be allocated), the Group recognizes an impairment loss immediately in the statement of income under 'Impairment in value of goodwill'. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

2.14 Equity

2.14.1 Capital Stock

The Group measures capital stock at par value for all shares issued and outstanding. When the shares are sold at a premium, the Group credits the difference between the proceeds and the par value to 'Capital paid in excess of par value'. 'Surplus' represents accumulated earnings (losses) of the Group less dividends declared.

2.14.2 Reserves Recorded in Equity

The reserves recorded in equity in the statement of financial position include:

- Remeasurement losses on retirement plan – pertains to the remeasurement comprising actuarial gains or losses on the present value of the defined benefit obligation, net of return on plan assets (see related accounting policy under *2.17.1 Retirement Under Defined Benefit Plan*).
- Accumulated translation adjustment – used to record exchange differences arising from the translation of the FCDU accounts and foreign operations (i.e., overseas branches and subsidiaries) to Philippine peso (see related accounting policy under *2.5.2 FCDU and Overseas Branches and Subsidiaries*).
- Net unrealized gains (losses) on financial assets at FVOCI – comprises changes in fair value of financial assets at FVOCI (see related accounting policy under *2.11.2 Classification and Subsequent Measurement of Financial Instruments*).

2.14.3 Dividends

The Group recognizes dividends on common shares as a liability and deduction against 'Surplus' when approved by the Board of Directors (BOD) of the Parent Company. The Group measures the liability to distribute dividends at the carrying amount of the dividends, except for distributions of non-cash assets where the Group measures the liability at the fair value of the assets to be distributed. At the end of each reporting period and at the date of settlement, the Group reviews and adjusts the carrying amount of the non-cash assets declared as dividends, with any changes in the carrying amount of the non-cash dividends recognized in equity as adjustments to the amount of distribution.

For dividends that are approved after the reporting date, the Group discloses them in the financial statements as an event after the reporting date.

2.14.4 Share Issuance Costs

For underwriting, share registration, and other share issuance costs and taxes incurred in connection with the issuance of equity securities, the Group accounts for these costs as reduction of equity against 'Capital paid in excess of par value'. If the 'Capital paid in excess of par value' is not sufficient, the share issuance costs are charged against the 'Surplus'. For transaction costs that relate jointly to the offering and listing of the shares, the Group allocates the costs to those transactions (i.e., reduction against equity for those allocated to offering of shares, and expensed for those allocated to listing of shares) using a basis of allocation that is rational and consistent with similar transactions.

2.15 Revenue Recognition

Revenue is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements except for brokerage transactions.

2.15.1 Interest Income

Interest on interest-bearing financial assets at FVTPL and held-for-trading investments is recognized based on contractual rate. Interest on financial instruments measured at amortized cost and FVOCI are recognized based on effective interest method of accounting to calculates the amortized cost of a financial asset or a financial liability and allocate the interest income or interest expense.

The Group records interest income using the 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. In calculating EIR, the Group considers all contractual terms of the financial instrument (for example, prepayment options), and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The Group adjusts the carrying amount of the financial instrument through 'Interest income' in the statement of income based on the original EIR.

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

The Group defers the commitment fees for loans that are likely to be drawn down (together with any incremental costs) and includes them as part of the EIR of the loan. These are amortized using EIR and recognized as 'Interest income' over the expected life of the loan.

The Group recognizes income on direct financing leases and receivables financed using the effective interest method and any unearned discounts are shown as deduction against 'Loans and receivables'. Unearned discounts are amortized over the term of the note or lease using the effective interest method and consist of:

- transaction and finance fees on finance leases and loans and receivables financed with long-term maturities; and
- excess of the aggregate lease rentals plus the estimated residual value of the leased equipment over its cost.

2.15.2 Service Fees and Commission Income

The Group earns fee and commission income from diverse range of services it provides to its customers:

Fees from services that are provided over a certain period of time
The Group accrues fees earned for the provision of services over a period of time. These fees include investment fund fees, custodian fees, fiduciary fees, credit-related fees, trust fees, portfolio and other management fees, and advisory fees.

Bancassurance fees
The Group recognizes non-refundable access fees on a straight-line basis over the term of the period of the provision of the access. Milestone fees or variable and fixed earn-out fees are recognized in reference to the stage of achievement of the milestones.

Fee income from providing transaction services
The Group recognizes the fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, only upon completion of the underlying transaction. For fees or components of fees that are linked to a certain performance, the Group recognizes revenue after fulfilling the corresponding criteria. These fees include underwriting fees, corporate finance fees, remittance fees, brokerage fees, commissions, deposit-related and other credit-related fees.

The Group recognizes loan syndication fees as revenue 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 the other participants.

2.15.3 Credit Card Fees

Interchange fees and revenue from rewards redeemed
The Group takes up as income the interchange fees under 'Service fees and commission income' upon receipt from member establishments of charges arising from credit availments by the Group's cardholders. These discounts are computed based on certain agreed rates and are deducted from amounts remitted to the member establishments.

The Group operates a loyalty points program which allows customers to accumulate points when they purchase from member establishments using the issued card of the Group. The points can then be redeemed for free products subject to a minimum number of points being redeemed.

The Group allocates a portion of the consideration received from discounts earned and interchange fees from credit cards to the reward points based on the estimated stand-alone selling prices. The Group defers the amount allocated to the loyalty program and recognizes revenue only when the loyalty points are redeemed or the likelihood of the credit cardholder redeeming the loyalty points becomes remote. The Group includes the deferred balance under 'Other liabilities' in the statement of financial position.

Commissions on credit cards
The Group recognizes commissions earned as revenue upon receipt from member establishments of charges arising from credit availments by credit cardholders. These commissions are computed based on certain agreed rates and are deducted from amounts remittable to member establishments.

Commissions on installment credit sales
The Group records the purchases by the credit cardholders, collectible on installment basis, at the cost of the items purchased plus certain percentage of cost. The Group recognizes the excess over cost as 'Unearned and other deferred income', which is shown as a deduction from 'Loans and receivables' in the statement of financial position. The Group amortizes and recognizes as 'Interest income' the unearned and other deferred income over the installment terms using the effective interest method.

2.15.4 Trading and Investment Securities Gains - Net

The Group recognizes in 'Trading and investment securities gains - net' the results arising from trading activities, all gains and losses from changes in fair value of financial assets and financial liabilities at FVTPL, and gains and losses from disposal of debt securities at FVOCI.

2.15.5 Gain on Sale or Exchange of Assets

The Group recognizes gain on sale or exchange of assets upon completion of the earning process upon transfer of control and when the collectability of the sales price is reasonably assured.

2.15.6 Other Income

Rental income
The Group accounts for rental income arising on leased properties on a straight-line basis over the lease terms, which is recorded in the statement of income under 'Miscellaneous income' (see related accounting policy under *2.18.2 Group as a Lessor Under Lease Contracts*).

Dividend income
The Group recognizes dividend income when the Group's right to receive payment is established.

Insurance premiums and commissions on reinsurance
Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods. The Group recognizes premiums from short-duration insurance contracts and reinsurance commissions as revenue over the period of the contracts using the 24th method, except for marine cargo where the provision for unearned premiums pertain to the premiums for the last two months of the year. The Group recognizes in the statement of income for the period the net changes in provisions for unearned premiums and deferred reinsurance premiums.

2.16 Expenditures

2.16.1 Borrowing Costs

The Group recognizes borrowing costs as 'Interest expense' in the year in which these costs are incurred. Borrowing costs consist of interest expense calculated using the effective interest method that the Group incurs in connection with deposit-taking activities and borrowing of funds.

2.16.2 Operating Expenses

This encompasses those expenses that arise in the course of the ordinary activities of the Group, as well as any losses incurred. These are recognized in the statement of income as they are incurred.

2.16.3 Taxes and Licenses

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

2.16.4 Depreciation and Amortization

The Group computes for depreciation and amortization of depreciable assets using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives of the depreciable assets follow:

	Years
Property and equipment:	
Buildings	25 - 50
Right-of-use assets	1 - 25 or the lease term, whichever is shorter (provided that lease term is more than one year)
Furniture, fixtures and equipment	5
Long-term leasehold land	46 - 50
Leasehold improvements	10 or the lease term, whichever is shorter
Investment properties	10 - 25
Chattel mortgage properties	5
Intangible assets with finite lives:	
Software costs	5
CDI	10
CRI	3

The Group reviews periodically the useful life and the depreciation and amortization method to ensure that these are consistent with the expected pattern of economic benefits from the depreciable assets. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the depreciation and amortization period or method, as appropriate, and are treated as changes in accounting estimates.

2.16.5 Expenditures on Nonfinancial Assets

The Group charges against current operations the expenditures incurred after the nonfinancial assets (i.e., property and equipment, investment properties, software costs, and chattel mortgage properties) have been put into operation, such as repairs and maintenance. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of these nonfinancial assets beyond their originally assessed standard of performance, the Group capitalizes such expenditures as additional cost.

2.17 Employee Benefits

2.17.1 Retirement Under Defined Benefit Plan

At the end of the reporting period, the Group determines its net defined benefit liability (or asset) as the difference between the present value of the defined benefit obligation and the fair value of plan assets, adjusted for any effect of asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.

Defined benefit costs recognized in the statement of income consist of the following:

- service costs – include current service costs, past service costs (recognized when plan amendment or curtailment occurs) and gains or losses on non-routine settlements; and
- net interest on the net defined benefit liability or asset – pertains to 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 government bonds to the net defined benefit liability or asset.

Changes in the net defined benefit liability (or asset) also include 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 (or asset). The Group recognizes these remeasurements immediately in OCI in the period in which they arise. The Group does not reclassify these remeasurements to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies, and are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the Group estimates the fair value of plan assets 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 recognizes its right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation as a separate asset at fair value when and only when reimbursement is virtually certain.

2.17.2 Employee Leave Entitlement

The Group recognizes entitlements of employees to annual leave as a liability when they are accrued to the employees. The Group recognizes the undiscounted liability for leave expected to be settled wholly before 12 months after the end of the reporting period for services rendered by employees up to the end of the reporting period. For leave entitlements expected to be settled for more than 12 months after the reporting date, the Group engages an actuary to estimate the long-term liability, which is reported in ‘Accrued taxes, interest and other expenses’ in the statement of financial position.

2.18 Leases

The Group determines at contract inception whether a contract is, or contains, a lease by assessing whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2.18.1 Group as a Lessee Under Lease Contracts

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 right-of-use assets representing the right to use the underlying assets and lease liabilities to make lease payments.

- Right-of-use assets
  At the commencement date of the lease (i.e, the date the underlying asset is available for use), the Group recognizes right-of-use assets measured at cost. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made

at or before the commencement date less any lease incentives received. Subsequent to initial recognition, the Group measures the right-of-use assets at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The Group presents the right-of-use assets in 'Property and equipment' and subjects it to impairment in line with the Group's policy on impairment of nonfinancial assets (see related accounting policy under *2.13.5 Impairment of Nonfinancial Assets*).

- 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 discounted using the Group's incremental borrowing rate, which is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The lease payments include fixed payments, any variable lease payments that depend on an index or a rate, and any 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 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.

  After the commencement date of the lease, the Group measures the lease liabilities by increasing the carrying amount to reflect interest on the lease liabilities (recorded in 'Interest expense on bills payable and other borrowings'), reducing the carrying amount to reflect the lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

- Short-term leases and leases of low-value assets
  The Group applies the short-term lease recognition exemption to its leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option, and the leases of low-value assets recognition exemption to its leases of ATM offsite locations and other equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense under 'Occupancy and equipment-related costs' on a straight-line basis over the lease term.

2.18.2 Group as a Lessor Under Lease Contracts

For finance leases where the Group transfers substantially all the risks and rewards incidental to ownership of the leased item, the Group recognizes a lease receivable in the statement of financial position at an amount equivalent to the net investment (asset cost) in the lease. The Group includes all income resulting from the receivable in 'Interest income on loans and receivables' in the statement of income.

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

In operating leases where the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset, the Group recognizes rental income on a straight-line basis over the lease terms. The Group adds back the initial direct costs incurred in negotiating and arranging an operating lease to the carrying amount of the leased asset and recognizes them as rental income over the lease term on the same basis. The Group recognizes contingent rents as revenue in the period in which they are earned.

2.19 Provisions

The Group recognizes provisions when:

- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

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

If the effect of the time value of money is material, the Group determines provisions by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the Group recognizes the increase in the provision due to the passage as 'Interest expense on bills payable and other borrowings'.

2.20 Contingencies

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of assets 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.

2.21 Income Taxes

Income tax on profit and loss for the year comprises current and deferred tax. Income tax is determined in accordance with tax laws and is recognized in the statement of income, except to the extent that it relates to items directly recognized in OCI.

2.21.1 Current Tax

The Group measures current tax assets and liabilities for the current periods at the amount expected to be recovered from or paid to the taxation authorities using the tax rates and tax laws that are enacted or substantively enacted at the reporting date.

2.21.2 Deferred Tax

The Group provides for deferred tax 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.

The Group recognizes deferred tax liabilities for all taxable temporary differences, including asset revaluations. The Group recognizes deferred tax assets for all deductible temporary differences, carryforward 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 income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized.

The Group, however, does not recognize deferred tax 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. The Group does not also provide deferred tax liabilities on non-taxable temporary differences associated with investments in domestic subsidiaries and an associate. With respect to investments in foreign subsidiaries, the Group does not recognize deferred tax liabilities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces the recognized amount to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax asset to be utilized. The Group reassesses unrecognized deferred tax assets at each reporting date and recognizes amounts to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

The Group measures deferred tax assets and liabilities 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.

For current and deferred tax relating to items recognized directly in OCI, the Group recognizes them also in OCI and not in the statement of income.

In the consolidated financial statements, the Group offsets deferred tax assets and liabilities if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes related to the same taxable entity and the same taxation authority.

When tax treatments involve uncertainty, the Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. If the Group concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, the Group reflects the effect of the uncertainty for each uncertain tax treatment using the method the Group expects to better predict the resolution of the uncertainty.

2.22 Earnings Per Share

The Group computes for the basic earnings per share (EPS) by dividing net income for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period, after giving retroactive effect to any bonus issue, share split or reverse share split during the period.

The Group computes for the diluted EPS by dividing the aggregate of net income for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period, adjusted for the effects of any dilutive shares.

2.23 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 and their subsidiaries and associates called affiliates;
- subsidiaries, joint ventures and associates and their respective subsidiaries; and
- post-employment benefit plans for the benefit of the Group's employees.

2.24 Events After the Reporting Date

The Group reflects in the financial statements any post-year-end event that provides additional information about the Group's position at the reporting date (adjusting event). The Group discloses post-year-end events that are not adjusting events, if any, when material to the financial statements.

2.25 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. Refer to Note 6 for the detailed disclosure on segment information.

2.26 Fiduciary Activities

The Group excludes from these financial statements the assets and income arising from fiduciary activities, together with related undertakings to return such assets to customers, where the Group acts in a fiduciary capacity such as nominee, trustee or agent.

2.27 Changes in Accounting Standards

Listed below are accounting standards and interpretations issued but not yet effective up to the date of issuance of the Group's financial statements. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have significant impact on the 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 the 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; and
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on its current practice and whether existing loan agreements may require renegotiation.

- Amendments to PAS 7, *Statement of Cash Flows*, and PFRS 7, *Financial Instruments: Disclosures – Supplier Finance Arrangements*
  The amendments clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments 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. Early adoption is permitted, but will need to be disclosed.

  - 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 adoption of the amendments is permitted as long as this fact is disclosed.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right-of-use retained. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

- PFRS 17*, Insurance Contracts*
  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (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.

  On December 15, 2021, the Philippine Financial and Sustainability Reporting Standards Council (FSRSC) 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 years after its effective date as decided by the International Accounting Standards Board (IASB).

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

Deferred effectivity

- PFRS 10, *Consolidated Financial Statements*, and PAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments)
  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 FSRSC postponed the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires the Group to make judgments and estimates that affect the reported amounts and disclosures. The Group continually evaluates judgments and estimates and uses as basis its historical experience and other factors, including expectations of future events. The Group reflects the effects of any changes in estimates in the financial statements as they become reasonably determinable.

3.1 Judgments

3.1.1 Assessment of Control Over a Subsidiary

The Group demonstrates control over an investee when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, the following elements must all be present to exercise control over an investee:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect the amount of the investor's returns

The Group considers all facts and circumstances when assessing whether it controls an investee.

In making this assessment, the Group considers the following factors:

- The purpose and design of the investee
- What the relevant activities are and how decisions about those activities are made
- Whether the rights of the Group give it the current ability to direct the relevant activities
- Whether the Group is exposed, or has rights, to variable returns from its involvement with the investee
- Whether the Group has the ability to use its power over the investee to affect the amount of the investor's returns

The assessment of the Group on its control over a subsidiary is further discussed in Note 12.

3.1.2 Assessment of Significant Influence Over an Associate

The Group generally accounts for an investment as an associate when the Group holds 20% or more of the voting power of the investee company held directly or indirectly through subsidiaries, unless it can be clearly demonstrated that this is not the case.

In assessing whether the Group exercises significant influence over an investee company, the Group considers the following factors:

- Representation in the BOD or equivalent governing body of the investee company
- Participation in policy-making processes, including participation in decisions about dividends and other distributions
- Material transactions between the Group and the investee company
- Interchange of management personnel
- Provision of essential technical performance

The assessment of the Group on its significant influence over an investee company is further discussed in Note 12.

3.1.3 Classification of Financial Assets

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

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

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

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

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

3.1.4 Fair Valuation of Financial Instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, the Group uses valuation techniques and mathematical models. The Group derives the inputs to these models from observable markets where possible, otherwise, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer-dated derivatives. For the valuation of nonmarketable unquoted equity securities, the Group considers a discount for lack of marketability, which is applied to the values determined by an independent valuation company (refer to Note 5 for the fair values of financial instruments).

3.1.5 Contingencies

The Group is currently involved in legal proceedings. The estimate of the probable cost for the resolution of claims has been developed in consultation with the aid of the outside legal counsels handling the Group's defense in these matters and is based upon an analysis of potential results. Management does not believe that the outcome of these matters will affect the results of operations. It is probable, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to the proceedings (refer to Note 34).

3.2 Accounting Estimates

3.2.1 Credit Losses on Financial Assets

The Group's ECL calculations are mainly derived from outputs of complex statistical models and expert judgment, with a number of underlying assumptions regarding the choice of variable inputs as well as their independencies. The Group considers the following elements of the ECL models, among others, as significant accounting judgments and estimates:

- segmentation of the portfolio, where the appropriate ECL approach and/or model is used, including whether assessments should be done individually or collectively;
- quantitative and qualitative criteria for determining whether there has been SICR as at a given reporting date and the corresponding transfers between stages;
- determination of expected life of the financial asset and expected recoveries from defaulted accounts;
- development of ECL models, including the various formulas and the choice of inputs;
- determination of correlations and interdependencies between risk factors, macroeconomic scenarios and economic inputs, such as inflation, policy rates and collateral values, and the resulting impact to PDs, LGDs and EADs; and
- selection of forward-looking information and determination of probability-weightings to derive the ECL.

In response to the changing credit environment due to the rising interest rates, inflation, and other 'black swan' events (such as geopolitical tensions and extreme El Niño phenomenon and other climate conditions) which may potentially occur, the Group reviews on a monthly basis its loan portfolio, particularly for accounts that have shown or are beginning to show increases in credit risk. The Group performs comprehensive review of the default profile of its accounts to determine if there are factors or indicators not captured in the risk rating model. If there are noted weaknesses in the model, where possible, the Group recalibrates the parameter estimates to the ECL models to incorporate internal default experience, as well as most recent available external data affecting each segment of the Group's loan portfolio.

The Group revisits the segmentation of its portfolio based on industry vulnerability and resiliency assessment. The Group also reassesses the framework for macroeconomic overlay, incorporating stress scenarios to ensure that changes in economic conditions are captured in the ECL calculations.

Refer to Note 16 for the details of the carrying values of financial assets subject to ECL and for the details of the ECL.

3.2.2 Recognition of Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the availability of future taxable income in reference to financial forecast and tax strategies. The Group takes into consideration the loan portfolio and deposit growth rates in assessing its taxable income forecast.

The Group reassesses its business plan, as well as tax strategies, in the next three to five years, considering various economic scenarios including recovery outlook and effects on specific industries of the rising interest rates, inflation, and other 'black swan' events (see further discussion of these events under *3.2.1 Credit Losses on Financial Assets*).

Refer to Note 30.3 for the carrying amount of recognized and unrecognized deferred tax assets.

3.2.3 Impairment of Goodwill

The Group conducts an annual review for any impairment in the value of goodwill. Goodwill is written down for impairment where the recoverable amount is insufficient to support its carrying value. The recoverable amount of the CGU is determined based on a VIU calculation, which considers the present value of cash flow projections from financial budgets approved by senior management and BOD of the Parent Company covering a three-year period. The assumptions used in the calculation of VIU are sensitive to estimates of future cash flows from business, interest margins, discount rates, projected long-term growth rates (derived based on the forecast local gross domestic product) used to extrapolate cash flows beyond the budget period.

Estimating future earnings involves judgment which takes into account past and actual performance and expected developments in the respective markets and in the overall macro-economic environment. Similar with its considerations discussed under *3.2.2 Recognition of Deferred Tax Assets*, the Group revisits its business plan and applies judgment to reassess the projections of future cash flows as of December 31, 2023, considering various economic scenarios and recovery outlook.

The carrying values of the Group's goodwill, accumulated impairment losses, and key assumptions used in determining VIU are disclosed in Note 14.3.

4. Financial Risk Management Objectives and Policies

The Parent Company's BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. As delegated by the BOD, the Risk Oversight Committee (ROC) is mandated to set risk appetite, approve frameworks, policies and processes for managing risk, and accept risks beyond the approval discretion provided to management. The ROC advises on the overall current and future risk appetite and strategy and assists in overseeing the implementation of those strategies and business plans by senior management. Details of the Parent Company's risk framework are discussed under the Risk Management Disclosure Section of the Parent Company's annual report.

The Group's activities are principally related to the development, delivery, servicing and use of lending and financial instruments. Risk is inherent in these activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability.

The Group defines material risks (at group level) as those risks from any business activity to significantly threaten the Bank's capital position to drop below its desired level; resulting in either an increase in risk-weighted assets or a reduction in earnings and/or qualifying capital which translate into a reduction in CAR by 20 basis points (bps).

On the other hand, risks that will potentially have an impact to the CAR by less than 20 bps will also be considered "material" by the Group if these fall under the following:

- Pillar 1 risks, i.e., Credit, Market, and Operational Risks;
- Other risks under BSP Cir. No. 510, i.e., Interest Rate Risk in the Banking Book (IRRBB), Liquidity Risk, Reputational Risk and Strategic Business Risk;
- Information Technology Risk (BSP Cir. No. 808);
- Information Security / Cyber Security Risk (BSP Cir. No. 982) and
- Further risks identified as "material" by the Board and Management Committee such as Data Privacy Risk and Human Resource Risk.

Resulting from the assessments based on the premise identified above, the Bank agrees on and reviews on a regular basis the material risks that need focus using the three lines model. For the assessment period 2023-2025, these are based on the following eleven (11) material risks which are grouped under Pillar 1 and Pillar 2 risks covered in the Bank's Internal Capital Adequacy Assessment Process (ICAAP) Document submission to BSP, and required for monitoring.

Types and definition of each of these risks are discussed hereunder:

Pillar 1 Risks:
1. Credit Risk (includes Counterparty and Country Risks)
2. Market Risk
3. Operational Risk

Pillar 2 Risks:
4. Credit Concentration Risk
5. Interest Rate Risk in the Banking Book (IRRBB)
6. Liquidity Risk
7. Reputational Risk
8. Strategic Business Risk
9. Information Security / Cyber Security / Data Privacy Risk
10. Information Technology
11. Human Resource Risk

The Risk Management Group (RMG) provides support for the ROC in its role of formulating the risk management strategy, the development and maintenance of the internal risk management framework, and the definition of the governing risk management principles. The RMG provides assistance to the Asset/Liability Committee (ALCO) on capital management and the Board Strategy and Policy Committee on the management of regulatory capital.

The mandate of the RMG involves:
- Implementing the risk management framework of identifying, measuring, controlling and monitoring the various risk-taking activities of the Group, inherent in all financial institutions;
- Providing services to the risk-taking units and personnel in the implementation of risk mitigation strategies; and
- Establishing recommended limits based on the results of its analysis of exposures.

4.2 Credit Risk

Credit risk is the non-recovery of credit exposures (on-and-off balance sheet exposures). Managing credit risk also involves monitoring of migration risk, concentration risk, country risk and settlement risk. The Group manages its credit risk at various levels (i.e., strategic level, portfolio level down to individual transaction).

The credit risk management of the entire loan portfolio is under the direct oversight of the ROC and Executive Committee. Credit risk assessment of individual borrower is performed by the business sector, remedial management group and credit management group. Risk management is embedded in the entire credit process, i.e., from credit origination to remedial management, as applicable.

Among the tools used by the Group in identifying, assessing and managing credit risk include:
- Documented credit policies and procedures: sound credit granting process, risk asset acceptance criteria, target market and approving authorities;
- System for administration and monitoring of exposure;
- Post approval review of implemented loans;
- Work out system for managing problem credits;
- Regular review of the sufficiency of valuation reserves;
- Monitoring of adequacy of capital for credit risk via the Capital Adequacy Ratio (CAR) report;
- Monitoring of breaches in regulatory and internal limits;
- Credit risk management monitoring and reporting;
- Diversification;
- Internal risk rating system for corporate accounts;
- Credit scoring for retail accounts; and
- Active loan portfolio management undertaken to determine the quality of the loan portfolio and identify: portfolio growth, movement of loan portfolio, adequacy of loan loss reserves, trend of nonperforming loans (NPLs), and concentration risk (per classified account, per industry, clean exposure, large exposure, contingent exposure, currency, security, facility, demographic, etc.)

The Group follows the BOD-approved policy on the generic classification of loans based on the type of borrowers and the purpose of the loan. The loan portfolio is grouped based on the underlying risk characteristics that are expected to respond in a similar manner to macroeconomic factors and forward-looking conditions.

4.2.1 Credit-Related Commitments
The exposures represent guarantees, standby letters of credit (LCs) issued by the Parent Company and documentary/commercial LCs which are written undertakings by the Parent Company. To mitigate this risk, the Parent Company requires hard collaterals for standby LC lines while commercial LCs are collateralized by the underlying shipments of goods to which they relate.

4.2.2 Derivative Financial Instruments
Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

4.2.3 Collateral and Other Credit Enhancements
As a general rule, character is the single most important consideration in granting loans. However, collaterals are requested to mitigate risk. The loan value and type of collateral required depend on the assessment of the credit risk of the borrower or counterparty. The Group follows guidelines on the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For corporate accounts - deposit hold-outs, guarantees, securities, physical collaterals (e.g., real estate, chattels, inventory, etc.); generally, commercial, industrial and residential lots are preferred
- For retail lending - mortgages on residential properties and vehicles financed
- For securities lending and reverse repurchase transactions - cash or securities

The disposal of the foreclosed properties is handled by the Acquired Assets Management Group which adheres to the general policy of disposing assets at the highest possible market value.

Management regularly monitors the market value of the collateral and requests additional collateral in accordance with the underlying agreement. The existing market value of the collateral is considered during the review of the adequacy of the allowance for credit losses. Generally, collateral is not held over loans and advances to banks except for reverse repurchase agreements. The Group is not permitted to sell or repledge the collateral held over loans and advances to counterparty banks and BSP in the absence of default by the owner of the collateral.

4.2.4 Maximum Exposure to Credit Risk After Collateral Held or Other Credit Enhancements
An analysis of the maximum exposure to credit risk after taking into account any collateral held or other credit enhancements for the Group and the Parent Company is shown below:

	Consolidated			
	2023			
	Maximum Exposure	**Fair Value of Collateral**	**Net Exposure**	**Financial Effect of Collateral**
Securities held under agreements to resell	**₱69,694,538**	**₱57,785,321**	**₱11,909,217**	**₱57,785,321**
Loans and receivables:				
Receivables from customers*:				
Corporates	**543,916,216**	**273,902,143**	**449,262,028**	**94,654,188**
Local government units (LGU)	**2,196,034**	–	**2,196,034**	–
Credit Cards	**13,917,733**	–	**13,917,733**	–
Retail small and medium enterprises (SME)	**4,378,793**	**2,397,801**	**2,795,942**	**1,582,851**
Housing Loans	**23,772,977**	**22,519,180**	**12,306,138**	**11,466,839**
Auto Loans	**5,397,484**	**11,004,455**	**1,265,709**	**4,131,775**
Others	**10,660,220**	**5,751,145**	**6,683,514**	**3,976,706**
Other receivables	**12,465,631**	–	**12,465,631**	–
	₱686,399,626	**₱373,360,045**	**₱512,801,946**	**₱173,597,680**

**Receivables from customers exclude residual value of the leased asset (Note 10).*

	Consolidated			
	2022			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱64,523,863	₱64,334,349	₱189,514	₱64,334,349
Loans and receivables:				
Receivables from customers*:				
Corporates	516,315,998	289,977,781	425,412,218	90,903,780
Local government units (LGU)	2,770,555	–	2,770,555	–
Credit Cards	13,094,453	–	13,094,453	–
Retail small and medium enterprises (SME)	4,735,190	3,594,278	2,821,798	1,913,392
Housing Loans	24,241,178	37,042,606	7,118,628	17,122,550
Auto Loans	5,570,015	11,420,518	1,765,068	3,804,947
Others	11,392,943	4,991,456	8,436,551	2,956,392
Other receivables	14,979,583	–	14,979,583	–
	₱657,623,778	₱411,360,988	₱476,588,368	₱181,035,410

**Receivables from customers exclude residual value of the leased asset (Note 10).*

	Parent Company			
	2023			
	Maximum Exposure	**Fair Value of Collateral**	**Net Exposure**	**Financial Effect of Collateral**
Securities held under agreements to resell	**₱69,694,538**	**₱57,785,321**	**₱11,909,217**	**₱57,785,321**
Loans and receivables:				
Receivables from customers:				
Corporates	**530,880,927**	**253,218,981**	**448,830,738**	**82,050,189**
LGU	**2,196,034**	**–**	**2,196,034**	**–**
Credit Cards	**13,917,733**	**–**	**13,917,733**	**–**
Retail SME	**4,379,081**	**2,395,958**	**2,795,941**	**1,583,140**
Housing Loans	**23,013,792**	**21,089,659**	**12,306,138**	**10,707,654**
Auto Loans	**5,397,484**	**11,004,455**	**1,265,709**	**4,131,775**
Others	**10,572,322**	**5,535,712**	**6,683,515**	**3,888,807**
Other receivables	**11,801,390**	**–**	**11,801,390**	**–**
	₱671,853,301	**₱351,030,086**	**₱511,706,415**	**₱160,146,886**

	Parent Company			
	2022			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱64,523,863	₱64,334,349	₱189,514	₱64,334,349
Loans and receivables:				
Receivables from customers:				
Corporates	504,070,752	268,623,811	424,982,412	79,088,340
LGU	2,770,555	–	2,770,555	–
Credit Cards	13,094,453	–	13,094,453	–
Retail SME	3,936,250	2,483,707	2,672,892	1,263,358
Housing Loans	23,326,606	35,629,579	7,118,628	16,207,978
Auto Loans	5,570,015	11,420,518	1,765,068	3,804,947
Others	11,300,587	4,802,742	8,436,552	2,864,035
Other receivables	13,925,800	–	13,925,800	–
	₱642,518,881	₱387,294,706	₱474,955,874	₱167,563,007

The maximum credit risk, without taking into account the fair value of any collateral and netting agreements, is limited to the amounts on the statement of financial position plus commitments to customers such as unused commercial letters of credit, outstanding guarantees and others.

4.2.5 Credit Risk Concentrations

Credit risk concentrations can arise whenever a significant number of borrowers have similar characteristics. The Group analyzes the credit risk concentration to an individual borrower, related group of accounts, industry, geographic, internal rating buckets, currency, term and security. For risk concentration monitoring purposes, the financial assets are broadly categorized into (1) loans and receivables and (2) trading and investment securities. To mitigate risk concentration, the Group constantly checks for breaches in regulatory and internal limits. Clear escalation process and override procedures are in place, whereby any excess in limits are covered by appropriate approving authority to regularize and monitor breaches in limits.

Limit per client or counterparty
For each CRR, the Parent Company sets limits per client or counterparty based on the regulatory Single Borrowers Limit. For trading and investment securities, the Group limits investments to government issues and securities issued by entities with high-quality investment ratings.

Geographic concentration

The table below shows the credit risk exposures, before taking into account any collateral held or other credit enhancements, categorized by geographic location:

	Consolidated				
	2023				
	Loans and receivables*		**Trading and investment securities**	**Other financial assets****	**Total**
	Amount	**%**			
Philippines	**₱591,914,148**	**95.98**	**₱265,175,918**	**₱126,073,582**	**₱983,163,648**
Asia (excluding the Philippines)	**15,018,425**	**2.44**	**17,836,070**	**88,779,062**	**121,633,557**
USA and Canada	**6,846,096**	**1.11**	**2,869,744**	**6,479,262**	**16,195,102**
Other European Union Countries	**1,937,498**	**0.31**	**7,155,246**	**11,070**	**9,103,814**
Middle East	**58,267**	**0.01**	**3,877,003**	**3,132**	**3,938,402**
United Kingdom	**447,750**	**0.07**	**1,334,802**	**1,036,563**	**2,819,115**
Oceania	**482,904**	**0.08**	**–**	**2,770**	**485,674**
	₱616,705,088	**100.00**	**₱298,248,783**	**₱222,385,441**	**₱1,137,339,312**

**Loans and receivables exclude residual value of the leased asset (Note 10)*
*** Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

	Consolidated				
	2022				
	Loans and receivables*		Trading and investment securities	Other financial assets**	Total
	Amount	%			
Philippines	₱552,755,901	93.23	₱237,143,001	₱120,952,612	₱910,851,514
Asia (excluding the Philippines)	26,641,314	4.49	21,914,099	36,745,688	85,301,101
United Kingdom	2,096,234	0.35	6,708,736	22,039,442	30,844,412
USA and Canada	8,707,036	1.47	8,378,067	13,190,193	30,275,296
Other European Union Countries	2,079,196	0.35	–	8,654,970	10,734,166
Middle East	66,026	0.01	1,854,783	10,145	1,930,954
Oceania	523,802	0.09	–	2,788	526,590
	₱592,869,509	100.00	₱275,998,686	₱201,595,838	₱1,070,464,033

**Loans and receivables exclude residual value of the leased asset. (Note 10)*
*** Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

	Parent Company				
	2023				
	Loans and receivables		**Trading and investment securities**	**Other financial assets***	**Total**
	Amount	**%**			
Philippines	**₱591,118,755**	**98.17**	**₱264,793,162**	**₱127,884,433**	**₱983,796,350**
Asia (excluding the Philippines)	**1,411,033**	**0.23**	**17,831,085**	**80,102,024**	**99,344,142**
USA and Canada	**6,804,220**	**1.13**	**2,399,782**	**4,563,214**	**13,767,216**
Other European Union Countries	**1,887,267**	**0.31**	**7,155,246**	**–**	**9,042,513**
Middle East	**58,267**	**0.01**	**3,877,003**	**2,478**	**3,937,748**
United Kingdom	**396,318**	**0.07**	**1,174,417**	**29**	**1,570,764**
Oceania	**482,903**	**0.08**	**–**	**–**	**482,903**
	₱602,158,763	**100.00**	**₱297,230,695**	**₱212,552,178**	**₱1,111,941,636**

**Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

	Parent Company				
	2022				
	Loans and receivables		Trading and investment securities	Other financial assets*	Total
	Amount	%			
Philippines	₱550,597,430	95.26	₱236,170,294	₱122,538,534	₱909,306,258
Asia (excluding the Philippines)	14,013,140	2.42	21,911,976	28,306,396	64,231,512
United Kingdom	2,091,414	0.36	6,554,432	21,273,903	29,919,749
USA and Canada	8,624,015	1.49	8,238,785	12,349,620	29,212,420
Other European Union Countries	2,079,196	0.36	–	7,132,780	9,211,976
Middle East	66,026	0.01	1,854,783	9,567	1,930,376
Oceania	523,797	0.09	–	–	523,797
	₱577,995,018	100.00	₱274,730,270	₱191,610,800	₱1,044,336,088

**Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

Concentration by industry

The tables below show the industry sector analysis of financial assets at amounts before taking into account the fair value of the loan collateral held or other credit enhancements.

	Consolidated				
	2023				
	Loans and receivables*		**Trading and investment securities**	**Other financial assets*** **	**Total**
	Amount	**%**			
Primary target industry:					
Financial intermediaries	**₱91,681,525**	**14.87**	**₱10,488,016**	**₱123,166,842**	**₱225,336,383**
Wholesale and retail	**115,293,880**	**18.70**	**–**	**–**	**115,293,880**
Electricity, gas and water	**83,771,939**	**13.58**	**16,561,739**	**–**	**100,333,678**
Manufacturing	**58,057,181**	**9.41**	**1,831**	**–**	**58,059,012**
Transport, storage and communication	**44,878,471**	**7.28**	**–**	**56**	**44,878,527**
Agriculture, hunting and forestry	**5,016,667**	**0.81**	**–**	**–**	**5,016,667**
Public administration and defense	**1,532,772**	**0.25**	**–**	**–**	**1,532,772**
Secondary target industry:					
Government	**2,182,895**	**0.35**	**229,288,990**	**99,168,727**	**330,640,612**
Real estate, renting and business activities	**106,896,515**	**17.33**	**9,226,998**	**13,866**	**116,137,379**
Construction	**31,039,992**	**5.03**	**–**	**–**	**31,039,992**
Others**	**76,353,251**	**12.38**	**32,681,209**	**35,950**	**109,070,410**
	₱616,705,088	**100.00**	**₱298,248,783**	**₱222,385,441**	**₱1,137,339,312**

**Loans and receivables exclude residual value of the leased asset (Note 10)*
***Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.*
****Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

	Consolidated				
	2022				
	Loans and receivables*		Trading and investment	Other financial	
	Amount	%	securities	assets***	Total
Primary target industry:					
Financial intermediaries	₱119,769,773	20.20	₱19,521,101	₱73,230,975	₱212,521,849
Wholesale and retail	87,945,351	14.83	–	–	87,945,351
Electricity, gas and water	77,714,165	13.11	9,306,111	–	87,020,276
Manufacturing	59,847,311	10.09	166,728	–	60,014,039
Transport, storage and communication	40,563,305	6.84	–	50	40,563,355
Agriculture, hunting and forestry	5,192,944	0.88	–	–	5,192,944
Public administration and defense	1,626,592	0.27	–	–	1,626,592
Secondary target industry:					
Government	2,794,558	0.47	196,640,202	127,597,960	327,032,720
Real estate, renting and business activities	92,957,909	15.68	14,283,283	13,884	107,255,076
Construction	27,005,540	4.56	–	–	27,005,540
Others**	77,452,061	13.06	36,081,261	752,969	114,286,291
	₱592,869,509	100.00	₱275,998,686	₱201,595,838	₱1,070,464,033

**Loans and receivables exclude residual value of the leased asset (Note 10)*
***Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.*
****Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

	Parent Company				
	2023				
	Loans and receivables		**Trading and investment**	**Other financial**	
	Amount	**%**	**securities**	**assets****	**Total**
Primary target industry:					
Financial intermediaries	**₱91,212,592**	**15.15**	**₱10,482,090**	**₱113,347,506**	**₱215,042,188**
Wholesale and retail	**109,258,099**	**18.14**	**–**	**–**	**109,258,099**
Electricity, gas and water	**83,771,939**	**13.91**	**16,561,739**	**–**	**100,333,678**
Manufacturing	**56,032,844**	**9.31**	**–**	**–**	**56,032,844**
Transport, storage and communication	**44,465,431**	**7.38**	**–**	**–**	**44,465,431**
Agriculture, hunting and forestry	**4,863,360**	**0.81**	**–**	**–**	**4,863,360**
Public administration and defense	**1,532,772**	**0.25**	**–**	**–**	**1,532,772**
Secondary target industry:					
Government	**2,182,895**	**0.36**	**228,528,393**	**99,168,727**	**329,880,015**
Real estate, renting and business activities	**103,358,190**	**17.16**	**8,977,434**	**–**	**112,335,624**
Construction	**30,981,430**	**5.15**	**–**	**–**	**30,981,430**
Others*	**74,499,211**	**12.37**	**32,681,039**	**35,945**	**107,216,195**
	₱602,158,763	**100.00**	**₱297,230,695**	**₱212,552,178**	**₱1,111,941,636**

**Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.*
***Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15).*

	Parent Company				
	2022				
	Loans and receivables		Trading and investment securities	Other financial assets**	Total
	Amount	%			
Primary target industry:					
Financial intermediaries	₱119,250,013	20.63	₱19,518,028	₱63,259,871	₱202,027,912
Wholesale and retail	82,372,415	14.25	–	–	82,372,415
Electricity, gas and water	77,715,031	13.45	9,306,111	–	87,021,142
Manufacturing	57,490,538	9.95	164,780	–	57,655,318
Transport, storage and communication	39,696,751	6.87	–	–	39,696,751
Agriculture, hunting and forestry	5,031,731	0.87	–	–	5,031,731
Public administration and defense	1,626,592	0.28	–	–	1,626,592
Secondary target industry:					
Government	2,770,555	0.48	196,519,177	127,597,960	326,887,692
Real estate, renting and business activities	89,266,907	15.44	13,141,082	–	102,407,989
Construction	26,938,899	4.66	–	–	26,938,899
Others*	75,835,586	13.12	36,081,092	752,969	112,669,647
	₱577,995,018	100.00	₱274,730,270	₱191,610,800	₱1,044,336,088

**Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.*

***Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15).*

The internal limit of the Parent Company based on the Philippine Standard Industry Classification sub-industry is 12.00% for priority industry, 8.00% for regular industry, 30.00% for power industry and 25.00% for activities of holding companies versus total loan portfolio.

4.2.6 Credit Quality Per Class of Financial Assets

Loans and receivables

The segmentation of the Group's loan portfolio is based on the underlying risk characteristics that are expected to respond in a similar manner to macroeconomic factors and forward-looking conditions.

Generally, the Group's exposures can be categorized as either of the following:

- Non-Retail Portfolio – consists of debt obligations of sovereigns, financial institutions, corporations, partnerships, or proprietorships. In particular, the Group's Non-Retail Portfolio segments are as follows: Sovereigns, Financial Institutions, Specialized Lending (e.g., Project Finance), Large Corporates, Middle Market and Commercial SME, government-owned and controlled corporations and LGUs.
- Retail Portfolio – consists of exposures to individual person/s or to a small business, and are not usually managed on an individual basis but as groups of exposures with similar credit risk characteristics. This includes Credit Cards, Consumer Loans and Retail SME, among others.

The credit quality of the Non-Retail Portfolio is evaluated and monitored using external ratings and internal credit risk rating system. The Parent Company maintains a two-dimensional risk rating structure: that is, there is a borrower risk rating (BRR) and a facility risk rating (FRR).

The Group developed specific borrower rating models to capture specific and unique risk characteristics of each of the Non-Retail Portfolio segments. The BRR is measured based on financial condition of the borrower combined with an assessment of non-financial factors such as management, industry outlook and market competition. The BRR models captures overlays and early warning signals as well. The Group uses a single scale with 26 risk grades for all its BRR models.

The 26-risk grade internal default masterscale is a representation of a common measure of relative default risk associated with the obligors/counterparties. The internal default masterscale is mapped to a global rating scale.

FRR, on the other hand, assesses potential loss of the Group in case of default, which considers collateral type and level of collateralization of the facility. The FRR has 9 grades, i.e. FRR A to FRR I.

The CRR or final credit risk rating shall be expressed in alphanumeric terms, e.g. CRR 1A which is a combination of the general creditworthiness of the borrower (BRR 1) and the potential loss of the Group in the event of the borrower's default (FRR A).

