SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

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

1. **FEBRUARY 28, 2024**
   Date of Report

2. SEC Identification Number **36073** 3. BIR Tax Identification No. **000-508-271-000**

4. **UNION BANK OF THE PHILIPPINES**
   Exact name of issuer as specified in its charter

5. .... (SEC Use Only)

   Province, country or other jurisdiction of incorporation **METRO MANILA** Industry Classification Code:

7. **UNIONBANK PLAZA, MERALCO AVE., COR. ONYX ST., ORTIGAS, PASIG CITY** **1605**
   Address of principal office Postal Code

8. **(632) 8667-6388**
   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	**2,353,746,590**

11. Indicate the item numbers reported herein: (Item 11 - Financial Statements)

Item 11 - Please refer to the attached letter to the Philippine Stock Exchange, Inc. dated February 28, 2024.

SIGNATURES

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

UNION BANK OF THE PHILIPPINES
Registrant

February 28, 2024
Date

BY:

ATTY. JOSELITO V. BANAAG
SVP / Corporate Secretary

UnionBank

UnionBank Plaza, Meralco Avenue cor. Onyx
& Sapphire Roads, Ortigas Center, Pasig City 1605

February 28, 2024

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City

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

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

Attention : **MS. ALEXANDRA D. TOM WONG**
OIC, Disclosure Department

via electronic mail
PHILIPPINE DEALING AND EXCHANGE CORP.
29/F BDO Equitable Tower
8751 Paseo de Roxas
Makati City

Attention : **MR. ANTONIO A. NAKPIL**
President & CEO

Gentlemen:

Please be informed that the Board of Directors of Union Bank of the Philippines ("UBP") approved on February 28, 2024 the audited Financial Statements and the corresponding Notes to Financial Statements as of and for the year ended December 31, 2023.

For your information and guidance. Thank you.

Very truly yours,

ATTY. JOSELITO V. BANAAG
SVP / Corporate Secretary

COVER SHEET

3 6 0 7 3

S.E.C. Registration Number

UNIONBANK OF THE PHILIPPINES

(Company's Full Name)

UNIONBANK PLAZA MERALCO AVENUE
COR ONYX AND SAPPHIRE STREETS
ORTIGAS CENTER, PASIG CITY

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

FRANCIS B. ALBALATE	(632)8667-6388
Contact Person	Company Telephone Number

12	31	SEC FORM 17C	04	26
Month	*Day*	FORM TYPE	*Month*	*Day*
Fiscal Year			Annual Meeting	

UNDERWRITER OF SECURITIES

Secondary License Type, If Applicable

CFD	
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

4,949		
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

Union Bank of the Philippines and Subsidiaries

Consolidated Financial Statements
December 31, 2023 and 2022
and Years Ended December 31, 2023, 2022
and 2021

and

Independent Auditor's Report

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A member firm of Ernst & Young Global Limited

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Union Bank of the Philippines

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of Union Bank of the Philippines and its subsidiaries (the Group) and the parent bank financial statements of Union Bank of the Philippines (the Parent Bank), which comprise the consolidated and parent bank statements of financial position as at December 31, 2023 and 2022, and the consolidated and parent bank statements of income, consolidated and parent bank statements of comprehensive income, consolidated and parent bank statements of changes in capital funds and consolidated and parent bank statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to the consolidated and parent bank financial statements, including material accounting policy information.

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report. We are independent of the Group and the Parent Company in accordance with the 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 our audit of the consolidated and parent bank financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and parent bank financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Applicable to the Audit of the Consolidated and Parent Bank Financial Statements

Allowance for expected credit loss (ECL)
The Group's and the Parent Bank's application of the expected credit loss (ECL) model in calculating the allowance for credit losses on loans and receivables is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's and the Parent Bank's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality; determining assumptions 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 credit enhancements extended by any party; and incorporating forward-looking information in calculating ECL.

Refer to Notes 4 and 20 of the consolidated and parent bank financial statements for the disclosures on the details of the allowance for credit losses using the ECL model.