The credit quality and corresponding BRRs of the Group's receivables from customers are defined below:

Credit quality	**26-Grade BRR system**
High S&P Equivalent Global Rating: AAA to BBB-	*BRR 1 Excellent* Borrower has an exceptionally strong capacity to meet its financial commitments. No existing disruptions or future disruptions are highly unlikely. Probability of going into default in the coming year is very minimal/low. *BRR 2 Very Strong* Borrower has a very strong capacity to meet its financial commitments. No existing disruptions or future disruptions are unlikely. It differs from BRR 1 borrowers only to a small degree. Probability of going into default in the coming year is very minimal/low. *BRR 3 Strong* Borrower has a strong capacity to meet its financial commitments. No existing disruptions or future disruptions are unlikely. However, adverse economic conditions or changing circumstances could lead to somewhat lesser capacity to meet financial obligations than in higher-rated borrowers. Probability of going into default in the coming year is very minimal/low. *BRR 4-6 Good* Borrower has an adequate capacity to meet its financial commitments in the normal course of its business. With identified disruptions from external factors but company has or will likely overcome. Default possibility is minimal/low. *BRR 7-9 Satisfactory* Borrower under this rating scale basically possesses the characteristics of borrowers rated as BRR 4 to BRR 6 with slightly lesser quality. Default possibility is minimal/low. *BRR 10-12 Adequate* Borrower has an adequate capacity to meet its financial commitments under the normal course of business. However, adverse economic conditions and changing circumstances are more likely to weaken the borrower's capacity to meet its financial commitments. Default possibility is minimal/low.
Standard S&P Equivalent Global Rating: BB+ to BB-	*BRR 13-15 Average* Borrower still has the capacity to meet its financial commitments and withstand normal business cycles, however, any prolonged unfavorable economic and/or market conditions would create an immediate deterioration beyond acceptable levels. With identified disruptions from external forces, impact on the borrower is uncertain. Default is a possibility. *BRR 16-18 Acceptable* Borrower under this rating scale basically possesses the characteristics of borrowers rated as BRR 13 to BRR 15 with slightly lesser quality. Default is a possibility. *BRR 19-20 Vulnerable* Borrower is less vulnerable in the near term than other low-rated borrowers. However, it faces major ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the borrower's inadequate capacity to meet its financial commitment. Default is a possibility

Credit quality	26-Grade BRR system
Substandard S&P Equivalent Global Rating: B+ to CCC-	*BRR 21-22 Weak* Borrower is more vulnerable than the borrowers rated BRR 19 and BRR 20 but the borrower currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the borrower's capacity or willingness to meet its financial commitments. Default is more than a possibility. *BRR 23-25 Watchlist* Borrower is currently vulnerable and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments. Borrower may already be experiencing losses and impaired capital in the case of BRR 25.
Impaired S&P Equivalent Global Rating: D	*BRR 26 Default* Default will be a general default. Borrower will fail to pay all or substantially all of its obligations as they come due.

For the Retail Portfolio, such as Retail SME, Credit Cards, Housing and Auto Loans, credit scoring is being used in evaluating the creditworthiness of the borrower.

The table below shows the credit quality of the Group's and the Parent Company's receivables from customers, gross of allowance for credit losses and unearned and other deferred income, but net of residual values of leased assets, as of December 31, 2023 and 2022:

	Consolidated			
	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Subject to CRR				
Non-Retail – Corporate				
High	**₱220,424,136**	**₱7,449**	**₱–**	**₱220,431,585**
Standard	**240,184,925**	**6,625,961**	**–**	**246,810,886**
Substandard	**46,358,670**	**20,816,814**	**–**	**67,175,484**
Impaired	**–**	**–**	**32,477,009**	**32,477,009**
	506,967,731	**27,450,224**	**32,477,009**	**566,894,964**
Subject to Scoring and Unrated				
Non-Retail	**7,232,740**	**39,071**	**561,123**	**7,832,934**
Corporate	**5,049,454**	**10,066**	**497,906**	**5,557,426**
LGU	**2,183,286**	**29,005**	**63,217**	**2,275,508**
Retail	**43,676,730**	**863,802**	**10,876,864**	**55,417,396**
Auto Loans	**5,215,073**	**22,973**	**1,263,450**	**6,501,496**
Housing Loans	**20,089,818**	**248,682**	**7,962,437**	**28,300,937**
Retail SME	**4,163,286**	**151,785**	**1,067,047**	**5,382,118**
Credit Card	**14,208,553**	**440,362**	**583,930**	**15,232,845**
Others	**8,572,845**	**2,087,517**	**1,667,140**	**12,327,502**
	59,482,315	**2,990,390**	**13,105,127**	**75,577,832**
	₱566,450,046	**₱30,440,614**	**₱45,582,136**	**₱642,472,796**

	Consolidated			
	2022			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail – Corporate				
High	₱210,563,413	₱–	₱–	₱210,563,413
Standard	198,909,684	30,731,562	–	229,641,246
Substandard	29,953,399	31,163,671	–	61,117,070
Impaired	–	–	26,950,431	26,950,431
	439,426,496	61,895,233	26,950,431	528,272,160

(Forward)

	Consolidated			
	2022			
	Stage 1	Stage 2	Stage 3	Total
Subject to Scoring and Unrated				
Non-Retail	2,849,194	11,760,556	1,183,962	15,793,712
Corporate	95,980	11,723,793	1,118,268	12,938,041
LGU	2,753,214	36,763	65,694	2,855,671
Retail	41,072,586	1,411,135	13,920,882	56,404,603
Auto Loans	4,955,770	102,179	1,970,279	7,028,228
Housing Loans	18,930,297	643,627	9,015,408	28,589,332
Retail SME	4,029,128	349,415	2,025,819	6,404,362
Credit Card	13,157,391	315,914	909,376	14,382,681
Others	9,376,862	1,546,960	1,987,431	12,911,253
	53,298,642	14,718,651	17,092,275	85,109,568
	₱492,725,138	₱76,613,884	₱44,042,706	₱613,381,728

	Parent Company			
	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Subject to CRR				
Non-Retail - Corporate				
High	**₱212,827,838**	**₱–**	**₱–**	**₱212,827,838**
Standard	**235,059,187**	**6,625,961**	**–**	**241,685,148**
Substandard	**46,331,524**	**20,816,814**	**–**	**67,148,338**
Impaired	**–**	**–**	**32,450,434**	**32,450,434**
	494,218,549	**27,442,775**	**32,450,434**	**554,111,758**
Subject to Scoring and Unrated				
Non-Retail	**7,255,065**	**39,071**	**561,123**	**7,855,259**
Corporate	**5,071,779**	**10,066**	**497,906**	**5,579,751**
LGU	**2,183,286**	**29,005**	**63,217**	**2,275,508**
Retail	**42,940,643**	**863,802**	**10,830,680**	**54,635,125**
Auto Loans	**5,215,073**	**22,973**	**1,263,450**	**6,501,496**
Housing Loans	**19,353,830**	**248,682**	**7,921,406**	**27,523,918**
Retail SME	**4,163,187**	**151,785**	**1,061,894**	**5,376,866**
Credit Card	**14,208,553**	**440,362**	**583,930**	**15,232,845**
Others	**8,484,938**	**2,087,517**	**1,667,139**	**12,239,594**
	58,680,646	**2,990,390**	**13,058,942**	**74,729,978**
	₱552,899,195	**₱30,433,165**	**₱45,509,376**	**₱628,841,736**

	Parent Company			
	2022			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail - Corporate				
High	₱208,384,303	₱–	₱–	₱208,384,303
Standard	189,504,524	30,731,541	–	220,236,065
Substandard	29,953,399	31,143,373	–	61,096,772
Impaired	–	–	27,951,509	27,951,509
	427,842,226	61,874,914	27,951,509	517,668,649
Subject to Scoring and Unrated				
Non-Retail	2,759,254	11,758,770	1,099,592	15,617,616
Corporate	6,040	11,722,007	1,033,898	12,761,945
LGU	2,753,214	36,763	65,694	2,855,671
Retail	39,685,909	1,376,404	12,960,913	54,023,226
Auto Loans	4,955,770	102,179	1,970,279	7,028,228
Housing Loans	18,020,708	640,238	9,002,446	27,663,392
Retail SME	3,552,040	318,073	1,078,812	4,948,925
Credit Card	13,157,391	315,914	909,376	14,382,681
Others	9,284,464	1,546,960	1,987,432	12,818,856
	51,729,627	14,682,134	16,047,937	82,459,698
	₱479,571,853	₱76,557,048	₱43,999,446	₱600,128,347

The analysis of past due status of receivables from customers that are subject to scoring and unrated follows:

	Consolidated 2023				
	Less than 30 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
Housing Loans	**₱165,082**	**₱198,072**	**₱229,491**	**₱7,628,653**	**₱8,221,298**
Auto Loans	**15,179**	**19,465**	**15,345**	**1,236,458**	**1,286,447**
Retail SME	**33,596**	**15,968**	**12,582**	**1,627,173**	**1,689,319**
Credit Card	**635,084**	**367,041**	**309,380**	**552,928**	**1,864,433**
LGU	**12,696**	**–**	**–**	**50,521**	**63,217**
Others	**27,096**	**35,749**	**203,642**	**1,599,257**	**1,865,744**
Total	**₱888,733**	**₱636,295**	**₱770,440**	**₱12,694,990**	**₱14,990,458**

	Consolidated 2022				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Housing Loans	₱297,214	₱599,308	₱595,871	₱8,202,270	₱9,694,663
Auto Loans	60,850	74,690	65,801	1,869,429	2,070,770
Retail SME	61,162	21,090	47,949	1,814,702	1,944,903
Credit Card	1,455	102,596	233,163	630,629	967,843
LGU	7,650	–	–	58,044	65,694
Others	719,429	108,294	49,980	1,254,343	2,132,046
Total	₱1,147,760	₱905,978	₱992,764	₱13,829,417	₱16,875,919

	Parent Company 2023				
	Less than 30 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
Housing Loans	**₱164,017**	**₱197,248**	**₱229,491**	**₱7,576,116**	**₱8,166,872**
Auto Loans	**15,179**	**19,465**	**15,345**	**1,236,458**	**1,286,447**
Retail SME	**33,596**	**4,985**	**12,287**	**1,042,248**	**1,093,116**
Credit Card	**635,084**	**367,041**	**309,380**	**552,928**	**1,864,433**
LGU	**12,696**	**–**	**–**	**50,521**	**63,217**
Others	**24,945**	**34,264**	**107,904**	**1,508,203**	**1,675,316**
Total	**₱885,517**	**₱623,003**	**₱674,407**	**₱11,966,474**	**₱14,149,401**

	Parent Company 2022				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Housing Loans	₱296,922	₱594,491	₱566,398	₱8,176,282	₱9,634,093
Auto Loans	60,850	74,690	65,801	1,869,429	2,070,770
Retail SME	61,162	15,774	37,869	968,460	1,083,265
Credit Card	1,455	102,596	233,163	630,629	967,843
LGU	7,650	–	–	58,044	65,694
Others	712,413	107,503	38,672	1,163,289	2,021,877
Total	₱1,140,452	₱895,054	₱941,903	₱12,866,133	₱15,843,542

Trading and investment securities and other financial assets

In ensuring quality investment portfolio, the Group uses the credit risk rating based on the external ratings of eligible external credit rating institutions (i.e. Moody's Investors Service) as follows:

- Aaa to Aa3 - fixed income are judged to be of high quality and are subject to very low credit risk, but their susceptibility to long-term risks appears somewhat greater.

- A1 to A3 - fixed income obligations are considered upper-medium grade and are subject to low credit risk, but have elements present that suggest a susceptibility to impairment over the long term.
- Baa1 and below - represents those investments which fall under any of the following grade:
  - Baa1, Baa2, Baa3 - fixed income obligations are subject to moderate credit risk. They are considered medium grade and as such protective elements may be lacking or may be characteristically unreliable.
  - Ba1, Ba2, Ba3 - obligations are judged to have speculative elements and are subject to substantial credit risk.
  - B1, B2, B3 - obligations are considered speculative and are subject to high credit risk.
  - Caa1, Caa2, Caa3 - are judged to be of poor standing and are subject to very high credit risk.
  - Ca - are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
  - C - are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

Below are the financial assets of the Group and the Parent Company, gross of allowance for credit losses, excluding receivables from customers, which are monitored using external ratings.

	Consolidated					
	2023					
	Aaa to Aa3	**A1 to A3**	**Baa1 and below**	**Subtotal**	**Unrated**	**Total**
Due from BSP [1/]	**₱–**	**₱–**	**₱–**	**₱–**	**₱95,410,350**	**₱95,410,350**
Due from other banks	**3,421,092**	**13,010,926**	**4,012,095**	**20,444,113**	**809,641**	**21,253,754**
Interbank loans receivables	**8,816,134**	**22,454,811**	**–**	**31,270,945**	**4,371,540**	**35,642,485**
Securities held under agreements to resell	**21,931,098**	**22,580,867**	**25,196,725**	**69,708,690**	**–**	**69,708,690**
Financial assets at FVOCI						
Government securities	**1,526,582**	**3,542,452**	**119,142,990**	**124,212,024**	**160,386**	**124,372,410**
Private debt securities	**–**	**3,633,167**	**10,547,385**	**14,180,552**	**–**	**14,180,552**
Quoted equity securities	**–**	**–**	**170**	**170**	**1,049,025**	**1,049,195**
Unquoted equity securities	**–**	**–**	**–**	**–**	**24,929,335**	**24,929,335**
Investment securities at amortized cost						
Government securities	**476,340**	**7,029,234**	**96,971,058**	**104,476,632**	**56,750**	**104,533,382**
Private debt securities	**–**	**12,300,109**	**6,522,771**	**18,822,880**	**–**	**18,822,880**
Financial assets at amortized cost						
Loans and receivables - Others [2/]	**–**	**–**	**–**	**–**	**17,485,597**	**17,485,597**

[1/] *'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.*
[2/] *Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).*

	Consolidated					
	2022					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP [1/]	₱–	₱–	₱–	₱–	₱94,701,360	₱94,701,360
Due from other banks	3,256,692	18,388,027	3,259,226	24,903,945	1,116,136	26,020,081
Interbank loans receivables	1,570,626	2,684,871	–	4,255,497	12,035,973	16,291,470
Securities held under agreements to resell	–	21,206,949	17,234,682	38,441,631	26,084,420	64,526,051
Financial assets at FVOCI						
Government securities	3,309,749	553,668	114,076,366	117,939,783	–	117,939,783
Private debt securities	590,542	251,592	159,681	1,001,815	14,429,055	15,430,870
Quoted equity securities	–	–	58,170	58,170	734,046	792,216
Unquoted equity securities	–	–	388,884	388,884	23,631,772	24,020,656
Investment securities at amortized cost						
Government securities	145,147	7,950,608	69,892,792	77,988,547	208,886	78,197,433
Private debt securities	–	8,876,965	1,158,512	10,035,477	26,082,900	36,118,377
Financial assets at amortized cost						
Loans and receivables - Others [2/]	–	–	–	–	19,188,611	19,188,611

[1/] *'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.*
[2/] *Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).*

	Parent Company					
	2023					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP [1/]	₱–	₱–	₱–	₱–	₱95,410,350	₱95,410,350
Due from other banks	1,228,363	10,349,227	1,268,254	12,845,844	790,653	13,636,497
Interbank loans receivables	6,619,013	22,454,811	–	29,073,824	4,371,540	33,445,364
Securities held under agreements to resell	21,931,098	22,580,867	25,196,725	69,708,690	–	69,708,690
Financial assets at FVOCI						
Government securities	1,223,772	3,542,452	119,315,550	124,081,774	–	124,081,774
Private debt securities	–	3,604,452	10,547,385	14,151,837	–	14,151,837
Quoted equity securities	–	–	–	–	974,025	974,025
Unquoted equity securities	–	–	–	–	24,929,335	24,929,335
Investment securities at amortized cost						
Government securities	6,379	7,029,234	96,971,058	104,006,671	56,749	104,063,420
Private securities	–	12,300,109	6,522,771	18,822,880	–	18,822,880
Financial assets at amortized cost						
Loans and receivables - Others [2/]	–	–	–	–	16,547,558	16,547,558

[1/] *'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.*
[2/] *Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).*

	Parent Company					
	2022					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP [1/]	₱–	₱–	₱–	₱–	₱94,701,360	₱94,701,360
Due from other banks	961,707	15,816,731	154,079	16,932,517	676,730	17,609,247
Interbank loans receivables	–	2,684,871	0	2,684,871	12,051,241	14,736,112
Securities held under agreements to resell	–	21,206,949	17,234,682	38,441,631	26,084,420	64,526,051
Financial assets at FVOCI						
Government securities	2,938,253	553,668	114,168,823	117,660,744	–	117,660,744
Private debt securities	590,542	68	159,681	750,291	14,429,054	15,179,345
Quoted equity securities	–	–	–	–	734,046	734,046
Unquoted equity securities	–	–	–	–	23,631,772	23,631,772
Investment securities at amortized cost						
Government securities	5,865	7,950,608	69,892,792	77,849,265	208,886	78,058,151
Private securities	–	8,876,965	1,158,512	10,035,477	26,082,900	36,118,377
Financial assets at amortized cost						
Loans and receivables - Others [2/]	–	–	–	–	17,925,091	17,925,091

[1/] *'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.*
[2/] *Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).*

4.3 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 come 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 Parent Company seeks to ensure liquidity through a combination of active management of liabilities, a liquid asset portfolio composed substantially of deposits in primary and secondary reserves, and the securing of money market lines and the maintenance of repurchase facilities to address any unexpected liquidity situations.

Liquidity risk is monitored and controlled primarily by a gap analysis of maturities of relevant assets and liabilities reflected in the maximum cumulative outflow (MCO) report, as well as an analysis of available liquid assets. The MCO focuses on a 12-month period wherein the 12-month cumulative outflow is compared to the acceptable MCO limit set by the BOD. Furthermore, an internal liquidity ratio has been set to determine sufficiency of liquid assets over deposit liabilities.

Liquidity is monitored by the Parent Company on a daily basis through the Global Markets Group. Likewise, the RMG monitors the static liquidity via the MCO under normal and stressed scenarios.

The table below shows the liquidity information of financial assets and financial liabilities which includes coupon cash flows categorized based on the expected date on which the asset will be realized and the liability will be settled. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date the assets will be realized.

	Consolidated					
	2023					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1 year**	**Total**
Financial Assets						
COCI	**₱21,151,391**	**₱–**	**₱–**	**₱–**	**₱–**	**₱21,151,391**
Due from BSP and other banks	**120,467,205**	–	–	–	–	**120,467,205**
Interbank loans receivable	**28,531,370**	**5,489,107**	**967,360**	**1,023,160**	–	**36,010,997**
Securities held under agreements to resell	**69,812,071**	–	–	–	–	**69,812,071**
Financial assets at FVTPL:						
Government securities	**4,293,988**	**534,211**	**39,479**	**91,568**	**3,586,581**	**8,545,827**
Private debt securities	–	**29,925**	**18,982**	**994,562**	**662,057**	**1,705,526**
Equity securities	**2,771**	–	–	–	–	**2,771**
Derivative assets:						
Gross contractual receivable	**87,949,838**	**17,614,366**	**2,099,656**	**445,073**	**30,329**	**108,139,262**
Gross contractual payable	**(87,391,376)**	**(17,458,363)**	**(2,070,466)**	**(441,124)**	**(29,191)**	**(107,390,520)**
Financial assets at FVOCI:						
Government securities	**33,489,750**	**46,204,757**	**1,285,139**	**2,180,240**	**47,001,705**	**130,161,591**
Private debt securities	**938,132**	**1,112,484**	**1,987,338**	**2,370,435**	**9,479,822**	**15,888,211**
Equity securities	**1,411,318**	–	–	–	**24,567,213**	**25,978,531**
Investment securities at amortized cost						
Government securities	**6,209,327**	**4,081,976**	**5,719,142**	**4,000,317**	**124,961,338**	**144,972,100**
Private debt securities	**1,347,263**	**3,824,893**	**1,334,269**	**1,704,803**	**27,484,727**	**35,695,955**
Financial assets at amortized cost:						
Receivables from customers	**149,406,393**	**61,186,611**	**28,126,108**	**23,386,574**	**510,204,415**	**772,310,101**
Other receivables	**14,812,784**	**665,550**	**387,899**	**242,420**	**1,376,947**	**17,485,600**
Other assets	**383,478**	–	–	–	**18,779**	**402,257**
Total financial assets	**₱452,815,703**	**₱123,285,517**	**₱39,894,906**	**₱35,998,028**	**₱749,344,722**	**₱1,401,338,876**
Financial Liabilities						
Deposit liabilities:						
Demand	**₱229,771,379**	**₱–**	**₱–**	**₱–**	**₱–**	**₱229,771,379**
Savings *	**367,397,521**	–	–	–	–	**367,397,521**
Time and LTNCDs *	**190,633,688**	**98,114,877**	**16,667,382**	**19,935,772**	**14,354,806**	**339,706,525**
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	**53,574,196**	**7,507,070**	**3,406,282**	**673,361**	–	**65,160,909**
Gross contractual receivable	**(53,334,823)**	**(7,274,163)**	**(3,340,990)**	**(657,783)**	–	**(64,607,759)**
Bills and acceptances payable	**6,019,964**	**10,282,130**	**2,290,375**	**503,601**	**1,139,259**	**20,235,329**
Bonds payable	–	**15,134**	–	**42,762,166**	–	**42,777,300**
Accrued interest payable and accrued other expenses payable	**4,683,312**	**54,751**	**217,492**	**113,428**	**479,288**	**5,548,271**
Other liabilities	**8,054,665**	**2,755**	–	**76,930**	**1,215,351**	**9,349,701**
Total financial liabilities	**₱806,799,902**	**₱108,702,554**	**₱19,240,541**	**₱63,407,475**	**₱17,188,704**	**₱1,015,339,176**

* *High-yield savings accounts are included under time deposits*

	Consolidated					
	2022					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets						
COCI	₱22,217,915	₱–	₱–	₱–	₱–	₱22,217,915
Due from BSP and other banks	125,113,662	–	–	–	–	125,113,662
Interbank loans receivable	8,876,452	1,313,106	2,441,537	4,108,738	–	16,739,833
Securities held under agreements to resell	60,878,039	3,784,201	–	–	–	64,662,240
Financial assets at FVTPL:						
Government securities	199,530	1,080,139	296,110	1,053,949	6,650,083	9,279,811
Private debt securities	12,016	20,983	18,250	51,248	3,224,192	3,326,689
Equity securities	2,898	–	–	–	–	2,898

(Forward)

	Consolidated 2022					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Derivative assets:						
Gross contractual receivable	₱40,036,455	₱7,664,954	₱10,332,430	₱3,259,807	₱15,337	₱61,308,983
Gross contractual payable	(39,050,764)	(7,542,887)	(10,098,003)	(3,240,344)	–	(59,931,998)
Financial assets at FVOCI:						
Government securities	87,743,403	3,614,649	9,339,616	9,486,786	141,544,530	251,728,984
Private debt securities	3,417,893	1,165,367	283,912	2,883,129	42,342,083	50,092,384
Equity securities	1,614,229	–	–	–	23,198,643	24,812,872
Investment securities at amortized cost						
Government securities	6,043,708	10,034,076	6,717,704	2,835,413	149,213,141	174,844,042
Private debt securities	1,243,241	6,416,993	11,655,875	10,450,844	37,189,899	66,956,852
Financial assets at amortized cost:						
Receivables from customers	95,928,952	75,907,926	32,255,624	14,027,383	528,529,464	746,649,349
Other receivables	7,226,808	903,926	1,587,116	786,924	8,683,837	19,188,611
Other assets	50,539	–	–	792	19,000	70,331
Total financial assets	₱421,554,976	₱104,363,433	₱64,830,171	₱45,704,669	₱940,610,209	₱1,577,063,458
Financial Liabilities						
Deposit liabilities:						
Demand	₱222,499,667	₱–	₱–	₱–	₱–	₱222,499,667
Savings *	359,730,732	–	–	–	–	359,730,732
Time and LTNCDs *	138,445,541	96,585,595	26,246,991	16,416,245	21,787,715	299,482,087
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	27,156,350	38,707,232	17,167,707	557,813	–	83,589,102
Gross contractual receivable	(26,737,134)	(38,304,103)	(16,951,759)	(556,330)	–	(82,549,326)
Bills and acceptances payable	8,334,542	3,571,275	30,000	43,936	3,145,035	15,124,788
Bonds payable	–	–	17,771,674	685,787	42,883,029	61,340,490
Accrued interest payable and accrued other expenses payable	2,996,291	146,218	167,140	59,077	480,280	3,849,006
Other liabilities	6,529,727	481,672	443,923	982,544	1,784,517	10,222,383
Total financial liabilities	₱738,955,716	₱101,187,889	₱44,875,676	₱18,189,072	₱70,080,576	₱973,288,929

* *High-yield savings accounts are included under time deposits*

	Parent Company 2023					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1 year**	**Total**
Financial Assets						
COCI	**₱21,052,526**	**₱–**	**₱–**	**₱–**	**₱–**	**₱21,052,526**
Due from BSP and other banks	**109,049,601**	**–**	**–**	**–**	**–**	**109,049,601**
Interbank loans receivable	**27,292,838**	**4,711,253**	**733,840**	**1,023,160**	**–**	**33,761,091**
Securities held under agreements to resell	**69,812,071**	**–**	**–**	**–**	**–**	**69,812,071**
Financial assets at FVTPL:						
Government securities	**4,293,988**	**534,211**	**39,479**	**91,568**	**3,586,581**	**8,545,827**
Private debt securities	–	**28,463**	**17,295**	**991,188**	**509,839**	**1,546,785**
Equity securities	–	–	–	–	–	–
Derivative assets:						
Gross contractual receivable	**87,949,731**	**17,611,825**	**2,097,320**	**445,073**	**30,329**	**108,134,278**
Gross contractual payable	**(87,391,376)**	**(17,458,363)**	**(2,070,466)**	**(441,124)**	**(29,191)**	**(107,390,520)**
Financial assets at FVOCI:						
Government securities	**33,489,750**	**46,204,757**	**1,195,094**	**2,094,355**	**46,631,505**	**129,615,461**
Private debt securities	**938,132**	**1,112,051**	**1,986,905**	**2,369,485**	**9,443,984**	**15,850,557**
Equity securities	**1,336,148**	**–**	**–**	**–**	**24,567,213**	**25,903,361**
Investment securities at amortized cost:						
Government securities	**6,172,842**	**4,010,826**	**5,708,076**	**3,972,550**	**124,620,081**	**144,484,375**
Private debt securities	**1,347,262**	**3,824,893**	**1,334,269**	**1,704,803**	**27,484,727**	**35,695,954**
Financial assets at amortized cost:						
Receivables from customers	**145,196,835**	**57,624,975**	**27,195,621**	**21,636,212**	**506,344,765**	**757,998,408**
Other receivables	**14,282,566**	**649,818**	**2,968**	**240,464**	**1,371,742**	**16,547,558**
Other assets	**382,847**	**–**	**–**	**–**	**500**	**383,347**
Total financial assets	**₱435,205,761**	**₱118,854,709**	**₱38,240,401**	**₱34,127,734**	**₱744,562,075**	**₱1,370,990,680**
Financial Liabilities						
Deposit liabilities:						
Demand	**₱229,138,969**	**₱–**	**₱–**	**₱–**	**₱–**	**₱229,138,969**
Savings *	**366,321,763**	**–**	**–**	**–**	**–**	**366,321,763**
Time and LTNCDs *	**190,347,584**	**94,660,837**	**13,823,464**	**19,360,573**	**14,335,168**	**332,527,626**

(Forward)

	Parent Company 2023					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1 year**	**Total**
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual receivable	**₱53,574,196**	**₱7,507,070**	**₱3,406,282**	**₱673,361**	**₱–**	**₱65,160,909**
Gross contractual payable	**(53,334,823)**	**(7,274,163)**	**(3,340,990)**	**(657,765)**	**–**	**(64,607,741)**
Bills and acceptances payable	**6,019,964**	**10,282,130**	**2,290,375**	**503,601**	**1,139,258**	**20,235,328**
Bonds payable	**–**	**15,134**	**–**	**42,762,166**	**–**	**42,777,300**
Accrued interest payable and accrued other expenses payable	**4,689,505**	**21,230**	**46,193**	**44,728**	**478,314**	**5,279,970**
Other liabilities	**7,366,066**	**2,756**	**–**	**76,930**	**1,215,351**	**8,661,103**
Total financial liabilities	**₱804,123,224**	**₱105,214,994**	**₱16,225,324**	**₱62,763,594**	**₱17,168,091**	**₱1,005,495,227**

* *High-yield savings accounts are included under time deposits*

	Parent Company 2022					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets						
COCI	₱22,103,095	₱–	₱–	₱–	₱–	₱22,103,095
Due from BSP and other banks	111,505,536	–	–	–	–	111,505,536
Interbank loans receivable	8,343,252	515,186	2,202,032	4,108,738	–	15,169,208
Securities held under agreements to resell	60,878,039	3,784,201	–	–	–	64,662,240
Financial assets at FVTPL:						
Government securities	199,530	1,080,139	296,110	1,053,949	6,650,083	9,279,811
Private debt securities	12,015	19,521	16,338	47,874	3,066,295	3,162,043
Equity securities	–	–	–	–	–	–
Derivative assets:						
Gross contractual receivable	40,036,392	7,664,843	10,330,480	3,259,807	15,337	61,306,859
Gross contractual payable	(39,050,764)	(7,542,887)	(10,098,003)	(3,240,344)	–	(59,931,998)
Financial assets at FVOCI:						
Government securities	87,589,100	3,614,649	9,331,816	9,478,986	141,160,507	251,175,058
Private debt securities	3,417,893	1,161,551	279,351	805,777	42,009,216	47,673,788
Equity securities	1,167,175	–	–		23,198,643	24,365,818
Investment securities at amortized cost:						
Government securities	6,043,708	10,034,076	6,717,704	2,834,979	149,073,174	174,703,641
Private debt securities	1,243,240	6,416,993	11,655,875	10,450,844	37,189,899	66,956,851
Financial assets at amortized cost:						
Receivables from customers	91,699,945	72,873,522	30,410,181	12,306,340	524,244,914	731,534,902
Other receivables	6,061,538	884,433	1,524,007	780,377	8,674,736	17,925,091
Other assets	49,981	–	–	–	1,479	51,460
Total financial assets	₱401,299,675	₱100,506,227	₱62,665,891	₱41,887,327	₱935,284,283	₱1,541,643,403
Financial Liabilities						
Deposit liabilities:						
Demand	₱221,728,550	₱–	₱–	₱–	₱–	₱221,728,550
Savings *	358,566,639	–	–	–	–	358,566,639
Time and LTNCDs *	136,408,742	94,156,313	23,621,363	16,100,141	21,651,079	291,937,638
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual receivable	₱27,156,350	₱38,707,232	₱17,167,707	₱557,813	₱–	₱83,589,102
Gross contractual payable	(26,737,134)	(38,304,103)	(16,951,759)	(556,312)	–	(82,549308)
Bills and acceptances payable	7,298,446	3,565,575	23,537	43,936	3,100,957	14,032,451
Bonds payable	–	–	17,771,674	685,787	42,883,029	61,340,490
Accrued interest payable and accrued other expenses payable	3,017,246	136,048	161,180	1,283	478,314	3,794,071
Other liabilities	6,054,793	462,927	192,156	956,649	1,753,787	9,420,312
Total financial liabilities	₱733,493,632	₱98,723,992	₱41,985,858	₱17,789,297	₱69,867,166	₱961,859,945

* *High-yield savings accounts are included under time deposits*

4.3.1 BSP Reporting for Liquidity Positions and Leverage
To promote short-term resilience of banks' liquidity risk profile, BSP requires banks and other regulated entities to maintain:

- over a 30-calendar day horizon, an adequate level of unencumbered high-quality liquid assets (HQLA) that consist of cash or assets that can be converted into cash to offset the net cash outflows they could encounter under a liquidity stress scenario; and
- a stable funding profile in relation to the composition of their assets and off-balance sheet activities.

To monitor the liquidity levels, the Group computes for its Liquidity Coverage Ratio (LCR), which is the ratio of HQLA to the total net cash outflows. As of December 31, 2023 and 2022, LCR reported to the BSP with certain adjustments is shown in the table below:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
LCR	**271.54%**	246.25%	**295.74%**	240.35%

The Group also computes for its Net Stable Funding Ratio (NSFR), which is the ratio of the available stable funding to the required stable funding. Both LCR and NSFR should be maintained no lower than 100.00% on a daily basis under normal situations. As of December 31, 2023 and 2022, NSFR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Available stable funding	**₱894,199**	₱852,706	**₱884,747**	₱843,395
Required stable funding	**595,019**	621,402	**597,380**	621,765
NSFR	**150.28%**	137.22%	**148.10%**	135.65%

4.4 Market Risk

Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of instruments, products, and transactions in an institutions' overall portfolio. Market risk arises from market making, dealing, and position taking in interest rate, foreign exchange and equity markets. The succeeding sections provide discussion on the impact of market risk on the Parent Company's trading and structural portfolios.

4.4.1 Trading Market Risk
Trading market risk exists in the Parent Company as the values of its trading positions are sensitive to changes in market rates such as interest rates, foreign exchange rates and equity prices. The Parent Company is exposed to trading market risk in the course of market making as well as from taking advantage of market opportunities. For internal monitoring of the risks in the trading portfolio, the Parent Company uses the Value at Risk (VaR) as a primary risk measurement tool. It adopts both the Parametric VaR methodology and Historical Simulation Methodology (with 99.00% confidence level) to measure the Parent Company's trading market risk. Both the Parametric models and Historical Simulation models were validated. Volatilities used in the parametric are updated on a daily basis and are based on historical data for a rolling 400-day period while yields and prices in the historical VaR approach are also updated daily. The RMG reports the VaR utilization and breaches to limits to the risk taking personnel on a daily basis and to the ALCO and ROC on a monthly basis. All risk reports discussed in the ROC meeting are noted by the BOD. The VaR figures are back tested to

validate the robustness of the VaR model. Results of backtesting on a rolling one year period are reported also to the ROC.

The parametric VaR models are designed to measure market risk in a normal market environment. The models assume that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. The use of VaR has limitations because it is based on historical volatilities in market prices and assumes that future price movements will follow a statistical 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 movements may be under-estimated if changes in risk factors fail to align with historical movements. 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.

VaR estimates the potential loss on the current portfolio assuming a specified time horizon and level of confidence at 99.00%. 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 one hundred days.

The validity of the assumptions underlying the Parent Company's VaR models can only be checked by appropriate backtesting procedures. Backtesting is a formal statistical framework that consists of verifying that actual losses are within the projected VaR approximations. The Parent Company adopts both the clean backtesting and dirty backtesting approaches approach in backtesting. Clean backtesting, consists of comparing the VaR estimates with some hypothetical profit or loss (P&L) values of the portfolio, having kept its composition unchanged. In this case, the same portfolio is repriced or marked-to-market at the end of the time interval and the hypothetical P&L is then compared with the VaR. The other method, called dirty backtesting, consists of comparing the VaR estimates with the actual P&L values at the end of the time horizon. This method, however, may pose a problem if the portfolio has changed drastically because of trading activities between the beginning and the end of the time horizon since VaR models assume that the portfolio is "frozen" over the horizon. The Parent Company uses the regulatory 3-zone (green, yellow and red) boundaries in evaluating the backtesting results.

The VaR models undergo close monitoring and regular review of the model's parameters and assumptions to determine model quality.

To complement the VaR approximations, the Parent Company conducts stress testing on a quarterly basis, the results of which are being reported to the BOD. Scenarios used in the conduct of stress test are event driven and represent the worst one-off event of a specific risk factor. Results of stress testing are analyzed in terms of the impact to earnings and capital.

Since VaR is an integral part of the Parent Company's market risk management, VaR limits have been established annually for all financial trading activities and exposures. Calculated VaR compared against the VaR limits are monitored. Limits are based on the tolerable risk appetite of the Parent Company.

The tables below show the trading VaR (in millions):

Trading Portfolio	**Foreign Exchange***	**Interest Rate**	**Equities Price**	**Total VaR****
December 29, 2023	**₱3.99**	**₱86.63**	**₱0.00**	**₱90.62**
Average Daily	**9.26**	**133.08**	**0.00**	**142.34**
Highest	**33.27**	**313.88**	**0.00**	**320.92**
Lowest	**1.78**	**62.67**	**0.00**	**67.76**

* *FX VaR is the bankwide foreign exchange risk*
** *The high and low for the total portfolio may not equal the sum of the individual components as the highs and lows of the individual trading portfolios may have occurred on different trading days*

Trading Portfolio	Foreign Exchange*	Interest Rate	Equities Price	Total VaR**
December 29, 2022	₱1.98	₱130.50	₱0.00	₱132.48
Average Daily	6.77	161.09	0.00	167.09
Highest	25.45	889.57	0.00	895.51
Lowest	0.87	118.10	0.00	131.61

* *FX VaR is the bankwide foreign exchange risk*
** *The high and low for the total portfolio may not equal the sum of the individual components as the highs and lows of the individual trading portfolios may have occurred on different trading days*

4.4.2 Non-Trading Market Risk

Interest rate risk
The Group seeks to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. Interest margins may increase as a result of such changes but may be reduced or may create losses in the event that unexpected movements arise.

Repricing mismatches will expose the Group to interest rate risk. The Group measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of a “repricing gap” analysis using the repricing characteristics of its financial instrument positions tempered with approved assumptions. To evaluate earnings exposure, interest rate sensitive liabilities in each time band are subtracted from the corresponding interest rate assets to produce a “repricing gap” for that time band. The difference in the amount of assets and liabilities maturing or being repriced over a one year period would then give the Group an indication of the extent to which it is exposed to the risk of potential changes in net interest income. A negative gap occurs when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. Vice versa, positive gap occurs when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities.

During a period of rising interest rates, a company with a positive gap is better positioned because the company’s assets are refinanced at increasingly higher interest rates increasing the net interest margin of the company over time. During a period of falling interest rates, a company with a positive gap would show assets repricing at a faster rate than one with a negative gap, which may restrain the growth of its net income or result in a decline in net interest income.

For risk management purposes, the loan accounts are assessed based on next repricing date, thus as an example, if a loan account is scheduled to reprice three years from year-end report date, slotting of the account will be based on the date of interest repricing. Deposits with no specific maturity dates are excluded in the one-year repricing gap except for the portion of volatile regular savings deposits which are assumed to be withdrawn during the one year period and assumed to be replaced by a higher deposit rate.

The Group uses the Earnings at Risk (EaR) methodology to measure the likely interest margin compression in case of adverse change in interest rates given the Group's repricing gap. The repricing gap covering the one-year period is multiplied by an assumed change in interest rates to yield an approximation of the change in net interest income that would result from such an interest rate movement. The Parent Company's BOD sets a limit on the level of EaR exposure tolerable to the Group. EaR exposure and compliance to the EaR limit is monitored monthly by the RMG and subject to a quarterly stress test.

The following table sets forth the repricing gap position of the Group and the Parent Company:

	Consolidated					
	2023					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1 year**	**Total**
Financial Assets*						
Due from BSP and other banks	**₱58,150,792**	**₱9,072,894**	**₱3,369,531**	**₱8,901,479**	**₱37,159,510**	**₱116,654,206**
Interbank loans receivable and securities held under agreements to resell	**98,092,798**	**5,439,375**	**733,899**	**1,062,906**	**–**	**105,328,978**
Receivables from customers and other receivables - gross**	**161,955,806**	**49,845,326**	**28,901,960**	**39,616,354**	**104,403,594**	**384,723,040**
Total financial assets	**₱318,199,396**	**₱64,357,595**	**₱33,005,390**	**₱49,580,739**	**₱141,563,104**	**₱606,706,224**
Financial Liabilities*						
Deposit liabilities:						
Savings	**₱158,675,307**	**₱56,242,019**	**₱27,795,826**	**₱49,149,862**	**₱249,146,435**	**₱541,009,449**
Time***	**81,037,001**	**40,011,529**	**6,280,461**	**5,894,523**	**12,528,547**	**145,752,061**
Bonds payable	**–**	**–**	**–**	**41,490,871**	**–**	**41,490,871**
Bills and acceptances payable	**10,303,062**	**5,296,850**	**1,746,803**	**185,016**	**2,630,872**	**20,162,603**
Total financial liabilities	**₱250,015,370**	**₱101,550,398**	**₱35,823,090**	**₱96,720,272**	**₱264,305,854**	**₱748,414,984**
Repricing gap	**₱68,184,026**	**(₱37,192,803)**	**(₱2,817,700)**	**(₱47,139,533)**	**(₱122,742,750)**	**(₱141,708,760)**
Cumulative gap	**68,184,026**	**30,991,223**	**28,173,523**	**(18,966,010)**	**(141,708,760)**	

* *Financial instruments that are not subject to repricing/rollforward were excluded*
** *Receivables from customers excludes residual value of leased assets (Note 10)*
****Excludes LTNCD*

	Consolidated					
	2022					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱57,044,759	₱12,537,877	₱3,792,192	₱7,078,521	₱40,258,194	₱120,711,543
Interbank loans receivable and securities held under agreements to resell	69,845,933	4,825,901	2,118,690	4,023,440	–	80,813,964
Receivables from customers and other receivables - gross**	38,027,100	45,572,755	34,155,255	35,259,733	188,411,533	341,426,376
Total financial assets	₱164,917,792	₱62,936,533	₱40,066,137	₱46,361,694	₱228,669,727	₱542,951,883
Financial Liabilities*						
Deposit liabilities:						
Savings	₱114,430,938	₱82,873,557	₱27,876,786	₱50,253,238	₱244,506,016	₱519,940,535
Time***	57,117,230	30,218,746	11,043,959	9,460,545	4,272,828	112,113,308
Bonds payable	–	–	16,696,885	–	41,742,212	58,439,097
Bills and acceptances payable	9,382,521	3,640,490	17,418	369,964	1,569,980	14,980,373
Total financial liabilities	₱180,930,689	₱116,732,793	₱55,635,048	₱60,083,747	₱292,091,036	₱705,473,313
Repricing gap	(₱16,012,897)	(₱53,796,260)	(₱15,568,911)	(₱13,722,053)	(₱63,421,309)	(₱162,521,430)
Cumulative gap	(16,012,897)	(69,809,157)	(85,378,068)	(99,100,121)	(162,521,430)	

* *Financial instruments that are not subject to repricing/rollforward were excluded*
** *Receivables from customers excludes residual value of leased assets (Note 10)*
****Excludes LTNCD*

	Parent Company					
	2023					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1 year**	**Total**
Financial Assets*						
Due from BSP and other banks	**₱53,163,321**	**₱8,466,394**	**₱3,186,263**	**₱7,166,464**	**₱37,054,532**	**₱109,036,974**
Interbank loans receivable and securities held under repurchase agreement	**96,853,751**	**4,713,657**	**733,899**	**830,550**	**–**	**103,131,857**
Receivable from customers and other receivables - gross**	**161,955,806**	**49,845,326**	**28,901,960**	**39,616,354**	**104,403,594**	**384,723,040**
Total financial assets	**₱311,972,878**	**₱63,025,377**	**₱32,822,122**	**₱47,613,368**	**₱141,458,126**	**₱596,891,871**
Financial Liabilities*						
Deposit liabilities:						
Savings	**₱158,566,530**	**₱56,141,908**	**₱27,695,715**	**₱48,995,714**	**₱248,663,704**	**₱540,063,571**
Time***	**85,305,839**	**39,796,870**	**6,226,047**	**5,871,308**	**4,570,860**	**141,770,924**
Bonds payable	**–**	**–**	**–**	**41,490,871**	**–**	**41,490,871**
Bills and acceptances payable	**10,109,071**	**5,266,998**	**1,738,607**	**–**	**3,047,927**	**20,162,603**
Total financial liabilities	**₱253,981,440**	**₱101,205,776**	**₱35,660,369**	**₱96,357,893**	**₱256,282,491**	**₱743,487,969**
Repricing gap	**₱57,991,438**	**(₱38,180,399)**	**(₱2,838,247)**	**(₱48,744,525)**	**(₱114,824,365)**	**(₱146,596,098)**
Cumulative gap	**57,991,438**	**19,811,039**	**16,972,792**	**(31,771,733)**	**(146,596,098)**	

* *Financial instruments that are not subject to repricing/rollforward were excluded.*
** *Receivable from customers excludes residual value of leased assets (Note 10).*
****Excludes LTNCD.*

	Parent Company					
	2022					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱53,592,812	₱10,577,151	₱3,520,771	₱6,789,024	₱37,820,976	₱112,300,734
Interbank loans receivable and securities held under repurchase agreement	69,014,896	4,333,680	2,118,690	3,791,340	–	79,258,606
Receivable from customers and other receivables - gross**	38,027,100	45,572,755	34,155,255	35,259,733	188,411,533	341,426,376
Total financial assets	₱160,634,808	₱60,483,586	₱39,794,716	₱45,840,097	₱226,232,509	₱532,985,716
Financial Liabilities*						
Deposit liabilities:						
Savings	₱113,443,295	₱82,873,557	₱27,876,786	₱50,253,238	₱244,481,764	₱518,928,640
Time***	59,700,130	28,124,706	8,370,715	8,430,094	4,140,440	108,766,085
Bonds payable	–	–	16,696,885	–	41,742,212	58,439,097
Bills and acceptances payable	9,231,579	3,540,473	–	–	1,115,983	13,888,035
Total financial liabilities	₱182,375,004	₱114,538,736	₱52,944,386	₱58,683,332	₱291,480,399	₱700,021,857
Repricing gap	(₱21,740,196)	(₱54,055,150)	(₱13,149,670)	(₱12,843,235)	(₱65,247,890)	(₱167,036,141)
Cumulative gap	(21,740,196)	(75,795,346)	(88,945,016)	(101,788,251)	(167,036,141)	

* *Financial instruments that are not subject to repricing/rollforward were excluded*
** *Receivables from customers excludes residual value of leased assets (Note 10)*
****Excludes LTNCD*

The following table sets forth, for the year indicated, the impact of changes in interest rates on the Group's and the Parent Company's repricing gap for the years ended December 31, 2023 and 2022:

	Consolidated			
	2023		2022	
	Statement of Income	**Equity**	Statement of Income	Equity
+50bps	**₱119,977**	**₱119,977**	(₱352,749)	(₱352,749)
-50bps	**(119,977)**	**(119,977)**	352,749	352,749
+100bps	**239,954**	**239,954**	(705,498)	(705,498)
-100bps	**(239,954)**	**(239,954)**	705,498	705,498

	Parent Company			
	2023		2022	
	Statement of Income	**Equity**	Statement of Income	Equity
+50bps	**₱66,058**	**₱66,058**	(₱372,994)	(₱372,994)
-50bps	**(66,058)**	**(66,058)**	372,994	372,994
+100bps	**132,116**	**132,116**	(745,988)	(745,988)
-100bps	**(132,116)**	**(132,116)**	745,988	745,988

In addition to EaR, the Parent Company also employs economic value-based measures that assess the present value of the expected net cash flows of assets and liabilities, particularly those that are interest-bearing, discounted to reflect market rates. At the same time that fluctuations in interest rates will affect the Parent Company's earnings, these will also have an impact on its net worth or capital position. In coming up with present values, the relevant risk-free rate shall be used to formulate discount factors. Resulting weighted net positions across tenors are aggregated to determine the Economic Value of Equity (EVE) per book and per major currency under different shock scenarios.

Delta EVE is the difference between the total net present value of expected asset and liability cash flows when discounted at prevailing market rates and when discounted against shocked interest rates. Delta EVE is computed based on several interest rate shock scenarios (e.g. parallel up, parallel down, short rates up, short rates down, steepening rates, flattening rates). The scenario with the most negative Delta EVE, pertaining to the highest decline in net present value, is compared to the medium to long-term Delta EVE trigger, which corresponds to a percentage of the Parent Company's Common Equity Tier 1 (CET1) capital.

As of December 31, 2023, the maximum negative Delta EVE is at ₱6.2 billion or 5.43% of CET1 capital coming from the steepening rates scenario.

Foreign currency risk
Foreign exchange is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financials and cash flows.

Foreign currency liabilities generally consist of foreign currency deposits in the Parent Company's FCDU books, accounts made in the Philippines or which are generated from remittances to the Philippines by Filipino expatriates and overseas Filipino workers who retain for their own benefit or for the benefit of a third party, foreign currency deposit accounts with the Parent Company and foreign currency-denominated borrowings appearing in the regular books of the Parent Company.

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

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

The table below summarizes the exposure to foreign exchange rate risk excluding those under the FCDU, categorized by currency (amounts in Philippine peso equivalent).

	Consolidated					
	2023			2022		
	USD	Others*	Total	USD	Others*	Total
Assets						
COCI and due from BSP	₱119,469	₱425,096	₱544,565	₱84,087	₱220,965	₱305,052
Due from other banks	11,638,822	3,863,354	15,502,176	15,808,462	6,252,360	22,060,822
Interbank loans receivable and securities held under agreements to resell	15,134,491	4,827,144	19,961,635	1,055,631	1,963,052	3,018,683
Loans and receivables	26,835,528	11,551,544	38,387,072	27,845,651	9,647,963	37,493,614
Financial assets at FVTPL	5,029	–	5,029	631	1,708	2,339
Financial assets at FVOCI	866,362	732,743	1,599,105	836,677	1,359,428	2,196,105
Investment securities at amortized cost	476,337	624,203	1,100,540	145,145	512,077	657,222
Other assets	11,779,548	1,030,816	12,810,364	123,263	1,119,773	1,243,036
Total assets	66,855,586	23,054,900	89,910,486	45,899,547	21,077,326	66,976,873
Liabilities						
Deposit liabilities	₱8,849,451	₱8,963,600	₱17,813,051	₱8,239,094	₱7,994,078	₱16,233,172
Derivative liabilities	1	–	1	–	–	–
Bills and acceptances payable	10,510,491	–	10,510,491	11,984,358	16,950	12,001,308
Accrued interest payable	86,808	21,671	108,479	93,140	82,035	175,175
Other liabilities	9,378,454	2,494,000	11,872,454	26,256,370	2,199,950	28,456,320
Total liabilities	28,825,205	11,479,271	40,304,476	46,572,962	10,293,013	56,865,975
Net Exposure	₱38,030,381	₱11,575,629	₱49,606,010	(₱673,415)	₱10,784,313	₱10,110,898

* *Other currencies pertain to third currencies*

	Parent Company					
	2023			2022		
	USD	Others*	Total	USD	Others*	Total
Assets						
COCI and due from BSP	₱51,226	₱167,776	₱219,002	₱67,296	₱212,487	₱279,783
Due from other banks	6,136,432	1,144,815	7,281,247	10,753,272	1,465,566	12,218,838
Interbank loans receivable and securities held under agreements to resell	14,362,997	3,348,733	17,711,730	722,689	725,368	1,448,057
Loans and receivables	24,700,030	24,636	24,724,666	24,638,723	38,217	24,676,940
Financial assets at FVTPL	44	–	44	216	–	216
Financial assets at FVOCI	866,362	572,357	1,438,719	836,677	1,205,124	2,041,801
Investment securities at amortized cost	6,376	624,203	630,579	5,863	512,077	517,940
Other assets	11,745,510	–	11,745,510	11,811,574	–	11,811,574
Total assets	57,868,977	5,882,520	63,751,497	48,836,310	4,158,839	52,995,149
Liabilities						
Deposit liabilities	2,275,877	5,538,066	7,813,943	2,280,526	4,472,986	6,753,512
Derivative liabilities	1	–	1	–	–	–
Bills and acceptances payable	10,510,491	–	10,510,491	11,927,528	–	11,927,528
Accrued interest payable	54,986	1,499	56,485	86,968	408	87,376
Other liabilities	9,036,932	1,996,722	11,033,654	25,952,250	1,841,698	27,793,948
Total liabilities	21,878,287	7,536,287	29,414,574	40,247,272	6,315,092	46,562,364
Net Exposure	₱35,990,690	(₱1,653,767)	₱34,336,923	₱8,589,038	(₱2,156,253)	₱6,432,785

* *Other currencies pertain to third currencies*

The exchange rates used to convert the Group and the Parent Company’s US dollar-denominated assets and liabilities into Philippine peso were ₱55.37 to USD1.00 as of December 31, 2023 and ₱55.76 to USD1.00 as of December 31, 2022. The following tables set forth the impact of the range of reasonably possible changes in the USD:PHP exchange rate on the Group and the Parent Company’s income before income tax and equity (due to the revaluation of monetary assets and liabilities) for the years ended December 31, 2023 and 2022:

	2023			
	Consolidated		Parent Company	
	Statement of Income	Equity	Statement of Income	Equity
+1.00%	**₱371,640**	**(₱380,304)**	**₱351,243**	**(₱359,907)**
-1.00%	**(371,640)**	**380,304**	**(351,243)**	**359,907**

	2022			
	Consolidated		Parent Company	
	Statement of Income	Equity	Statement of Income	Equity
+1.00%	(₱15,101)	₱6,734	₱77,524	(₱85,890)
-1.00%	15,101	(6,734)	(77,524)	85,890

The Group and the Parent Company do not expect the impact of the volatility on other currencies to be material.

5. **Fair Value Measurement**

The Group uses the following methods and assumptions in estimating the fair value of its assets and liabilities:

Assets and Liabilities	Fair value methodologies
Cash equivalents	At carrying amounts due to their relatively short-term maturity
Derivatives	Based on either: • quoted market prices; • prices provided by independent parties; or • prices derived using acceptable valuation models
Debt securities	For quoted securities – based on market prices from debt exchanges For unquoted securities [1] – estimated using either: • quoted market prices of comparable investments; or • discounted cash flow methodology
Equity securities	For quoted securities – based on market prices from stock exchanges For unquoted securities – estimated using either: • quoted market prices of comparable investments [2]; or • adjusted net asset value method [3] and applying a discount for lack of marketability
Loans and receivables	For loans with fixed interest rates – estimated using the discounted cash flow methodology [4] For loans with floating interest rates – at their carrying amounts
Investment properties	Appraisal by independent external and in-house appraisers based on highest and best use of the property (i.e., current use of the properties) [5] using either: • market data approach [6]; or • replacement cost approach [7]
Short-term financial liabilities	At carrying amounts due to their relatively short-term maturity
Long-term financial liabilities	For quoted debt issuances – based on market prices from debt exchanges For unquoted debt issuances – estimated using the discounted cash flow methodology [8]

Notes:

[1] *using interpolated PHP BVAL rates provided by the Philippine Dealing and Exchange Corporation (for government securities) and PHP BVAL rates plus additional credit spread (for corporate/private securities)*
[2] *using the most relevant multiples (e.g., earnings, book value)*
[3] *measures the company's value by adjusting the carrying value of its assets to their fair values, and then subtracting the fair value of its liabilities*
[4] *using the current incremental lending rates for similar loans*
[5] *considering other factors such as size, shape and location of the properties, price per square meter, reproduction costs new, time element, discount, among others*
[6] *using recent sales of similar properties within the same vicinity and considering the economic conditions prevailing at the time of the valuations and comparability of similar properties sold*
[7] *estimating the investment required to duplicate the property in its present condition*
[8] *using the current incremental borrowing rates for similar borrowings*

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

- Level 1 - Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level of input that is significant to their fair value measurement is unobservable

The Group and the Parent Company held the following assets and liabilities measured at fair value, and at cost but for which fair values are disclosed:

	Consolidated				
	2023				
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	**₱8,174,405**	**₱2,633,602**	**₱5,540,803**	**₱–**	**₱8,174,405**
Private debt securities	**1,590,489**	**914,210**	**676,279**	**–**	**1,590,489**
Derivative assets	**749,199**	**–**	**749,199**	**–**	**749,199**
Equity securities	**2,771**	**2,771**	**–**	**–**	**2,771**
Financial assets at FVOCI:					
Government securities	**124,372,410**	**46,682,566**	**77,689,844**	**–**	**124,372,410**
Equity securities	**25,978,530**	**200,709**	**1,014,081**	**24,763,740**	**25,978,530**
Private debt securities	**14,180,552**	**6,944,140**	**7,236,412**	**–**	**14,180,552**
	₱175,048,356	**₱57,377,998**	**₱92,906,618**	**₱24,763,740**	**₱175,048,356**
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	**₱555,811**	**₱–**	**₱555,811**	**₱–**	**₱555,811**
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	**₱123,200,427**	**₱24,840,676**	**₱98,730,596**	**₱–**	**₱123,571,272**
Receivables from customers**	**604,188,788**	**–**	**–**	**623,817,129**	**623,817,129**
	₱727,389,215	**₱24,840,676**	**₱98,730,596**	**₱623,817,129**	**₱747,388,401**
Nonfinancial Assets					
Investment property:					
Land***	**₱12,359,795**	**₱–**	**₱–**	**₱26,228,453**	**₱26,228,453**
Buildings and improvements***	**2,219,763**	**–**	**–**	**7,975,404**	**7,975,404**
	₱14,579,558	**₱–**	**₱–**	**₱34,203,857**	**₱34,203,857**
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	**₱145,752,061**	**₱–**	**₱–**	**₱145,538,240**	**₱145,538,240**
LTNCDs	**12,803,543**	**–**	**12,586,489**	**–**	**12,586,489**
Bonds payable	**41,490,871**	**–**	**40,625,938**	**–**	**40,625,938**
Bills payable	**10,607,626**	**–**	**–**	**10,559,411**	**10,559,411**
	₱210,654,101	**₱–**	**₱53,212,427**	**₱156,097,651**	**₱209,310,078**

* *Net of expected credit losses (Note 9)*
** *Net of expected credit losses and unearned and other deferred income (Note 10)*
*** *Net of impairment losses (Note 13)*

	Consolidated				
	2022				
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	₱4,371,671	₱27,009	₱4,344,662	₱–	₱4,371,671
Private debt securities	1,610,681	146,495	1,464,186	–	1,610,681
Derivative assets	1,361,951	–	1,361,951	–	1,361,951
Equity securities	2,898	2,898	–	–	2,898
Financial assets at FVOCI:					
Government securities	117,939,783	55,867,413	62,072,370	–	117,939,783
Equity securities	24,812,872	233,298	1,128,254	23,451,320	24,812,872
Private debt securities	15,430,870	244,224	15,186,646	–	15,430,870
	₱165,530,726	₱56,521,337	₱85,558,069	₱23,451,320	₱165,530,726
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱1,039,776	₱–	₱1,039,776	₱–	₱1,039,776
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	₱110,467,960	₱14,695,749	₱96,707,252	₱–	₱111,403,001
Receivables from customers**	578,120,332	–	–	610,493,878	610,493,878
	₱688,588,292	₱14,695,749	₱96,707,252	₱610,493,878	₱721,896,879
Nonfinancial Assets					
Investment property:					
Land***	₱12,508,051	₱–	₱–	₱29,868,859	₱29,868,859
Buildings and improvements***	1,286,935	–	–	3,510,670	3,510,670
	₱13,794,986	₱–	₱–	₱33,379,529	₱33,379,529
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	₱112,113,308	₱–	₱–	₱112,113,308	₱112,113,308
LTNCDs	19,130,012	–	18,922,562	–	18,922,562
Bonds payable	58,439,097	39,955,398	16,878,070	–	56,833,468
Bills payable	7,702,325	–	–	7,625,229	7,625,229
	₱197,384,742	₱39,955,398	₱35,800,632	₱119,738,537	₱195,494,567

* *Net of expected credit losses (Note 9)*
** *Net of expected credit losses and unearned and other deferred income (Note 10)*
*** *Net of impairment losses (Note 13)*

	Parent Company				
	2023				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	**₱8,174,405**	**₱2,633,602**	**₱5,540,803**	**₱–**	**₱8,174,405**
Private debt securities	**1,444,641**	**768,361**	**676,280**	**–**	**1,444,641**
Derivative assets	**744,213**	**–**	**744,213**	**–**	**744,213**
Financial assets at FVOCI:					
Government securities	**124,081,774**	**46,219,370**	**77,862,404**	**–**	**124,081,774**
Equity securities	**25,903,360**	**200,539**	**939,081**	**24,763,740**	**25,903,360**
Private debt securities	**14,151,837**	**6,915,425**	**7,236,412**	**–**	**14,151,837**
	₱174,500,230	**₱56,737,297**	**₱92,999,193**	**₱24,763,740**	**₱174,500,230**
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	**₱555,811**	**₱–**	**₱555,811**	**₱–**	**₱555,811**

(Forward)

	Parent Company				
	2023				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost					
Investment securities at amortized cost*	**₱122,730,465**	**₱24,370,714**	**₱98,730,596**	**₱–**	**₱123,101,310**
Receivables from customers**	**590,301,047**	**–**	**–**	**609,930,601**	**609,930,601**
	₱713,031,512	**₱24,370,714**	**₱98,730,596**	**₱609,930,601**	**₱733,031,911**
Nonfinancial Assets					
Investment property:					
Land***	**₱11,807,630**	**₱–**	**₱–**	**₱25,628,608**	**₱25,628,608**
Buildings and improvements***	**2,303,976**	**–**	**–**	**7,806,117**	**7,806,117**
	₱14,111,606	**₱–**	**₱–**	**₱33,434,725**	**₱33,434,725**
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	**₱141,770,924**	**₱–**	**₱–**	**₱141,557,103**	**₱141,557,103**
LTNCDs	**12,803,543**	**–**	**12,586,489**	**–**	**12,586,489**
Bonds payable	**41,490,871**	**–**	**40,625,938**	**–**	**40,625,938**
Bills payable	**10,607,626**	**–**	**–**	**10,559,411**	**10,559,411**
	₱206,672,964	**₱–**	**₱53,212,427**	**₱152,116,514**	**₱205,328,941**

* *Net of expected credit losses (Note 9)*
** *Net of expected credit losses and unearned and other deferred income (Note 10)*
*** *Net of impairment losses (Note 13)*

	Parent Company				
	2022				
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	₱4,371,671	₱27,008	₱4,344,663	₱–	₱4,371,671
Private debt securities	1,464,186	–	1,464,186	–	1,464,186
Derivative assets	1,359,828	–	1,359,828	–	1,359,828
Financial assets at FVOCI:					
Government securities	117,660,744	55,415,814	62,244,930	–	117,660,744
Equity securities	24,365,818	233,128	681,370	23,451,320	24,365,818
Private debt securities	15,179,345	244,224	14,935,121	–	15,179,345
	₱164,401,592	₱55,920,174	₱85,030,098	₱23,451,320	₱164,401,592
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱1,039,776	₱–	₱1,039,776	₱–	₱1,039,776
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost					
Investment securities at amortized cost*	₱110,328,678	₱14,556,467	₱96,707,252	₱–	₱111,263,719
Receivables from customers**	564,069,218	–	–	596,443,214	596,443,214
	674,397,896	14,556,467	96,707,252	596,443,214	707,706,933
Nonfinancial Assets					
Investment property:					
Land***	₱11,953,099	₱–	₱–	₱29,264,637	₱29,264,637
Buildings and improvements***	1,311,721	–	–	3,316,776	3,316,776
	₱13,264,820	₱–	₱–	₱32,581,413	₱32,581,413
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	₱108,766,087	₱–	₱–	₱108,766,087	₱108,766,087
LTNCDs	19,130,012	–	18,922,562	–	18,922,562
Bonds payable	58,439,097	39,955,398	16,878,070	–	56,833,468
Bills payable	6,609,988	–	–	6,532,891	6,532,891
	₱192,945,184	₱39,955,398	₱35,800,632	₱115,298,978	₱191,055,008

* *Net of expected credit losses (Note 9)*
** *Net of expected credit losses and unearned and other deferred income (Note 10)*
*** *Net of impairment losses (Note 13)*

As of December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

The following table summarizes the significant unobservable inputs used to calculate the fair value of Level 3 financial assets at FVOCI of the Group and the Parent Company as of December 31, 2023 and 2022 and the range of values indicating the highest and lowest level input used in the valuation techniques.

	Significant Unobservable Input	**2023** **-2%**	**+2%**	2022 -2%	+2%
Equity securities	Discount for lack of marketability	**₱588,436**	**(₱588,436)**	₱555,656	(₱555,656)

For certain unquoted equity securities, the Group imputes a discount for lack of marketability which is a valuation consideration often based on observed data and empirical evidence. Certain valuation studies suggest that private companies typically sell at lower transaction pricing multiples than similar public companies.

6. Segment Information

6.1 Business Segments

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

- Retail Banking - principally handling individual customer's deposits, and providing consumer type loans, credit card facilities and fund transfer facilities;
- Corporate Banking - principally handling loans and other credit facilities and deposit accounts for corporate and institutional customers;
- Treasury - principally providing money market, trading and treasury services, as well as the management of the Group's funding operations by use of Treasury bills, government securities and placements and acceptances with other banks, through treasury and wholesale banking; and
- Other Segments - include, but not limited to, trust, leasing, remittances and other support services. Other support services of the Group comprise of operations and finance.

Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is credited to or charged against business segments based on pool rate which approximates the marginal cost of funds.

For management purposes, business segment report is done on a quarterly basis. Business segment information provided to the BOD, the chief operating decision maker (CODM), is based on the reportorial requirements under the Regulatory Accounting Principles (RAP) of the BSP, which differ from PFRS due to the manner of provisioning for impairment and credit losses, measurement of investment properties, and the fair value measurement of financial instruments. The report submitted to CODM represents only the results of operation for each of the reportable segment.

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

Segment revenues pertain to the net interest margin and other operating income earned by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

The Group has no significant customer which contributes 10.00% or more of the consolidated revenue.

Business segment information of the Group follows:

	2023					
	Retail Banking	**Corporate Banking**	**Treasury**	**Others**	**Adjustments and Eliminations***	**Total**
Net interest margin						
Third party	**(₱717,463)**	**₱28,943,234**	**₱16,370,415**	**₱91,085**	**(₱94,428)**	**₱44,592,843**
Inter-segment	**28,959,163**	**(16,642,135)**	**(12,317,028)**	**–**	**–**	**–**
Net interest margin after inter-segment transactions	**28,241,700**	**12,301,099**	**4,053,387**	**91,085**	**(94,428)**	**44,592,843**
Other income	**5,053,691**	**6,180,122**	**1,433,814**	**1,580,429**	**(214,234)**	**14,033,822**
Segment revenue	**33,295,391**	**18,481,221**	**5,487,201**	**1,671,514**	**(308,662)**	**58,626,665**
Other expenses	**13,242,125**	**9,270,074**	**1,133,976**	**1,844,253**	**(308,662)**	**25,181,766**
Segment result	**₱20,053,266**	**₱9,211,147**	**₱4,353,225**	**(₱172,739)**	**₱–**	**33,444,899**
Unallocated expenses						**11,471,704**
Income before income tax						**21,973,195**
Income tax						**4,007,375**
Net income						**17,965,820**
Non-controlling interests						**(13,437)**
Net income for the year attributable to equity holders of the Parent Company						**₱17,979,257**
Other segment information:						
Capital expenditures	**₱348,679**	**₱147,739**	**₱5,350**	**₱141,085**	**₱–**	**₱642,853**
Unallocated capital expenditures						**375,975**
Total capital expenditures						**₱1,018,828**
Depreciation and amortization	**₱1,182,493**	**₱424,316**	**₱19,483**	**₱293,714**	**₱–**	**₱1,920,006**
Unallocated depreciation and amortization						**2,056,063**
Total depreciation and amortization						**₱3,976,069**
Provision for (reversal of) impairment, credit and other losses	**₱160,141**	**₱5,804,991**	**(₱69,600)**	**₱27,522**	**₱–**	**₱5,923,054**

** The adjustments and eliminations column mainly represent the RAP to PFRS adjustments*

	2022					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	₱1,067,003	₱27,860,354	₱8,535,524	₱20,517	(₱155,828)	₱37,327,570
Inter-segment	20,436,564	(13,698,864)	(6,737,700)	–	–	–
Net interest margin after inter-segment transactions	21,503,567	14,161,490	1,797,824	20,517	(155,828)	37,327,570
Other income	5,008,794	8,159,543	(128,555)	3,629,778	(488,667)	16,180,893
Segment revenue	26,512,361	22,321,033	1,669,269	3,650,295	(644,495)	53,508,463
Other expenses	13,047,668	9,261,629	628,690	2,069,057	(644,495)	24,362,549
Segment result	₱13,464,693	₱13,059,404	₱1,040,579	₱1,581,238	₱–	29,145,914
Unallocated expenses						12,630,698
Income before income tax						16,515,216

(Forward)

	2022					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Income tax						₱4,931,228
Net income						11,583,988
Non-controlling interests						51,670
Net income for the year attributable to equity holders of the Parent Company						₱11,532,318
Other segment information:						
Capital expenditures	₱166,520	₱26,621	₱19,998	₱9,628	₱–	₱222,767
Unallocated capital expenditures						1,205,888
Total capital expenditures						₱1,428,655
Depreciation and amortization	₱1,308,317	₱399,629	₱45,770	₱351,829	₱–	₱2,105,545
Unallocated depreciation and amortization						2,120,201
Total depreciation and amortization						₱4,225,746
Provision for (reversal of) impairment, credit and other losses	₱840,755	₱5,281,808	(₱8,104)	₱1,083,658	₱–	₱7,198,117

	2021					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	₱471,810	₱28,638,348	₱5,631,755	₱128,036	(₱25,122)	₱34,844,827
Inter-segment	17,316,847	(15,099,161)	(2,217,686)	–	–	–
Net interest margin after inter-segment transactions	17,788,657	13,539,187	3,414,069	128,036	(25,122)	34,844,827
Other income	4,774,488	325,327	1,071,713	36,632,015	399,445	43,202,988
Segment revenue	22,563,145	13,864,514	4,485,782	36,760,051	374,323	78,047,815
Other expenses	15,835,760	11,135,265	28,780	1,872,452	374,323	29,246,580
Segment result	₱6,727,385	₱2,729,249	₱4,457,002	₱34,887,599	₱–	48,801,235
Unallocated expenses						10,830,638
Income before income tax						37,970,597
Income tax						5,545,194
Net income from continuing operations						32,425,403
Net income from discontinued operations						(735,365)
Net income						31,690,038
Non-controlling interests						59,412
Net income for the year attributable to equity holders of the Parent Company						₱31,630,626
Other segment information:						
Capital expenditures	₱253,520	₱22,288	₱47,096	₱436,928	₱–	₱759,832
Unallocated capital expenditures						1,016,364
Total capital expenditure						₱1,776,196
Depreciation and amortization	₱810,644	₱341,467	₱21,707	₱452,128	₱–	₱1,625,946
Unallocated depreciation and amortization						1,219,771
Total depreciation and amortization						₱2,845,717
Provision for impairment, credit and other losses	₱4,355,124	₱8,171,174	(₱600,974)	₱953,687	₱–	₱12,879,011

** The adjustments and eliminations column mainly represent the RAP to PFRS adjustments*

	As of December 31, 2023					
	Retail Banking	**Corporate Banking**	**Treasury**	**Others**	**Adjustments and Eliminations***	**Total**
Segment assets	**₱681,077,435**	**₱296,973,331**	**₱162,833,376**	**₱91,208,829**	**(₱21,543,571)**	**₱1,210,549,400**
Segment liabilities	**₱655,716,486**	**₱277,504,592**	**₱73,979,402**	**₱34,548,168**	**(₱22,347,902)**	**₱1,019,400,746**

** The adjustments and eliminations column mainly represent the RAP to PFRS adjustments*

	As of December 31, 2022					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Segment assets	₱699,718,901	₱318,631,627	₱102,166,641	₱69,835,932	(₱45,196,025)	₱1,145,157,076
Segment liabilities	₱680,567,910	₱227,645,082	₱21,889,505	₱93,262,996	(₱48,114,051)	₱975,251,442

**The adjustments and eliminations column mainly represent the RAP to PFRS adjustments*

6.2 Geographical Segments

Although the Group's businesses are managed on a worldwide basis, the Group operates in four principal geographical areas of the world. The distribution of assets, liabilities, credit commitments, capital expenditures, and revenues by geographic region of the Group follows:

	Non-current Assets*		**Liabilities**		**Credit Commitments**	
	2023	2022	**2023**	2022	**2023**	2022
Philippines	**₱483,441,271**	₱536,693,910	**₱981,819,485**	₱930,350,192	**₱46,642,445**	₱43,941,525
Asia (excluding Philippines)	**15,782,479**	18,796,243	**31,573,388**	33,199,104	**–**	–
USA and Canada	**2,486,207**	2,079,055	**5,895,426**	11,598,988	**–**	–
United Kingdom	**328**	797	**112,447**	103,158	**–**	–
	₱501,710,285	₱557,570,005	**₱1,019,400,746**	₱975,251,442	**₱46,642,445**	₱43,941,525

** Gross of allowance for impairment and credit losses (Note 16) and unearned and other deferred income (Note 10)*

	Capital Expenditures			**Revenues**		
	2023	2022	2021	**2023**	2022	2021
Philippines	**₱1,015,634**	₱1,394,685	₱1,728,280	**₱69,828,059**	₱59,259,052	₱83,243,604
Asia (excluding Philippines)	**2,173**	33,178	45,649	**2,639,017**	1,221,488	1,561,499
USA and Canada	**1,021**	792	2,267	**1,042,962**	839,476	694,003
United Kingdom	**–**	–	–	**118,313**	105,279	106,259
	₱1,018,828	₱1,428,655	₱1,776,196	**₱73,628,351**	₱61,425,295	₱85,605,365

The Philippines is the home country of the Parent Company, which is also the main operating company. The Group offers a wide range of financial services as discussed in Note 1. Additionally, most of the remittance services are managed and conducted in Asia, Canada, USA and United Kingdom. The areas of operations include all the primary business segments.

7. Due from Bangko Sentral ng Pilipinas

This account consists of:

	Consolidated		**Parent Company**	
	2023	2022	**2023**	2022
Demand deposit (Note 17)	**₱78,372,794**	₱74,701,360	**₱78,372,794**	₱74,701,360
Overnight deposit facility (ODF)	**15,000,000**	5,000,000	**15,000,000**	5,000,000
Term deposit facility (TDF)	**2,037,556**	15,000,000	**2,037,556**	15,000,000
	₱95,410,350	₱94,701,360	**₱95,410,350**	₱94,701,360

In 2023, 2022 and 2021, interest income on amounts due from BSP of the Group and the Parent Company amounted to ₱1.8 bilion, ₱1.2 billion and ₱1.2 billion, respectively, with interest rates ranging from:

	2023	2022	2021
ODF	**5.00% - 6.00%**	1.50% - 5.00%	1.50% - 2.00%
TDF	**6.28% - 6.75%**	1.66% - 6.43%	1.60% - 2.02%

8. Interbank Loans Receivable and Securities Held Under Agreements to Resell

8.1 Interbank Loans Receivables

Interbank loans receivables of the Group and the Parent Company bear interest ranging from:

	2023	2022	2021
Peso-denominated	**5.5% - 6.4%**	1.5% - 6.4%	1.0% - 2.0%
Foreign currency-denominated	**0.9% - 6.1%**	0.4% - 5.3%	0.0% - 1.5%

The amount of the Group's and the Parent Company's interbank loans receivable considered as cash and cash equivalents follow:

	Consolidated		Parent Company	
	2023	2022	2023	2022
Interbank loans receivable	**₱35,642,485**	₱16,291,470	**₱33,445,364**	₱14,736,112
Less: Allowance for credit losses (Note 16)	**8,045**	1,369	**8,045**	1,369
	35,634,440	16,290,101	**33,437,319**	14,734,743
Less: Interbank loans receivable not considered as cash and cash equivalents	**4,678,674**	6,507,649	**3,502,399**	5,910,030
	₱30,955,766	₱9,782,452	**₱29,934,920**	₱8,824,713

8.2 Securities Held Under Agreements to Resell

Securities held under agreements to resell bear interest ranging from 4.20% to 7.00% in 2023, from 2.00% to 5.50% in 2022, and from 1.50% to 2.50% in 2021. As of December 31, 2023 and 2022, allowance for credit losses on securities held under agreements to resell amounted to ₱14.2 million and ₱2.2 million, respectively (refer to Note 16.2).

The fair value of the treasury bills pledged under these agreements as of December 31, 2023 and 2022 amounted to ₱57.8 billion and ₱64.3 billion, for the Group and the Parent Company (refer to Note 35).

8.3 Interest Income on Interbank Loans Receivable and Securities Held Under Agreements to Resell

In 2023, 2022 and 2021, interest income on interbank loans receivable and securities held under agreements to resell amounted to ₱3.4 billion, ₱954.6 million, and ₱400.4 million, respectively, for the Group and ₱3.4 billion, ₱896.7 million, and ₱348.2 million, respectively, for the Parent Company.

9. Trading and Investment Securities

This account consists of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Financial assets at FVTPL	**₱10,516,864**	₱7,347,201	**₱10,363,259**	₱7,195,685
Financial assets at FVOCI	**164,531,492**	158,183,525	**164,136,971**	157,205,907
Investment securities at amortized cost	**123,200,427**	110,467,960	**122,730,465**	110,328,678
	₱298,248,783	₱275,998,686	**₱297,230,695**	₱274,730,270

9.1 Financial Assets at FVTPL

This account consists of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Government securities	**₱8,174,405**	₱4,371,671	**₱8,174,405**	₱4,371,671
Private debt securities	**1,590,489**	1,610,681	**1,444,641**	1,464,186
Derivative assets (Notes 23 and 35)	**749,199**	1,361,951	**744,213**	1,359,828
Equity securities	**2,771**	2,898	**–**	–
	₱10,516,864	₱7,347,201	**₱10,363,259**	₱7,195,685

The nominal interest rates of debt securities at FVTPL of the Group and the Parent Company range from:

	2023	2022	2021
Government securities	**1.4% - 8.6%**	1.4% - 8.0%	1.4% - 9.5%
Private debt securities	**2.8% - 8.8%**	4.9% - 6.9%	4.9% - 6.9%

9.2 Financial Assets at FVOCI

This account consists of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Government securities (Note 19)	**₱124,372,410**	₱117,939,783	**₱124,081,774**	₱117,660,744
Private debt securities (Note 19)	**14,180,552**	15,430,870	**14,151,837**	15,179,345
Equity securities				
Quoted	**1,049,195**	792,216	**974,025**	734,046
Unquoted (Note 33)	**24,929,335**	24,020,656	**24,929,335**	23,631,772
	₱164,531,492	₱158,183,525	**₱164,136,971**	₱157,205,907

Unquoted equity securities include the Parent Company's retained 49.00% interest in PNB Holdings Corporation (PNB Holdings) amounting to ₱24.6 billion and ₱23.2 billion as of December 31, 2023 and 2022, respectively (refer to Note 12.4). The fair value was determined using the adjusted net asset value method as discussed in Note 5. Further, the Parent Company applied 16.50% discount, being a non-listed company, by referring to a number of recent initial public offerings of comparative entities.

The effective interest rates of debt securities at FVOCI of the Group and the Parent Company range from:

	2023	2022	2021
Government securities	**0.2% - 19.1%**	0.2% - 26.2%	0.1% - 18.3%
Private debt securities	**0.5% - 6.4%**	0.5% - 6.4%	0.4% - 6.9%

As of December 31, 2023 and 2022, the fair value of financial assets at FVOCI in the form of government bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreement transactions amounted to ₱6.5 billion and ₱2.5 billion, respectively (refer to Note 19.1). The counterparties have an obligation to return the securities to the Parent Company once the obligations have been settled. In case of default, the counterparties have the right to hold the securities and sell them as settlement of the repurchase agreement.

The movements in 'Net unrealized gains (losses) on financial assets at FVOCI' of the Group and the Parent Company are as follows:

	Consolidated		**Parent Company**	
	2023	2022	**2023**	2022
Balance at the beginning of the year	**(₱5,959,275)**	(₱703,737)	**(₱5,959,275)**	(₱703,737)
Changes in fair values:				
Debt securities	**2,581,505**	(5,808,581)	**2,558,481**	(5,799,196)
Equity securities	**1,368,570**	394,654	**1,368,570**	401,920
Reversals of credit losses (Note 16)	**(75,912)**	(12,566)	**(72,676)**	(12,069)
Realized losses (gains)	**(122)**	1,058,318	**–**	1,058,318
Share in net unrealized gains (losses) of subsidiaries and an associate (Note 12)	**362,392**	(885,481)	**382,058**	(902,788)
	(1,722,842)	(5,957,393)	**(1,722,842)**	(5,957,552)
Income tax effect (Note 30)	**189**	(1,882)	**189**	(1,723)
	(₱1,722,653)	(₱5,959,275)	**(₱1,722,653)**	(₱5,959,275)

As of December 31, 2023 and 2022, the allowance for credit losses on debt securities at FVOCI (included in 'Net unrealized losses on financial assets at FVOCI') amounted to ₱109.0 million and ₱121.6 million, respectively, for the Group, and ₱46.8 million and ₱119.5 million, respectively, for the Parent Company (refer to Note 16.2). Movements in ECL on debt securities at FVOCI are mostly driven by movements in the corresponding gross figures.

9.3 Investment Securities at Amortized Cost

This account consists of:

	Consolidated		**Parent Company**	
	2023	2022	**2023**	2022
Government securities (Notes 19 and 32)	**₱104,533,382**	₱78,197,433	**₱104,063,420**	₱78,058,151
Private debt securities	**18,822,880**	36,118,377	**18,822,880**	36,118,377
	123,356,262	114,315,810	**122,886,300**	114,176,528
Less allowance for credit losses (Note 16)	**155,835**	3,847,850	**155,835**	3,847,850
	₱123,200,427	₱110,467,960	**₱122,730,465**	₱110,328,678

The effective interest rates of investment securities at amortized cost of the Group and the Parent Company range from:

	2023	2022	2021
Government securities	**0.8% - 7.5%**	0.8% - 7.5%	0.1% - 7.4%
Private debt securities	**1.0% - 8.3%**	0.8% - 8.3%	0.4% - 6.9%

In 2023 and 2022, movements in allowance for expected credit losses on investment securities at amortized cost are mostly driven by newly originated assets which mostly remained in Stage 1.

As of December 31, 2023 and 2022, the fair value of investment securities at amortized cost in the form of government bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreements transactions amounted to ₱5.5 billion with corresponding carrying value of the same amount (refer to Note 19.1). As of December 31, 2023 and 2022, government securities with carrying values of ₱1.8 billion and ₱1.6 billion, respectively, are deposited with the BSP in compliance with trust regulations (refer to Note 32).

As of December 31, 2023, the Group set aside government securities booked under 'Investment securities at amortized cost' with total carrying value of ₱363.3 million as liquidity cover for 50.0% of the outstanding balances of electronic money (e-money) products in compliance with BSP Circular 1166, *Amendments to the Regulations on Electronic Money and the Operations of Electronic Money Issuers in the Philippines*. This is on top of the fund held in trust to cover for the other 50.0% of the outstanding e-money balances (refer to Note 15).

9.4 Interest Income on Investment Securities at Amortized Cost and FVOCI

This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Continuing operations:						
Financial assets at FVOCI	**₱5,509,001**	₱4,442,846	₱2,698,223	**₱5,468,097**	₱4,432,605	₱2,698,419
Investment securities at amortized cost	**7,099,169**	3,712,076	3,265,371	**7,092,433**	3,710,487	3,264,195
	12,608,170	8,154,922	5,963,594	**12,560,530**	8,143,092	5,962,614
Discontinued operations (Note 36):						
Financial assets at FVOCI	**–**	–	11,135	**–**	–	–
Investment securities at amortized cost	**–**	–	8,695	**–**	–	–
	–	–	19,830	**–**	–	–
	₱12,608,170	₱8,154,922	₱5,983,424	**₱12,560,530**	₱8,143,092	₱5,962,614

9.5 Trading and Investment Securities Gains (Losses) - net

This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Financial assets at FVTPL						
Government securities	**₱411,828**	(₱146,580)	₱–	**₱411,828**	(₱146,580)	₱–
Private debt securities	**(12,928)**	(64,458)	(825,476)	**(12,280)**	(61,631)	(954,145)
Equity securities	**(170)**	(197)	2,323	**(44)**	–	–
Derivatives (Note 23)	**609**	–	(23,472)	**609**	–	(23,472)
Financial assets at FVOCI						
Private debt securities	**122**	(1,058,318)	30,057	**–**	(1,058,318)	30,057
Government securities	**–**	–	1,510,133	**–**	–	1,510,133
Equity securities	**–**	–	2	**–**	–	2
Investment securities at amortized cost	**(5,358)**	(11,230)	38,005	**(5,358)**	(11,230)	38,005
	₱394,103	(₱1,280,783)	₱731,572	**₱394,755**	(₱1,277,759)	₱600,580

Trading gains (losses) on investment securities at amortized cost pertain to investments which were redeemed by the respective issuers prior to their contractual maturity.

10. Loans and Receivables

10.1 Breakdown of Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Receivables from customers:				
Loans and discounts	**₱607,065,797**	₱579,484,209	**₱593,955,389**	₱567,288,274
Credit card receivables	**15,232,845**	14,382,681	**15,232,845**	14,382,681
Customers' liabilities on acceptances (Note 19)	**9,533,137**	7,272,876	**9,533,137**	7,272,876
Customers' liabilities on letters of credit and trust receipts	**8,688,649**	10,378,461	**8,559,900**	10,248,556
Bills purchased (Note 22)	**1,949,627**	1,220,029	**1,560,465**	935,960
Lease contracts receivable (Note 29)	**8,399**	873,878	**–**	–
	642,478,454	613,612,134	**628,841,736**	600,128,347
Other receivables:				
Accrued interest receivable	**8,179,147**	6,911,100	**8,007,891**	6,807,292
Accounts receivable	**5,180,198**	5,478,103	**4,468,991**	4,380,640
Sales contract receivables	**3,760,162**	6,240,309	**3,722,879**	6,198,127
Miscellaneous	**366,090**	559,099	**347,797**	539,032
	17,485,597	19,188,611	**16,547,558**	17,925,091
	659,964,051	632,800,745	**645,389,294**	618,053,438
Less: Unearned and other deferred income	**681,399**	756,049	**663,303**	612,582
Allowance for credit losses (Note 16)	**42,571,906**	38,944,781	**42,567,228**	39,445,838
	₱616,710,746	₱593,099,915	**₱602,158,763**	₱577,995,018

Included in 'Surplus reserves' is the amount of ₱3.9 billion and ₱4.2 billion as of December 31, 2023 and 2022, respectively, which pertains to the excess of 1.00% general loan loss provisions over the computed ECL for Stage 1 accounts as prescribed by BSP Circular 1011, *Guidelines on the Adoption of PFRS 9* (refer to Note 25.3).