Audit Response

We obtained an understanding of the methodologies and models used for the Group's and the Parent Bank's different credit exposures and assessed whether these considered the requirements of PFRS 9, *Financial Instruments* (PFRS 9), to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information. We also inspected and considered the results of the model validation on the risk rating performed by management's specialist.

We (a) assessed the Group's and the Parent Bank'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 Bank's application of internal credit risk rating system, by reviewing the ratings of sample credit exposures; (d) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations, and the effects of credit enhancements provided by any party; (e) tested exposure at default considering outstanding commitments and repayment scheme; (f) checked the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's and the Parent Bank's lending portfolios and broader industry knowledge; and (g) tested the effective interest rate used in discounting the expected credit loss.

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

We recalculated impairment provisions on a sample basis. We reviewed the completeness of the disclosures made in the consolidated and parent bank financial statements.

We involved our internal specialists in the performance of the above procedures.

Accounting for business combination
As disclosed in Note 1, in August 2022, the Parent Bank acquired the consumer banking business of another bank in the Philippines. The transaction was accounted for as a business combination, where the Group performed a provisional purchase price allocation, as allowed under PFRS 3, *Business Combination*. In 2023, the Parent Bank completed the identification and fair value measurement of assets and liablities acquired, resulting in recognition of certain intangible assets, i.e. core deposits and customer relationships. Following PFRS 3, the intangible assets have been recognized retrospectively to the date of acquisition, resulting in the restatement of the comparative 2022 financial information.

We considered the accounting for this business combination as a key audit matter because the amounts involved are material and required significant management judgment and estimates in the identification and measurement of intangible assets using income approach, determination of the fair value of loans and receivables using discounted cash flow methodology and the fair value of properties acquired using valuation techniques that consider recent transaction prices for similar properties and economic conditions prevailing at the time the valuations were made.

The Parent Bank’s disclosures about the business acquisition and the finalization of the purchase price allocation are included in Notes 1 and 3 to the consolidated and parent bank financial statements.

Audit Response

We reviewed the purchase agreement covering the acquisition, the consideration paid and the purchase price allocation. We reviewed management’s identification of the underlying assets and liabilities based on our understanding of the business acquired and management’s explanation on the rationale for the acquisition.

For the identified intangible assets and properties, we evaluated the competence, capabilities and qualifications of the external appraisers by considering their qualifications, experience and reporting responsibilities. We involved our internal specialists in obtaining an understanding and evaluating the methodologies and assumptions used in the determining the fair value of the intangible assets and properties. We assessed the methodologies adopted by referencing with common valuation models. We reviewed the fair value of intangible assets by comparing the key assumptions used such as forecasted cash flows and funding costs against historical performance and other relevant external data. We also tested the parameters used in the determination of the discount rate against market data. We reviewed the fair value of the properties by making reference to the relevant information supporting the sales and listings of comparable properties and the adjustments made to the sales price. We reviewed the fair value of loans and receivables by checking the forecasted cash flows of selected loans against the contractual cash flows and the borrower’s current financial condition and ability to pay the loan. We tested the parameters used in the determination of the discount rate against market

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data and the Parent Bank's current incremental lending rate for similar type of loans and receivables. We evaluated the appropriateness of the accounting treatment, including the review of the impact of the final purchase price allocation to the comparative consolidated and parent company financial statements as at and for the year ended December 31, 2022. We also reviewed the related disclosures in the consolidated and parent company financial statements considering the requirements of the relevant accounting standards

Impairment testing of goodwill
Under PFRS, the Group and the Parent Bank perform testing of goodwill for impairment annually or more frequently if events or changes in circumstances indicate that the carrying values may be impaired. The Group's and the Parent Bank's goodwill attributable to the various cash generating units (CGUs) is considered significant to the consolidated and parent bank financial statements. The Group's and the Parent Bank's impairment assessment requires significant judgement and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions, specifically on loan growth rate, deposit growth rate and discount rate. The disclosures in relation to the CGUs to which the goodwill is allocated and the Group's and the Parent Bank's impairment assessment are included in Notes 3 and 18 to the consolidated and parent bank financial statements.