Below is the reconciliation of loans and receivables as to classes:

	Consolidated 2023								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	Total
Receivables from customers:									
Loans and discounts	₱553,835,945	₱2,275,508	₱–	₱5,313,357	₱28,300,937	₱6,501,496	₱10,838,554	₱–	₱607,065,797
Credit card receivables	–	–	15,232,845	–	–	–	–	–	15,232,845
Customers' liabilities on acceptances (Note 19)	9,533,137	–	–	–	–	–	–	–	9,533,137
Customers' liabilities on letters of credit and trust receipts	8,531,369	–	–	63,517	–	–	93,763	–	8,688,649
Bills purchased (Note 22)	551,939	–	–	2,503	–	–	1,395,185	–	1,949,627
Lease contracts receivable (Note 29)	–	–	–	8,399	–	–	–	–	8,399
	572,452,390	2,275,508	15,232,845	5,387,776	28,300,937	6,501,496	12,327,502	–	642,478,454
Other receivables:									
Accrued interest receivable	–	–	–	–	–	–	–	8,179,147	8,179,147
Accounts receivable	–	–	–	–	–	–	–	5,180,198	5,180,198
Sales contract receivables (Note 33)	–	–	–	–	–	–	–	3,760,162	3,760,162
Miscellaneous	–	–	–	–	–	–	–	366,090	366,090
	572,452,390	2,275,508	15,232,845	5,387,776	28,300,937	6,501,496	12,327,502	17,485,597	659,964,051
Less: Unearned and other deferred income	254,664	9,183	–	15,728	(354)	(1,287)	402,252	1,213	681,399
Allowance for credit losses (Note 16)	28,281,510	70,291	1,315,112	987,597	4,528,314	1,105,299	1,265,030	5,018,753	42,571,906
	₱543,916,216	₱2,196,034	₱13,917,733	₱4,384,451	₱23,772,977	₱5,397,484	₱10,660,220	₱12,465,631	₱616,710,746

	Consolidated								
	2022								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	Total
Receivables from customers:									
Loans and discounts	₱523,188,581	₱2,855,671	₱–	₱ 5,688,129	₱28,589,332	₱7,028,228	₱12,134,268	₱–	₱579,484,209
Credit card receivables	–	–	14,382,681	–	–	–	–	–	14,382,681
Customers' liabilities on letters of credit and trust receipts	9,756,981	–	–	74,244	–	–	547,236	–	10,378,461
Customers' liabilities on acceptances (Note 19)	7,254,333	–	–	10,482	–	–	8,061	–	7,272,876
Lease contracts receivable (Note 29)	251,200	–	–	622,678	–	–	-	–	873,878
Bills purchased (Note 22)	989,512	–	–	8,829	–	–	221,688	–	1,220,029
	541,440,607	2,855,671	14,382,681	6,404,362	28,589,332	7,028,228	12,911,253	–	613,612,134
Other receivables:									
Accrued interest receivable	–	–	–	–	–	–	–	6,911,100	6,911,100
Sales contract receivables (Note 33)	–	–	–	–	–	–	–	6,240,309	6,240,309
Accounts receivable	–	–	–	–	–	–	–	5,478,103	5,478,103
Miscellaneous	–	–	–	–	–	–	–	559,099	559,099
	541,440,607	2,855,671	14,382,681	6,404,362	28,589,332	7,028,228	12,911,253	19,188,611	632,800,745
Less: Unearned and other deferred income	444,999	10,479	–	104,108	309	(62,106)	256,303	1,957	756,049
Allowance for credit losses (Note 16)	24,679,610	74,637	1,288,228	1,565,064	4,347,845	1,520,319	1,262,007	4,207,071	38,944,781
	₱516,315,998	₱2,770,555	₱13,094,453	₱4,735,190	₱24,241,178	₱5,570,015	₱11,392,943	₱14,979,583	₱593,099,915

	Parent Company								
	2023								
	Corporate Loans	**LGU**	**Credit Cards**	**Retail SMEs**	**Housing Loans**	**Auto Loans**	**Other Loans**	**Other Receivables**	**Total**
Receivables from customers:									
Loans and discounts	**₱541,592,975**	**₱2,275,508**	**₱–**	**₱5,310,846**	**₱27,523,918**	**₱6,501,496**	**₱10,750,646**	**₱–**	**₱593,955,389**
Credit card receivables	**–**	**–**	**15,232,845**	**–**	**–**	**–**	**–**	**–**	**15,232,845**
Customers' liabilities on acceptances (Note 19)	**9,533,137**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**9,533,137**
Customers' liabilities on letters of credit and trust receipts	**8,402,620**	**–**	**–**	**63,517**	**–**	**–**	**93,763**	**–**	**8,559,900**
Bills purchased (Note 22)	**162,777**	**–**	**–**	**2,503**	**–**	**–**	**1,395,185**	**–**	**1,560,465**
	559,691,509	**2,275,508**	**15,232,845**	**5,376,866**	**27,523,918**	**6,501,496**	**12,239,594**	**–**	**628,841,736**
Other receivables:									
Accrued interest receivable	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8,007,891**	**8,007,891**
Accounts receivable	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,468,991**	**4,468,991**
Sales contract receivables	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,722,879**	**3,722,879**
Miscellaneous	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**347,797**	**347,797**
	559,691,509	**2,275,508**	**15,232,845**	**5,376,866**	**27,523,918**	**6,501,496**	**12,239,594**	**16,547,558**	**645,389,294**
Less: Unearned and other deferred income	**237,284**	**9,183**	**–**	**15,019**	**(361)**	**(1,287)**	**402,252**	**1,213**	**663,303**
Allowance for credit losses (Note 16)	**28,573,298**	**70,291**	**1,315,112**	**982,766**	**4,510,487**	**1,105,299**	**1,265,020**	**4,744,955**	**42,567,228**
	₱530,880,927	**₱2,196,034**	**₱13,917,733**	**₱4,379,081**	**₱23,013,792**	**₱5,397,484**	**₱10,572,322**	**₱11,801,390**	**₱602,158,763**

	Parent Company								
	2022								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	Total
Receivables from customers:									
Loans and discounts	₱512,843,742	₱2,855,671	₱–	₱4,855,370	₱27,663,392	₱7,028,228	₱12,041,871	₱–	₱567,288,274
Credit card receivables	–	–	14,382,681	–	–	–	–	–	14,382,681
Customers' liabilities on letters of credit and trust receipts	9,627,076	–	–	74,244	–	–	547,236	–	10,248,556
Customers' liabilities on acceptances (Note 19)	7,254,333	–	–	10,482	–	–	8,061	–	7,272,876
Bills purchased (Note 22)	705,443	–	–	8,829	–	–	221,688	–	935,960
	530,430,594	2,855,671	14,382,681	4,948,925	27,663,392	7,028,228	12,818,856	–	600,128,347
Other receivables:									
Accrued interest receivable	–	–	–	–	–	–	–	6,807,292	6,807,292
Sales contract receivables	–	–	–	–	–	–	–	6,198,127	6,198,127
Accounts receivable	–	–	–	–	–	–	–	4,380,640	4,380,640
Miscellaneous	–	–	–	–	–	–	–	539,032	539,032
	530,430,594	2,855,671	14,382,681	4,948,925	27,663,392	7,028,228	12,818,856	17,925,091	618,053,438
Less: Unearned and other deferred income	397,855	10,479	–	8,545	–	(62,106)	256,303	1,506	612,582
Allowance for credit losses (Note 16)	25,961,987	74,637	1,288,228	1,004,130	4,336,786	1,520,319	1,261,966	3,997,785	39,445,838
	₱504,070,752	₱2,770,555	₱13,094,453	₱3,936,250	₱23,326,606	₱5,570,015	₱11,300,587	₱13,925,800	₱577,995,018

10.2 Lease Contract Receivables

An analysis of the Group's lease contract receivables follows:

	Consolidated	
	2023	2022
Minimum lease payments		
Due within one year	**₱7**	₱446,485
Due beyond one year but not over five years	**2,734**	196,987
	2,741	643,472
Residual value of leased equipment		
Due within one year	**5,658**	107,634
Due beyond one year but not over five years	**–**	122,772
	5,658	230,406
Gross investment in lease contract receivables (Note 29)	**₱8,399**	₱873,878

10.3 Interest Income on Loans and Receivables

As of December 31, 2023 and 2022, 69.6% and 69.5%, respectively, of the total receivables from customers of the Group were subject to interest repricing. As of December 31, 2023 and 2022, 70.6% and 70.5%, respectively, of the total receivables from customers of the Parent Company were subject to interest repricing. Remaining receivables carry annual fixed interest rates ranging from 1.0% to 9.0% in 2023, 2022 and 2021 for foreign currency-denominated receivables, and from 1.1% to 31.5% in 2023, 2022 and 2021 for peso-denominated receivables.

Sales contract receivables bear fixed interest rates per annum ranging from 5.0% to 20.2% in 2023, 4.2% to 20.2% in 2022 and from 3.3% to 21.0% in 2021.

11. Property and Equipment

11.1 Details of Property and Equipment

The composition of and movements in property and equipment follow:

	Consolidated 2023							
	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction in-Progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises (Note 33)	Total
Cost								
Balance at beginning of year	₱5,141,182	₱3,687,368	₱8,401,453	₱596,131	₱318,387	₱1,910,242	₱5,827,262	₱25,882,025
Additions	–	30,186	347,062	–	–	42,611	1,425,032	1,844,891
Disposals	(133,753)	(134,384)	(943,887)	–	–	(12,296)	–	(1,224,320)
Transfers/others	(75,412)	(5,939)	(21,944)	(2,599)	(2,768)	(60,632)	(1,307,244)	(1,476,538)
Balance at end of year	4,932,017	3,577,231	7,782,684	593,532	315,619	1,879,925	5,945,050	25,026,058
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	2,253,174	6,031,338	79,837	–	1,899,884	2,475,358	12,739,591
Depreciation and amortization	–	179,089	1,045,155	6,039	–	108,134	1,311,843	2,650,260
Disposals	–	(38,760)	(590,285)	–	–	(12,296)	–	(641,341)
Transfers/others	–	(246)	(209,122)	(1,185)	–	(126,321)	(1,272,888)	(1,609,762)
Balance at end of year	–	2,393,257	6,277,086	84,691	–	1,869,401	2,514,313	13,138,748
Allowance for Impairment Losses (Note 16)	539,725	593,567	–	–	–	–	–	1,133,292
Net Book Value at End of Year	₱4,392,292	₱590,407	₱1,505,598	₱508,841	₱315,619	₱10,524	₱3,430,737	₱10,754,018

	Consolidated							
	2022							
	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction in-Progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises (Note 33)	Total
Cost								
Balance at beginning of year	₱5,143,242	₱3,634,023	₱8,719,235	₱571,906	₱378,559	₱2,008,756	₱5,390,721	₱25,846,442
Additions	–	45,380	300,223	–	135,284	66,196	803,905	1,350,988
Disposals	(413)	–	(459,135)	–	–	–	–	(459,548)
Transfers/others	(1,647)	7,965	(158,870)	24,225	(195,456)	(164,710)	(367,364)	(855,857)
Balance at end of year	5,141,182	3,687,368	8,401,453	596,131	318,387	1,910,242	5,827,262	25,882,025
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	2,053,670	5,558,050	62,882	–	1,885,809	1,644,824	11,205,235
Depreciation and amortization	–	182,676	1,117,484	5,769	–	160,907	1,205,712	2,672,548
Disposals	–	–	(386,208)	–	–	–	–	(386,208)
Transfers/others	–	16,828	(257,988)	11,186	–	(146,832)	(375,178)	(751,984)
Balance at end of year	–	2,253,174	6,031,338	79,837	–	1,899,884	2,475,358	12,739,591
Allowance for Impairment Losses (Note 16)	543,175	625,712	–	–	–	–	–	1,168,887
Net Book Value at End of Year	₱4,598,007	₱808,482	₱2,370,115	₱516,294	₱318,387	₱10,358	₱3,351,904	₱11,973,547

	Parent Company						
	2023						
	Land	**Building**	**Furniture, Fixtures and Equipment**	**Construction in-Progress**	**Leasehold Improvements**	**Right-of-Use Asset – Bank Premises** (Note 33)	**Total**
Cost							
Balance at beginning of year	**₱5,141,182**	**₱3,610,134**	**₱6,533,522**	**₱318,387**	**₱1,801,393**	**₱6,262,643**	**₱23,667,261**
Additions	**–**	**30,186**	**335,769**	**–**	**41,690**	**1,292,130**	**1,699,775**
Disposals	**(133,753)**	**(134,384)**	**(121,735)**	**–**	**–**	**–**	**(389,872)**
Transfers/others	**(75,411)**	**(5,565)**	**(23,402)**	**(2,768)**	**(61,886)**	**(1,302,533)**	**(1,471,565)**
Balance at end of year	**4,932,018**	**3,500,371**	**6,724,154**	**315,619**	**1,781,197**	**6,252,240**	**23,505,599**
Accumulated Depreciation and Amortization							
Balance at beginning of year	**–**	**2,237,967**	**4,898,086**	**–**	**1,800,558**	**2,942,730**	**11,879,341**
Depreciation and amortization	**–**	**177,908**	**905,604**	**–**	**105,509**	**1,263,995**	**2,453,016**
Disposals	**–**	**(38,760)**	**(121,262)**	**–**	**–**	**–**	**(160,022)**
Transfers/others	**–**	**(52)**	**(257,392)**	**–**	**(126,342)**	**(1,278,461)**	**(1,662,247)**
Balance at end of year	**–**	**2,377,063**	**5,425,036**	**–**	**1,779,725**	**2,928,264**	**12,510,088**
Allowance for Impairment Losses (Note 16)	**539,725**	**593,567**	**–**	**–**	**–**	**–**	**1,133,292**
Net Book Value at End of Year	**₱4,392,293**	**₱529,741**	**₱1,299,118**	**₱315,619**	**₱1,472**	**₱3,323,976**	**₱9,862,219**

	Parent Company						
	2022						
	Land	Building	Furniture, Fixtures and Equipment	Construction in-Progress	Leasehold Improvements	Right-of-Use Asset – Bank Premises (Note 33)	Total
Cost							
Balance at beginning of year	₱5,143,242	₱3,560,275	₱6,647,669	₱378,560	₱1,902,569	₱5,812,506	₱23,444,821
Additions	–	45,380	289,121	135,284	66,196	803,905	1,339,886
Disposals	(413)	–	(233,905)	–	–	–	(234,318)
Transfers/others	(1,647)	4,479	(169,363)	(195,457)	(167,372)	(353,768)	(883,128)
Balance at end of year	5,141,182	3,610,134	6,533,522	318,387	1,801,393	6,262,643	23,667,261
Accumulated Depreciation and Amortization							
Balance at beginning of year	–	2,041,441	4,474,160	–	1,813,420	2,133,922	10,462,943
Depreciation and amortization	–	181,529	912,988	–	156,953	1,159,332	2,410,802
Disposals	–	–	(233,799)	–	–	–	(233,799)
Transfers/others	–	14,997	(255,263)	–	(169,815)	(350,524)	(760,605)
Balance at end of year	–	2,237,967	4,898,086	–	1,800,558	2,942,730	11,879,341
Allowance for Impairment Losses (Note 16)	543,175	625,712	–	–	–	–	1,168,887
Net Book Value at End of Year	₱4,598,007	₱746,455	₱1,635,436	₱ 318,387	₱835	₱3,319,913	₱10,619,033

The total recoverable value of certain property and equipment of the Group and the Parent Company for which impairment loss has been recognized or reversed amounted to ₱1.2 billion as of December 31, 2023 and 2022.

Certain property and equipment of the Parent Company with carrying amount of ₱90.0 million and ₱75.6 million are temporarily idle as of December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, property and equipment of the Parent Company with gross carrying amount of ₱14.3 billion and ₱12.6 billion are fully depreciated but are still being used.

Gain (loss) on disposal of property and equipment in 2023, 2022 and 2021 amounted to ₱712.5 million, ₱34.9 million, and ₱8.4 million, respectively, for the Group and ₱793.1 million, ₱32.0 million and (₱0.8 million), respectively, for the Parent Company (refer to Note 26.2).

11.2 Depreciation and Amortization

This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Continuing operations:						
Depreciation						
Property and equipment (Note 33)	**₱2,650,260**	₱2,672,548	₱2,137,954	**₱2,453,016**	₱2,410,802	₱1,836,175
Investment properties (Note 13)	**191,153**	152,917	76,575	**167,339**	128,095	55,337
Chattel mortgage properties	**10,495**	6,375	2,717	**–**	–	–
Amortization of intangible assets (Note 14)	**1,124,161**	1,393,906	628,471	**1,099,879**	1,370,523	607,559
	3,976,069	4,225,746	2,845,717	**3,720,234**	3,909,420	2,499,071
Discontinued operations (Note 36):						
Investment properties	**–**	–	42,450	**–**	–	–
Property and equipment	**–**	–	6,592	**–**	–	–
	–	–	49,042	**–**	–	–
	₱3,976,069	₱4,225,746	₱2,894,759	**₱3,720,234**	₱3,909,420	₱2,499,071

11.3 Project Real Estate (Project RE)

On September 10, 2020, the Parent Company's BOD approved Project RE, which is the Parent Company's strategic plan to realize the market value of certain real estate properties with a total carrying value of ₱12.6 billion booked under 'Property and equipment' amounting to ₱8.4 billion and 'Investment properties' amounting to ₱4.2 billion.

Project RE aims to reduce the low-earning assets of the Parent Company to strengthen its financial position. As part of a series of transactions carried out to meet the objectives of Project RE, on September 25, 2020, the Parent Company's BOD approved the subscription of additional 466,770,000 shares of PNB Holdings with a par value of ₱100 per share at a subscription price of ₱100 per share in exchange for the above real estate properties (refer to Note 12.4).

12. Investments in Subsidiaries and an Associate

The consolidated financial statements of the Group include:

	Industry	Principal Place of Business/Country of Incorporation	Functional Currency	Percentage of Ownership Direct	Percentage of Ownership Indirect
Subsidiaries					
Allied Integrated Holdings, Inc. (AIHI)	Holding Company	Philippines	PHP	**100.00**	–
PNB Capital and Investment Corporation (PNB Capital)	Investment	- do -	PHP	**100.00**	–
PNB Securities, Inc. (PNB Securities)	Securities Brokerage	- do -	PHP	**100.00**	–
PNB Corporation – Guam [(a)]	Remittance	USA	USD	**100.00**	–
PNB International Investments Corporation (PNB IIC)	Investment	- do -	USD	**100.00**	–
PNB Remittance Centers, Inc. (PNB RCI) [(b)]	Remittance	- do -	USD	–	**100.00**
PNB RCI Holding Co. Ltd. (PNB RHCL) [(c)]	Holding Company	- do -	USD	–	**100.00**
PNB Remittance Co. (Canada) [(d)]	Remittance	Canada	CAD	–	**100.00**
PNB Europe PLC (PNB Europe)	Banking	United Kingdom	GBP	**100.00**	–
Allied Commercial Bank (ACB)	Banking	China	CNY	**99.04**	–
PNB-Mizuho Leasing and Finance Corporation (PMLFC)	Leasing/Financing	Philippines	PHP	**75.00**	–
PNB-Mizuho Equipment Rentals Corporation (PMERC) [(e)]	Rental	- do -	PHP	–	**75.00**
PNB Global Remittance & Financial Co. (HK) Ltd. (PNB GRF)	Remittance	Hong Kong	HKD	**100.00**	–
Allied Banking Corporation (Hong Kong) Limited (ABCHKL)	Banking	- do -	HKD	**51.00**	–
ACR Nominees Limited [(f)]	Service	- do -	HKD	–	**51.00**
Oceanic Holding (BVI) Ltd. (OHBVI) [(g)]	Holding Company	British Virgin Islands	USD	**27.78**	–
Associate					
Allianz-PNB Life Insurance, Inc. (APLII)	Insurance	Philippines	PHP	**44.00**	–

[(a)] *Ceased operations on June 30, 2012 and license status became dormant thereafter*
[(b)] *Owned through PNB IIC*
[(c)] *Owned through PNB RCI*
[(d)] *Owned through PNB RHCL*
[(e)] *Owned through PMLFC*
[(f)] *Owned through ABCHKL*
[(g)] *Controlled through the Parent Company's combined voting rights of 70.56% which arises from its direct ownership of 27.78%, and voting rights of 42.78% assigned by certain stockholders of OHBVI to the Parent Company through a voting trust agreement*

The details of this account follow:

	Consolidated 2023	Consolidated 2022	Parent Company 2023	Parent Company 2022
Investment in Subsidiaries				
ACB	**₱–**	₱–	**₱6,087,520**	₱6,087,520
AIHI	**–**	–	**3,435,041**	3,435,041
PNB IIC	**–**	–	**2,028,202**	2,028,202
PNB Europe PLC	**–**	–	**1,327,393**	1,327,393
ABCHKL	**–**	–	**947,586**	947,586
PNB Capital	**–**	–	**850,000**	850,000
PNB GRF	**–**	–	**753,061**	753,061
PMLFC	**–**	–	**481,943**	481,943
OHBVI	**–**	–	**291,841**	291,841
PNB Securities	**–**	–	**62,351**	62,351
PNB Corporation – Guam	**–**	–	**7,672**	7,672
	–	–	**16,272,610**	16,272,610
Investment in an Associate – APLII	**3,365,089**	3,365,089	**3,365,089**	3,365,089
Accumulated equity in net earnings (losses) of subsidiaries and an associate:				
Balance at beginning of year	**158,879**	214,939	**(281,942)**	(237,283)
Equity in net earnings (losses) for the year	**268,093**	(56,060)	**560,393**	747,341
Cash dividends declared by a subsidiary	**–**	–	**(448,900)**	(792,000)
	426,972	158,879	**(170,449)**	(281,942)
Accumulated share in:				
Aggregate reserves on life insurance policies	**24,246**	136,096	**24,246**	136,096
Net unrealized losses on financial assets at FVOCI (Note 9)	**(617,015)**	(979,407)	**(586,895)**	(968,953)
Accumulated translation adjustments	**–**	–	**1,565,092**	1,770,747
Remeasurement gains (losses) on retirement plan	**(168)**	8,107	**97,377**	90,457
	(592,937)	(835,204)	**1,099,820**	1,028,347
	₱3,199,124	₱2,688,764	**₱20,567,070**	₱20,384,104

In 2002, the Parent Company underwent a quasi-reorganization which was approved by the SEC on November 7, 2002. As of December 31, 2023 and 2022, the acquisition cost of the investments in the Parent Company's separate financial statements includes the balance of ₱2.1 billion consisting of the translation adjustment and accumulated equity in net earnings of investee companies, net of dividends subsequently received from the quasi-reorganization date, that were closed to deficit on restructuring date and are not available for dividend declaration.

12.1 Investment in AIHI

On February 10, 2022, the SEC approved the decrease of AIHI's authorized capital stock from ₱15.0 billion divided into 149,975,000 common shares with par value of ₱100 each and 25,000 preferred shares with par value of ₱100 each to ₱3.0 billion divided into 30,000,000 common shares with par value of ₱100 each. Consequently, on February 18, 2022, out of the ₱10.5 billion subscribed and paid-up capital of the Parent Company in AIHI, the latter returned ₱7.5 billion to the Parent Company.

AIHI's corporate term ended on December 31, 2022 but, as provided by law, it will continue to exist as a body corporate for another three years to generally wind up its affairs, including the disposal of its properties and distribution of its assets.

12.2 Investment in PNB Capital

On October 27, 2023 and December 16, 2022, the BOD of PNB Capital approved the declaration of cash dividends amounting to ₱448.9 million and ₱792.0 million, which were subsequently paid to the Parent Company on December 27, 2023 and December 22, 2022, respectively.

12.3 Investment in PMLFC

On June 24, 2022, the BOD of the Parent Company approved the amendment to the Articles of Incorporation of PMLFC, shortening its corporate term to March 31, 2024. On December 23, 2022 the SEC approved the above amendment. The Parent Company and its joint venture partner, Mizuho Leasing Co. Ltd., mutually agreed to wind up the operations of PMLFC due to the impact of the COVID-19 pandemic to the operations of the joint venture company and the domestic leasing industry. On the other hand, on November 22, 2023, the SEC approved the amendment to the Articles of Incorporation of PMERC, the wholly-owned subsidiary of PMLFC, to shortern its corporate term to December 31, 2024. To date, the winding-up process for both PMLFC and PMERC is ongoing and expected to be completed in 2024.

In 2023 and 2022, PMLFC transferred to the Parent Company certain receivables via direct purchase or assignment. The Parent Company also accepted in 2023 certain properties of PMLFC and PMERC as partial settlement of their outstanding loans with the Parent Company. Such loans were eventually written off as of December 31, 2023 (refer to Note 33.1).

As of December 31, 2023 and 2022, the carrying value of the Parent Company's equity investment in PMLFC is already reduced to nil. However, by virtue of the Parent Company's commitment to provide further funding in PMLFC, the Parent Company recognized additional losses amounting to ₱144.2 million and ₱95.5 million in 2023 and 2022, respectively, representing its share in the accumulated net losses of PMLFC. Further, the Parent Company recognized provision for liability amounting to nil and ₱649.7 million relating to the undrawn loan commitments of PMLFC as of December 31, 2023 and 2022, respectively, recorded under 'Other liabilities' in the statement of financial position (refer to Notes 22 and 33).

12.4 Investment in PNB Holdings

As of December 31, 2020, PNB owns all of the 2,551,000 shares issued by PNB Holdings, with par value of ₱100 per share. On January 13, 2021, the SEC approved the increase in the authorized capital stock of PNB Holdings from ₱500.0 million divided into 5,000,000 shares with par value of ₱100 per share, to ₱50.5 billion divided into 505,000,000 shares with the same par value. On the same date, the Parent Company proceeded with the subscription of additional 466,770,000 shares of PNB Holdings shares in exchange for certain real estate properties with fair values of ₱46.7 billion (refer to Note 11.3).

On April 23, 2021, the Parent Company's BOD approved the property dividend declaration of up to 239,353,710 common shares of PNB Holdings, representing 51.00% ownership, with a par value of ₱100 per share, to all stockholders of record as of May 18, 2021, or ₱23.9 billion.

On December 24, 2021, the SEC approved the property dividend declaration. On the same date, the Parent Company assessed that it has lost control over PNB Holdings, and accordingly classified its retained interest of 49.00% in PNB Holdings as financial asset at FVOCI with no recycling to profit or loss, in accordance with PFRS 9. Such investment was remeasured from its carrying amount of ₱6.6 billion to its fair value as of December 24, 2021 of ₱23.0 billion, resulting in a gain on remeasurement of ₱16.5 billion and ₱16.4 billion in the 2021 consolidated and parent company financial statements, respectively (refer to Note 33).

Further, the Group and the Parent Company recognized gain on loss of control over PNB Holdings of ₱17.0 billion and ₱17.1 billion in the 2021 consolidated and parent company financial statements, respectively. On December 21, 2021, the Parent Company was able to secure ruling from the Bureau of Internal Revenue (BIR) that the transfer of properties to PNB Holdings is not subject to tax, except for documentary stamps tax (DST). Further, on March 10, 2022, the Parent Company was able to secure another ruling from the BIR that the property dividends distribution is exempt from tax, except for DST.

The Parent Company was able to demonstrate loss of control over PNB Holdings because of the following:
- Declaration of 51.00% ownership in PNB Holdings as property dividends;
- Execution of proxy in favor of LTG for the remaining 49.00% held by the Group;
- Election of new BOD made by the stockholders of PNB Holdings in January 2021, effectively resulting in the Group having no representations in the BOD of PNB Holdings;
- Appointment of key management personnel by the BOD of PNB Holdings, resulting in the Group having no officers and staff participating in the day-to-day operations of PNB Holdings; and
- Approval of the SEC of the property dividend declaration and distribution to all stockholders as of May 18, 2021.

The foregoing corporate actions were taken by PNB and LTG to allow PNB to focus on its core banking business. These demonstrate that the Group no longer exercises control over PNB Holdings as certain elements of control under PFRS 10, *Consolidated Financial Statements*, are no longer demonstrated. The Group also reclassified the results of operations of PNB Holdings as discontinued operations (refer to Note 36.2).

Further, the Group no longer has a significant influence over PNB Holdings by virtue of the execution of a proxy in favor of LTG to vote all shares registered in the name of PNB on any and all matters in the Annual Stockholders' Meeting of PNB Holdings and the fact that LTG controls both PNB and PNB Holdings.

12.5 Investment in PNB General Insurers Co., Inc. (PNB Gen)

On December 29, 2020, the Parent Company and PNB Holdings entered into a Sale and Purchase Agreement (SPA) for the sale of all their respective shareholdings in PNB Gen to Alliedbankers Insurance Corporation (ABIC), an affiliate, for a total purchase price of ₱1.5 billion, which was paid as follows:

- PNB Holdings Purchase Price (₱521.8 million) – fully paid on December 28, 2020; and
- PNB Purchase Price (₱1.0 billion) – paid in four tranches until April 30, 2021, earning interest at 6.00% per annum.

The SPA also provides for a grant of an exclusive bancassurance arrangement with ABIC with a minimum guaranteed term of 15 years for an additional consideration of ₱50.0 million to the Parent Company, on top of the total purchase price.

On December 29, 2020, the Insurance Commission approved the above transaction. As of December 31, 2020, only the sale of PNB Holdings of its shares in PNB Gen met all the closing conditions for the sale. Accordingly, PNB Holdings closed and completed the sale of its 34.25% shareholdings in PNB Gen, with the excess of the purchase price over the carrying value of the proportionate interest of ₱344.7 million treated as an equity transaction in the consolidated financial statements of the Group as 'Other equity reserves'.

In 2021, the Parent Company completed the sale of its shares in PNB Gen, recognizing loss on sale amounting to ₱149.5 million and ₱134.9 million for the Group and the Parent Company, respectively, which was recorded under 'Gain on loss of control of subsidiaries - net'. Also in 2021, the Parent Company received interest income of ₱14.1 million from ABIC for this transaction.

12.6 Material Non-Controlling Interests

Proportion of equity interest held by material NCI follows:

		Equity interest of NCI		Accumulated balances of material NCI		Profit allocated to material NCI	
	Principal Activities	**2023**	2022	**2023**	2022	**2023**	2022
ABCHKL	Banking	**49.00%**	49.00%	**₱2,230,261**	₱2,179,752	**₱71,784**	₱79,115
OHBVI	Holding Company	**72.22%**	72.22%	**1,095,965**	1,079,035	**24,332**	1,239

The following table presents financial information of ABCHKL (unaudited) as of December 31, 2023 and 2022:

	2023	2022
Statement of Financial Position		
Current assets	**₱10,285,643**	₱9,548,596
Non-current assets	**2,043,382**	2,282,698
Current liabilities	**7,177,792**	6,616,975
Non-current liabilities	**668,288**	834,454
Statement of Comprehensive Income		
Revenues	**₱477,646**	₱415,387
Expenses	**331,148**	253,928
Net income	**146,498**	161,459
Total comprehensive income	**110,472**	502,413

(Forward)

	2023	2022
Statement of Cash Flows		
Net cash provided by (used in) operating activities	**(₱804,162)**	₱610,988
Net cash provided by investing activities	**35,392**	21,293

The following table presents financial information of OHBVI (unaudited) as of December 31, 2023 and 2022:

	2023	2022
Statement of Financial Position		
Current assets	**₱1,517,493**	₱1,494,051
Statement of Comprehensive Income		
Revenues/Net income/Total comprehensive income	**₱33,692**	₱1,715
Statement of Cash Flows		
Net cash provided by operating activities	**₱23,442**	₱129,062

12.7 Investment in APLII

On June 6, 2016, the Parent Company entered into agreements with Allianz SE (Allianz), a German company engaged in insurance and asset management, for the sale of the 51.00% interest in PNB Life Insurance, Inc. (PNB Life) for a total consideration of USD66.0 million to form a new joint venture company named "Allianz-PNB Life Insurance, Inc."; and a 15-year exclusive distribution access to the branch network of the Parent Company (Exclusive Distribution Rights or EDR).

The purchase consideration of USD66.0 million was allocated between the sale of the 51.00% interest in PNB Life and the EDR amounting to USD44.9 million (₱2.1 billion) and USD21.1 million (₱1.0 billion), respectively. The consideration allocated to the EDR was recognized as 'Deferred revenue - Bancassurance' (Note 22) and is amortized to income over 15 years from date of sale. The Parent Company also receives variable annual and fixed bonus earn-out payments based on milestones achieved over the 15-year term of the distribution agreement.

After receiving respective approvals from the BSP on December 6, 2022 and June 14, 2021, the Parent Company recorded additional investments in APLII amounting to ₱392.0 million and ₱245.0 million, respectively.

Summarized financial information of APLII (unaudited) as of December 31, 2023 and 2022 follows:

	2023	2022
Current assets	**₱2,181,489**	₱1,452,894
Noncurrent assets	**113,166,291**	90,446,895
Total assets	**115,347,780**	91,899,789
Current liabilities	**1,404,749**	1,535,802
Noncurrent liabilities	**110,327,928**	87,928,050
Total liabilities	**111,732,677**	89,463,852
Net assets	**3,615,103**	2,435,937
Percentage of ownership of the Group	**44%**	44%
Share in the net assets of the associate	**₱1,590,645**	₱1,071,812

The difference between the share in the net assets of APLII and the carrying value of the investments represents premium on acquisition/retained interest.

Summarized statement of comprehensive income of APLII (unaudited) in 2023 and 2022 follows:

	2023	2022
Revenues	**₱6,867,294**	₱4,344,038
Costs and expenses	**6,257,991**	4,486,380
Net income (loss)	**609,303**	(142,342)
Other comprehensive loss	**(357,591)**	(262,006)
Total comprehensive income (loss)	**₱251,712**	(₱404,348)
Group's share in comprehensive income (loss)	**₱110,753**	(₱177,913)

12.8 Significant Restrictions

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the regulatory supervisory frameworks within which insurance and banking subsidiaries operate.

13. Investment Properties

This account consists of real properties as follows:

	Consolidated		**Parent Company**	
	2023	2022	**2023**	2022
Foreclosed or acquired in settlement of loans	**₱14,399,995**	₱13,615,263	**₱13,932,044**	₱13,085,097
Held for lease	**179,563**	179,723	**179,563**	179,723
Total	**₱14,579,558**	₱13,794,986	**₱14,111,607**	₱13,264,820

The composition of and movements in this account follow:

	Consolidated		
	2023		
	Land	**Buildings and Improvements**	**Total**
Cost			
Beginning balance	**₱14,471,137**	**₱3,337,560**	**₱17,808,697**
Additions	**1,475,118**	**1,498,014**	**2,973,132**
Disposals	**(1,689,521)**	**(336,100)**	**(2,025,621)**
Transfers/others	**5,800**	**(34,037)**	**(28,237)**
Balance at end of year	**14,262,534**	**4,465,437**	**18,727,971**
Accumulated Depreciation			
Balance at beginning of year	–	**1,838,042**	**1,838,042**
Depreciation (Note 11)	–	**191,153**	**191,153**
Disposals	–	**(199,165)**	**(199,165)**
Transfers/others	–	**(517)**	**(517)**
Balance at end of year	–	**1,829,513**	**1,829,513**
Allowance for Impairment Losses (Note 16)	**1,902,739**	**416,161**	**2,318,900**
Net Book Value at End of Year	**₱12,359,795**	**₱2,219,763**	**₱14,579,558**

	Consolidated 2022 Land	Consolidated 2022 Buildings and Improvements	Consolidated 2022 Total
Cost			
Beginning balance	₱11,531,525	₱3,126,505	₱14,658,030
Additions	4,013,930	327,627	4,341,557
Disposals	(1,087,296)	(88,890)	(1,176,186)
Transfers/others	12,978	(27,682)	(14,704)
Balance at end of year	14,471,137	3,337,560	17,808,697
Accumulated Depreciation			
Balance at beginning of year	–	1,717,312	1,717,312
Depreciation (Note 11)	–	152,917	152,917
Disposals	–	(35,454)	(35,454)
Transfers/others	–	3,267	3,267
Balance at end of year	–	1,838,042	1,838,042
Allowance for Impairment Losses (Note 16)	1,963,086	212,583	2,175,669
Net Book Value at End of Year	₱12,508,051	₱1,286,935	₱13,794,986

	Parent Company 2023 Land	**Parent Company 2023 Buildings and Improvements**	**Parent Company 2023 Total**
Cost			
Beginning balance	**₱13,915,473**	**₱3,188,687**	**₱17,104,160**
Additions	**1,475,118**	**1,498,014**	**2,973,132**
Disposals	**(1,689,521)**	**(336,100)**	**(2,025,621)**
Transfers/others	**8,588**	**1,610**	**10,198**
Balance at end of year	**13,709,658**	**4,352,211**	**18,061,869**
Accumulated Depreciation			
Balance at beginning of year	**–**	**1,688,372**	**1,688,372**
Depreciation (Note 11)	**–**	**167,339**	**167,339**
Disposals	**–**	**(199,165)**	**(199,165)**
Transfers/others	**–**	**(483)**	**(483)**
Balance at end of year	**–**	**1,656,063**	**1,656,063**
Allowance for Impairment Losses (Note 16)	**1,902,027**	**392,172**	**2,294,199**
Net Book Value at End of Year	**₱11,807,631**	**₱2,303,976**	**₱14,111,607**

	Parent Company 2022 Land	Parent Company 2022 Buildings and Improvements	Parent Company 2022 Total
Cost			
Beginning balance	₱11,001,803	₱2,947,345	₱13,949,148
Additions	4,013,930	327,618	4,341,548
Disposals	(1,087,296)	(88,890)	(1,176,186)
Transfers/others	(12,964)	2,614	(10,350)
Balance at end of year	13,915,473	3,188,687	17,104,160
Accumulated Depreciation			
Balance at beginning of year	–	1,595,151	1,595,151
Depreciation (Note 11)	–	128,095	128,095
Disposals	–	(35,454)	(35,454)
Transfers/others	–	580	580
Balance at end of year	–	1,688,372	1,688,372
Allowance for Impairment Losses (Note 16)	1,962,374	188,594	2,150,968
Net Book Value at End of Year	₱11,953,099	₱1,311,721	₱13,264,820

Foreclosed properties of the Parent Company still subject to redemption period by the borrowers amounted to ₱581.7 million and ₱199.9 million, as of December 31, 2023 and 2022, respectively.

The total recoverable value of investment properties of the Group and the Parent Company that were impaired amounted to ₱9.6 billion and ₱7.4 billion as of December 31, 2023 and 2022, respectively. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made.

For the Group and the Parent Company, direct operating expenses on investment properties that generated rental income during the year (other than depreciation and amortization), included under 'Litigation and assets acquired expenses', amounted to ₱33.0 million, ₱29.2 million and ₱28.2 million in 2023, 2022, and 2021, respectively. Direct operating expenses on investment properties that did not generate rental income included under 'Litigation and assets acquired expenses', amounted to ₱397.6 million, ₱208.3 million and ₱173.3 million in 2023, 2022, and 2021, respectively (refer to Note 27.2).

14. Goodwill and Intangible Assets

These accounts consist of:

	Consolidated				
	2023				
	Intangible Assets with Finite Lives				
	CDI	**CRI**	**Software Cost**	**Total**	**Goodwill**
Cost					
Balance at beginning of year	**₱1,897,789**	**₱391,943**	**₱5,480,963**	**₱7,770,695**	**₱11,221,410**
Additions	**–**	**–**	**598,969**	**598,969**	**–**
Impairment in value	**–**	**–**	**–**	**–**	**(1,036,567)**
Others	**–**	**–**	**(40,185)**	**(40,185)**	**–**
Balance at end of year	**1,897,789**	**391,943**	**6,039,747**	**8,329,479**	**10,184,843**
Accumulated Amortization					
Balance at beginning of year	**1,877,757**	**391,943**	**3,637,073**	**5,906,773**	**–**
Amortization (Note 11)	**20,032**	**–**	**1,104,129**	**1,124,161**	**–**
Others	**–**	**–**	**(3,181)**	**(3,181)**	**–**
Balance at end of year	**1,897,789**	**391,943**	**4,738,021**	**7,027,753**	**–**
Net Book Value at End of Year	**₱–**	**₱–**	**₱1,301,726**	**₱1,301,726**	**₱10,184,843**

	Consolidated				
	2022				
	Intangible Assets with Finite Lives				
	CDI	CRI	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱4,705,633	₱6,995,365	₱11,221,410
Additions	–	–	881,572	881,572	–
Others	–	–	(106,242)	(106,242)	–
Balance at end of year	1,897,789	391,943	5,480,963	7,770,695	11,221,410
Accumulated Amortization					
Balance at beginning of year	1,687,978	391,943	2,486,010	4,565,931	–
Amortization (Note 11)	189,779	–	1,204,127	1,393,906	–
Others	–	–	(53,064)	(53,064)	–
Balance at end of year	1,877,757	391,943	3,637,073	5,906,773	–
Net Book Value at End of Year	₱20,032	₱–	₱1,843,890	₱1,863,922	₱11,221,410

	Parent Company 2023 Intangible Assets with Finite Lives CDI	CRI	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	**₱1,897,789**	**₱391,943**	**₱6,423,046**	**₱8,712,778**	**₱11,361,768**
Additions	–	–	**597,165**	**597,165**	–
Impairment in value	–	–	–	–	**(1,036,567)**
Others	–	–	**(36,496)**	**(36,496)**	–
Balance at end of year	**1,897,789**	**391,943**	**6,983,715**	**9,273,447**	**10,325,201**
Accumulated Amortization					
Balance at beginning of year	**1,877,757**	**391,943**	**4,689,462**	**6,959,162**	–
Amortization (Note 11)	**20,032**	–	**1,079,847**	**1,099,879**	–
Others	–	–	**(484)**	**(484)**	–
Balance at end of year	**1,897,789**	**391,943**	**5,768,825**	**8,058,557**	–
Net Book Value at End of Year	**₱–**	**₱–**	**₱1,214,890**	**₱1,214,890**	**₱10,325,201**

	Parent Company 2022 Intangible Assets with Finite Lives CDI	CRI	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱5,679,926	₱7,969,658	₱11,361,768
Additions	–	–	848,426	848,426	–
Others	–	–	(105,306)	(105,306)	–
Balance at end of year	1,897,789	391,943	6,423,046	8,712,778	11,361,768
Accumulated Amortization					
Balance at beginning of year	1,687,978	391,943	3,560,780	5,640,701	–
Amortization (Note 11)	189,779	–	1,180,744	1,370,523	–
Others	–	–	(52,062)	(52,062)	–
Balance at end of year	1,877,757	391,943	4,689,462	6,959,162	–
Net Book Value at End of Year	₱20,032	₱–	₱1,733,584	₱1,753,616	₱11,361,768

14.1 CDI and CRI

CDI and CRI are the intangible assets acquired through the merger of the Parent Company with Allied Banking Corporation (ABC). CDI includes the stable level of deposit liabilities of ABC which is considered as favorably priced source of funds by the Parent Company. CRI pertains to ABC's key customer base which the Parent Company expects to bring more revenue through loan availments. CDI is allocated to Retail Banking CGU while CRI is allocated to Corporate Banking CGU. CDI and CRI are assessed for impairment where indicator(s) of objective evidence of impairment has been identified.

14.2 Software Cost

Software cost as of December 31, 2023 and 2022 includes capitalized development costs amounting to ₱2.0 billion, related to the Parent Company's core banking system.

14.3 Goodwill

The Parent Company accounted for the business combination with ABC under the acquisition method of PFRS 3. The Group has elected to measure the NCI in the acquiree at proportionate share of identifiable assets and liabilities. The business combination resulted in the recognition of goodwill amounting to ₱13.4 billion, allocated to the three CGUs which are also reportable segments.

Goodwill is reviewed for impairment annually in the fourth quarter of the reporting period, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The impairment test is done by comparing the recoverable amount of each CGU with its carrying amount. The carrying amount of a CGU is derived based on its net assets plus the amount of goodwill allocated to the CGU. The recoverable amount is the higher of a CGU's fair value less costs to sell and its VIU.

In 2023 and 2021, the goodwill impairment test performed by the Parent Company resulted in an impairment in value of ₱1.0 billion in the Treasury CGU and ₱2.2 billion in the Corporate Banking CGU, respectively, with the recoverable amounts being lower than their carrying amounts.

As of December 31, 2023 and 2022, goodwill for each CGU amounted to:

	2023			2022		
	Gross carrying amount	**Accumulated impairment in value**	**Net carrying amount**	Gross carrying amount	Accumulated impairment in value	Net carrying amount
Retail Banking	**₱6,110,312**	**₱–**	**₱6,110,312**	₱6,110,312	₱–	₱6,110,312
Corporate Banking	**4,190,365**	**2,153,997**	**2,036,368**	4,190,365	2,153,997	2,036,368
Treasury	**3,074,730**	**1,036,567**	**2,038,163**	3,074,730	–	3,074,730
	₱13,375,407	**₱3,190,564**	**₱10,184,843**	₱13,375,407	₱2,153,997	₱11,221,410

After the goodwill impairment test, as of December 31, 2023 and 2022, management believes that no reasonably possible change in any of the key assumptions discussed below would cause the carrying value of the goodwill to materially exceed its recoverable amount.

The recoverable amounts of the CGUs have been determined on the basis of the VIU calculation using the discounted cash flows (DCF) model. The DCF model uses earnings projections based on financial budgets approved by senior management and the BOD of the Parent Company covering a three-year period and are discounted to their present value. Estimating future earning involves judgment which takes into account past and actual performance and expected developments in the respective markets and in the overall macro-economic environment.

The following rates were applied to the cash flow projections:

	2023			2022		
	Retail Banking	**Corporate Banking**	**Treasury**	Retail Banking	Corporate Banking	Treasury
Pre-tax discount rate	**11.92%**	**11.92%**	**10.06%**	13.23%	13.23%	11.23%
Projected growth rate	**5.30%**	**5.30%**	**5.30%**	5.50%	5.50%	5.50%

The calculation of VIU is most sensitive to estimates of future cash flows from the business, interest margin, discount rates, projected long-term growth rates (derived based on the forecast local gross domestic product) used to extrapolate cash flows beyond the budget period.

The discount rate applied has been determined based on cost of equity for the Retail and Corporate Banking CGUs and weighted average cost of capital (WACC) for the Treasury CGU. WACC is computed by multiplying the cost of equity and the post-tax cost of debt by their relevant weights using debt-equity mix of comparable listed banks, and adding the products together. The cost of equity is derived using the capital asset pricing model which is comprised of a market risk premium, risk-free interest rate and the beta factor, all of which were obtained from external sources of information. The post-tax cost of debt is comprised of the risk-free interest rate and the Group's credit spread, after applying the prevailing corporate income tax.

15. **Other Assets**

This account consists of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Financial				
Fund for electronic money products	**₱350,000**	₱–	**₱350,000**	₱–
Returned checks and other cash items	**28,298**	46,253	**28,298**	46,253
Security deposits (Note 33)	**18,279**	18,309	**–**	–
Miscellaneous	**5,680**	5,769	**5,049**	5,207
	402,257	70,331	**383,347**	51,460
Nonfinancial				
Deferred charges (Note 33)	**2,065,324**	1,477,860	**2,060,909**	1,472,352
Creditable withholding taxes	**1,309,256**	856,206	**1,098,777**	612,550
Real estate inventories held under development (Note 33)	**519,448**	728,752	**519,448**	728,752
Documentary stamps on hand	**471,092**	317,932	**470,537**	317,378
Prepaid expenses	**362,254**	340,243	**305,023**	276,417
Chattel mortgage properties - net of depreciation	**304,817**	211,619	**304,817**	82,012
Stationeries and supplies	**99,536**	81,073	**99,283**	80,838
Other investments	**26,335**	26,276	**22,609**	22,517
Miscellaneous (Note 28)	**929,602**	1,087,070	**523,505**	779,767
	6,087,664	5,127,031	**5,404,908**	4,372,583
	6,489,921	5,197,362	**5,788,255**	4,424,043
Less allowance for credit and impairment losses (Note 16)	**1,035,620**	1,041,840	**1,035,570**	1,025,047
	₱5,454,301	₱4,155,522	**₱4,752,685**	₱3,398,996

'Fund for electronic money products' represents the fund set up held in trust by the Parent Company's Trust Banking Group (TBG) for the specific purpose of liquidation of balances of e-money products of the Group in compliance with BSP Circular 1166. Such amount held in the trust account shall not fall below the required minimum balance of at least 50.0% of the outstanding e-money balances. The remaining 50.0% are covered by government securities booked under 'Investment securities at amortized cost' amounting to ₱363.3 million as of December 31, 2023 (refer to Note 9.3).

'Deferred charges' include the share of the Group in the cost of transportation equipment acquired under the Group's car plan which are amortized monthly over five years.

'Real estate inventories held under development' represent parcels of land contributed by the Parent Company under joint arrangements with real estate developers to be developed as residential condominium units and subdivision lots.

'Chattel mortgage properties' pertain to motor vehicles, equipment and assets other than real estate properties, which were acquired by the Group in settlement of loans. As of December 31, 2023 and 2022, accumulated depreciation on the chattel mortgage properties amounted to ₱337.6 million and ₱229.1 million, respectively, for the Group and ₱337.6 million and ₱215.3 million, respectively, for the Parent Company. As of December 31, 2023 and 2022, the total recoverable value of certain chattel mortgage properties of the Group and the Parent Company that were impaired is at ₱1.2 million.

'Miscellaneous financial assets' include revolving fund, petty cash fund and miscellaneous cash and other cash items. 'Miscellaneous nonfinancial assets' include postages, refundable deposits, notes taken for interest and sundry debits.

16. Impairment, Credit and Other Losses

16.1 Provision for Impairment, Credit and Other Losses

This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	2023	2022	2021
Continuing operations:						
Provision for credit losses	₱5,613,112	₱7,159,781	₱10,980,450	₱5,390,322	₱7,171,812	₱11,220,504
Provision for (reversal of) impairment and other losses	309,942	38,336	(255,436)	309,942	133,841	(248,764)
	5,923,054	7,198,117	10,725,014	5,700,264	7,305,653	10,971,740
Discontinued operations (Note 36):						
Provision for credit and impairment losses	–	–	88,141	–	–	–
	₱5,923,054	₱7,198,117	₱10,813,155	₱5,700,264	₱7,305,653	₱10,971,740

16.2 Allowance for Impairment and Credit Losses

Changes in the allowance for credit losses on financial assets follow:

	Consolidated 2023						
	Securities Held Under Agreements to Resell	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Loans and Receivables	Total
Balance at beginning of year	₱2,188	₱9,898	₱1,369	₱121,585	₱3,847,850	₱38,944,781	₱42,927,671
Provisions (reversals)	11,964	–	6,676	(75,912)	(15,770)	5,686,178	5,613,136
Accounts charged-off	–	–	–	–	(3,676,245)	(1,418,830)	(5,095,075)
Transfers and others	–	–	–	–	–	(640,223)	(640,223)
Balance at end of year	₱14,152	₱9,898	₱8,045	₱45,673	₱155,835	₱42,571,906	₱42,805,509

	Consolidated 2022							
	Securities Held Under Agreements to Resell	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Loans and Receivables	Other Assets	Total
Balance at beginning of year	₱3,644	₱10,593	₱6,579	₱134,151	₱3,822,166	₱39,340,761	₱500	₱43,318,394
Provisions (reversals)	(1,456)	(695)	(5,210)	(12,566)	25,684	7,154,524	(500)	7,159,781
Accounts charged-off	–	–	–	–	–	(2,785,836)	–	(2,785,836)
Loan settlement through dacion (Note 33)	–	–	–	–	–	(4,591,743)	–	(4,591,743)
Transfers and others	–	–	–	–	–	(172,925)	–	(172,925)
Balance at end of year	₱2,188	₱9,898	₱1,369	₱121,585	₱3,847,850	₱38,944,781	₱–	₱42,927,671

	Parent Company 2023						
	Securities Held Under Agreements to Resell	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Loans and Receivables	Total
Balance at beginning of year	₱2,188	₱9,873	₱1,369	₱119,452	₱3,847,850	₱39,445,838	₱43,426,570
Provisions (reversals)	11,964	–	6,676	(72,676)	(15,770)	5,460,128	5,390,322
Accounts charged-off	–	–	–	–	(3,676,245)	(1,418,830)	(5,095,075)
Loan settlement through dacion and assignment (Note 33)	–	–	–	–	–	(1,404,582)	(1,404,582)
Transfers and others	–	–	–	–	–	484,674	484,674
Balance at end of year	₱14,152	₱9,873	₱8,045	₱46,776	₱155,835	₱42,567,228	₱42,801,909

	Parent Company							
	2022							
	Securities Held Under Agreements to Resell	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Loans and Receivables	Other Assets	Total
Balance at beginning of year	₱3,644	₱9,873	₱6,579	₱131,521	₱3,822,166	₱39,225,977	₱500	₱43,200,260
Provisions (reversals)	(1,456)	–	(5,210)	(12,069)	25,684	7,165,363	(500)	7,171,812
Accounts charged-off	–	–	–	–	–	(2,078,219)	–	(2,078,219)
Loan settlement through dacion (Note 33)	–	–	–	–	–	(4,591,743)	–	(4,591,743)
Transfers and others	–	–	–	–	–	(275,540)	–	(275,540)
Balance at end of year	₱2,188	₱9,873	₱1,369	₱119,452	₱3,847,850	₱39,445,838	₱–	₱43,426,570

Movements in the allowance for impairment and other losses on non-financial assets follow:

	Consolidated							
	2023				2022			
	Property and Equipment	**Investment Properties**	**Other Assets**	**Total**	Property and Equipment	Investment Properties	Other Assets	Total
Balance at beginning of year	**₱1,168,887**	**₱2,175,669**	**₱1,041,840**	**₱4,386,396**	₱1,168,887	₱2,204,822	₱1,068,716	₱4,442,425
Provisions (reversals)	**(38)**	**166,099**	**143,881**	**309,942**	–	33,299	5,037	38,336
Disposals	**(35,557)**	**(27,151)**	**(248)**	**(62,956)**	–	(55,884)	(10,077)	(65,961)
Transfers and others	**–**	**4,283**	**(149,853)**	**(145,570)**	–	(6,568)	(21,836)	(28,404)
Balance at end of year	**₱1,133,292**	**₱2,318,900**	**₱1,035,620**	**₱4,487,812**	₱1,168,887	₱2,175,669	₱1,041,840	₱4,386,396

	Parent Company							
	2023				2022			
	Property and Equipment	**Investment Properties**	**Other Assets**	**Total**	Property and Equipment	Investment Properties	Other Assets	Total
Balance at beginning of year	**₱1,168,887**	**₱2,150,968**	**₱1,025,047**	**₱4,344,902**	₱1,168,887	₱2,175,670	₱1,045,572	₱4,390,129
Provisions (reversals)	**(38)**	**166,099**	**143,881**	**309,942**	–	33,299	100,542	133,841
Disposals	**(35,557)**	**(27,151)**	**(248)**	**(62,956)**	–	(55,884)	(3,725)	(59,609)
Transfers and others	**–**	**4,283**	**(133,110)**	**(128,827)**	–	(2,117)	(117,342)	(119,459)
Balance at end of year	**₱1,133,292**	**₱2,294,199**	**₱1,035,570**	**₱4,463,061**	₱1,168,887	₱2,150,968	₱1,025,047	₱4,344,902

The reconciliation of allowance for loans and receivables are shown below:

	Consolidated							
	2023				2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	**₱1,455,038**	**₱5,954,356**	**₱17,270,216**	**₱24,679,610**	₱459,223	₱859,753	₱24,311,397	₱25,630,373
Transfers to Stage 1	**22,816**	**(22,816)**	**–**	**–**	124,442	(122,231)	(2,211)	–
Transfers to Stage 2	**(572,482)**	**647,566**	**(75,084)**	**–**	(13,026)	7,561,264	(7,548,238)	–
Transfers to Stage 3	**(331,606)**	**(3,394,552)**	**3,726,158**	**–**	(2,707)	(181,214)	183,921	–
Provisions (reversals)	**1,200,421**	**(289,526)**	**2,718,659**	**3,629,554**	887,106	(2,163,216)	5,165,128	3,889,018
Accounts charged off	**–**	**–**	**(27,654)**	**(27,654)**	–	–	(48,784)	(48,784)
Loan settlement through dacion (Note 33)	**–**	**–**	**–**	**–**	–	–	(4,580,430)	(4,580,430)
Other movements	**–**	**–**	**–**	**–**	–	–	(210,567)	(210,567)
Ending Balance	**1,774,187**	**2,895,028**	**23,612,295**	**28,281,510**	1,455,038	5,954,356	17,270,216	24,679,610
LGU								
Beginning Balance	**472**	**8,471**	**65,694**	**74,637**	265	10,632	67,798	78,695
Provisions (reversals)	**(81)**	**(1,787)**	**(2,478)**	**(4,346)**	207	(2,161)	(2,104)	(4,058)
Ending Balance	**391**	**6,684**	**63,216**	**70,291**	472	8,471	65,694	74,637
Credit Cards								
Beginning Balance	**491,509**	**83,742**	**712,977**	**1,288,228**	61,472	26,686	2,319,769	2,407,927
Transfers to Stage 1	**22,578**	**(16,917)**	**(5,661)**	**–**	14,583	(5,637)	(8,946)	–
Transfers to Stage 2	**(17,425)**	**17,465**	**(40)**	**–**	(1,666)	2,188	(522)	–
Transfers to Stage 3	**(25,370)**	**(12,031)**	**37,401**	**–**	(2,726)	(3,171)	5,897	–
Provisions	**37,154**	**37,624**	**844,677**	**919,455**	419,846	63,676	411,234	894,756
Accounts charged off	**–**	**–**	**(892,571)**	**(892,571)**	–	–	(2,014,455)	(2,014,455)
Ending Balance	**508,446**	**109,883**	**696,783**	**1,315,112**	491,509	83,742	712,977	1,288,228
Retail SMEs								
Beginning Balance	**200,621**	**26,631**	**1,337,812**	**1,565,064**	156,723	16,002	1,643,255	1,815,980
Transfers to Stage 1	**110**	**–**	**(110)**	**–**	15,101	(386)	(14,715)	–
Transfers to Stage 2	**(1,051)**	**2,229**	**(1,178)**	**–**	(51,349)	51,549	(200)	–
Transfers to Stage 3	**–**	**(80,052)**	**80,052**	**–**	(736)	(1,050)	1,786	–

(Forward)

	Consolidated							
	2023				2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Provisions (reversals)	**(₱11,015)**	**₱61,308**	**₱463,438**	**₱513,731**	₱80,882	(₱39,484)	₱402,656	₱444,054
Accounts charged off	**–**	**–**	**(401,774)**	**(401,774)**	–	–	(694,970)	(694,970)
Other movements	**–**	**–**	**(689,424)**	**(689,424)**	–	–	–	–
Ending Balance	**188,665**	**10,116**	**788,816**	**987,597**	200,621	26,631	1,337,812	1,565,064
Housing Loans								
Beginning Balance	**447,670**	**115,108**	**3,785,067**	**4,347,845**	256,953	54,367	3,121,446	3,432,766
Transfers to Stage 1	**43,356**	**(6,424)**	**(36,932)**	**–**	527,271	(17,691)	(509,580)	–
Transfers to Stage 2	**(30,074)**	**43,180**	**(13,106)**	**–**	(5,794)	71,159	(65,365)	–
Transfers to Stage 3	**(260,638)**	**(124,595)**	**385,233**	**–**	(33,977)	(26,337)	60,314	–
Provisions (reversals)	**325,582**	**19,928**	**(165,041)**	**180,469**	(296,783)	33,610	1,178,252	915,079
Ending Balance	**525,896**	**47,197**	**3,955,221**	**4,528,314**	447,670	115,108	3,785,067	4,347,845
Auto Loans								
Beginning Balance	**20,844**	**2,253**	**1,497,222**	**1,520,319**	8,996	2,166	1,467,584	1,478,746
Transfers to Stage 1	**600**	**(131)**	**(469)**	**–**	85,614	(671)	(84,943)	–
Transfers to Stage 2	**(476)**	**525**	**(49)**	**–**	(197)	5,619	(5,422)	–
Transfers to Stage 3	**(21,039)**	**(10,155)**	**31,194**	**–**	(350)	(1,213)	1,563	–
Provisions (reversals)	**25,764**	**8,194**	**(401,452)**	**(367,494)**	(73,219)	(3,648)	124,794	47,927
Accounts charged off	**–**	**–**	**(47,526)**	**(47,526)**	–	–	(6,354)	(6,354)
Ending Balance	**25,693**	**686**	**1,078,920**	**1,105,299**	20,844	2,253	1,497,222	1,520,319
Other Loans								
Beginning Balance	**15,750**	**78,197**	**1,168,060**	**1,262,007**	242,940	8,236	716,032	967,208
Transfers to Stage 1	**1,364**	**(244)**	**(1,120)**	**–**	302,607	(3,134)	(299,473)	–
Transfers to Stage 2	**(148,740)**	**216,224**	**(67,484)**	**–**	(50)	27,615	(27,565)	–
Transfers to Stage 3	**(42,076)**	**(6,097)**	**48,173**	**–**	(506)	(2,527)	3,033	–
Provisions (reversals)	**245,496**	**(23,372)**	**(219,101)**	**3,023**	(529,241)	48,007	788,680	307,446
Accounts charged off	**–**	**–**	**–**	**–**	–	–	(12,647)	(12,647)
Ending Balance	**71,794**	**264,708**	**928,528**	**1,265,030**	15,750	78,197	1,168,060	1,262,007
Other Receivables								
Beginning Balance	**87,993**	**148,230**	**3,970,848**	**4,207,071**	81,507	33,359	3,414,200	3,529,066
Transfers to Stage 1	**162**	**(138)**	**(24)**	**–**	26	(5)	(21)	–
Transfers to Stage 2	**(4,115)**	**4,177**	**(62)**	**–**	(758)	10,530	(9,772)	–
Transfers to Stage 3	**(3,463)**	**(421,743)**	**425,206**	**–**	(4,861)	(15,475)	20,336	–
Provisions	**50,698**	**306,790**	**454,298**	**811,786**	12,079	119,821	528,402	660,302
Accounts charged off	**–**	**–**	**(49,305)**	**(49,305)**	–	–	(8,626)	(8,626)
Loan settlement through dacion (Note 33)	**–**	**–**	**–**	**–**	–	–	(11,313)	(11,313)
Other movements	**–**	**–**	**49,201**	**49,201**	–	–	37,642	37,642
Ending Balance	**131,275**	**37,316**	**4,850,162**	**5,018,753**	87,993	148,230	3,970,848	4,207,071
Total Loans and Receivables								
Beginning Balance	**2,719,897**	**6,416,988**	**29,807,896**	**38,944,781**	1,268,079	1,011,201	37,061,481	39,340,761
Transfers to Stage 1	**90,986**	**(46,670)**	**(44,316)**	**–**	1,069,644	(149,755)	(919,889)	–
Transfers to Stage 2	**(774,363)**	**931,366**	**(157,003)**	**–**	(72,840)	7,729,924	(7,657,084)	–
Transfers to Stage 3	**(684,192)**	**(4,049,225)**	**4,733,417**	**–**	(45,863)	(230,987)	276,850	–
Provisions (reversals)	**1,874,019**	**119,159**	**3,693,000**	**5,686,178**	500,877	(1,943,395)	8,597,042	7,154,524
Accounts charged off	**–**	**–**	**(1,418,830)**	**(1,418,830)**	–	–	(2,785,836)	(2,785,836)
Loan settlement through dacion (Note 33)	**–**	**–**	**–**	**–**	–	–	(4,591,743)	(4,591,743)
Other movements	**–**	**–**	**(640,223)**	**(640,223)**	–	–	(172,925)	(172,925)
Ending Balance	**₱3,226,347**	**₱3,371,618**	**₱35,973,941**	**₱42,571,906**	₱2,719,897	₱6,416,988	₱29,807,896	₱38,944,781

	Parent Company							
	2023				2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	**₱1,671,731**	**₱5,954,139**	**₱18,336,117**	**₱25,961,987**	₱798,447	₱848,687	₱25,253,746	₱26,900,880
Transfers to Stage 1	**22,816**	**(22,816)**	**–**	**–**	124,373	(122,162)	(2,211)	–
Transfers to Stage 2	**(572,482)**	**647,566**	**(75,084)**	**–**	(13,026)	7,561,264	(7,548,238)	–
Transfers to Stage 3	**(331,606)**	**(3,394,552)**	**3,726,158**	**–**	(2,707)	(181,214)	183,921	–
Provisions (reversals)	**858,154**	**(289,309)**	**3,049,732**	**3,618,577**	764,644	(2,152,436)	5,373,591	3,985,799
Accounts charged off	**–**	**–**	**(27,654)**	**(27,654)**	–	–	(48,784)	(48,784)
Loan settlement through dacion and assignment (Note 33)	**–**	**–**	**(1,404,582)**	**(1,404,582)**	–	–	(4,580,430)	(4,580,430)
Other movements	**--**	**--**	**424,970**	**424,970**	–	–	(295,478)	(295,478)
Ending Balance	**1,648,613**	**2,895,028**	**24,029,657**	**28,573,298**	1,671,731	5,954,139	18,336,117	25,961,987
LGU								
Beginning Balance	**472**	**8,471**	**65,694**	**74,637**	265	10,632	67,798	78,695
Provisions (reversals)	**(81)**	**(1,787)**	**(2,478)**	**(4,346)**	207	(2,161)	(2,104)	(4,058)
Ending Balance	**391**	**6,684**	**63,216**	**70,291**	472	8,471	65,694	74,637
Credit Cards								
Beginning Balance	**491,509**	**83,742**	**712,977**	**1,288,228**	61,472	26,686	2,319,769	2,407,927
Transfers to Stage 1	**22,578**	**(16,917)**	**(5,661)**	**–**	14,583	(5,637)	(8,946)	–
Transfers to Stage 2	**(17,425)**	**17,465**	**(40)**	**–**	(1,666)	2,188	(522)	–
Transfers to Stage 3	**(25,370)**	**(12,031)**	**37,401**	**–**	(2,726)	(3,171)	5,897	–
Provisions	**37,154**	**37,624**	**844,677**	**919,455**	419,846	63,676	411,234	894,756
Accounts charged off	**–**	**–**	**(892,571)**	**(892,571)**	–	–	(2,014,455)	(2,014,455)
Ending Balance	**508,446**	**109,883**	**696,783**	**1,315,112**	491,509	83,742	712,977	1,288,228

(Forward)

	Parent Company							
	2023				2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Retail SMEs								
Beginning Balance	**₱182,003**	**₱23,329**	**₱798,798**	**₱1,004,130**	₱151,201	₱3,712	₱498,101	₱653,014
Transfers to Stage 1	**110**	**–**	**(110)**	**–**	14,744	(29)	(14,715)	–
Transfers to Stage 2	**(1,051)**	**2,229**	**(1,178)**	**–**	(50,978)	51,178	(200)	–
Transfers to Stage 3	**–**	**(80,052)**	**80,052**	**–**	(305)	(780)	1,085	–
Provisions (reversals)	**7,603**	**64,599**	**308,208**	**380,410**	67,341	(30,752)	314,527	351,116
Accounts charged off	**–**	**–**	**(401,774)**	**(401,774)**	–	–	–	–
Ending Balance	**188,665**	**10,105**	**783,996**	**982,766**	182,003	23,329	798,798	1,004,130
Housing Loans								
Beginning Balance	**445,982**	**114,780**	**3,776,024**	**4,336,786**	₱240,858	₱54,367	₱3,119,744	₱3,414,969
Transfers to Stage 1	**43,356**	**(6,424)**	**(36,932)**	**–**	527,271	(17,691)	(509,580)	–
Transfers to Stage 2	**(30,074)**	**43,180**	**(13,106)**	**–**	(5,666)	71,031	(65,365)	–
Transfers to Stage 3	**(260,638)**	**(124,595)**	**385,233**	**–**	(15,874)	(26,337)	42,211	–
Provisions (reversals)	**325,990**	**20,256**	**(172,545)**	**173,701**	(300,607)	33,410	1,189,014	921,817
Ending Balance	**524,616**	**47,197**	**3,938,674**	**4,510,487**	445,982	114,780	3,776,024	4,336,786
Auto Loans								
Beginning Balance	**20,844**	**2,253**	**1,497,222**	**1,520,319**	8,996	2,166	1,467,584	1,478,746
Transfers to Stage 1	**600**	**(131)**	**(469)**	**–**	85,614	(671)	(84,943)	–
Transfers to Stage 2	**(476)**	**525**	**(49)**	**–**	(197)	5,619	(5,422)	–
Transfers to Stage 3	**(21,039)**	**(10,155)**	**31,194**	**–**	(350)	(1,213)	1,563	–
Provisions (reversals)	**25,764**	**8,194**	**(401,452)**	**(367,494)**	(73,219)	(3,648)	124,794	47,927
Accounts charged off	**–**	**–**	**(47,526)**	**(47,526)**	–	–	(6,354)	(6,354)
Ending Balance	**25,693**	**686**	**1,078,920**	**1,105,299**	20,844	2,253	1,497,222	1,520,319
Other Loans								
Beginning Balance	**15,739**	**64,561**	**1,181,666**	**1,261,966**	242,936	8,236	703,090	954,262
Transfers to Stage 1	**1,364**	**(244)**	**(1,120)**	**–**	302,597	(3,134)	(299,463)	–
Transfers to Stage 2	**(148,740)**	**216,224**	**(67,484)**	**–**	(50)	27,615	(27,565)	–
Transfers to Stage 3	**(42,076)**	**(6,097)**	**48,173**	**–**	(506)	(2,527)	3,033	–
Provisions (reversals)	**245,497**	**(9,736)**	**(232,707)**	**3,054**	(529,238)	34,371	802,571	307,704
Ending Balance	**71,784**	**264,708**	**928,528**	**1,265,020**	15,739	64,561	1,181,666	1,261,966
Other Receivables								
Beginning Balance	**34,342**	**37,308**	**3,926,135**	**3,997,785**	45,243	32,820	3,259,421	3,337,484
Transfers to Stage 1	**162**	**(138)**	**(24)**	**–**	26	(5)	(21)	–
Transfers to Stage 2	**(4,115)**	**4,177**	**(62)**	**–**	(758)	10,530	(9,772)	–
Transfers to Stage 3	**(3,463)**	**(421,743)**	**425,206**	**–**	(4,861)	(15,475)	20,336	–
Provisions (reversals)	**(4,261)**	**413,289**	**327,743**	**736,771**	(5,308)	9,438	656,172	660,302
Accounts charged off	**–**	**–**	**(49,305)**	**(49,305)**	–	–	(8,626)	(8,626)
Loan settlement through dacion (Note 33)	**–**	**–**	**–**	**–**	–	–	(11,313)	(11,313)
Other movements	**–**	**–**	**59,704**	**59,704**	–	–	19,938	19,938
Ending Balance	**22,665**	**32,893**	**4,689,397**	**4,744,955**	34,342	37,308	3,926,135	3,997,785
Total Loans and Receivables								
Beginning Balance	**2,862,622**	**6,288,583**	**30,294,633**	**39,445,838**	1,549,418	987,306	36,689,253	39,225,977
Transfers to Stage 1	**90,986**	**(46,670)**	**(44,316)**	**–**	1,069,208	(149,329)	(919,879)	–
Transfers to Stage 2	**(774,363)**	**931,366**	**(157,003)**	**–**	(72,341)	7,729,425	(7,657,084)	–
Transfers to Stage 3	**(684,192)**	**(4,049,225)**	**4,733,417**	**–**	(27,329)	(230,717)	258,046	–
Provisions (reversals)	**1,495,820**	**243,130**	**3,721,178**	**5,460,128**	343,666	(2,048,102)	8,869,799	7,165,363
Accounts charged off	**–**	**–**	**(1,418,830)**	**(1,418,830)**	–	–	(2,078,219)	(2,078,219)
Loan settlement through dacion and assignment (Note 33)	**–**	**–**	**(1,404,582)**	**(1,404,582)**	–	–	(4,591,743)	(4,591,743)
Other movements	**–**	**–**	**484,674**	**484,674**	–	–	(275,540)	(275,540)
Ending Balance	**₱2,990,873**	**₱3,367,184**	**₱36,209,171**	**₱42,567,228**	₱2,862,622	₱6,288,583	₱30,294,633	₱39,445,838

16.3 Gross Carrying Amounts of Loans and Receivables

Movements of the gross carrying amounts of loans and receivables are shown below:

	Consolidated							
	2023				2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	**₱439,476,954**	**₱73,633,834**	**₱27,884,820**	**₱540,995,608**	₱473,712,387	₱24,933,143	₱55,428,704	₱554,074,234
Newly originated assets which remained in Stage 1 at yearend	**256,828,762**	**–**	**–**	**256,828,762**	122,147,585	–	–	122,147,585
Newly originated assets which moved to Stages 2 and 3 at yearend	**–**	**12,486,650**	**7,244,151**	**19,730,801**	–	4,634,768	3,170,272	7,805,040
Transfers to Stage 1	**20,808,870**	**(20,808,870)**	**–**	**–**	2,158,216	(2,153,301)	(4,915)	–
Transfers to Stage 2	**(2,438,133)**	**2,776,640**	**(338,507)**	**–**	(25,259,322)	53,397,854	(28,138,532)	–
Transfers to Stage 3	**(851,326)**	**(5,941,406)**	**6,792,732**	**–**	(1,160,805)	(2,473,557)	3,634,362	–
Accounts charged off	**–**	**–**	**(27,654)**	**(27,654)**	–	–	(48,784)	(48,784)
Loan settlement through dacion (Note 33)	**–**	**–**	**–**	**–**	–	–	(5,958,906)	(5,958,906)
Collections and other movements	**(202,085,864)**	**(34,664,547)**	**(8,579,380)**	**(245,329,791)**	(132,121,107)	(4,705,073)	(197,381)	(137,023,561)
Ending Balance	**511,739,263**	**27,482,301**	**32,976,162**	**572,197,726**	439,476,954	73,633,834	27,884,820	540,995,608

(Forward)

	Consolidated							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
LGU								
Beginning Balance	₱2,753,214	₱35,320	₱56,658	₱2,845,192	₱4,216,332	₱46,154	₱57,227	₱4,319,713
Newly originated assets which remained in Stage 1 at yearend	–	–	–	–	35,962	–	–	35,962
Collections and other movements	(569,928)	(7,181)	(1,758)	(578,867)	(1,499,080)	(10,834)	(569)	(1,510,483)
Ending Balance	2,183,286	28,139	54,900	2,266,325	2,753,214	35,320	56,658	2,845,192
Credit Cards								
Beginning Balance	13,157,391	315,914	909,376	14,382,681	10,468,937	269,413	2,418,595	13,156,945
Newly originated assets which remained in Stage 1 at yearend	1,165,134	–	–	1,165,134	998,216	–	–	998,216
Newly originated assets which moved to Stages 2 and 3 at yearend	–	29,616	18,927	48,543	–	39,134	20,775	59,909
Transfers to Stage 1	69,818	(62,026)	(7,792)	–	71,224	(61,373)	(9,851)	–
Transfers to Stage 2	(325,428)	325,528	(100)	–	(218,986)	219,544	(558)	–
Transfers to Stage 3	(424,262)	(52,755)	477,017	–	(309,359)	(40,798)	350,157	–
Accounts charged off	–	–	(892,571)	(892,571)	–	–	(2,014,455)	(2,014,455)
Collections and other movements	565,900	(115,915)	79,073	529,058	2,147,359	(110,006)	144,713	2,182,066
Ending Balance	14,208,553	440,362	583,930	15,232,845	13,157,391	315,914	909,376	14,382,681
Retail SMEs								
Beginning Balance	3,995,703	342,969	1,961,582	6,300,254	6,432,116	159,012	2,747,777	9,338,905
Newly originated assets which remained in Stage 1 at yearend	3,924,066	–	–	3,924,066	1,238,722	–	–	1,238,722
Newly originated assets which moved to Stages 2 and 3 at yearend	–	112,457	72,686	185,143	–	130,105	111,941	242,046
Transfers to Stage 1	4,227	–	(4,227)	–	23,795	(6,761)	(17,034)	–
Transfers to Stage 2	(21,867)	31,237	(9,370)	–	(16,610)	17,943	(1,333)	–
Transfers to Stage 3	–	(119,106)	119,106	–	(14,693)	(12,200)	26,893	–
Accounts charged off	–	–	(401,774)	(401,774)	–	–	(694,970)	(694,970)
Collections and other movements	(3,748,760)	(216,101)	(670,780)	(4,635,641)	(3,667,627)	54,870	(211,692)	(3,824,449)
Ending Balance	4,153,369	151,456	1,067,223	5,372,048	3,995,703	342,969	1,961,582	6,300,254
Housing Loans								
Beginning Balance	18,886,113	673,099	9,029,811	28,589,023	20,002,043	486,743	10,428,783	30,917,569
Newly originated assets which remained in Stage 1 as at yearend	3,153,824	–	–	3,153,824	1,992,738	–	–	1,992,738
Newly originated assets which moved to Stages 2 and 3 at yearend	–	14,017	48,035	62,052	–	47,129	50,829	97,958
Transfers to Stage 1	1,234,984	(167,456)	(1,067,528)	–	2,075,863	(155,598)	(1,920,265)	–
Transfers to Stage 2	(160,577)	225,036	(64,459)	–	(417,363)	651,867	(234,504)	–
Transfers to Stage 3	(819,808)	(407,824)	1,227,632	–	(1,240,805)	(238,698)	1,479,503	–
Collections and other movements	(2,163,666)	(88,190)	(1,251,752)	(3,503,608)	(3,526,363)	(118,344)	(774,535)	(4,419,242)
Ending Balance	20,130,870	248,682	7,921,739	28,301,291	18,886,113	673,099	9,029,811	28,589,023
Auto Loans								
Beginning Balance	5,017,858	102,192	1,970,284	7,090,334	5,868,366	162,915	2,733,492	8,764,773
Newly originated assets which remained in Stage 1 at yearend	2,513,456	–	–	2,513,456	1,746,814	–	–	1,746,814
Newly originated assets which moved to Stages 2 and 3 at yearend	–	4,842	4,158	9,000	–	21,772	17,342	39,114
Transfers to Stage 1	78,374	(17,998)	(60,376)	–	343,352	(46,882)	(296,470)	–
Transfers to Stage 2	(15,461)	16,928	(1,467)	–	(121,463)	144,467	(23,004)	–
Transfers to Stage 3	(83,541)	(33,541)	117,082	–	(227,317)	(87,418)	314,735	–
Accounts charged off	–	–	(47,526)	(47,526)	–	–	(6,354)	(6,354)
Collections and other movements	(2,294,326)	(49,450)	(718,705)	(3,062,481)	(2,591,894)	(92,662)	(769,457)	(3,454,013)
Ending Balance	5,216,360	22,973	1,263,450	6,502,783	5,017,858	102,192	1,970,284	7,090,334
Other Loans								
Beginning Balance	9,131,926	1,546,924	1,976,100	12,654,950	7,321,531	367,134	1,165,984	8,854,649
Newly originated assets which remained in Stage 1 at yearend	6,201,837	–	–	6,201,837	3,478,963	–	–	3,478,963
Newly originated assets which moved to Stages 2 and 3 at yearend	–	1,244,295	39,581	1,283,876	–	969,907	27,777	997,684
Transfers to Stage 1	38,851	(7,370)	(31,481)	–	774,098	(43,098)	(731,000)	–
Transfers to Stage 2	(619,725)	836,675	(216,950)	–	(12,420)	181,997	(169,577)	–
Transfers to Stage 3	(141,647)	(20,036)	161,683	–	(1,057,002)	(2,473,557)	3,530,559	–
Accounts charged off	–	–	–	–	–	–	(12,647)	(12,647)
Collections and other movements	(6,423,599)	(1,513,010)	(278,804)	(8,215,413)	(1,373,244)	2,544,541	(1,834,996)	(663,699)
Ending Balance	8,187,643	2,087,478	1,650,129	11,925,250	9,131,926	1,546,924	1,976,100	12,654,950
Other Receivables								
Beginning Balance	15,069,109	289,229	3,828,316	19,186,654	14,609,695	(1,203,874)	3,461,903	16,867,724
Newly originated assets which remained in Stage 1 at yearend	1,334,540	–	–	1,334,540	714,679	–	–	714,679
Newly originated assets which moved to Stages 2 and 3 at yearend	–	49,057	126,499	175,556	–	52,632	35,331	87,963
Transfers to Stage 1	123,622	(118,182)	(5,440)	–	14,435	(5,955)	(8,480)	–
Transfers to Stage 2	(23,562)	24,591	(1,029)	–	(162,383)	270,582	(108,199)	–
Transfers to Stage 3	(9,949)	(925,493)	935,442	–	(16,131)	(50,442)	66,573	–
Accounts charged off	–	–	(49,305)	(49,305)	–	–	(8,626)	(8,626)
Loan settlement through dacion (Note 33)	–	–	–	–	–	–	(13,656)	(13,656)
Collections and other movements	(5,363,285)	950,839	1,249,385	(3,163,061)	(91,186)	1,226,286	403,470	1,538,570

(Forward)

	Consolidated							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Ending Balance	₱11,130,475	₱270,041	₱6,083,868	₱17,484,384	₱15,069,109	₱289,229	₱3,828,316	₱19,186,654
Total Loans and Receivables								
Beginning Balance	507,488,268	76,939,481	47,616,947	632,044,696	542,631,407	25,220,640	78,442,465	646,294,512
Newly originated assets which remained in Stage 1 at yearend	275,121,619	–	–	275,121,619	132,353,679	–	–	132,353,679
Newly originated assets which moved to Stages 2 and 3 at yearend	–	13,940,934	7,554,037	21,494,971	–	5,895,447	3,434,267	9,329,714
Transfers to Stage 1	22,358,746	(21,181,902)	(1,176,844)	–	5,460,983	(2,472,968)	(2,988,015)	–
Transfers to Stage 2	(3,604,753)	4,236,635	(631,882)	–	(26,208,547)	54,884,254	(28,675,707)	–
Transfers to Stage 3	(2,330,533)	(7,500,161)	9,830,694	–	(4,026,112)	(5,376,670)	9,402,782	–
Accounts charged off	–	–	(1,418,830)	(1,418,830)	–	–	(2,785,836)	(2,785,836)
Loan settlement through dacion (Note 33)	–	–	–	–	–	–	(5,972,562)	(5,972,562)
Collections and other movements	(222,083,528)	(35,703,555)	(10,172,721)	(267,959,804)	(142,723,142)	(1,211,222)	(3,240,447)	(147,174,811)
Ending Balance	₱576,949,819	₱30,731,432	₱51,601,401	₱659,282,652	₱507,488,268	₱76,939,481	₱47,616,947	₱632,044,696

	Parent Company							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	₱427,520,330	₱73,589,787	₱28,922,622	₱530,032,739	₱464,785,519	₱24,852,656	₱55,228,912	₱544,867,087
Newly originated assets which remained in Stage 1 at yearend	249,130,331	–	–	249,130,331	115,715,916	–	–	115,715,916
Newly originated assets which moved to Stages 2 and 3 at yearend	–	12,486,650	7,244,151	19,730,801	–	4,616,638	3,170,128	7,786,766
Transfers to Stage 1	20,808,870	(20,808,870)	–	–	2,181,944	(2,177,029)	(4,915)	–
Transfers to Stage 2	(2,438,133)	2,776,640	(338,507)	–	(25,259,322)	53,397,854	(28,138,532)	–
Transfers to Stage 3	(851,326)	(5,941,406)	6,792,732	–	(1,057,002)	(2,473,557)	3,530,559	–
Accounts charged off	–	–	(27,654)	(27,654)	–	–	(48,784)	(48,784)
Loan settlement through dacion and assignment (Note 33)	–	–	(1,404,582)	(1,404,582)	–	–	(5,958,906)	(5,958,906)
Collections and other movements	(195,107,142)	(34,655,099)	(8,245,169)	(238,007,410)	(128,846,725)	(4,626,775)	1,144,160	(132,329,340)
Ending Balance	499,062,930	27,447,702	32,943,593	559,454,225	427,520,330	73,589,787	28,922,622	530,032,739
LGU								
Beginning Balance	2,753,214	35,320	56,658	2,845,192	4,216,332	46,154	57,227	4,319,713
Newly originated assets which remained in Stage 1 at yearend	–	–	–	–	35,962	–	–	35,962
Collections and other movements	(569,928)	(7,181)	(1,758)	(578,867)	(1,499,080)	(10,834)	(569)	(1,510,483)
Ending Balance	2,183,286	28,139	54,900	2,266,325	2,753,214	35,320	56,658	2,845,192
Credit Cards								
Beginning Balance	13,157,391	315,914	909,376	14,382,681	10,468,937	269,413	2,418,595	13,156,945
Newly originated assets which remained in Stage 1 at yearend	1,165,134	–	–	1,165,134	998,216	–	–	998,216
Newly originated assets which moved to Stages 2 and 3 at yearend	–	29,616	18,927	48,543	–	39,134	20,775	59,909
Transfers to Stage 1	69,818	(62,026)	(7,792)	–	71,224	(61,373)	(9,851)	–
Transfers to Stage 2	(325,428)	325,528	(100)	–	(218,986)	219,544	(558)	–
Transfers to Stage 3	(424,262)	(52,755)	477,017	–	(309,359)	(40,798)	350,157	–
Accounts charged off	–	–	(892,571)	(892,571)	–	–	(2,014,455)	(2,014,455)
Collections and other movements	565,900	(115,915)	79,073	529,058	2,147,359	(110,006)	144,713	2,182,066
Ending Balance	14,208,553	440,362	583,930	15,232,845	13,157,391	315,914	909,376	14,382,681
Retail SMEs								
Beginning Balance	3,544,176	317,549	1,078,655	4,940,380	5,193,066	53,425	1,157,488	6,403,979
Newly originated assets which remained in Stage 1 at yearend	3,924,066	–	–	3,924,066	1,238,487	–	–	1,238,487
Newly originated assets which moved to Stages 2 and 3 at yearend	–	112,457	72,686	185,143	–	118,816	34,130	152,946
Transfers to Stage 1	4,227	–	(4,227)	–	18,280	(1,246)	(17,034)	–
Transfers to Stage 2	(21,867)	31,237	(9,370)	–	(11,941)	13,274	(1,333)	–
Transfers to Stage 3	–	(119,106)	119,106	–	(12,020)	(11,609)	23,629	–
Accounts charged off	–	–	(401,774)	(401,774)	–	–	–	–
Collections and other movements	(3,297,349)	(190,664)	202,045	(3,285,968)	(2,881,696)	144,889	(118,225)	(2,855,032)
Ending Balance	4,153,253	151,473	1,057,121	5,361,847	3,544,176	317,549	1,078,655	4,940,380
Housing Loans								
Beginning Balance	18,020,708	640,238	9,002,446	27,663,392	19,118,020	486,743	10,417,506	30,022,269
Newly originated assets which remained in Stage 1 at yearend	3,046,281	–	–	3,046,281	1,898,095	–	–	1,898,095
Newly originated assets which moved to Stages 2 and 3 at yearend	–	14,017	48,035	62,052	–	17,655	50,829	68,484
Transfers to Stage 1	1,234,984	(167,456)	(1,067,528)	–	2,076,403	(156,138)	(1,920,265)	–
Transfers to Stage 2	(160,577)	225,036	(64,459)	–	(417,145)	651,867	(234,722)	–
Transfers to Stage 3	(819,808)	(378,350)	1,198,158	–	(1,196,361)	(238,698)	1,435,059	–
Collections and other movements	(1,967,397)	(84,803)	(1,195,246)	(3,247,446)	(3,458,304)	(121,191)	(745,961)	(4,325,456)
Ending Balance	19,354,191	248,682	7,921,406	27,524,279	18,020,708	640,238	9,002,446	27,663,392

(Forward)

	Parent Company							
	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Auto Loans								
Beginning Balance	₱5,017,858	₱102,192	₱1,970,284	₱7,090,334	₱5,868,366	₱162,915	₱2,733,492	₱8,764,773
Newly originated assets which remained in Stage 1 at yearend	2,513,456	–	–	2,513,456	1,746,814	–	–	1,746,814
Newly originated assets which moved to Stages 2 and 3 at yearend	–	4,842	4,158	9,000	–	21,772	17,342	39,114
Transfers to Stage 1	78,374	(17,998)	(60,376)	–	343,352	(46,882)	(296,470)	–
Transfers to Stage 2	(15,461)	16,928	(1,467)	–	(121,463)	144,467	(23,004)	–
Transfers to Stage 3	(83,541)	(33,541)	117,082	–	(227,317)	(87,418)	314,735	–
Accounts charged off	–	–	(47,526)	(47,526)	–	–	(6,354)	(6,354)
Collections and other movements	(2,294,326)	(49,450)	(718,705)	(3,062,481)	(2,591,894)	(92,662)	(769,457)	(3,454,013)
Ending Balance	5,216,360	22,973	1,263,450	6,502,783	5,017,858	102,192	1,970,284	7,090,334
Other Loans								
Beginning Balance	9,039,529	1,546,924	1,976,100	12,562,553	5,855,851	367,134	1,152,059	7,375,044
Newly originated assets which remained in Stage 1 at yearend	6,201,837	–	–	6,201,837	3,478,963	–	–	3,478,963
Newly originated assets which moved to Stages 2 and 3 at yearend	–	1,244,295	39,581	1,283,876	–	969,907	27,777	997,684
Transfers to Stage 1	38,851	(7,370)	(31,481)	–	773,086	(43,098)	(729,988)	–
Transfers to Stage 2	(616,273)	833,223	(216,950)	–	(12,420)	181,997	(169,577)	–
Transfers to Stage 3	(141,647)	(20,036)	161,683	–	(1,057,002)	(2,473,557)	3,530,559	–
Collections and other movements	(6,422,562)	(1,509,558)	(278,804)	(8,210,924)	1,051	2,544,541	(1,834,730)	710,862
Ending Balance	8,099,735	2,087,478	1,650,129	11,837,342	9,039,529	1,546,924	1,976,100	12,562,553
Other Receivables								
Beginning Balance	13,979,637	279,963	3,663,985	17,923,585	13,007,324	515,733	3,291,871	16,814,928
Newly originated assets which remained in Stage 1 at yearend	1,334,540	–	–	1,334,540	714,679	–	–	714,679
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	49,057	126,499	175,556	–	52,632	35,331	87,963
Transfers to Stage 1	123,622	(118,182)	(5,440)	–	14,435	(5,955)	(8,480)	–
Transfers to Stage 2	(23,562)	24,591	(1,029)	–	(162,383)	270,582	(108,199)	–
Transfers to Stage 3	(9,949)	(925,493)	935,442	–	(16,131)	(50,442)	66,573	–
Accounts charged off	–	–	(49,305)	(49,305)	–	–	(8,626)	(8,626)
Loan settlement through dacion (Note 33)	–	–	–	–	–	–	(13,656)	(13,656)
Collections and other movements	(4,954,468)	956,421	1,160,016	(2,838,031)	421,713	(502,587)	409,171	328,297
Ending Balance	10,449,820	266,357	5,830,168	16,546,345	13,979,637	279,963	3,663,985	17,923,585
Total Loans and Receivables								
Beginning Balance	493,032,843	76,827,887	47,580,126	617,440,856	528,513,415	26,754,173	76,457,150	631,724,738
Newly originated assets which remained in Stage 1 at yearend	267,315,645	–	–	267,315,645	125,827,132	–	–	125,827,132
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	13,940,934	7,554,037	21,494,971	–	5,836,554	3,356,312	9,192,866
Transfers to Stage 1	22,358,746	(21,181,902)	(1,176,844)	–	5,478,724	(2,491,721)	(2,987,003)	–
Transfers to Stage 2	(3,601,301)	4,233,183	(631,882)	–	(26,203,660)	54,879,585	(28,675,925)	–
Transfers to Stage 3	(2,330,533)	(7,470,687)	9,801,220	–	(3,875,192)	(5,376,079)	9,251,271	–
Accounts charged off	–	–	(1,418,830)	(1,418,830)	–	–	(2,078,219)	(2,078,219)
Loan settlement through dacion and assignment (Note 33)	–	–	(1,404,582)	(1,404,582)	–	–	(5,972,562)	(5,972,562)
Effect of collections and other movements	(214,047,272)	(35,656,249)	(8,998,548)	(258,702,069)	(136,707,576)	(2,774,625)	(1,770,898)	(141,253,099)
Ending Balance	₱562,728,128	₱30,693,166	₱51,304,697	₱644,725,991	₱493,032,843	₱76,827,887	₱47,580,126	₱617,440,856

17. Deposit Liabilities

17.1 Regulatory Reserve Requirements

As of December 31, 2023 and 2022, peso deposit liabilities are subject to reserves equivalent to 9.50% and 12.00%, respectively, while peso-denominated LTNCDs are subject to reserves equivalent to 4.00%.

Available reserves booked under ‘Due from BSP’ amounted to ₱78.4 billion and ₱74.7 billion as of December 31, 2023 and 2022, respectively (refer to Note 7).

17.2 LTNCDs

LTNCDs issued by the Parent Company consist of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value 2023	Carrying Value 2022
October 11, 2019	April 11, 2025	₱4,600,000	4.38%	Quarterly	**₱4,591,288**	₱4,584,136
February 27, 2019	August 27, 2024	8,220,000	5.75%	Quarterly	**8,212,255**	8,198,193
October 26, 2017	April 26, 2023	6,350,000	3.88%	Quarterly	–	6,347,683
		₱19,170,000			**₱12,803,543**	₱19,130,012

17.3 Interest Expense on Deposit Liabilities

This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Savings	**₱6,989,245**	₱1,589,891	₱1,942,687	**₱6,984,663**	₱1,605,241	₱2,014,705
Time	**5,036,686**	2,437,557	1,411,973	**5,010,322**	2,434,206	1,411,974
LTNCDs	**776,034**	1,140,954	1,269,356	**776,034**	1,140,954	1,269,356
Demand	**203,681**	203,265	189,750	**200,798**	202,752	189,750
	₱13,005,646	₱5,371,667	₱4,813,766	**₱12,971,817**	₱5,383,153	₱4,885,785

As of December 31, 2023 and 2022, noninterest-bearing deposit liabilities amounted to ₱27.1 billion and ₱27.8 billion, respectively, for the Group, and ₱27.0 billion and ₱27.7 billion, respectively, for the Parent Company.

The remaining deposit liabilities of the Group and the Parent Company generally earn annual fixed interest rates ranging from:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Peso-denominated	**0.10% - 7.50%**	0.10% - 6.12%	0.10% - 6.75%	**0.10% - 7.50%**	0.10% - 6.12%	0.10% - 5.00%
Foreign currency-denominated	**0.10% - 6.10%**	0.00% - 5.50%	0.01% - 3.00%	**0.10% - 6.10%**	0.00% - 5.50%	0.01% - 3.00%

In 2023, 2022 and 2021, interest expense on LTNCDs for both the Group and the Parent Company includes amortization of transaction costs amounting to ₱23.5 million, ₱29.6 million and ₱33.4 million, respectively. Unamortized transaction costs of the LTNCDs amounted to ₱16.5 million and ₱40.0 million as of December 31, 2023 and 2022, respectively.

18. Financial Liabilities at Fair Value Through Profit or Loss

As of December 31, 2023 and 2022, this account consists of currency forwards and spots with negative fair values amounting to ₱0.6 billion and ₱1.0 billion, respectively, for the Group and Parent Company (refer to Notes 23 and 35).

19. Bills and Acceptances Payable

19.1 Information on Bills and Acceptances Payable

This account consists of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Bills payable to:				
Foreign banks	**₱10,607,231**	₱6,665,834	**₱10,607,231**	₱6,609,593
BSP and local banks (Note 33)	**395**	1,036,491	**395**	395
	10,607,626	7,702,325	**10,607,626**	6,609,988
Acceptances outstanding (Note 10)	**9,554,977**	7,278,048	**9,554,977**	7,278,047
	₱20,162,603	₱14,980,373	**₱20,162,603**	₱13,888,035

As of December 31, 2023 and 2022, bills payable with a carrying amount of ₱10.1 billion and ₱6.6 billion are secured by a pledge of financial assets at FVOCI with fair values of ₱6.5 billion and ₱2.5 billion, respectively, and investment securities at amortized cost with carrying values and fair values of ₱5.5 billion (refer to Notes 9.2 and 9.3).

19.2 Interest Expense on Bills Payable and Other Borrowings

This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Continuing operations:						
Lease liabilities (Note 29)	**₱171,570**	₱171,885	₱112,591	**₱168,285**	₱170,692	₱107,052
Bills payable	**129,031**	229,600	391,404	**118,534**	163,385	315,097
Others	**35,246**	32,488	7,926	**32,769**	29,467	2,931
	335,847	433,973	511,921	**319,588**	363,544	425,080
Discontinued operations (Note 36):						
Lease liabilities	**–**	–	3,528	**–**	–	–
	₱335,847	₱433,973	₱515,449	**₱319,588**	₱363,544	₱425,080

Bills payable of the Group and the Parent Company earn annual fixed interest rates ranging from:

	2023	2022	2021
Peso-denominated	**6.0% - 6.8%**	1.9% - 5.5%	1.0% - 2.0%
Foreign currency-denominated	**0.0% - 5.4%**	0.3% - 4.3%	0.1% - 1.2%

20. Accrued Taxes, Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Accrued taxes and other expenses	**₱8,037,426**	₱8,131,353	**₱7,660,923**	₱7,523,206
Accrued interest (Note 33)	**2,427,947**	986,040	**2,388,727**	964,494
	₱10,465,373	₱9,117,393	**₱10,049,650**	₱8,487,700

Accrued taxes and other expenses consist of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Financial liabilities:				
Promotional expenses	**₱1,708,628**	₱1,354,700	**₱1,531,463**	₱1,354,700
Information technology-related expenses	**617,853**	583,844	**617,853**	583,844
Rent and utilities payable	**339,271**	501,319	**332,363**	494,591
Professional fees	**282,993**	262,753	**237,985**	236,466
Repairs and maintenance	**171,579**	160,350	**171,579**	159,976
	3,120,324	2,862,966	**2,891,243**	2,829,577
Nonfinancial liabilities:				
Monetary value of leave credits	**1,846,704**	1,532,890	**1,805,054**	1,490,640
PDIC insurance premiums	**1,055,331**	879,310	**1,039,853**	863,832
Other taxes and licenses	**889,776**	854,359	**878,562**	724,002
Employee benefits	**206,970**	583,136	**177,333**	561,179
Other expenses	**918,321**	1,418,692	**868,878**	1,053,976
	4,917,102	5,268,387	**4,769,680**	4,693,629
	₱8,037,426	₱8,131,353	**₱7,660,923**	₱7,523,206

'Other expenses' include janitorial, representation and entertainment, communication and other operating expenses.

21. Bonds Payable

This account consists of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value 2023	Carrying Value 2022
June 27, 2019	September 27, 2024	USD750,000	3.28%	Semi-annually	**₱41,490,871**	₱41,722,415
April 26, 2018	April 27, 2023	300,000	4.25%	Semi-annually	–	16,716,682
		USD1,050,000			**₱41,490,871**	₱58,439,097

The Parent Company's issued bonds are fixed-rate medium-term senior notes, which are drawdowns from its Medium Term Note Programme (the MTN Programme) established on April 13, 2018 with an initial nominal size of US$1.0 billion. On June 14, 2019, the Parent Company increased the size of its MTN Programme to US$2.0 billion. Both issuances are listed in the Singapore Exchange Securities Trading Limited.

As of December 31, 2023 and 2022, the unamortized transaction costs of bonds payable amounted to ₱26.3 million and ₱92.8 million, respectively. In 2023 and 2022, amortization of transaction costs amounting to ₱66.5 million and ₱75.9 million, were charged to 'Interest expense on bonds payable' in the statements of income.

22. Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Financial				
Accounts payable	**₱2,988,517**	₱5,036,170	**₱2,661,756**	₱4,564,107
Bills purchased - contra (Note 10)	**1,362,515**	877,767	**1,362,515**	877,767
Manager's checks and demand drafts outstanding	**1,296,191**	1,548,448	**1,296,191**	1,548,448
Dormant credits	**1,280,886**	1,591,380	**1,215,351**	1,553,892
Due to other banks (Note 33)	**744,625**	276,770	**509,915**	82,132
Margin deposits and cash letters of credit	**686,130**	224,033	**673,639**	211,196
Accounts payable - electronic money	**628,449**	315,290	**628,449**	315,290
Payment order payable	**221,340**	220,949	**221,340**	220,949
Deposits on lease contracts	**76,028**	75,129	**76,028**	30,364
Transmission liability	**49,101**	40,280	**–**	–
Deposit for keys on safety deposit boxes	**15,919**	16,167	**15,919**	16,167
	9,349,701	10,222,383	**8,661,103**	9,420,312
Nonfinancial				
Due to Treasurer of the Philippines	**1,444,009**	891,709	**1,444,009**	891,709
Provisions (Notes 12 and 34)	**1,068,215**	1,107,015	**992,950**	1,367,067
Deferred revenue - Credit card-related	**672,373**	646,361	**672,373**	646,361
Deferred revenue - Bancassurance (Note 12)	**427,274**	500,474	**427,274**	500,474
Withholding tax payable	**374,139**	310,530	**370,340**	309,363
Retirement benefit liability (Note 28)	**281,585**	384,838	**269,390**	382,449
Deferred tax liabilities (Note 30)	**166,091**	165,721	**–**	–
SSS, Philhealth, Employer's compensation premiums and Pag-IBIG contributions payable	**54,638**	48,081	**54,617**	47,797
Miscellaneous	**903,897**	1,550,528	**661,807**	528,273
	5,392,221	5,605,257	**4,892,760**	4,673,493
	₱14,741,922	₱15,827,640	**₱13,553,863**	₱14,093,805

'Deferred revenue - Bancassurance' pertains to the allocated portion of the consideration received for the disposal of APLII related to the EDR and the exclusive bancassurance arrangement for the non-life insurance business with ABIC (refer to Note 12.7). In 2023 and 2022, amortization of other deferred revenue amounting to ₱73.2 million were recognized under 'Service fees and commission income' (refer to Note 26.1).

'Miscellaneous' include interoffice floats, remittance-related payables, overages, advance rentals and sundry credits.

23. Derivative Financial Instruments

The tables below show the fair values of the derivative financial instruments entered into by the Group and the Parent Company, recorded as 'Financial assets at FVTPL' (refer to Note 9.1) or 'Financial liabilities at FVTPL' (refer to Note 18), together with the notional amounts.

The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding as of December 31, 2023 and 2022 and are not indicative of either market risk or credit risk (amounts in thousands, except average forward rate).

	Consolidated			
	2023			
	Assets	**Liabilities**	**Average Forward Rate***	**Notional Amount***
Currency forwards and spots:				
BUY:				
JPY	**₱90,263**	**₱190,651**	**USD0.01**	**17,322,000**
USD	**40,763**	**351,871**	**1.00**	**1,344,799**
SGD	**456**	**–**	**0.76**	**11**
SELL:				
USD	**615,180**	**7,147**	**1.00**	**1,661,278**
HKD	**2,493**	**1**	**0.13**	**345,477**
GBP	**44**	**395**	**1.27**	**1,970**
SGD	**–**	**2,840**	**0.76**	**863**
EUR	**–**	**2,006**	**1.11**	**3,300**
CAD	**–**	**405**	**0.76**	**800**
PHP	**–**	**300**	**0.02**	**830,850**
NZD	**–**	**195**	**0.63**	**400**
	₱749,199	**₱555,811**		

**The notional amounts pertain to original currencies.*

	Consolidated			
	2022			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱749,512	₱760,764	USD1.00	1,539,816
SGD	303	–	0.74	7
EUR	243	57,543	1.06	72,318
HKD	172	–	0.13	24
SELL:				
USD	604,222	65	1.00	644,843
EUR	3,803	70,519	1.06	62,040
GBP	2,765	–	1.20	2,000
NZD	319	–	0.63	400
JPY	216	11,911	0.01	534,700
PHP	200	138,260	0.02	2,743,406
HKD	187	236	0.13	321,189
AUD	9	55	0.67	700
SGD	–	348	0.74	1,700
CAD	–	75	0.73	1,700
	₱1,361,951	₱1,039,776		

**The notional amounts pertain to original currencies.*

	Parent Company			
	2023			
	Assets	**Liabilities**	**Average Forward Rate***	**Notional Amount***
Currency forwards and spots:				
BUY:				
USD	**₱38,270**	**₱351,871**	**USD1.00**	**1,300,926**
JPY	**90,263**	**190,651**	**0.01**	**17,322,000**
SGD	**456**	**–**	**0.76**	**11**
SELL:				
USD	**615,180**	**7,147**	**0.02**	**1,661,278**
SGD	**–**	**2,840**	**0.76**	**863**
EUR	**–**	**2,006**	**1.11**	**3,300**
CAD	**–**	**405**	**0.76**	**800**
GBP	**44**	**395**	**1.27**	**1,970**
PHP	**–**	**300**	**0.02**	**830,850**
NZD	**–**	**195**	**0.63**	**400**
HKD	**–**	**1**	**0.13**	**2,700**
	₱744,213	**₱555,811**		

**The notional amounts pertain to original currencies.*

	Parent Company			
	2022			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱748,234	₱760,764	USD1.00	1,225,921
SGD	303	–	0.74	7
EUR	–	57,543	1.06	67,540
SELL:				
USD	603,979	65	1.00	640,066
EUR	3,803	70,519	1.06	62,040
GBP	2,765	–	1.20	2,000
NZD	319	–	0.63	400
JPY	216	11,911	0.01	534,700
PHP	200	138,260	0.02	2,743,406
AUD	9	55	0.67	700
SGD	–	348	0.74	1,700
HKD	–	236	0.13	5,000
CAD	–	75	0.73	1,700
	₱1,359,828	₱1,039,776		

**The notional amounts pertain to original currencies.*

The rollforward analysis of net derivative assets in 2023 and 2022 follows:

	Consolidated		**Parent Company**	
	2023	2022	**2023**	2022
Balance at the beginning of the year:				
Derivative assets	**₱1,361,951**	₱1,365,051	**₱1,359,828**	₱1,362,041
Derivative liabilities	**1,039,776**	891,531	**1,039,776**	891,346
	322,175	473,520	**320,052**	470,695
Changes in fair value				
Currency forwards and spots*	**(135,968)**	(147,028)	**(136,672)**	(147,028)
Interest rate swaps and warrants**	**609**	–	**609**	–
	(135,359)	(147,028)	**(136,063)**	(147,028)
Net availments (settlements)	**6,573**	(4,317)	**4,413**	(3,615)
Balance at end of year:				
Derivative assets	**749,198**	1,361,951	**744,213**	1,359,828
Derivative liabilities	**555,811**	1,039,776	**555,811**	1,039,776
	₱193,387	₱322,175	**₱188,402**	₱320,052

* *Presented as part of 'Foreign exchange gains - net'*
** *Recorded under 'Trading and investment securities gains - net' (refer to Note 9.5)*

24. **Maturity Analysis of Assets and Liabilities**

The following tables show an analysis of assets and liabilities of the Group and Parent Company analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from reporting date:

	Consolidated					
	2023			2022		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and other cash items	**₱21,151,391**	**₱–**	**₱21,151,391**	₱22,217,915	₱–	₱22,217,915
Due from BSP	**95,410,350**	**–**	**95,410,350**	94,701,360	–	94,701,360
Due from other banks	**21,253,754**	**–**	**21,253,754**	26,020,081	–	26,020,081
Interbank loans receivable (Note 8)	**35,642,485**	**–**	**35,642,485**	16,291,470	–	16,291,470
Securities held under agreements to resell (Note 8)	**69,708,690**	**–**	**69,708,690**	64,526,051	–	64,526,051
Financial assets at FVTPL (Note 9)	**10,516,864**	**–**	**10,516,864**	7,347,201	–	7,347,201
Financial assets at FVOCI (Note 9)	**112,174,065**	**52,357,427**	**164,531,492**	86,697,820	71,485,705	158,183,525
Investment securities at amortized cost (Note 9)	**21,997,197**	**101,359,065**	**123,356,262**	35,359,598	78,956,212	114,315,810
Loans and receivables (Note 10)	**311,983,380**	**347,975,013**	**659,958,393**	225,461,251	407,109,088	632,570,339
Other assets (Note 15)	**383,478**	**18,779**	**402,257**	51,331	19,000	70,331
	700,221,654	**501,710,284**	**1,201,931,938**	578,674,078	557,570,005	1,136,244,083
Nonfinancial Assets						
Property and equipment (Note 11)	**–**	**25,026,058**	**25,026,058**	–	25,882,025	25,882,025
Investment in an associate (Note 12)	**–**	**3,199,124**	**3,199,124**	–	2,688,764	2,688,764
Investment properties (Note 13)	**–**	**18,727,971**	**18,727,971**	–	17,808,697	17,808,697
Deferred tax assets (Note 30)	**–**	**6,981,726**	**6,981,726**	–	6,616,902	6,616,902
Goodwill (Note 14)	**–**	**10,184,843**	**10,184,843**	–	11,221,410	11,221,410
Intangible assets (Note 14)	**–**	**8,329,479**	**8,329,479**	–	7,770,695	7,770,695
Residual value of leased assets (Note 10)	**5,658**	**–**	**5,658**	107,634	122,772	230,406
Other assets (Note 15)	**4,517,656**	**1,570,008**	**6,087,664**	2,945,525	2,181,506	5,127,031
	4,523,314	**74,019,209**	**78,542,523**	3,053,159	74,292,771	77,345,930
Less: Allowance for impairment and credit losses (Note 16)			**47,247,648**			47,192,482
Unearned and other deferred income (Note 10)			**681,399**			756,049
Accumulated depreciation and amortization (Notes 11, 13 and 14)			**21,996,014**			20,484,406
			₱1,210,549,400			₱1,145,157,076
Financial Liabilities						
Deposit liabilities (Note 17)	**₱917,137,058**	**₱10,833,860**	**₱927,970,918**	₱850,430,921	₱20,796,800	₱871,227,721
Financial liabilities at FVTPL (Note 18)	**555,811**	**–**	**555,811**	1,039,776	–	1,039,776
Bills and acceptances payable (Note 19)	**19,047,156**	**1,115,447**	**20,162,603**	11,867,176	3,113,197	14,980,373
Accrued interest payable (Note 20)	**2,426,973**	**974**	**2,427,947**	980,446	5,594	986,040
Accrued other expenses payable (Note 20)	**3,120,324**	**–**	**3,120,324**	2,384,652	478,314	2,862,966
Bonds payable (Note 21)	**41,490,871**	**–**	**41,490,871**	16,716,682	41,722,415	58,439,097
Other liabilities (Note 22)	**8,134,350**	**1,215,351**	**9,349,701**	8,437,866	1,784,517	10,222,383
	991,912,543	**13,165,632**	**1,005,078,175**	891,857,519	67,900,837	959,758,356
Nonfinancial Liabilities						
Lease liabilities (Note 29)	**815,279**	**3,017,605**	**3,832,884**	709,214	2,927,177	3,636,391
Accrued taxes and other expenses (Note 20)	**3,529,374**	**1,387,728**	**4,917,102**	3,069,330	2,199,057	5,268,387
Income tax payable	**180,364**	**–**	**180,364**	983,051	–	983,051
Other liabilities (Note 22)	**2,188,421**	**3,203,800**	**5,392,221**	2,727,209	2,878,048	5,605,257
	6,713,438	**7,609,133**	**14,322,571**	7,488,804	8,004,282	15,493,086
	₱998,625,981	**₱20,774,765**	**₱1,019,400,746**	₱899,346,323	₱75,905,119	₱975,251,442

	Parent Company					
	2023			2022		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and other cash items	**₱21,052,526**	**₱–**	**₱21,052,526**	₱22,103,095	₱–	₱22,103,095
Due from BSP	**95,410,350**	**–**	**95,410,350**	94,701,360	–	94,701,360
Due from other banks	**13,636,497**	**–**	**13,636,497**	17,609,247	–	17,609,247
Interbank loans receivable (Note 8)	**33,445,364**	**–**	**33,445,364**	14,736,112	–	14,736,112
Securities held under agreements to resell (Note 8)	**69,708,690**	**–**	**69,708,690**	64,526,051	–	64,526,051
Financial assets at FVTPL (Note 9)	**10,363,259**	**–**	**10,363,259**	7,195,685	–	7,195,685
Financial assets at FVOCI (Note 9)	**112,186,240**	**51,950,731**	**164,136,971**	86,716,076	70,489,831	157,205,907
Investment securities at amortized cost (Note 9)	**21,859,529**	**101,026,771**	**122,886,300**	35,359,598	78,816,930	114,176,528
Loans and receivables (Note 10)	**301,689,657**	**343,699,637**	**645,389,294**	214,331,618	403,721,820	618,053,438
Other assets (Note 15)	**382,847**	**500**	**383,347**	49,981	1,479	51,460
	679,734,959	**496,677,639**	**1,176,412,598**	557,328,823	553,030,060	1,110,358,883
Nonfinancial Assets						
Property and equipment (Note 11)	**–**	**23,505,599**	**23,505,599**	–	23,667,261	23,667,261
Investment in subsidiaries and an associate (Note 12)	**–**	**20,567,070**	**20,567,070**	–	20,384,104	20,384,104
Investment properties (Note 13)	**–**	**18,061,869**	**18,061,869**	–	17,104,160	17,104,160
Deferred tax assets (Note 30)	**–**	**6,929,669**	**6,929,669**	–	6,574,190	6,574,190
Goodwill (Note 14)	**–**	**10,325,201**	**10,325,201**	–	11,361,768	11,361,768
Intangible assets (Note 14)	**–**	**8,836,155**	**8,836,155**	–	8,712,778	8,712,778
Other assets (Note 15)	**3,839,071**	**1,565,837**	**5,404,908**	2,328,923	2,043,660	4,372,583
	3,839,071	**89,791,400**	**93,630,471**	2,328,923	89,847,921	92,176,844
Less: Allowance for impairment and credit losses (Note 16)			**47,218,194**			47,652,020
Unearned and other deferred income (Note 10)			**663,302**			612,582
Accumulated amortization and depreciation (Notes 11, 13 and 14)			**21,787,417**			20,526,875
			₱1,200,374,156			₱1,133,744,250
Financial Liabilities						
Deposit liabilities (Note 17)	**₱912,423,822**	**₱10,358,261**	**₱922,782,083**	₱846,551,824	₱20,078,556	₱866,630,380
Financial liabilities at FVTPL (Note 18)	**555,811**	**–**	**555,811**	1,039,776	–	1,039,776
Bills and acceptances payable (Note 19)	**19,047,156**	**1,115,447**	**20,162,603**	10,818,915	3,069,120	13,888,035
Accrued interest payable (Note 20)	**2,388,727**	**–**	**2,388,727**	964,494	–	964,494
Accrued other expenses payable (Note 20)	**2,891,243**	**–**	**2,891,243**	2,351,263	478,314	2,829,577
Bonds payable (Note 21)	**41,490,871**	**–**	**41,490,871**	16,716,682	41,722,415	58,439,097
Other liabilities (Note 22)	**7,445,752**	**1,215,351**	**8,661,103**	7,666,525	1,753,787	9,420,312
	986,243,382	**12,689,059**	**998,932,441**	886,109,479	67,102,192	953,211,671
Nonfinancial Liabilities						
Lease liabilities (Note 29)	**770,705**	**2,952,611**	**3,723,316**	676,900	2,927,177	3,604,077
Accrued taxes and other expenses (Note 20)	**3,381,952**	**1,387,728**	**4,769,680**	2,507,506	2,186,123	4,693,629
Income tax payable	**103,470**	**–**	**103,470**	916,235	–	916,235
Other liabilities (Note 22)	**1,759,137**	**3,133,623**	**4,892,760**	1,531,794	3,141,699	4,673,493
	6,015,264	**7,473,962**	**13,489,226**	5,632,435	8,254,999	13,887,434
	₱992,258,646	**₱20,163,021**	**₱1,012,421,667**	₱891,741,914	₱75,357,191	₱967,099,105

25. Equity

25.1 Capital Stock

This account consists of (amounts in thousands, except for par value and number of shares):

	Shares	Amount
Common - ₱40 par value		
Authorized	**1,750,000,001**	**₱70,000,000**
Issued and outstanding		
Balance at the beginning and end of the year	**1,525,764,850**	**₱61,030,594**

The history of share issuances of the Parent Company since its initial public offering follows:

Date	Type of issuance	Number of common shares	Par value	Offer price
July 2019	Stock rights	276,625,172	₱40.00	₱43.38
February 2014	Stock rights	162,931,262	40.00	71.00
February 2013	Share-for-share swap with ABC common and preferred shares	423,962,500	40.00	97.90
September 2000	Pre-emptive stock rights	71,850,215	100.00	60.00
September 1999	Stock rights	68,740,086	100.00	137.80
December 1995	Third public offering	7,200,000	100.00	260.00
April 1992	Second public offering	8,033,140	100.00	265.00
June 1989	Initial public offering	10,800,000	100.00	100.00

In January 2013, the SEC approved the conversion of the Parent Company's 195,175,444 authorized preferred shares into common shares, thereby increasing its authorized common shares to 1,250,000,001. Further, in July 2014, the SEC approved the Parent Company's Articles of Incorporation for the increase in authorized capital by 500,000,000 common shares to 1,750,000,001.

The Parent Company's shares are listed in the PSE. As of December 31, 2023 and 2022, the Parent Company had 36,081 and 36,192 stockholders, respectively.

On July 22, 2019, the Parent Company successfully completed its Stock Rights Offering (SRO) of 276,625,172 common shares with a par value of ₱40.0 per share at a price of ₱43.38 each, raising gross proceeds of ₱12.0 billion. Out of the total transaction costs from the SRO, underwriting fees amounting to ₱10.0 million paid to PNB Capital, being one of the joint lead managers, was eliminated against 'Capital paid in excess of par value' in the consolidated financial statements.

25.2 Surplus

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

As of December 31, 2023 and 2022, surplus amounting to ₱9.6 billion, representing the balances of the following equity items that have been applied to eliminate the Parent Company's deficit through quasi-reorganizations in 2002 and 2000 (refer to Note 12), is not available for dividend declaration without prior approval from the SEC and the BSP:

Revaluation increment on land and buildings	₱7,691,808
Accumulated translation adjustment	1,315,685
Accumulated equity in net earnings of investees	563,048
	₱9,570,541

25.3 Surplus Reserves

This account consists of:

	2023	2022
Reserves under BSP Circular 1011 (Note 10)	**₱3,912,672**	₱4,218,928
Reserves for trust business (Note 32)	**660,258**	630,314
Reserves for self-insurance	**105,000**	80,000
	₱4,677,930	₱4,929,242

'Reserves under BSP Circular 1011' represents the appropriation for the excess of 1% general loan loss provisions over the computed ECL for Stage 1 accounts in accordance with BSP Circular 1011.

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

25.4 Accumulated Translation Adjustment

As part of the Group's rehabilitation program in 2002, the SEC approved on November 7, 2002 the application of the accumulated translation adjustment of ₱1.6 billion to eliminate the Parent Company's remaining deficit of ₱1.3 billion, including ₱0.6 billion accumulated equity in net earnings as of December 31, 2001, after applying the total reduction in par value amounting to ₱7.6 billion.

The SEC approval is subject to the following conditions:
- remaining translation adjustment of ₱310.7 million as of December 31, 2001 (shown as part of 'Capital paid in excess of par value' in the statement of financial position) will not be used to wipe out losses that may be incurred in the future without prior approval of SEC;
- for purposes of dividend declaration, any future surplus account of the Parent Company shall be restricted to the extent of the deficit wiped out by the translation adjustment.

25.5 Other Equity Reserves

On August 26, 2016, the Parent Company's BOD approved the grant of centennial bonus to its employees, officers and directors on record as of July 22, 2016, in the form of the Parent Company's shares of stock. The acquisition and distribution of the estimated 3.0 million shares shall be done over a period of five years, and are subject to service conditions. The grant is accounted for as equity-settled share-based payments. Grant date was April 27, 2017 when the fair value of the centennial bonus shares was at ₱65.20. In 2021, the Parent Company awarded 306 thousand centennial bonus shares and applied the settlement of the awards against 'Other equity reserves' amounting to ₱29.0 million.

25.6 Capital Management

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

The Parent Company and its financial allied subsidiaries are subject to the regulatory requirements of the BSP. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Parent Company may adjust the amount of dividend payment to shareholders, return capital structure, or issue capital securities. No changes were made in the objectives, policies and processes from the previous periods. The Group has complied with all externally imposed capital requirements throughout the year.

25.6.1 BSP Reporting for Capital Management

Under existing BSP regulations, the determination of the Group's compliance with regulatory requirements and ratios is based on the amount of the Group's unimpaired capital (regulatory net worth) reported to the BSP, which is determined based on RAP, which differ from PFRS in some respects. In addition, the risk-based capital ratio of a bank or Capital Adequacy Ratio (CAR), expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% at all times 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 risk-weighted assets are computed based on RAP. Risk-weighted assets consist 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 MB of the BSP.

On May 16, 2002, the BSP approved the booking of additional appraisal increment on properties of ₱431.8 million and recognition of the same in determining the CAR, and booking of translation adjustment of ₱1.6 billion representing the increase in peso value of the investment in foreign subsidiaries for purposes of the quasi-reorganization and rehabilitation of the Parent Company, provided that the same shall be excluded for dividend purposes.

As of December 31, 2023 and 2022, CAR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	2023		2022	
Consolidated	**Actual**	**Required**	Actual	Required
CET1 Capital (Gross)	**₱182,490**		₱158,834	
Less: Regulatory Adjustments to CET1	**47,253**		48,221	
CET1 Capital (Net) / Tier 1 Capital	**135,237**		110,613	
Add: Tier 2 Capital	**6,822**		6,109	
Total qualifying capital	**₱142,059**	**₱80,251**	₱116,722	₱75,873
Total risk-weighted assets	**₱802,506**		₱758,730	
CET1 / Tier 1 capital ratio	**16.85%**		14.58%	
Total capital ratio	**17.70%**		15.38%	

	2023		2022	
Parent Company	**Actual**	**Required**	Actual	Required
CET1 Capital (Gross)	**₱178,004**		₱154,537	
Less: Regulatory Adjustments to CET1	**64,326**		61,587	
CET1 Capital (Net) / Tier 1 Capital	**113,678**		92,950	
Add: Tier 2 Capital	**6,602**		5,878	
Total qualifying capital	**₱120,280**	**₱77,514**	₱98,828	₱73,356
Total risk-weighted assets	**₱775,138**		₱733,556	
CET1 / Tier 1 capital ratio	**14.67%**		12.67%	
Total capital ratio	**15.52%**		13.47%	

BSP regulations set out a minimum CET1 ratio of 6.0% and Tier 1 capital ratio of 7.5%; capital conservation buffer of 2.5% comprised of CET1 capital; and total CAR of 10.0%.

In line with its ICAAP document, the Parent Company maintains a capital level that not only meets the BSP's CAR requirement, but also covers all material risks that it may encounter in the course of its business. The ICAAP process highlights close integration of capital planning and strategic management with risk management. The Parent Company has in place a risk management framework that involves a collaborative process for assessing and managing identified Pillar 1 and Pillar 2 risks. The Parent Company complies with the required annual submission of updated ICAAP.

25.6.2 BSP Reporting for Basel III Leverage Ratio

BSP also requires the Basel III Leverage Ratio (BLR), which is designed to act as a supplementary measure to the risk-based capital requirements. BLR intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes, which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based "backstop" measure. BLR is computed as the capital measure (Tier 1 capital) divided by the total exposure measure and should not be less than 5.00%.

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

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Tier 1 capital	**₱135,237**	₱110,613	**₱113,678**	₱92,950
Total exposure measure	**1,242,728**	1,176,190	**1,213,940**	1,150,463
BLR	**10.88%**	9.40%	**9.36%**	8.08%

BLR is computed based on RAP.

26. Other Operating Income

26.1 Service Fees and Commission Income

This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Continuing operations:						
Deposit-related	**₱1,773,546**	₱1,585,441	₱1,326,692	**₱1,773,546**	₱1,585,441	₱1,326,692
Loan-related	**1,098,218**	1,122,258	1,432,909	**1,086,777**	1,114,379	1,425,149
Credit card-related	**816,028**	669,862	697,962	**816,028**	669,862	697,962
Remittance (Note 33)	**674,873**	680,875	652,262	**353,722**	357,161	351,392
Interchange fees	**647,084**	458,456	383,271	**647,084**	458,456	383,271
Bancassurance (Note 22)	**476,056**	873,039	495,512	**476,056**	873,039	495,512
Underwriting fees	**433,172**	1,032,640	511,032	**–**	–	–
Trust fees (Note 32)	**373,721**	317,782	319,422	**373,721**	317,782	319,422
Miscellaneous	**298,558**	257,256	521,264	**227,949**	187,249	311,329
	6,591,256	6,997,609	6,340,326	**5,754,883**	5,563,369	5,310,729
Discontinued operations:						
Miscellaneous (Note 36)	**–**	–	110	**–**	–	–
	₱6,591,256	₱6,997,609	₱6,340,436	**₱5,754,883**	₱5,563,369	₱5,310,729

'Credit card-related fees' and 'Interchange fees' were generated from the credit card business of the Parent Company.

'Miscellaneous' includes income from securities brokering activities and other fees and commission.

26.2 Net Gains on Sale or Exchange of Assets

This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Net gains from sale of investment properties	**₱3,048,616**	₱5,703,909	₱15,192	**₱3,048,387**	₱5,701,642	₱8,268
Net gains (losses) from sale of property and equipment (Note 11)	**712,514**	34,913	8,399	**793,070**	32,027	(789)
Net gains from sale of other assets	**313,864**	241,807	52,206	**313,864**	241,807	60,880
Net gains from foreclosure and repossession of investment properties	**238,112**	1,751,739	138,697	**238,112**	1,751,739	138,697
Net gains from sale of receivables	**228,461**	42,786	766,968	**228,461**	42,786	766,968
	₱4,541,567	₱7,775,154	₱981,462	**₱4,621,894**	₱7,770,001	₱974,024

27. Miscellaneous Income and Expenses

27.1 Miscellaneous Income

This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Continuing operations:						
Rental income (Notes 29 and 33)	**₱257,758**	₱275,865	₱513,904	**₱133,392**	₱47,345	₱211,775
Recoveries	**215,834**	303,435	85,164	**215,178**	221,253	84,463
Income from assets acquired	**74,074**	95,736	183,173	**74,074**	95,736	183,173
Dividends	**50,833**	51,211	63,608	**11,189**	11,139	23,584
Others	**272,895**	410,445	224,198	**191,074**	345,960	256,831
	871,394	1,136,692	1,070,047	**624,907**	721,433	759,826
Discontinued operations (Note 36):						
Rental income	–	–	375,556	–	–	–
Others	–	–	111,401	–	–	–
	–	–	486,957	–	–	–
	₱871,394	₱1,136,692	₱1,557,004	**₱624,907**	₱721,433	₱759,826

'Others' consist of income from wire transfers, tellers' overages, and loan-related penalty payments received by the Group, and other income relating to loans, credit card and trade transactions.

27.2 Miscellaneous Expenses

This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Continuing operations:						
Insurance	**₱2,000,871**	₱1,778,214	₱1,997,478	**₱1,985,502**	₱1,763,300	₱1,983,103
Secretarial, janitorial and messengerial	**1,939,219**	1,790,422	1,682,794	**1,929,196**	1,779,543	1,669,906
Information technology	**1,001,111**	1,193,975	1,304,930	**968,654**	1,165,865	1,283,294
Marketing expenses	**794,060**	1,070,147	719,070	**787,800**	1,063,239	713,832
Litigation and assets acquired expenses (Note 13)	**662,610**	373,740	395,386	**661,214**	373,549	394,534
Travelling	**331,658**	339,868	284,484	**325,628**	333,898	280,090
Management and other professional fees	**274,788**	279,363	294,090	**225,202**	220,880	245,853

(Forward)

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Common use service area (CUSA) charges (Note 33)	**₱220,143**	₱188,770	₱–	**₱220,143**	₱188,770	₱–
Stationery and supplies	**217,194**	269,669	269,813	**208,160**	260,333	261,679
Value-added tax on leases	**187,479**	141,988	88,116	**187,479**	141,988	88,116
Postage, telephone and cable	**153,964**	156,800	151,560	**124,527**	127,895	124,270
Repairs and maintenance	**49,585**	79,303	70,375	**49,585**	79,303	70,375
Freight	**45,676**	41,599	42,418	**45,666**	41,547	42,320
Entertainment, amusement and recreation (EAR) (Note 30)	**30,031**	154,987	189,098	**16,778**	145,423	181,251
Fuel and lubricants	**14,620**	16,301	14,172	**11,232**	13,751	11,477
Others (Note 33)	**295,162**	176,796	698,971	**202,181**	111,146	624,455
	8,218,171	8,051,942	8,202,755	**7,948,947**	7,810,430	7,974,555
Discontinued operations:						
Management and other professional fees (Note 33)	**–**	–	109,776	**–**	–	–
Insurance	**–**	–	10,363	**–**	–	–
Information technology	**–**	–	2,906	**–**	–	–
Marketing expenses	**–**	–	2,236	**–**	–	–
Secretarial, janitorial and messengerial	**–**	–	1,620	**–**	–	–
Postage, telephone and cable	**–**	–	751	**–**	–	–
Travelling	**–**	–	508	**–**	–	–
Stationery and supplies	**–**	–	449	**–**	–	–
Fuel and lubricants	**–**	–	411	**–**	–	–
EAR	**–**	–	142	**–**	–	–
Others	**–**	–	2,832	**–**	–	–
	–	–	131,994	**–**	–	–
	₱8,218,171	₱8,051,942	₱8,334,749	**₱7,948,947**	₱7,810,430	₱7,974,555

'Others' include stationery and supplies used, donation, fines, penalties, periodicals, magazines and other charges.

28. Retirement Plan

The Parent Company and certain subsidiaries of the Group have separate funded, noncontributory defined benefit retirement plans covering substantially all its officers and regular employees. Under these retirement plans, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements.

The amounts of net defined benefit liability in the statements of financial position follow:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Retirement benefit liability (included in 'Other liabilities') (Note 22)	**₱281,585**	₱384,838	**₱269,390**	₱382,449
Net plan assets (included in 'Other assets - miscellaneous') (Note 15)	**17,283**	5,988	**–**	–
	₱264,302	₱378,850	**₱269,390**	₱382,449

The Parent Company also provides certain post-employee benefit through a guarantee of a specified return on contributions in one of its employee investment plans (EIP).

The latest actuarial valuations for these retirement plans were made as of December 31, 2023.

The following table shows the actuarial assumptions as of December 31, 2023 and 2022 used in determining the retirement benefit obligation of the Group:

	Consolidated		Parent Company			
			Regular Plans		EIP	
	2023	2022	**2023**	2022	**2023**	2022
Discount rate	**6.03% - 7.15%**	6.92% - 7.15%	**6.03%**	6.92%	**6.03%**	6.93%
Salary rate increase	**5.00% - 10.00%**	6.00% - 10.00%	**5.00%**	6.00%	**–**	–

The Group and the Parent Company employ asset-liability matching strategies to maximize investment returns at the least risk to reduce contribution requirements while maintaining a stable retirement plan. Retirement plans are invested to ensure that liquid funds are available when benefits become due, to minimize losses due to investment pre-terminations and maximize opportunities for higher potential returns at the least risk.

The current plan assets of the Group and the Parent Company are allocated to cover benefit payments in the order of their proximity to the present time. Expected benefit payments are projected and classified into short-term or long-term liabilities. Investment instruments that would match the liabilities are identified. This strategy minimizes the possibility of the asset-liability match being distorted due to the Group's and the Parent Company's failure to contribute in accordance with its general funding strategy.

The changes in the present value obligation and fair value of plan assets are as follows:

	Consolidated												
	2023												
		Net benefit costs *						Remeasurements in other comprehensive income					
	January 1, 2023	Current service cost	Past service cost	Net interest	Settlement loss	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	December 31, 2023
Present value of pension obligation	₱8,262,548	₱518,273	₱–	₱569,815	₱508	₱1,088,596	(₱909,969)	₱–	₱313,674	(₱21,975)	₱376,350	₱–	₱8,817,525
Fair value of plan assets	7,883,698	–	–	545,884	–	545,884	(909,969)	(123,225)	–	–	(123,225)	1,156,835	8,553,223
	₱378,850	₱518,273	₱–	₱23,931	₱508	₱542,712	₱–	₱123,225	₱313,674	(₱21,975)	₱499,575	(₱1,156,835)	₱264,302

**Net benefit costs are included in 'Compensation and fringe benefits' in the statements of income*

	Consolidated												
	2022												
		Net benefit costs *						Remeasurements in other comprehensive income					
	January 1, 2022	Current service cost	Past service cost	Net interest	Settlement loss	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	December 31, 2022
Present value of pension obligation	₱9,016,762	₱593,481	₱312,332	₱425,991	₱–	₱1,331,804	(₱1,069,819)	₱–	₱153,996	(₱1,170,195)	(₱1,016,199)	₱–	₱8,262,548
Fair value of plan assets	8,096,181	–	–	383,369	–	383,369	(1,069,819)	(373,885)	–	–	(373,885)	847,852	7,883,698
	₱920,581	₱593,481	₱312,332	₱42,622	₱–	₱948,435	₱–	₱373,885	₱153,996	(₱1,170,195)	(₱642,314)	(₱847,852)	₱378,850

**Net benefit costs are included in 'Compensation and fringe benefits' in the statements of income*

In 2023, as part of the winding down of PMLFC, it has settled its obligations to all plan members under its defined benefit retirement plan, recognizing settlement loss amounting to ₱0.5 million.

Parent Company

2023

		Net benefit costs *					**Remeasurements in other comprehensive income**					
	January 1, 2023	**Current service cost**	**Past service cost**	**Net interest**	**Subtotal**	**Benefits paid**	**Return on plan asset excluding amount included in net interest**	**Actuarial changes arising from experience adjustments**	**Actuarial changes arising from changes in financial assumptions**	**Subtotal**	**Contributions by employer**	**December 31, 2023**
Present value of pension obligation	**₱8,205,717**	**₱508,794**	**₱–**	**₱566,258**	**₱1,075,052**	**(₱899,272)**	**₱–**	**₱407,223**	**(₱22,524)**	**₱384,699**	**₱–**	**₱8,766,198**
Fair value of plan assets	**7,823,268**	**–**	**–**	**542,152**	**542,152**	**(899,272)**	**(120,898)**	**–**	**–**	**(120,898)**	**1,151,558**	**8,496,808**
	₱382,449	**₱508,794**	**₱–**	**₱24,106**	**₱532,900**	**₱–**	**₱120,898**	**₱407,223**	**(₱22,524)**	**₱505,597**	**(₱1,151,558)**	**₱269,390**

**Net benefit costs are included in 'Compensation and fringe benefits' in the statements of income*

Parent Company

2022

		Net benefit costs *					Remeasurements in other comprehensive income					
	January 1, 2022	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	December 31, 2022
Present value of pension obligation	₱8,959,007	₱588,010	₱312,332	₱424,265	₱1,324,607	(₱1,069,819)	₱–	₱151,832	(₱1,159,910)	(₱1,008,078)	₱–	₱8,205,717
Fair value of plan assets	8,035,891	–	–	381,705	381,705	(1,069,819)	(372,362)	–	–	(372,362)	847,853	7,823,268
	₱923,116	₱588,010	₱312,332	₱42,560	₱942,902	₱–	₱372,362	₱151,832	(₱1,159,910)	(₱635,716)	(₱847,853)	₱382,449

**Net benefit costs are included in 'Compensation and fringe benefits' in the statements of income*

In 2022, the Parent Company amended certain provisions of its defined benefit retirement plan and EIP, resulting in the recognition of past service costs amounting to ₱312.3 million.

The Group and the Parent Company expect to contribute ₱610.0 million and ₱594.8 million, respectively, to the defined benefit plans in 2023. The average duration of the retirement liability of the Group and the Parent Company as of December 31, 2023 is 14 years.

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

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Less than one year	**₱2,006,787**	₱1,715,711	**₱2,006,149**	₱1,715,118
More than one year to five years	**5,561,003**	5,337,983	**5,536,660**	5,313,181
More than five years to 10 years	**4,216,312**	4,452,313	**4,181,267**	4,399,376
More than 10 years to 15 years	**3,796,315**	3,946,295	**3,776,079**	3,867,711
More than 15 years	**7,756,720**	9,333,106	**7,387,120**	8,884,949

The fair values of plan assets by each class as at the end of the reporting periods are as follows:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Cash and cash equivalents (Note 33)	**₱2,704,983**	₱3,897,238	**₱2,692,996**	₱3,887,225
Equity investments				
Electricity, gas and water	**1,023,715**	225,683	**1,023,715**	224,668
Manufacturing	**549,340**	133,468	**549,340**	133,468
Real estate, renting and business activities	**377,728**	210,570	**376,478**	207,323
Financial institutions (Note 33)	**157,649**	161,806	**152,059**	156,169
Others	**50,946**	58,668	**42,631**	49,170
Debt investment				
Government securities	**2,296,273**	1,796,154	**2,283,209**	1,787,280
Private debt securities	**218,317**	626,677	**212,419**	618,124
Investment in UITFs (Note 33)	**566,714**	565,266	**556,626**	555,186
Loans and receivables	**561,330**	160,380	**561,330**	160,380
Interest and other receivables	**48,797**	50,782	**48,493**	47,121
	8,555,792	7,886,692	**8,499,296**	7,826,114
Accrued expenses	**(2,569)**	(2,994)	**(2,488)**	(2,846)
	₱8,553,223	₱7,883,698	**₱8,496,808**	₱7,823,268

All equity and debt investments held have quoted prices in active markets. Fair value of investments in UITFs is based on their published net asset value per share. The remaining plan assets do not have quoted market prices in an active market, thus, their fair value is determined using the discounted cash flow methodology, using the Group's current incremental lending rates for similar types of loans and receivables.

The fair value of the plan assets as of December 31, 2023 and 2022 for the Group includes investments in the Parent Company shares of stock with fair value amounting to ₱152.1 million and ₱156.2 million, respectively (refer to Note 33.3).

The plan assets have diverse investments and do not have any concentration risk.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	2023			
	Consolidated		**Parent Company**	
	Possible fluctuations	**Increase (decrease)**	**Possible fluctuations**	**Increase (decrease)**
Discount rate	**+1.00%**	**(₱476,282)**	**+1.00%**	**(₱470,919)**
	-1.00%	**531,114**	**-1.00%**	**524,667**
Salary increase rate	**+1.00%**	**491,712**	**+1.00%**	**485,411**
	-1.00%	**(460,915)**	**-1.00%**	**(455,512)**
Employee turnover rate	**+10.00%**	**61,646**	**+10.00%**	**61,050**
	-10.00%	**(61,646)**	**-10.00%**	**(61,050)**

	2022			
	Consolidated		Parent Company	
	Possible fluctuations	Increase (decrease)	Possible fluctuations	Increase (decrease)
Discount rate	+1.00%	(₱452,402)	+1.00%	(₱446,082)
	-1.00%	504,175	-1.00%	496,643
Salary increase rate	+1.00%	469,231	+1.00%	461,837
	-1.00%	(432,648)	-1.00%	(426,285)
Employee turnover rate	+10.00%	61,043	+10.00%	60,283
	-10.00%	(61,043)	-10.00%	(60,283)

Full actuarial valuations were performed to test the sensitivity of the defined benefit obligation to a 1.00% increment in salary increase rate and a 1.00% decrement in the discount rate. The results also provide a good estimate of the sensitivity of the defined benefit obligation to a 1.00% decrement in salary increase rate and a 1.00% increment in the discount rate.

29. Leases

29.1 Group as Lessee

The Group has entered into commercial leases for its branch sites, ATM offsite location and other equipment. These non-canceleable leases have lease terms of 1 to 25 years. Most of these lease contracts include escalation clauses, an annual rent increase of 2.00% to 10.00%. The Group's right-of-use assets pertain to its branch sites and subsidiaries' offices under lease arrangements.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Rent expense charged against current operations (included in 'Occupancy and equipment-related costs' in the statements of income) amounted to ₱264.1 million, ₱270.2 million and ₱251.5 million in 2023, 2022 and 2021, respectively, for the Group, of which ₱187.0 million, ₱201.6 million and ₱223.2 million in 2023, 2022, and 2021, respectively, pertain to the Parent Company. Rent expenses in 2023, 2022 and 2021 pertain to expenses from short-term leases and leases of low-value assets.

As of December 31, 2023 and 2022, the Group has no contingent rent payable.

As of December 31, 2023 and 2022, the carrying amounts of 'Lease liabilities' are as follows:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Balance at beginning of year	**₱3,636,391**	₱3,765,391	**₱3,604,077**	₱3,698,410
Additions	**1,340,509**	799,014	**1,185,129**	789,687
Payments	**(1,314,516)**	(1,113,225)	**(1,232,928)**	(1,068,038)
Interest expense (Note 19)	**171,570**	171,885	**168,285**	170,692
Transfers	**(1,070)**	13,326	**(1,247)**	13,326
	₱3,832,884	₱3,636,391	**₱3,723,316**	₱3,604,077

The Parent Company has lease contracts with its affiliates (Note 33).

Future minimum rentals payable under non-cancelable leases follow:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Within one year	**₱1,072,255**	₱1,010,202	**₱987,562**	₱925,509
Beyond one year but not more than five years	**3,171,247**	3,172,151	**3,057,198**	3,058,101
More than five years	**388,583**	801,283	**292,988**	705,688
	₱4,632,085	₱4,983,636	**₱4,337,748**	₱4,689,298

29.2 Group as Lessor Under Operating Leases

The Parent Company has entered into commercial property leases on its investment properties. These non-cancelable leases have lease terms of one to five years. Some leases include escalation clauses (such as 5.00% per year). In 2023, 2022 and 2021, total rent income (included under 'Miscellaneous income') amounted to ₱257.8 million, ₱275.9 million and ₱513.9 million, respectively, for the Group and ₱133.4 million, ₱47.3 million and ₱211.8 million, respectively, for the Parent Company (refer to Note 27.1).

Future minimum rentals receivable of the Group under non-cancelable operating leases follow:

	2023	2022
Within one year	**₱246,175**	₱42,163
Beyond one year but not more than five years	**77,745**	460,051
	₱323,920	₱502,214

29.3 Group as Lessor Under Finance Leases

Leases where the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased asset are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease (effective interest method). Lease payments relating to the period are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

The future minimum lease receivables under finance leases are disclosed under 'Loans and Receivables' in Note 10.2.

30. **Income and Other Taxes**

30.1 Philippine Tax Landscape and Regulations

Under Philippine tax laws, the Parent Company and certain subsidiaries are subject to percentage and other taxes (presented as 'Taxes and licenses' in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp tax.

Income taxes include the corporate income tax, discussed below, and final taxes paid which represents final withholding tax on gross interest income from government securities and other deposit substitutes and income from the FCDU transactions. These income taxes, as well as the deferred tax benefits and provisions, are presented as 'Provision for income tax' in the statements of income.

On March 26, 2021, Republic Act No. 11534, otherwise known as Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law. CREATE reduced the RCIT rate from 30.00% to 25.00% depending on the criteria set by the law effective July 1, 2020. With the implementation of CREATE, interest expense allowed as a deductible expense shall be reduced by 20.00% of the interest income subjected to final tax, compared to the 33.00% reduction prior to the CREATE.

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

Impact of CREATE Law
Applying the provisions of the CREATE Law, the Group and the Parent Company is subjected to lower regular corporate income tax rate of 25.00% effective July 1, 2020. The following are the impact of CREATE in the 2021 financial statements of the Group and the Parent Company:

- Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the transitory RCIT and MCIT rates applicable to the Group and the Parent Company for the taxable year 2020 is 27.50% and 1.50%, respectively. This resulted in reduction in the current income tax due for the taxable year 2020 amounting to ₱365.1 million and ₱361.4 million for the Group and the Parent Company, respectively. The reduced amounts were reflected in the 2020 Annual Income Tax Returns filed in 2021. For financial reporting purposes, such reductions in the 2020 current income taxes were recognized in the 2021 financial statements as reduction to 2021 income tax expense.

- The deferred tax assets as of December 31, 2021 were also remeasured using the lower RCIT rate of 25.00%. The net decrease in the deferred tax balances amounting to ₱1.5 billion for the Group and the Parent Company, reduced the provision for deferred tax by ₱1.5 billion for the Group and the Parent Company, and other comprehensive income by ₱9.2 million and ₱9.4 million for the Group and the Parent Company, respectively.

There were no tax-related contingent liabilities and contingent assets arising from the changes in the tax rates due to CREATE Act.

Current tax regulations also provide for the ceiling on the amount of EAR expense that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Parent Company and some of its subsidiaries is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue. EAR charged against current operations (included in 'Miscellaneous expenses' in the statements of income) amounted to ₱30.0 million in 2023, ₱155.0 million in 2022, and ₱189.1 million in 2021 for the Group, and ₱16.8 million in 2023, ₱145.4 million in 2022, and ₱181.3 million in 2021 for the Parent Company (refer to Note 27.2).

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

30.2 Provision for Income Tax

This account consists of:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Continuing operations:						
Current						
Regular	**₱1,404,428**	₱3,463,008	₱1,549,711	**₱1,327,057**	₱3,238,970	₱1,316,245
Final	**2,914,558**	1,807,104	1,411,669	**2,877,681**	1,784,869	1,372,443
	4,318,986	5,270,112	2,961,380	**4,204,738**	5,023,839	2,688,688
Deferred	**(311,611)**	(338,884)	2,583,814	**(356,770)**	(339,814)	2,323,873
	4,007,375	4,931,228	5,545,194	**3,847,968**	4,684,025	5,012,561
Discontinued operations (Note 36):						
Current						
Regular	–	–	177,048	–	–	–
Final	–	–	15,813	–	–	–
	–	–	192,861	–	–	–
Deferred	–	–	(84,259)	–	–	–
	–	–	108,602	–	–	–
	₱4,007,375	₱4,931,228	₱5,653,796	**₱3,847,968**	₱4,684,025	₱5,012,561

30.3 Deferred Taxes

The amounts of net deferred tax assets in the statements of financial position follow:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Deferred tax assets	**₱6,981,726**	₱6,616,902	**₱6,929,669**	₱6,574,190
Deferred tax liabilities (Note 22)	**166,091**	165,721	–	–
	₱6,815,635	₱6,451,181	**₱6,929,669**	₱6,574,190

The components of net deferred tax assets reported in the statements of financial position follow:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Deferred tax assets on:				
Allowance for impairment, credit and other losses	**₱9,281,393**	₱9,055,746	**₱9,331,283**	₱9,070,709
Accumulated depreciation on properties	**512,469**	520,544	**512,469**	520,544
Accrued expenses	**493,210**	372,660	**451,264**	372,660
Deferred revenues	**185,317**	162,342	**185,317**	162,342
Retirement liability	**50,428**	50,617	**–**	–
Others	**10,202**	8,476	**–**	–
	10,533,019	10,170,385	**10,480,333**	10,126,255
Deferred tax liabilities on:				
Revaluation increment on land and buildings [1/]	**1,516,383**	1,536,217	**1,516,383**	1,536,217
Fair value adjustments on asset foreclosures and dacion transactions	**1,590,559**	1,414,221	**1,442,221**	1,265,883
Unrealized foreign exchange gains	**186,371**	339,957	**186,339**	339,957
Gain on remeasurement of previously held interest	**246,651**	246,651	**246,651**	246,651
Fair value adjustments due to business combination	**155,541**	161,634	**155,541**	161,634
Unrealized gains on financial assets at FVTPL and FVOCI	**3,571**	1,882	**3,529**	1,723
Others	**18,308**	18,642	**–**	–
	3,717,384	3,719,204	**3,550,664**	3,552,065
	₱6,815,635	₱6,451,181	**₱6,929,669**	₱6,574,190

[1/] *Balance includes deferred tax liability amounting to ₱614 million acquired from business combination*

As of December 31, 2023 and 2022, the Group's net deferred tax liabilities as disclosed in 'Other liabilities' (refer to Note 22) include deferred tax liabilities on fair value adjustments due to business combination amounting to ₱148.3 million.

Deferred tax benefit (provision) credited (charged) directly to OCI pertaining to net unrealized losses (gains) on financial assets at FVOCI amounted to ₱0.2 million for the Group and the Parent Company in 2023, and (₱32.7 million) for the Group and the Parent Company in 2022.

Unrecognized deferred tax assets

The Parent Company and certain subsidiaries did not recognize deferred tax assets on the following unused tax credit and losses and temporary differences since they believe that the related tax benefits will not be realized in the future:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Allowance for impairment and credit losses	**₱8,262,820**	₱8,615,344	**₱8,262,820**	₱8,615,344
Unamortized past service cost	**1,576,711**	2,140,071	**1,576,711**	2,140,071
Derivative liabilities	**555,811**	1,037,348	**555,811**	1,037,348
Unrealized losses on financial assets	**147,661**	870,774	**147,661**	870,774
Unrealized foreign exchange loss	**95,747**	627,501	**95,747**	627,501
Retirement liability	**269,391**	382,449	**269,391**	382,449
Lease liability	**402,146**	284,486	**399,340**	284,162
NOLCO	**959,254**	140,800	**–**	–
	₱12,269,541	₱14,098,773	**₱11,307,481**	₱13,957,649

Details of the Group's NOLCO follow:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2020	₱89,960	₱–	₱89,960	2025
2021	50,840	–	50,840	2026
2022	818,454	–	818,454	2025
	₱959,254	₱–	₱959,254	

Unrecognized deferred tax liabilities
As of December 31, 2023 and 2022, there was a deferred tax liability of ₱895.9 million and ₱840.4 million for temporary differences of ₱3.6 billion and ₱3.4 billion related to investment in certain subsidiaries, respectively. However, this liability was not recognized because the Parent Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

30.4 Statutory Income Tax Reconciliation

The reconciliation between the statutory income tax rate to effective income tax rate follows:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Statutory income tax rate	**25.00%**	25.00%	25.00%	**25.00%**	25.00%	25.00%
Tax effects of:						
Non-deductible expenses	**12.28**	14.69	4.54	**12.16**	13.73	5.20
Net unrecognized deferred tax assets	**(11.20)**	(6.04)	6.03	**(11.74)**	(6.36)	5.46
Tax-exempt income	**(4.36)**	(2.91)	(21.93)	**(4.38)**	(2.96)	(22.94)
Tax-paid income	**(2.76)**	(2.01)	(0.63)	**(2.82)**	(2.05)	(0.66)
FCDU loss (income) before tax	**(0.61)**	1.49	2.61	**(0.61)**	1.52	2.73
Optional standard deduction	**(0.11)**	(0.36)	(0.08)	–	–	–
CREATE adjustment – deferred tax	**–**	–	0.01	–	–	0.01
CREATE adjustment – current tax	**–**	–	(0.95)	–	–	(0.99)
Effective income tax rate	**18.24%**	29.86%	14.60%	**17.61%**	28.88%	13.81%

31. Earnings Per Share

Earnings per share attributable to equity holders of the Parent Company is computed as follows:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
a) Net income attributable to equity holders of the Parent Company	**₱17,979,257**	₱11,532,318	₱31,630,626	**₱18,002,948**	₱11,532,318	₱31,283,762
b) Weighted average number of common shares for basic earnings per share (Note 25)	**1,525,765**	1,525,765	1,525,765	**1,525,765**	1,525,765	1,525,765
c) Basic/Diluted earnings per share (a/b)	**₱11.78**	₱7.56	₱20.73	**₱11.80**	₱7.56	₱20.50

Earnings per share attributable to equity holders of the Parent Company from continuing operations is computed as follows:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
a) Net income from continuing operations attributable to equity holders of the Parent Company	**₱17,979,257**	**₱11,532,318**	**₱32,365,991**	**₱18,002,948**	₱11,532,318	₱31,283,762
b) Weighted average number of common shares for basic earnings per share (Note 25)	**1,525,765**	**1,525,765**	**1,525,765**	**1,525,765**	1,525,765	1,525,765
c) Basic/Diluted earnings per share (a/b)	**₱11.78**	**₱7.56**	**₱21.21**	**₱11.80**	₱7.56	₱20.50

In 2023, 2022 and 2021, there are no potential common shares with dilutive effect on the basic earnings per share.

32. Trust Operations

Securities and other properties held by the Parent Company through its TBG in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of the Parent Company. Such assets held in trust were carried at a value of ₱168.0 billion and ₱152.7 billion as of December 31, 2023 and 2022, respectively. In connection with the trust functions of the Parent Company, government securities amounting to ₱1.9 billion and ₱1.6 billion (included under 'Investment securities at amortized cost') as of December 31, 2023 and 2022, respectively, are deposited with the BSP in compliance with trust regulations (refer to Note 9.3).

Trust fee income in 2023, 2022 and 2021 amounting to ₱373.7 million, ₱317.8 million and ₱319.4 million, respectively, is included under 'Service fees and commission income' (refer to Note 26.1).

In compliance with existing banking regulations, the Parent Company transferred from surplus to surplus reserves the amounts of ₱29.9 million, ₱24.7 million and ₱23.2 million in 2023, 2022 and 2021, respectively, which correspond to 10.00% of the net income realized in the preceding years from its trust, investment management and other fiduciary business until such related surplus reserve constitutes 20.00% of its regulatory capital (refer to Note 25.3).

33. Related Party Transactions

33.1 Summary of Significant Related Party Transactions

Details on significant related party transactions of the Group and the Parent Company follow (transactions with subsidiaries have been eliminated in the consolidated financial statements). Transactions reported under subsidiaries represent companies where the Parent Company has control, while those under related parties represent companies which are under common control.

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
		2023	
Significant Investors			
Deposit liabilities		**₱2,276,926**	Peso and foreign currency deposits with annual rates ranging from 0.00% to 6.25%
Net deposits	**₱953,917**		Net deposits during the period
Interest expense	**65,774**		Interest expense on deposits
Accrued interest payable		**2,188**	Accrued interest on deposit liabilities
Subsidiaries			
Receivables from customers		**₱–**	Peso loans with terms ranging from 31 days to 354 days with annual rate of 9.00%; with reversal of provisions amounting to ₱165.6 million; written off in December 2023 (see discussion below)
Loan releases	**₱465,142**		
Loan collections	**165,560**		
Loan settlement through dacion and assignment	**1,404,582**		
Credit facilities		**10,638,270**	Includes omnibus line and revocable revolving credit lines, domestic bills purchase lines and letters of credit/ trust receipt lines; also includes irrevocable standby letters of credit;
Interbank loans receivable		**52,680**	Foreign currency-denominated interbank term loans with interest rates ranging from 3.92% to 3.94% with ACB
Availments	**83,579**		
Settlements	**46,606**		
Due from other banks		**288,020**	Foreign currency-denominated demand deposits
Accrued interest receivable		**1,076**	Interest accrual on receivables from customers and interbank loans receivable
Accounts receivable		**17,276**	Related to remittance transactions and amounts which are subject to clearing
Deposit liabilities		**3,155,369**	Peso and foreign currency-denominated deposits with annual fixed interest rates ranging from 0.0% to 4.95% and maturities up to 4 years
Net withdrawals	**339,101**		Net withdrawals during the period
Bills payable		–	Foreign currency-denominated bills payable with ACB with interest rate of 4.0%
Settlements	**13,758**		
Due to other banks		**65**	Foreign currency-denominated clearing accounts used for funding and settlement of remittances with GRFC, IIC, PNB Europe, and ACB
Accrued interest payable		**21,113**	Accrued interest on deposit liabilities and bills payable
Interest income	**187,821**		Interest income on receivables from customers, due from other banks and interbank loans receivable
Interest expense	**201,534**		Interest expense on deposit liabilities and bills payable
Service fees and commission income	**5,209**		Various services rendered by PNB to its subsidiaries covered by a service level agreement; also includes PNB's share in service fees
Miscellaneous other income	**2,580**		Management and other professional fees; includes share of subsidiaries in maintenance costs of the HR system
Service fees and commission expense	**57**		Fees and other commission expense
Securities transactions			
Purchases	**1,097,734**		Outright purchase of securities
Sales	**690,027**		Outright sale of securities
Trading loss	**42**		Loss from sale of investment securities

Category	2023 Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Other Related Parties			
Receivables from customers		**₱55,298,956**	Partly secured by real estate, vehicles, deposits, government securities, among others; with interest rates ranging from 2.75% to 12.00% with remaining maturity terms ranging from 7 days to over 8 years and payment terms ranging from monthly to quarterly payments; with aggregate allowance for credit losses of ₱169.6 million
Loan releases	**₱31,771,690**		
Loan collections	**18,659,908**		
Credit facilities		**77,116,535**	Includes omnibus line and revocable revolving credit lines and domestic bills purchase lines; also includes irrevocable standby letters of credit which are partly secured by either cash or government securities
Sales contract receivable		**2,173**	Receivable from sale of property paid in installments; with interest rate of 5.0% and maturing in July 2027
Financial assets at FVOCI		**24,587,068**	Majority represents the retained 49.00% interest in PNB Holdings, with unrealized gain of ₱1.7 billion recorded in OCI (refer to Note 12.4 for further discussion)
Accrued interest receivable		**297,551**	Accrued interest on receivables from customers
Security deposit		**176,082**	Amount given to fulfill the terms of the lease contract
Right-of-use assets		**3,136,508**	Lease of office space with terms up to 10 years and the corresponding accumulated amortization
Accumulated amortization of right-of-use assets		**1,081,498**	
Deposit liabilities		**46,333,463**	Peso-denominated and foreign currency-denominated demand, savings and time deposits with maturity terms ranging from 7 days to over 13 years
Net deposits	**5,980,997**		Net deposits during the period
Accrued interest payable		**267,825**	Accrued interest payable from various deposits
Bills payable		**–**	Short-term borrowings with interest rate of 6.41%
Availment	**400,000**		
Settlement	**400,000**		
Lease liabilities		**2,107,960**	Lease of office space with terms ranging from 20 months to 10 years
Accrued other expenses		**402,589**	Accruals in relation to promotional and utilities expenses
Deferred revenue		**41,111**	Unamortized portion of income related to the bancassurance agreement with ABIC
Service fees and commission income	**3,334**		Amortization of fees under the bancassurance agreement with ABIC
Interest income	**1,997,271**		Interest income on receivables from customers
Interest expense	**1,644,192**		Interest expense on deposit liabilities, bonds payable, bills payable and lease liabilities
Amortization expense	**671,137**		Amortization of right-of-use asset relating to leases of office spaces
Occupancy and equipment-related costs	**760,547**		Rentals from short-term leases
Miscellaneous expenses	**572,875**		Includes CUSA charges for the Parent Company's share in common areas on premises owned by PNB Holdings; promotional expenses for Mabuhay Miles redemption; includes management fees paid to Eton Properties Philippines, Inc.; and other expenses
Rental income	**151**		Payment received for the use or occupation of property
Service fees and commission expenses	**114**		Fees and other commission expense
Securities transactions			
Purchases	**7,106,329**		Outright purchase of securities
Sales	**9,103,280**		Outright sale of securities

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
			2023
Remittance transactions			
Fund transfers	**₱3,957,891**		Peso equivalent of funds transferred
Service fees	**10,976**		Income share and commission on remittance transactions
Purchase of merchandise	**249**		Cost of various merchandise purchased
Associate			
Credit facilities		**₱120,000**	Pre-settlement risk line
Deposit liabilities		**128,165**	Peso and foreign currency-denominated deposits with annual interest rates ranging from 0% to 0.10%
Net withdrawals	**₱339,881**		
Accrued interest payable		**41**	Accrued interest on deposit liabilities
Rental deposits		**27**	Advance rental and security deposits received for three months
Deferred revenue		**548,993**	Unamortized portion of income related to the sale of APLII
Service fees and commission income	**431,287**		Bancassurance fees earned based on successful referrals and income related to the sale of APLII
Interest expense	**1,300**		Interest expense on deposit liabilities
Key Management Personnel			
Loans to officers		**₱1,475**	Housing loans to senior officers with interest rates ranging from 3% to 15%; Secured and unimpaired
Loan releases	**₱3,471**		
Loan collections	**4,774**		
Accrued interest receivable		**12**	Accrued interest on loans
Interest income	**277**		Interest income on housing loans
Deposit liabilities		**119,449**	Peso and foreign currency-denominated deposits with interest rates ranging from 0.0% to 4.75%
Net deposits	**118,975**		Net deposits during the period
Interest expense	**3,372**		Interest expense on deposits
Accrued interest payable		**801**	Accrued interest on deposit liabilities

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
			2022
Significant Investors			
Deposit liabilities		₱1,323,009	Peso and foreign currency deposits with annual rates ranging from 0.0% to 4.75%
Net deposits	₱1,318,594		Net deposits during the period
Interest expense	17,621		Interest expense on deposits
Accrued interest payable		2,060	Accrued interest on deposit liabilities
Subsidiaries			
Receivables from customers		₱1,105,000	Term loan maturing in January 2023 with nominal interest rate of 8.4%; includes domestic bills purchased; fully provided with allowance for credit losses
Loan releases	₱1,680,302		
Loan collections	2,057,558		
Credit facilities		11,925,849	Includes omnibus line and revocable revolving credit lines, domestic bills purchase lines and letters of credit/ trust receipt lines; also includes irrevocable standby letters of credit; with provision for liability of ₱649.7 million relating to undrawn loan commitments of PMLFC
Interbank loans receivable		15,147	Foreign currency-denominated interbank term loans with interest rates ranging from 0.01% to 4.50% and maturity on March 2023 with ACB
Availments	80,632		
Settlements	94,888		
Due from other banks		269,904	Foreign currency-denominated demand deposits

Category	2022 Amount/ Volume	 Outstanding Balance	 Nature, Terms and Conditions
Accrued interest receivable		₱3,187	Interest accrual on receivables from customers and interbank loans receivable
Accounts receivable		60,474	Peso and USD remittances cover
Deposit liabilities		3,494,470	Peso and foreign currency-denominated deposits with annual fixed interest rates ranging from 0.0% to 4.85% and maturities up to 2 years
Net withdrawals	₱9,193,250		Net withdrawals during the period
Bills payable		13,904	Foreign currency-denominated bills payable with ACB maturing in March 2023 with interest rate of 4.0%
Availments	81,140		
Settlements	97,713		
Due to other banks		122,139	Foreign currency-denominated clearing accounts used for funding and settlement of remittances with GRFC, IIC, PNB Europe, and ACB
Accrued interest payable		11,206	Accrued interest on deposit liabilities and bills payable
Interest income	102,763		Interest income on receivables from customers, due from other banks and interbank loans receivable
Interest expense	87,562		Interest expense on deposit liabilities and bills payable
Service fees and commission income	171,433		Various services rendered by PNB to its subsidiaries covered by a service level agreement; also includes PNB's share in service fees
Rental income	145		Payment received for the use or occupation of property
Miscellaneous other income	4,562		Management and other professional fees
Securities transactions			
Purchases	3,990		Outright purchase of securities
Sales	948,190		Outright sale of securities
Trading gain	19		Gain from sale of investment securities
Other Related Parties			
Receivables from customers		₱41,077,025	Partly secured by real estate, vehicles, deposits, government securities, among others; With interest rates ranging from 2.5% to 11.5% with remaining maturity terms ranging from 7 days to 9 years and payment terms ranging from monthly to quarterly payments; with aggregate allowance for credit losses of ₱2.9 billion
Loan releases	₱12,130,218		
Loan collections	28,633,622		
Credit facilities		94,657,106	Includes omnibus line and revocable revolving credit lines and domestic bills purchase lines; also includes irrevocable standby letters of credit which are partly secured by either cash or government securities
Sales contract receivable		1,065	Receivable from sale of property paid in installments; with interest rate of 5.0% and maturing in July 2027
Financial assets at FVOCI		23,218,499	Majority represents the retained 49.00% interest in PNB Holdings, with unrealized gain of ₱325.8 million recorded in OCI (refer to Note 12.4 for further discussion)
Accrued interest receivable		132,080	Accrued interest on receivables from customers
Security deposit		55,513	Amount given to fulfill the terms of the lease contract
Deferred charges		5,097	Lease payments under the lease contract paid in advance
Right-of-use assets		3,254,930	Lease of office space with terms up to 10 years and the corresponding accumulated amortization
Accumulated amortization of right-of-use assets		1,017,794	
Deposit liabilities		40,352,466	Peso-denominated and foreign currency-denominated demand, savings and time deposits with maturity terms ranging from 30 days to 365 days
Net deposits	4,235,274		Net deposits during the period
Bonds payable		84,840	Foreign currency bonds with interest rate of 4.25% with maturity terms of five years.
Accrued interest payable		75,597	Accrued interest payable from various deposits

Category	Amount/ Volume (2022)	Outstanding Balance (2022)	Nature, Terms and Conditions (2022)
Lease liabilities		₱2,191,862	Lease of office space with terms ranging from 20 months to 10 years
Accrued other expenses		319,882	Accruals in relation to promotional expenses
Deferred revenue		44,444	Unamortized portion of income related to the bancassurance agreement with ABIC
Service fees and commission income	₱3,334		Amortization of fees under the bancassurance agreement with ABIC
Interest income	723,194		Interest income on receivables from customers
Interest expense	570,304		Interest expense on deposit liabilities, bonds payable and lease liabilities
Amortization expense	555,048		Amortization of right-of-use asset relating to leases of office spaces
Miscellaneous expenses	270,820		Includes CUSA charges for the Parent Company's share in common areas on premises owned by PNB Holdings; and promotional expenses for Mabuhay Miles redemption; includes management fees paid to Eton Properties Philippines, Inc.
Securities transactions			
Purchases	13,089,879		Outright purchase of securities
Sales	6,926,458		Outright sale of securities
Trading loss	(23,612)		Loss from sale of investment securities
Rental income	8,779		Payment received for the use or occupation of property
Remittance transactions			
Fund transfers	2,527,729		Peso equivalent of funds transferred
Service fees	3,956		Income share and commission on remittance transactions
Associate			
Deposit liabilities		₱468,046	Peso and foreign currency-denominated deposits with
Net withdrawals	₱86,560		annual interest rates ranging from 0% to 0.10%
Accrued interest payable		19	Accrued interest on deposit liabilities
Rental deposits		27	Advance rental and security deposits received for three months
Deferred revenue		622,192	Unamortized portion of income related to the sale of APLII
Interest expense	2,066		Interest expense on deposit liabilities
Service fees and commission income	73,199		Bancassurance fees earned based on successful referrals and income related to the sale of APLII
Key Management Personnel			
Loans to officers		₱2,778	Housing loans to senior officers with interest rates ranging from 3% to 15%; Secured and unimpaired
Accrued interest receivable		9	Accrued interest on loans
Loan collections	₱714		Settlement of loans and interest
Interest income	212		Interest income on housing loans
Deposit liabilities		118,975	Peso and foreign currency-denominated deposits with interest rates ranging from 0.0% to 4.75%
Net deposits	15,019		Net deposits during the period
Interest expense	3,823		Interest expense on deposits
Accrued interest payable		144	Accrued interest on deposit liabilities

Remedies over a loan exposure to a related party
In April 2022, the Parent Company entered into a dacion agreement with a related party over an investment property with fair value at the time of dacion of ₱1.4 billion in settlement of certain loans. The remedy to settle the loan also provided for the conversion of the remaining debt to equity shares of the former borrower.

Transactions relating to the investment in PNB Holdings
As discussed in Note 12.4, the Parent Company executed a proxy in favor of LTG to vote for the remaining 49.00% held by the Group in PNB Holdings. As a result, the Group accounted for its retained interest in PNB Holdings as financial asset at FVOCI with no recycling to profit and loss. The Group and the Parent Company recognized in 2021 a gain of ₱33.5 billion from the loss of control and remeasurement of the retained interest in PNB Holdings (refer to Note 12.4).

In relation to the property dividend declaration, the Parent Company, as a withholding agent, remitted ₱404.4 million to the BIR in January 2022, representing final withholding taxes on the property dividends of concerned stockholders. This was recorded under 'Accounts receivable' in the statement of financial position. The Parent Company shall eventually collect from the stockholders such amount advanced on their behalf upon distribution of the property dividends.

Financial assets at FVTPL traded through PNB Securities
As of December 31, 2023 and 2022, the Parent Company's financial assets at FVTPL include equity securities traded through PNB Securities with a fair value of ₱2.6 million and ₱15.4 million, respectively. The Parent Company recognized trading gain (losses) amounting to (₱0.04 million) in 2023, ₱0.1 million in 2022 and (₱7.1 million) in 2021 from the transactions facilitated by PNB Securities.

Joint arrangements with Eton Properties Philippines, Inc. (EPPI)
The Parent Company and EPPI signed two joint venture agreements (JVAs) for the development of two real estate properties of the Parent Company included under 'Other assets' (refer to Note 15) and with carrying values of ₱1.2 billion at the time of signing. EPPI and the Group are under common control. These two projects are among the Parent Company's strategies in reducing its non-performing assets. The Parent Company contributed the aforementioned properties into the joint venture (JV) as approved by BSP. EPPI, on the other hand, contributed its resources and technical expertise for the completion of the said JV. Income from the sale of the properties under the JV are shared by the Parent Company and EPPI in accordance with the terms of the JVAs.

In July 2016, the Parent Company executed deeds of conveyance to EPPI on the areas of the land under the JVA arrangement. The execution of the deeds of conveyance was made to facilitate the issuance of the condominium certificates of title to the buyers.

As of December 31, 2023 and 2022, the carrying values of the properties under the JV with EPPI amounted to ₱298.6 million and ₱507.9 million, respectively, booked in 'Real estate inventories held under development' under 'Other assets'.

Transactions with PMLFC and PMERC
The Parent Company entered into the following transactions with PMLFC and PMERC as part of their winding down procedures:

- On various dates in 2022 and 2023, PMLFC transferred to the Parent Company certain receivables either via direct purchase or assignment. Details are as follows:

Year of transfer	Underlying contract	Aggregate carrying values	Total consideration paid
2022	Direct Purchase	₱122,306	₱115,866
2023	Direct Purchase	51,235	51,612
	Receivables Purchase Agreement	287,040	278,998
	Deed of Assignment	210,734	185,572

- On various dates in 2023, the BOD of the Parent Company approved to accept certain properties of PMLFC and PMERC as settlement through dacion en pago to partially pay their respective outstanding loans to the Parent Company. Details are as follows:

Date of BOD approval	Borrower	Subject properties/ assets	Aggregate fair values	Dacion amount
April 28, 2023	PMLFC	Condominium units	₱100,258	₱100,258
April 28, 2023	PMERC	Equipment and other properties held for lease (EOPL)	261,407	245,984
December 15, 2023	PMLFC	Repossessed chattels	7,867	3,933

  In 2023, rental income amounting to ₱54.6 million from the EOPL that were subject of the April 2023 dacion have accrued to the Parent Company after the dacion was implemented.

- Considering the transfer of the major assets of PMLFC and PMERC to the Parent Company and no other remaining leviable properties of PMLFC and PMERC to foreclose, on December 15, 2023, the BOD of the Parent Company approved to write off the remaining balance of the loans of PMLFC and PMERC amounting to ₱736.4 million and ₱242.4 million, respectively.

33.2 Remuneration of Key Management Personnel and Directors

The compensation of the key management personnel for the Group and Parent Company follows:

	2023	2022	2021
Short-term employee benefits	**₱526,038**	₱517,114	₱460,711
Post-employment benefits	**53,041**	47,424	50,629
	₱579,079	₱564,538	₱511,340

Non-executive directors are entitled to a per diem as follows: ₱50,000 for each BOD meeting attended and ₱25,000 for each BOD committee meeting attended, provided that in no case shall the total per diem exceed ₱0.25 million per month for committee meetings. No other emoluments are granted to non-executive directors of the Parent Company except for the aforementioned per diem. There is no profit-sharing arrangement between the Parent Company and its BOD. In 2023 and 2022, total per diem given to non-executive directors amounted to ₱71.3 million and ₱62.6 million, respectively, recorded in 'Miscellaneous expenses' in the statements of income. Directors' remuneration covers all BOD activities and membership of committees and subsidiary companies.

In 2021, key management personnel received 20,099 Parent Company shares in relation to the centennial bonus distribution.

33.3 Transactions with Retirement Plans

Management of the retirement funds of the Group and the Parent Company is handled by TBG. The fair values and carrying values of the funds of the Group amounted to ₱8.6 billion and ₱7.9 billion as of December 31, 2023 and 2022, respectively, and the fair values of the funds of the Parent Company amounted to ₱8.5 billion and ₱7.8 billion as of December 31, 2023 and 2022, respectively.

Relevant information on transactions with the retirement plans follows:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Investment in PNB UITFs	**₱559,461**	₱558,013	**₱556,626**	₱555,186
Deposits with PNB	**313,976**	481,123	**313,813**	480,913
Investment in PNB shares	**152,059**	156,169	**152,059**	156,169
Total Fund Assets	**₱1,025,496**	₱1,195,305	**₱1,022,498**	₱1,192,268
Unrealized loss on PNB shares	**(₱4,110)**	(₱9,041)	**(₱4,110)**	(₱9,041)
Unrealized gain (loss) on PNB UITF	**1,440**	(35,926)	**1,440**	(35,926)
Interest income	**27,584**	18,314	**26,063**	17,412
	24,914	(26,653)	**23,393**	(27,555)
Trust fees	**(9,496)**	(9,152)	**(9,350)**	(9,290)
Net Fund Income (Losses)	**₱15,418**	(₱35,805)	**₱14,043**	(₱36,845)

As of December 31, 2023 and 2022, the retirement funds of the Group and the Parent Company include 8,219,406 PNB shares, respectively, classified as financial assets at FVTPL. There are no limitations and restrictions over the PNB shares while the corresponding voting rights are exercised by a trust officer or any of its designated alternate officer of TBG.

In addition to the regular retirement funds, TBG also manages the funds of the Parent Company's EIP and fund for e-money products.

34. Provisions, Contingent Liabilities and Other Commitments

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not presented in the financial statements including several suits and claims which remain unsettled. The Group and its legal counsel believe that any losses arising from these contingencies which are not specifically provided for will not have a material adverse effect on the financial statements.

There were no significant settlements made in 2023 and 2022.

In the ordinary course of the Group's operations, certain entities within the Group have pending tax assessments/claims which are in various stages of protest/appeal with the tax authorities, the amounts of which cannot be reasonably estimated. Management believes that the bases of said protest/appeal are legally valid such that the ultimate resolution of these assessments/claims would not have material effects on the consolidated financial position and results of operations.

35. **Offsetting of Financial Assets and Liabilities**

The effects of rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements to the Group and the Parent Company's financial statements are disclosed in the succeeding tables.

<u>Consolidated</u>

2023

Financial assets 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]	Effect 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]
Derivative assets	**₱108,139,719**	**₱107,390,520**	**₱749,199**	**₱37,098**	**₱–**	**₱712,101**
Securities held under agreements to resell (Note 8)	**69,694,538**	**–**	**69,694,538**	**–**	**57,785,321**	**11,909,217**
Total	**₱177,834,257**	**₱107,390,520**	**₱70,443,737**	**₱37,098**	**₱57,785,321**	**₱12,621,318**

2022

Financial assets 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]	Effect 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]
Derivative assets	₱61,149,066	₱59,787,115	₱1,361,951	₱73,039	₱–	₱1,288,912
Securities held under agreements to resell (Note 8)	64,523,863	–	64,523,863	–	64,334,349	189,514
Total	₱125,672,929	₱59,787,115	₱65,885,814	₱73,039	₱64,334,349	₱1,478,426

2023

Financial liabilities 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]	Effect 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]
Derivative liabilities	**₱65,163,569**	**₱64,607,758**	**₱555,811**	**₱196,010**	**₱–**	**₱359,801**
Securities sold under agreements to repurchase (Notes 9 and 19)*	**10,053,531**	**–**	**10,053,531**	**–**	**11,972,805**	**–**
Total	**₱75,217,100**	**₱64,607,758**	**₱10,609,342**	**₱196,010**	**₱11,972,805**	**₱359,801**

** Included in bills and acceptances payable in the statements of financial position*

2022

Financial liabilities 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]	Effect 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]
Derivative liabilities	₱70,051,569	₱69,011,793	₱1,039,776	₱456,745	₱–	₱583,031
Securities sold under agreements to repurchase (Notes 9 and 19)*	6,595,689	–	6,595,689	–	7,981,190	–
Total	₱76,647,258	₱69,011,793	₱7,635,465	₱456,745	7,981,190	₱583,031

** Included in bills and acceptances payable in the statements of financial position*

Parent Company

2023

Financial assets 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]**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Fair value of financial collateral**	**Net exposure [c-d]**
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative assets	**₱108,134,733**	**₱107,390,520**	**₱744,213**	**₱37,098**	**₱–**	**₱707,115**
Securities held under agreements to resell (Notes 8 and 19)	**69,694,538**	**–**	**69,694,538**	**–**	**57,785,321**	**11,909,217**
Total	**₱177,829,271**	**₱107,390,520**	**₱70,438,751**	**₱37,098**	**₱57,785,321**	**₱12,616,332**

2022

Financial assets 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]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative assets	₱61,146,943	₱59,787,115	₱1,359,828	₱73,039	₱–	₱1,286,789
Securities held under agreements to resell (Notes 8 and 19)	64,523,863	–	64,523,863	–	64,334,349	189,514
Total	₱125,670,806	₱59,787,115	₱65,883,691	₱73,039	₱64,334,349	₱1,476,303

2023

Financial liabilities 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]**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Fair value of financial collateral**	**Net exposure [c-d]**
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative liabilities	**₱65,163,569**	**₱64,607,758**	**₱555,811**	**₱196,010**	**₱–**	**₱359,801**
Securities sold under agreements to repurchase (Notes 9 and 19)*	**10,053,531**	**–**	**10,053,531**	**–**	**11,972,805**	**–**
Total	**₱75,217,100**	**₱64,607,758**	**₱10,609,342**	**₱196,010**	**₱11,972,805**	**₱359,801**

** Included in bills and acceptances payable in the statements of financial position*

2022

Financial liabilities 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]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities	₱70,051,569	₱69,011,793	₱1,039,776	₱456,745	₱–	₱583,031
Securities sold under agreements to repurchase (Notes 9 and 19)*	6,595,689	–	6,595,689	–	7,981,190	–
Total	₱76,647,258	₱69,011,793	₱7,635,465	₱456,745	7,981,190	₱583,031

** Included in bills and acceptances payable in the statements of financial position*

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. This includes amounts related to financial collateral both received and pledged, excluding the extent of over-collateralization.

36. **Discontinued Operations**

36.1 PNB Gen

The results of operation of PNB Gen in 2021 are presented below:

Interest Income on	
Loans and receivables	₱35
Investment securities at amortized cost and FVOCI (Note 9)	19,830
Deposits with banks and others	34
	19,899
Interest Expense on	
Lease liabilities (Note 19)	530
Net Interest Income	19,369
Net Service Fees and Commission Income (Note 26)	110
Insurance premium	202,543
Insurance benefits and claims	143,605
Net Insurance Premium	58,938
Other Income	
Foreign exchange gains - net	1,804
Total Operating Income	80,221
Operating Expenses	
Compensation and fringe benefits	37,040
Depreciation and amortization (Note 11)	6,592
Provision for credit losses (Note 16)	1,174
Occupancy and equipment-related costs	903
Taxes and licenses	290
Miscellaneous (Note 27)	8,832
Total Operating Expenses	54,831
Income Before Income Tax	25,390
Provision for Income Tax (Note 30)	4,774
Net Income from Discontinued Operations	₱20,616

Net insurance premium in 2021 consists of:

Net insurance premiums	
Gross earned premium	₱385,904
Reinsurer's share of gross earned premiums	(183,361)
	202,543
Less net insurance benefits and claims	
Gross insurance contract benefits and claims paid	207,003
Reinsurer's share of gross insurance contract benefits and claims	(130,493)
Gross change in insurance contract liabilities	48,017
Reinsurer's share of change in insurance contract liabilities	19,078
	143,605
	₱58,938

Net cash flows of PNB Gen in 2021 follow:

Net cash flows from operating activities	(₱36,288)
Net cash flows from investing activities	18,740
Net cash flows from financing activities	(1,912)
	(₱19,460)

36.2 PNB Holdings

The results of operation of PNB Holdings in 2021 are presented below:

Interest Income on	
Deposits with banks and others	₱1,143
Interest Expense on	
Lease liabilities (Note 19)	2,998
Net Interest Expense	(1,855)
Net Service Fees and Commission Expense	(45,849)
Other Income	
Miscellaneous income (Note 27)	486,957
Total Operating Income	439,253
Operating Expenses	
Taxes and licenses	646,070
Occupancy and equipment-related costs	191,781
Provision for credit losses (Note 16)	86,967
Depreciation and amortization (Note 11)	42,450
Compensation and fringe benefits	976
Miscellaneous (Note 27)	123,162
Total Operating Expenses	1,091,406
Loss Before Income Tax	(652,153)
Provision for Income Tax (Note 30)	103,828
Loss from Discontinued Operations	(₱755,981)

Net cash flows of PNB Holdings in 2021 follow:

Net cash flows from operating activities	₱790,488
Net cash flows from financing activities	(567,887)
	₱222,601

37. **Events After the Reporting Date**

There are no significant reportable events which occurred from December 31, 2023 until the date of this report.

38. Notes to Statements of Cash Flows

38.1 Cash Flows from Financing Activities

The changes in liabilities arising from financing activities in 2023 and 2022 follow:

	Consolidated			
	2023			
	Beginning balance	**Net cash flows**	**Others**	**Ending balance**
Bills and acceptances payable	**₱14,980,373**	**₱4,937,366**	**₱244,864**	**₱20,162,603**
Bonds payable	**58,439,097**	**(16,560,000)**	**(388,226)**	**41,490,871**
Lease liabilities	**3,636,391**	**(1,314,516)**	**1,511,009**	**3,832,884**
	₱77,055,861	**(₱12,937,150)**	**₱1,367,647**	**₱65,486,358**

	Consolidated			
	2022			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱52,953,797	(₱39,495,624)	₱1,522,200	₱14,980,373
Bonds payable	53,383,421	–	5,055,676	58,439,097
Lease liabilities	3,765,391	(1,113,225)	984,225	3,636,391
	₱110,102,609	(₱40,608,849)	₱7,562,101	₱77,055,861

	Parent Company			
	2023			
	Beginning balance	**Net cash flows**	**Others**	**Ending balance**
Bills and acceptances payable	**₱13,888,035**	**₱6,029,703**	**₱244,865**	**₱20,162,603**
Bonds payable	**58,439,097**	**(16,560,000)**	**(388,226)**	**41,490,871**
Lease liabilities	**3,604,077**	**(1,232,928)**	**1,352,167**	**3,723,316**
	₱75,931,209	**(₱11,763,225)**	**₱1,208,806**	**₱65,376,790**

	Parent Company			
	2022			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱51,113,018	(₱38,736,538)	₱1,511,555	₱13,888,035
Bonds payable	53,383,421	–	5,055,676	58,439,097
Lease liabilities	3,698,410	(1,068,038)	973,705	3,604,077
	₱108,194,849	(₱39,804,576)	₱7,540,936	₱75,931,209

Others include the effects of foreign exchange revaluations, additional lease liabilities, amortization of transaction costs, and accretion of interest.

38.2 Non-Cash Transactions

The following are non-cash transactions of the Group and the Parent Company in 2023 and 2022 relating to their long-term leases:

	Consolidated		**Parent Company**	
	2023	2022	**2023**	2022
Additions to right-of-use assets (Note 11)	**₱1,425,032**	₱803,905	**₱1,292,130**	₱803,905
Additional lease liabilities (Note 29)	**1,340,509**	799,014	**1,185,129**	789,687

On January 13, 2021, the Parent Company subscribed to additional 466,770,000 shares of PNB Holdings in exchange for certain real estate properties with fair values of ₱46.7 billion. On April 23, 2021, the Parent Company declared 51.00% ownership in PNB Holdings as property dividends to all stockholders of record as of May 18, 2021 (refer to Note 12.4).

On December 17, 2021, the BOD of PNB Capital approved the declaration of cash dividends amounting to ₱300.0 million. The Parent Company received such cash dividends from PNB Capital on June 29, 2022 (refer to Note 12.2).

The Group acquired investment properties through foreclosure, dacion and rescission amounting to ₱3.0 billion, ₱4.3 billion, and ₱524.7 million in 2023, 2022 and 2021, respectively. The Parent Company acquired investment properties acquired through foreclosure and rescission amounting to ₱3.0 billion, ₱4.3 billion and ₱334.4 million in 2023, 2022 and 2021, respectively (refer to Note 13). Included in the foreclosures in 2023 and 2022 are dacion transactions in settlement of certain loans in exchange for an investment property (refer to Note 33.1). Foreclosures in 2022 also include the debt-to-equity conversion of the remaining loan exposures of a former borrower (refer to Note 33.1).

The Group and the Parent Company applied creditable withholding taxes against its income tax payable amounting to ₱1.2 billion, ₱2.4 billion and ₱1.6 billion in 2023, 2022 and 2021, respectively.

39. Approval of the Release of the Financial Statements

The accompanying financial statements of the Group and of the Parent Company were authorized for issue by the Parent Company's BOD on February 23, 2024.

40. Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010, which provides that the notes to the financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

40.1 Taxes Paid or Accrued During the Taxable Year

The Parent Company paid or accrued the following types of taxes for the tax period January to December 2023 (in absolute amounts):

Taxes and licenses

	Amount
Gross receipts tax	₱2,680,374,285
Documentary stamp taxes	4,200,000,000
Real estate tax	41,785,908
Local taxes	170,322,577
Others	83,062,845
	₱7,175,545,615

Withholding taxes

	Remitted	Outstanding
Withholding taxes on compensation and benefits	₱877,599,290	₱164,160,522
Final income taxes withheld on interest on deposits and yield on deposit substitutes	1,562,643,647	179,479,293
Expanded withholding taxes	216,903,397	19,172,371
Withholding taxes on the amount withdrawn from the decedent's deposit dccount	19,520,327	2,491,279
VAT withholding taxes	22,218,383	20,086
Other final taxes	158,003,153	8,648,901
	₱2,856,888,197	₱373,972,452

40.2 Tax Cases and Assessments

As of December 31, 2023 and 2022, the Parent Company has no final tax assessment but has outstanding cases filed in courts for various claims for tax refund. Management is of the opinion that the ultimate outcome of these cases will not have a material impact on the financial statements of the Parent Company.

41. Report on the Supplementary Information Required Under Section 174 of the Manual of Regulations for Banks

41.1 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	**9.95%**	7.00%	19.98%	**10.15%**	7.10%	20.08%
Return on average assets	**1.53%**	0.99%	2.62%	**1.54%**	0.99%	2.60%
Net interest margin on average earning assets	**4.23%**	3.61%	3.27%	**4.23%**	3.62%	3.26%

41.2 Description of Capital Instruments Issued

As of December 31, 2023 and 2022, the Parent Company has only one class of capital stock, which are common shares.

41.3 Significant Credit Exposures as to Industry Sector

An industry sector analysis of the Group's and the Parent Company's receivables from customers before taking into account allowance for credit losses is shown below.

	Consolidated				Parent Company			
	2023		2022		**2023**		2022	
	Carrying Amount	**%**	Carrying Amount	%	**Carrying Amount**	**%**	Carrying Amount	%
Primary target industry:								
Wholesale and retail	**₱122,887,990**	**19.15**	₱94,635,306	15.44	**₱116,820,739**	**18.60**	₱89,062,370	14.86
Financial intermediaries	**92,281,412**	**14.38**	123,572,805	20.16	**92,321,118**	**14.70**	124,585,259	20.78
Electricity, gas and water	**83,942,305**	**13.08**	77,908,127	12.71	**83,942,305**	**13.36**	77,908,992	13.00
Manufacturing	**63,947,942**	**9.96**	64,750,821	10.57	**61,863,476**	**9.85**	62,394,048	10.41
Transport, storage and communication	**46,249,754**	**7.21**	41,702,691	6.80	**45,835,091**	**7.30**	40,836,136	6.81

(Forward)

	Consolidated				Parent Company			
	2023		2022		**2023**		2022	
	Carrying Amount	**%**	Carrying Amount	%	**Carrying Amount**	**%**	Carrying Amount	%
Agriculture, hunting and forestry	**₱8,187,717**	**1.28**	₱6,846,668	1.12	**₱8,032,017**	**1.28**	₱6,685,454	1.12
Public administration and defense	**4,101,202**	**0.64**	1,868,664	0.30	**4,101,202**	**0.65**	1,868,663	0.31
Secondary target industry:								
Real estate, renting and business activities	**110,728,706**	**17.25**	96,701,343	15.78	**107,586,053**	**17.13**	93,010,341	15.51
Construction	**38,833,938**	**6.05**	30,989,724	5.06	**38,775,374**	**6.17**	30,923,083	5.16
Others	**70,637,302**	**11.01**	73,881,893	12.06	**68,902,271**	**10.97**	72,242,925	12.05
	₱641,798,268	**100.00**	₱612,858,042	100.00	**₱628,179,646**	**100.00**	₱599,517,271	100.00

41.4 Breakdown of Total Loans

41.4.1 As to Security

The information relating to receivables from customers (gross of allowance for credit losses) as to secured and unsecured and as to collateral follows:

	Consolidated				Parent Company			
	2023		2022		**2023**		2022	
	Carrying Amount	**%**	Carrying Amount	%	**Carrying Amount**	**%**	Carrying Amount	%
Secured:								
Real estate mortgage	**₱126,721,614**	**19.74**	₱61,579,391	10.05	**₱115,956,460**	**18.46**	₱52,764,741	8.80
Chattel mortgage	**15,319,855**	**2.39**	12,560,778	2.05	**15,104,719**	**2.40**	12,425,497	2.07
Bank deposit hold-out	**7,439,901**	**1.16**	3,844,755	0.63	**7,195,384**	**1.15**	3,698,931	0.62
Others	**1,551,354**	**0.24**	30,856,608	5.03	**191,774**	**0.03**	28,814,577	4.81
	151,032,724	**23.53**	108,841,532	17.76	**138,448,337**	**22.04**	97,703,746	16.30
Unsecured	**490,765,544**	**76.47**	504,016,510	82.24	**489,731,309**	**77.96**	501,813,525	83.70
	₱641,798,268	**100.00**	₱612,858,042	100.00	**₱628,179,646**	**100.00**	₱599,517,271	100.00

41.4.2 As to Status

The table below shows the status of the Group and the Parent Company's loans (gross allowance for credit losses) as to performing and non-performing loans (NPL) per product line:

	Consolidated			
	2023		2022	
	Performing	**NPL**	Performing	NPL
Corporate	**₱541,116,157**	**₱33,347,894**	₱517,026,645	₱26,814,155
Commercial	**14,804,205**	**2,493,093**	15,227,846	3,727,358
Credit cards	**14,394,103**	**838,742**	11,889,481	2,493,200
Consumer	**24,647,541**	**10,156,533**	24,706,149	10,973,208
	₱594,962,006	**₱46,836,262**	₱568,850,121	₱44,007,921

	Parent Company			
	2023		2022	
	Performing	**NPL**	Performing	NPL
Corporate	**₱528,492,120**	**₱33,228,430**	₱508,724,119	₱24,153,812
Commercial	**15,315,245**	**1,883,944**	15,475,530	2,027,403
Credit cards	**14,394,103**	**838,742**	11,889,481	2,493,200
Consumer	**23,923,855**	**10,103,207**	21,423,352	13,330,374
	₱582,125,323	**₱46,054,323**	₱557,512,482	₱42,004,789

Loans and receivables are considered NPL, even without any missed contractual payments, when 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, are considered NPL if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement. Microfinance and other small loans with similar credit characteristics are considered NPL after contractual due date or after they have become past due. Restructured loans are considered NPL. However, if prior to restructuring, the loans were categorized as performing, such classification is retained.

NPLs remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least six (6) months; or (b) written-off.

In 2022, the Parent Company adopted BSP Memorandum No. M-2021-056, *Regulatory Treatment of Restructured Loans for Purposes of Measuring Expected Credit Losses*, which provides guidance on the regulatory treatment of loans with terms and conditions that have been modified due to the impact of the COVID-19 pandemic, especially consumption loans, for purposes of measuring ECL and classifying the accounts as NPL.

The table below shows the gross and net NPL ratios of the Group and the Parent Company as reported to the BSP (with certain adjustments) as of December 31, 2023 and 2022:

	2023		2022	
	Gross NPL	**Net NPL**	Gross NPL	Net NPL
Consolidated	**6.26%**	**2.46%**	6.34%	2.58%
Parent Company	**6.29%**	**2.49%**	6.19%	2.54%

41.5 Information on Related Party Loans

In the ordinary course of business, the Parent Company has loans and other transactions with its subsidiaries and affiliates, and with certain Directors, Officers, Stockholders and Related Interests (DOSRI). These loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. The amount of direct credit accommodations to each of the Parent Company's DOSRI, 70.00% of which must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Parent Company.

In the aggregate, DOSRI loans generally should not exceed the Parent Company's equity or 15.00% of the its total loan portfolio, whichever is lower. Total outstanding exposures to each of the Parent Company's subsidiaries and affiliates shall not exceed 10.00% of the Group's net worth, the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20.00% of the net worth of the Parent Company. As of December 31, 2023 and 2022, the Parent Company is in compliance with such regulations.

The information relating to the DOSRI loans of the Parent Company follows:

	2023		2022	
	DOSRI loans	**Related party loans (inclusive of DOSRI loans)**	DOSRI loans	Related party loans (inclusive of DOSRI loans)
Total outstanding loans	**₱2,701**	**₱36,185,463**	₱39,017	₱42,182,025
Percent of DOSRI/related party loans to total loan portfolio	**0.00%**	**4.95%**	0.01%	6.22%
Percent of unsecured DOSRI/related party loans to total DOSRI/related party loans	**0.00%**	**83.48%**	1.56%	86.52%
Percent of past due DOSRI/related party loans to total DOSRI/related party loans	**45.40%**	**0.31%**	3.52%	2.62%
Percent of non-performing DOSRI/related party loans to total DOSRI/related party loans	**43.08%**	**0.31%**	3.52%	2.62%

41.6 Aggregate Amount of Secured Liabilities and Assets Pledged as Security

As of December 31, 2023 and 2022, 'Bills payable' amounting to ₱10.1 billion and ₱6.6 billion in Note 19, respectively, are secured by a pledge of certain 'Financial assets at FVOCI' amounting to ₱6.5 billion and ₱2.5 billion respectively, and 'Investment securities at amortized cost' amounting to ₱5.5 billion.

41.7 Contingencies and Commitments Arising from Off-Balance Sheet Items

The following is a summary of various commitments, contingent assets and contingent liabilities at their equivalent peso contractual amounts as reported to BSP:

	Consolidated		**Parent Company**	
	2023	2022	**2023**	2022
Derivative forwards	**₱195,661,001**	₱151,543,370	**₱190,805,863**	₱147,448,673
Trust department accounts	**168,037,276**	152,746,479	**168,037,276**	152,746,479
Standby letters of credit	**65,344,786**	43,922,556	**65,255,715**	43,702,875
Unutilized credit card lines	**45,354,961**	41,981,905	**45,354,961**	41,981,905
Deficiency claims receivable	**23,953,740**	28,065,650	**23,953,740**	28,065,650
Derivative spots	**21,141,791**	7,474,525	**21,141,791**	7,474,525
Unused commercial letters of credit	**440,767**	204,707	**440,767**	204,707
Inward bills for collection	**434,566**	1,116,689	**431,741**	1,116,689
Outward bills for collection	**236,311**	355,358	**118,836**	300,396
Confirmed export letters of credit	**93,852**	94,784	**93,852**	94,784
Items held as collateral	**58,887**	165,282	**58,876**	165,270
Shipping guarantees issued	**23,101**	22,800	**20,975**	20,655
Other contingent accounts	**7,182**	76,663	**7,181**	7,592

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SyCip Gorres Velayo & Co.
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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Philippine National Bank
PNB Financial Center
President Diosdado Macapagal Boulevard
Pasay City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Philippine National Bank and its Subsidiaries (the Group) as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated February 23, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Leslie Anne G. Huang
Partner
CPA Certificate No. 134290
Tax Identification No. 238-044-991
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-150-2022, November 7, 2022, valid until November 6, 2025
PTR No. 10079947, January 5, 2024, Makati City

February 23, 2024

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Philippine National Bank
PNB Financial Center
President Diosdado Macapagal Boulevard
Pasay City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Philippine National Bank and its Subsidiaries (the Group) as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated February 23, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at December 31, 2023 and 2022 for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Leslie Anne G. Huang
Partner
CPA Certificate No. 134290
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February 23, 2024

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
INDEX TO THE FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHDEULES
DECEMBER 31, 2023

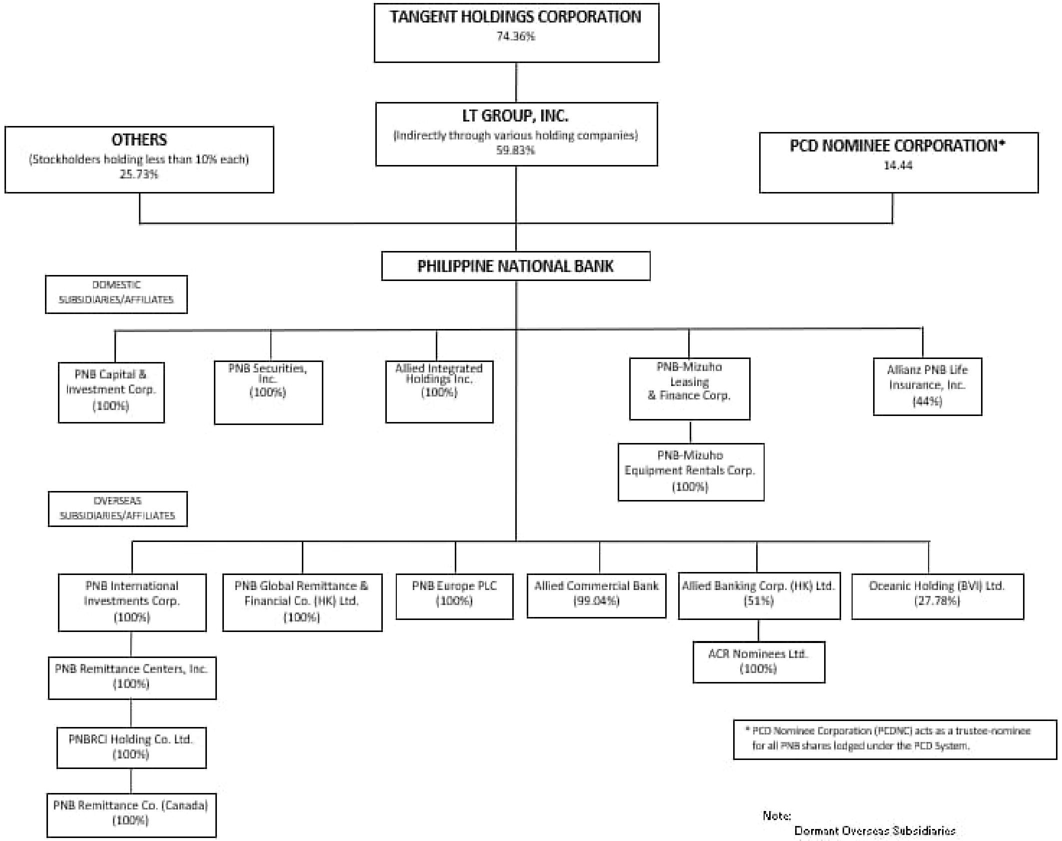
PART I
Schedule A

PHILIPPINE NATIONAL BANK (PARENT COMPANY)
AVAILABLE FOR DIVIDEND DECLARATION
December 31, 2023
(In thousands)

Unappropriated Retained Earnings, beginning of reporting period		**₱11,830,809**
Add: Category A - Items that are directly credited to Unappropriated Retained Earnings		
Reversal of Retained Earnings Appropriation/s		251,312
Unappropriated Retained Earnings, as adjusted		12,082,121
Add: Net income for the current year		18,002,945
Less: Category C.1 - Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	368,086	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	559,019	
Unrealized fiar value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	5,982	
Unrealized fair value gain of investment property	4,326,663	
Sub-total		5,259,750
Add: Category C.3 - Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)		
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	1,019,871	
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	5,309	
Reversal of previously recorded fair value gain of Investment Property	3,797,649	
Sub-total		4,822,829
Adjusted Net Income		17,566,024
Add/Less: Category F - Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of deferred tax asset not considered in the reconciling items under the previous categories		(354,078)
Total Retained Earnings, End Available for Dividend, December 31, 2023		**₱29,294,067**

Schedule B

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
December 31, 2023



PART II

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2023

Financial Assets at Fair Value through Profit or Loss
(Amounts in thousands except for Number of Shares)

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Government securities				
Bangko Sentral ng Pilipinas	–	₱4,297,120	₱4,287,073	₱–
Fixed Rate Treasury Notes	–	567,849	555,987	94,275
Republic of the Philippines (ROP) Bonds	–	241,205	239,283	12,672
Retail Treasury Bonds	–	3,156,963	3,072,721	29,544
Treasury Bills	–	19,623	19,341	17,600
	–	**8,282,760**	**8,174,405**	**154,091**
Private debt securities				
Ayala Land Inc	–	–	–	239
Petron	–	697,195	676,280	47,535
San Miguel Global Power Holdings Corp	–	274,850	272,439	17,187
SM Prime Holdings Inc.	–	501,950	495,923	24,431
Vista Land & Lifestyle	–	148,000	145,848	8,411
	–	**1,621,995**	**1,590,490**	**97,803**
Equity securities				
GT Capital Pref Series B	1,000	824	941	–
San Miguel Corp - Pref 2I	25,970	1,909	1,830	–
	26,970	**2,733**	**2,771**	**–**
Derivatives				
Allied Banking Hongkog	–	–	4,985	–
Asia United Bank	–	166,425	315	–
Australia and New Zealand Bank- Manila	–	3,306,035	39,059	–
Banco de Oro Universal Bank	–	15,880,248	142,316	–
Bangko Sentral ng Pilipinas	–	30,370,158	191,558	–
Bank of China	–	2,690,623	5,177	–
Bank of Commerce	–	276,965	115	–
Bank of the Philippine Islands	–	1,958,325	20,238	–
China Banking Corporation	–	3,623,395	24,343	–
Chinatrust Phils Commercial Bank Corp.	–	665,870	1,297	–
Citibank N.A. Manila Branch	–	558,800	5,100	–
Deutsche Bank AG Manila Branch	–	2,230,850	15,988	–
East West Banking Corporation	–	221,855	375	–
Goldman Sachs International	–	1,384,250	1,854	–
Hongkong and Shanghai Banking Corp. Hongkong	–	1,455,282	2,273	–
Hongkong and Shanghai Banking Corp. Manila	–	3,071,265	25,995	–
Individuals	–	523,649	5,812	–
Insular Oil Corporation	–	1,826,384	15,212	–
Internationale Nederlanden Bank Manila	–	2,005,025	11,704	–
JPMorgan Chase Bank Manila Branch	–	221,845	365	–
JPMorgan Chase Bank Singapore Branch	–	4,652,376	44,460	–
Landbank of the Philippines	–	110,800	60	–
Maybank Philippines Inc.	–	3,125,885	25,156	–
Metropolitan Bank & Trust Company		2,270,765	1,919	
MUFG Bank, Ltd., Manila Branch	–	670,540	5,996	–
Petron Corporation	–	6,962,960	41,297	–
Philippine Bank of Communication	–	110,960	220	–
Philippine Business Bank	–	55,460	90	–

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Philippine National Bank- Singapore Branch	–	–	456	–
Republic of the Philippines	–	15,337	–	–
River Valley Distribution Inc.	–	51,599	34	–
Rizal Commercial Banking Corp.	–	1,668,640	7,525	–
Robinsons Bank Corporation	–	25,932	13	–
Security Bank Corporation	–	1,450,870	11,477	–
Standard Chartered Bank London Branch	–	3,805,392	4,533	–
Standard Chartered Bank Manila Branch	–	2,228,315	13,448	–
The Living Christian Church Foundation, Inc.	–	31,005	65	–
UBS AG Zurich	–	2,429,608	24,052	–
Union Bank of the Philippines	–	2,074,400	25,724	–
Wells Fargo Bank N.A.	–	1,308,051	28,589	–
Xchanged Inc	–	5,537	3	–
	–	**105,491,681**	**749,198**	**–**
Total Financial Assets at Fair Value through Profit or Loss	**26,970**	**₱115,399,169**	**₱10,516,864**	**₱251,894**

Financial Assets at Fair Value through Other Comprehensive Income
(Amounts in thousands except for Number of Shares)

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Government securities				
Bangko Sentral ng Pilipinas	–	₱58,186,040	₱57,955,309	₱2,946,328
China National Offshore Oil Corp LTD	–	769,643	766,603	16,872
Fixed Rate Treasury Notes	–	16,542,786	16,014,753	689,170
Kingdom of Saudi Arabia	–	2,823,870	2,775,849	34,040
Power Sector	–	1,273,510	1,296,471	13,240
Republic of Indonesia	–	234,979	234,648	4,402
Republic of the Philippines (ROP) Bonds	–	2,844,733	2,668,536	93,860
Retail Treasury Bonds	–	42,491,000	41,210,516	1,096,617
Small Business Loan asset backed securities	–	55,093	224	30
Monetary Authority of Singapore	–	335,601	335,322	12,016
Treasury Bills	–	23,000	22,088	69
Treasury Gilts	–	160,386	295,749	7,297
US Government	–	–	–	40,775
US Treasury Notes	–	803,640	796,342	37,400
	–	**126,544,281**	**124,372,410**	**4,992,116**
Private debt securities				
Aboitiz Power Corp	–	562,300	553,176	29,665
AC Energy Finance International Limited	–	2,931,842	2,229,862	101,270
Arthaland Corporation	–	28,799	28,715	14,104
Ayala Land Inc	–	394,530	393,088	26,654
Banco De Oro	–	–	–	1,350
Bank of the Philippine Island	–	83,055	81,069	1,606
Energy Development Corp	–	–	–	170
Export-Import Bank of Korea	–	1,162,770	1,150,972	9,203
First Pacific Company Limited	–	858,235	825,536	–
First Pacific Company Resources	–	–	–	29,333
First Pacific Company Treasury Limited	–	–	–	387
Globe Telecoms, Inc.	–	1,301,195	972,982	16,940
Hutchison Whampoa Limited	–	2,287,335	2,265,665	24,842
International Container Terminal Services Inc.	–	1,894,485	1,872,570	60,683
Megaworld Corp	–	860,000	857,834	46,040
Petron Corporation	–	2,342,317	2,204,097	130,303
Rizal Commercial Banking Corp	–	240,860	235,710	4,880
San Miguel Global Corp	–	94,900	94,072	5,931
Sinopec Corp	–	192,134	187,815	2,881
SM Investments Corp	–	163,342	162,695	7,035
SM Prime Holdings	–	15,000	14,718	704
STI Education	–	50,000	49,976	2,904
	–	**15,463,099**	**14,180,552**	**516,885**
Equity securities				
Allied Banker Insurance	200,000	20,000	20,000	–
Alphaland Balesin Island Resort Corp.	1	2,500	2,500	–
Apo Golf & Country Club	1	100	315	–
Asia Pacific Trust & Development	–	1,500	–	–
Bacnotan Steel Industries	3,345,000	–	–	–
Baguio City Country Club	1	60	6,000	–
Baguio Gold Mining (Now: PAL Holdings)	8,452,500	99	99	–
Bancnet, Inc.	49,999	5,000	5,000	–
BAP Credit Guaranty Corp.	29,800	2,980	1,138	–
Bayantel	8,244	8	–	–
Bayantel 31% Tranche B.	83,997	14,851	–	–
Camp John Hay	1	650	277	–
Camp John Hay Golf Club	2	160	555	–
Capitol Hills Golf and Country Club, Inc.	10	29	400	–
Cebu Country Club, Inc.	1	29	15,000	–
Club Filipino	2	26	658	–

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Cruz Tel Co.	30	3	–	–
Development Academy Of the Phillippines	1,500	1,500	–	–
Eagle Ridge Golf & Country Club	30	3,450	18,500	–
Eastridge Golf Course & Village (A)	2	1,800	1,800	–
Evercrest Golf	2	500	–	–
Evercrest Golf Club-A	2	1,000	1,000	
Fairways & Bluewater Resort	294	359,695	53,520	–
Fastech Synergy	1,337,807	8,519	–	–
Fil-Am Resources	2,500,000	27	–	–
Forest Hills Golf And Country Club	1	170	170	–
Heavenly Garden Dev't Corp.	5,000	500	500	–
Iligan Golf & Country Club	1	1	–	–
Iloilo Golf & Country Club	1	88	14	–
Inco Mining Corp	46,875	2	–	–
Infanta Minerals	1,000,000	10	–	–
Investment in Management Account	–	–	48,575	
Lepanto Consolidated Mining Co."A"	4,973	1	–	–
Lepanto Consolidated Mining Co."B"	1,776	–	–	–
LGU Guarantee Corp.	100,000	10,000	2	–
Luisita Golf & Country Club	1	840	308	–
Makati Sports Club-A	1	30	1,000	–
Manila Electric Cooperative	8,884	89	1	–
Manila Golf & Country Club Inc-Corporate	2	412	247,942	–
Manila Polo Club	1	2,600	45,000	–
Manila Southwoods Golf & Country Club A	1	850	4,000	–
Manila Southwoods Golf & Country Club B	1	1,500	4,763	–
Marikudo Country Club of Iloilo City	1	18	–	–
Mimosa Golf & Country Club	1	827	400	–
Mount Malarayat Golf & Country Club	15	35,380	19,500	–
Mount Malarayat Golf Club C	1	2,750	1,500	–
Mount Malarayat I	1	1,512	1,300	–
Negros Occidental Golf & Country Club	5	100	150	–
Northern Tel Co.	1,800	18	–	–
Orchard Golf & Country Club	2	3,250	4,000	–
PAL Holdings Inc.	4,494,947	53,040	22,789	–
Palicpican Beach and Sport Club	2	170	170	–
Paper Ind.Corp. of the Phils.	13,525	19	–	–
Philex Mining Corporation	151	–	1	–
Phililippine Central Depository & Trust Corp.	31,690	3,169	6,431	–
Phililippine Central Depository Inc.	28,466	3,692	5,776	–
Philippine Airlines, Inc.	19,855,803	–	19,856	–
Philippine Clearing House Corporation	42,000	4,200	2,101	–
Philippine Columbian Association	1	8	90	–
Philippine Dealing System-Fixed Income	170,436	14,600	34,585	–
Philippine Overseas Drilling & Oil Dev’t	695,625	69	5	–
Philippine Racing Club	30,331,103	142,582	151,959	–
Phillippine Electric Corporation	202,440	95	–	–
Phillippine Long Distance Company	401	4	1	–
Phillippine Long Distance Company	108,375	1,084	–	–
Phillippine Oil Development Co., Inc.	500,000	13	–	–
Philippine Telegraph & Telephone Corporation (PT&T)	5,000,000	–	–	–
PICOP Resources Inc.	19,008,000	798	–	–
PLDT Communications & Energy Ventures Inc. (Piltel)	650	10	–	–
PNB Holding Corporation	2,551,000	377,876	24,567,214	–
Primo Oleo Chemicals	6,638,151	66,382	66,382	–
Proton Chemical Industries Common Shares	44,419	–	–	–
Pueblo De Oro Golf Country Club	2	1,411	718	–
Puerto Azul Sports & Beach Club	2	170	500	–
Quezon City Sports Club	1	32	714	–

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Republic Telephone Company	6,052	5	–	–
Riviera Golf & Country Club	2	2,627	2,008	–
Rural Bank of Ibajay	340	11	16	–
Santa Elena Golf & Country Club	1	852	15,000	–
Santa Elena Golf Club-A	2	3,100	30,000	–
Sierra Grande Country Club, Inc.	100	32	32	–
Southern Iloilo Telephone Co.	20	2	–	–
Subic Bay Golf & Country Club	1	950	–	–
Subic Bay Yatch Club	58	93,000	12,760	–
SWIFT - ABC	8	–	–	–
SWIFT Shareholders-PNB	9	–	–	–
Tagaytay Highlands	1	500	1,928	–
Tagaytay Midlands	1	500	1,693	–
Tayud Golf & Country Club	1	6	–	–
Universal Rightfield Prop. Inc.	2,883,000	69	–	–
Valle Verde Country Club, Inc.	1	13	450	–
Valley Golf & Country Club	4	106	20,000	–
Victoria Golf & Country Club	1	110	120	–
Wack Wack Golf & Country Club	5	21,631	364,172	–
Wack Wack Golf & Country Club (PNB Savings)	2	31,300	145,172	–
Western Minolco Corp.	11,382,000	17	–	–
	121,167,369	**1,309,689**	**25,978,530**	–
Total Financial Assets at Fair Value through Comprehensive Income	**121,167,369**	**₱143,317,069**	**₱164,531,492**	**₱5,509,001**

Investment Securities at Amortized Cost
(Amounts in thousands except for Number of Shares)

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on bid prices on the balance sheet date	Income received and accrued
Government securiites				
Bangko Sentral ng Pilipinas	–	₱221,480	₱258,270	₱9,224
China National Offshore Oil Corp Ltd.	–	2,566,400	2,557,249	124,199
Fixed Rate Treasury Notes	–	47,181,456	50,112,417	3,031,418
Kingdom of Saudi Arabia	–	166,110	165,593	8,158
Landbank of the Philippines	–	132,885	128,792	10,908
Power Sector Assets & Liabilities Mgt Corporation	–	1,066,426	1,157,299	38,061
Republic of Indonesia	–	2,724,902	2,756,255	110,839
Republic of the Philippines (ROP) Bonds	–	12,416,170	12,470,199	401,249
Retail Treasury Bonds	–	31,832,585	32,177,299	1,680,124
Treasury Bills	–	515,910	507,068	25,808
US Government	–	1,661,100	1,645,763	223,102
US Treasury Notes	85,000	470,645	469,962	6,737
	85,000	**100,956,069**	**104,406,166**	**5,669,827**
Private debt securities				
AC Energy Finance International Limited	–	664,440	664,151	31,322
Agricultural Bank of China LTD HK	–	1,661,100	1,654,121	145,929
AT&T Inc.	–	66,444	65,660	652
Ayala Land Inc	–	641,900	641,786	38,256
Banco de Oro	–	–	–	23,427
Bank of China	–	2,104,060	2,100,821	280,555
Bank of the Philippine Island	–	143,962	145,424	6,974
China Constuction Bank	–	–	–	19,435
Cyberzone Properties Inc	–	–	–	676
Export- Import Bank of Korea	–	1,096,326	1,094,600	34,882
Filinvest Development Cayman Islands	–	1,937,950	1,915,793	82,482
Filinvest Land Inc	–	–	–	4
First Pacific Company Treasury Limited	–	–	–	6,728
International Container Terminal Services Inc.	–	14,950	15,040	1,065
Jollibee Foods Corporation	–	5,470,556	5,453,693	214,318
Kookmin Bank Co Ltd	–	1,107,400	1,107,393	27,730
Korea Development Bank	–	221,480	224,023	5,121
Pilipinas Hino Incorporated	–	6,988	–	–
Rizal Commercial Banking Corp	–	149,499	146,838	19,277
Security Bank Corporation Comm	–	–	–	4,109
Sinopec Corp	–	166,110	166,257	37,478
SM Prime Holdings	–	300,000	300,000	15,505
State Bank of India	–	1,101,863	1,100,526	35,083
Vista Land and Lifescape	–	2,000,000	1,998,135	398,334
	–	**18,855,028**	**18,794,261**	**1,429,342**
Total Investment Securities at Amortized Cost	**85,000**	**₱119,811,097**	**₱123,200,427**	**₱7,099,169**

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2023

(In thousand pesos)

Name and Designation of Debtor	Balance at Beginning of Period (12/31/2022)	Net Releases	Net Collections and Other Movements	Amounts Writen-off	Balance at End of Period (12/31/2023)	Due Within One Year	Due Beyond One Year
Absolut Distillers, Inc.	₱–	₱–	₱–	₱–	₱–	₱–	₱–
Activasia Inc.	31,801	236,875	(150,288)	–	118,388	116,066	2,322
Alcazar, Raul Cartel	673	–	(198)	–	475	–	475
Asia Brewery (Xiamen) Ltd.	467,101	`–	–	–	467,101	–	467,101
BNP Paribas of Tokyo – PAL Deal	526,882	–	(81,217)	–	445,665	–	445,665
Build Erect Corporation	113,600	111,115	(113,600)	–	111,115	–	111,115
Dobles, Christian Jerome Ordonez	2,550	–	(544)	–	2,006	–	2,006
EEI Corporation	–	207,365	–	–	207,365	207,365	–
Eton Properties (Xiamen) Ltd.	640,269	–	–	–	640,269	–	640,269
Eton Properties Philippines, Inc.	1,189,410	–	(1,189,410)	–	–	–	–
Federal Land, Inc.	–	2,000,000	(2,000,000)	–	–	–	–
Foremost Farm	87,750	–	(7,000)	–	80,750	–	80,750
Full Circle Craft Distillers Co., Inc.	13,000	13,000	(13,000)	–	13,000	13,000	–
Golden Investment TMK	11,708,550	–	(2,295,650)	–	9,412,902	–	9,412,902
Horizon Land Property Development.	2,000,000	–	–	–	2,000,000	2,000,000	–
Lisbona, Manuel Antonio Grageda	2,675	2,400	(3,037)	–	2,039	–	2,039
Lufthansa Technick Philippines, Inc.	43,808	–	(43,808)	–	–	–	–
Macroasia Airport Services Corporation	176,866	–	(76,498)	–	100,368	784	99,584
Macroasia SATS Food Industries Corp.	427,275	–	(112,645)	–	314,630	50,000	264,630
Majent Management Development Corporation	923	–	(183)	–	740	–	740
Major Win Enterprises Limited	–	–	–	–	–	–	–
Maranaw Hotels and Resort Corporation	9,321	–	(9,321)	–	–	–	–

Name and Designation of Debtor	Balance at Beginning of Period (12/31/2022)	Net Releases	Net Collections and Other Movements	Amounts Writen-off	Balance at End of Period (12/31/2023)	Due Within One Year	Due Beyond One Year
Metro Pacific Investments Corporation	15,802,250	–	(161,500)	–	15,640,750	–	15,640,750
NAIC Water Supply Corporation	250,000	50,000	(154,167)	–	145,833	12,500	133,333
Next Century Building System	–	3,376	(2,044)	–	1,332	1,332	–
Ng, David Go	32,950	30,100	(30,475)	–	32,575	30,000	2,575
Petron Corporation	–	15,200,000	–	–	15,200,000	15,200,000	–
Philippine Airlines, Inc.	–	–	–	–	–	–	–
Phoenix Aviation Leasing Limited	5,055,044	–	(569,535)	–	4,485,509	–	4,485,509
Prima Aircraft Leasing Limited	1,443,473	–	(178,615)	–	1,264,858	–	1,264,858
Rapid Movers and Forwarders Co., Inc.	36,848	15,940	(18,277)	–	34,511	2,582	31,929
San Miguel Foods Inc	–	11,770,000	(9,620,000)	–	2,150,000	2,150,000	–
Seventy 7 Seeds, Inc.	63,542	–	(29,353)	–	34,189	34,189	–
Summa Water Resources Inc.	–	50,000	–	–	50,000	50,000	–
Summatrade International Corporation	211	–	(211)	–	–	–	–
Tan, Roberto Ong	–	–	–	–	–	–	–
Tanduary Distillers, Inc.	–	–	–	–	–	–	–
Tangent Holdings Corporation	–	–	–	–	–	–	–
Toyota Financial Services Phil.	1,850,000	1,300,000	(1,000,000)	–	2,150,000	400,000	1,750,000
Toyota Motor Philippines Corporation	–	500,000	(500,000)	–	–	–	–
The Table Group, Inc.	198,124	124,400	(132,949)	–	189,575	–	189,575
Uy, Danilo Alvarez	3,000	2,000	(5,000)	–	–	–	–
Victorias Milling Company Inc.	6,497	154,048	(158,605)	–	1,940	1,940	–
Key Management Personnel	2,778	1,071	(2,778)	–	1,071	174	897
	₱42,187,171	**₱31,771,690**	**(₱18,659,908)**	**₱–**	**₱55,298,956**	**₱20,269,932**	**₱35,029,024**

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2023

(In thousand pesos)

Name and Designation of Debtor	Balance at Beginning of Period (12/31/2023)	Net Releases	Net Collections and Other Movements	Amounts Writen-off	Balance at End of Period (12/31/2022)	Due Within One Year	Due Beyond One Year
PNB Global Remittance and Financial Company (HK) Limited	-	-	-	–	–	–	–
PNB-Mizuho Equipment Rentals Corporation	₱160,000	₱400,000	(560,000)	–	–	–	–
PNB-Mizuho Leasing and Finance Corporation	945,000	1,064,000	(2,009,000)	–	–	–	–
	₱1,105,000	**₱1,464,000**	**(₱2,569,000)**	**₱–**	**₱–**	**₱–**	**₱–**

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE D – LONG TERM DEBT
DECEMBER 31, 2023

(In thousand pesos)

Type of Issue and Type of Obligation	Amount Authorized by Indenture	Due Within One Year	Due Beyond One Year	Interest Rates	Maturity Date
Long Term Negotiable Certificates of Deposits					
Issued October 11, 2019	₱4,600,000	₱–	₱4,591,288	4.38%	April 11, 2025
Issued February 27, 2019	8,220,000	8,212,255	–	5.75%	August 27, 2024
	12,820,000	8,212,255	4,591,288		
Bills Payable					
Various	10,607,626	9,499,349	1,108,277	Various	Various
Bonds Payable					
Fixed rate medium term senior notes					
Issued June 27, 2019	USD750,000	41,490,871	–	3.28%	September 27, 2024
		₱59,202,475	**₱5,699,565**		

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE E – INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2023

Name of Related Parties	Balance at Beginning of Period	Balance at Ending of Period	Nature, Terms and Conditions

None to report

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE F – GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2023

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount of guaranteed and outstanding	Amount owned by person of which statement is filed	Nature of Guarante

None to report

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE G – CAPITAL STOCK
DECEMBER 31, 2023

(Absolute number of shares)

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	1,750,000,001	1,525,764,850	–	–	15,463,813	–

PART III

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2023 AND 2022

Ratios	Formula	2023	2022
Liquidity Ratios			
a. Current ratio	Current assets / Current liabilities	**70.57%**	64.68%
b. Liquid assets ratio	Liquid assets [1/] / Liquid liabilities [2/]	**36.88%**	35.63%
c. Net loans to total deposits	Net loans [3/] / Total deposits	**65.11%**	66.36%
Solvency Ratio			
a. Debt-to-equity ratio	Total liabilities / Total equity	**5.33**	5.74
Asset-to-Equity Ratio			
a. Asset-to-equity ratio	Total assets / Total equity	**6.33**	6.74
Interest Rate Coverage Ratio			
a. Times interest earned ratio	Earnings before interest and taxes / Interest expense	**2.5x**	3.1x
Profitability Ratios			
a. Return on assets	Net income / Average total assets [4/]	**1.53%**	0.99%
b. Return on equity	Net income / Average total equity [5/]	**9.95%**	7.00%
Capital Adequacy Ratios			
a. Tier 1 capital ratio	Tier 1 capital / Total risk-weighted assets	**16.85%**	14.58%
b. Capital adequacy ratio	Total qualifying capital / Total risk-weighted assets	**17.70%**	15.38%

Ratios	Formula	2023	2022
Other Ratios			
a. Net interest margin	Net interest income / Average interest-earning assets	**4.23%**	3.61%
b. Efficiency ratio	Total operating expenses / Total operating income	**49.56%**	54.47%
c. Loan coverage ratio	Total loan loss provisions [6/] / Total loans[7/]	**6.45%**	6.35%
d. Nonperforming loans coverage ratio	Total loan loss provisions [6/] / Total nonperforming loans	**88.53%**	88.52%

[1/] *Composed of cash and other cash items, due from Bangko Sentral ng Pilipinas, due from other banks, interbank loans receivable, securities held under agreements to resell, financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income, net of applicable allowance for credit losses, that are due within one year*
[2/] *Composed of financial liabilities that are due within one year*
[3/] *'Net loans' caption refers to receivables from customers, net of allowance for credit losses and unearned interest and discount*
[4/] *Computed as the average of the beginning and ending balances of total assets*
[5/] *Computed as the average of the beginning and ending balances of total equity*
[6/] *Total of allowance for credit losses on loans (contra-asset account against receivables from customers) and the reserves appropriated in equity representing the excess of 1% general loan loss provisions over the computed ECL for Stage 1 accounts as prescribed by BSP Circular 1011*
[7/] *"Gross loans" caption refers to receivable from customers, gross of allowance for credit losses and unearned interest and discount*