Audit Response

We involved our internal specialist in evaluating the methodologies and the assumptions used in calculating the value-in-use (VIU) of the CGUs. We compared the key assumptions used such as loan growth rate and deposit growth rate against the historical financial performance and the specific plans for the CGUs and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's and the Parent Bank's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20IS (Definitive Information Statement), SEC Form 17A and Annual Report for the year ended December 31, 2023, but does not include the consolidated and parent bank financial statements and our auditor's report thereon. The SEC Form 20IS (Definitive Information Statement), SEC Form 17A 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 bank financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

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

Management is responsible for the preparation and fair presentation of the consolidated and parent bank financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated and parent bank financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated and parent bank financial statements, management is responsible for assessing the Group's and Parent Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Parent Bank or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's and Parent Bank's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and parent bank financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Parent Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Parent Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent bank 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 Bank to cease to continue as a going concern.

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Janet A. Paraiso.

SYCIP GORRES VELAYO & CO.

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

February 28, 2024

UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

(Amounts are presented in thousands of Philippine Pesos)

	Group		Parent Bank	
	December 31		December 31	
	2023	2022 (As restated)	**2023**	2022 (As restated)
RESOURCES				
Cash and Other Cash Items (Note 8)	**₱10,439,112**	₱9,891,536	**₱9,350,898**	₱8,924,249
Due from Bangko Sentral ng Pilipinas (Note 8)	**82,643,663**	94,610,308	**63,883,124**	66,588,121
Due from Other Banks (Note 9)	**27,263,347**	46,239,964	**23,188,033**	42,263,529
Interbank Loans Receivable and Securities Purchased under Reverse Repurchase Agreements (SPURRA) (Note 10)	**25,411,119**	23,553,973	**3,184,078**	14,634,811
Trading and Investment Securities				
At fair value through profit or loss (FVTPL) (Note 11)	**5,805,716**	8,653,516	**5,676,867**	8,583,178
At amortized cost (Note 12)	**314,479,239**	244,627,904	**305,334,583**	235,400,671
At fair value through other comprehensive income (FVOCI) (Note 13)	**36,974,774**	79,761,762	**36,699,234**	79,467,678
Loans and Other Receivables - net (Note 14)	**526,145,828**	479,626,649	**411,823,839**	393,734,345
Investment in Subsidiaries and Associates (Note 15)	**37,675**	123,396	**36,114,412**	31,782,696
Bank Premises, Furniture, Fixtures and Equipment - net (Note 16)	**10,193,239**	8,706,619	**8,539,326**	7,236,034
Investment Properties - net (Note 17)	**8,592,259**	8,258,873	**7,359,283**	7,124,049
Goodwill (Note 18)	**53,992,565**	53,992,565	**43,339,696**	43,339,696
Other Resources - net (Note 19)	**43,164,817**	34,839,105	**35,119,322**	28,110,319
TOTAL RESOURCES	**₱1,145,143,353**	₱1,092,886,170	**₱989,612,695**	₱967,189,376
LIABILITIES AND CAPITAL FUNDS				
LIABILITIES				
Deposit Liabilities (Note 21)				
Demand	**₱233,282,684**	₱232,081,793	**₱234,228,367**	₱233,365,153
Savings	**195,864,333**	195,020,730	**190,062,551**	188,480,585
Time	**283,421,391**	281,201,419	**173,264,475**	199,075,294
Long-term negotiable certificate of deposits	**–**	3,000,000	**–**	3,000,000
	712,568,408	711,303,942	**597,555,393**	623,921,032
Bills Payable (Note 22)	**155,287,929**	132,846,789	**120,359,136**	99,309,124
Notes and Bonds Payable (Note 23)	**50,493,627**	51,644,325	**50,493,627**	51,644,325
Other Liabilities (Note 24)	**51,167,965**	48,877,294	**46,116,231**	44,723,024
	969,517,929	944,672,350	**814,524,387**	819,597,505
CAPITAL FUNDS				
Capital funds attributable to the Parent Bank's stockholders (Note 25)				
Common stock	**23,537,746**	21,421,068	**23,537,746**	21,421,068
Treasury stock	**(2,097)**	–	**(2,097)**	–
Additional paid-in capital	**57,769,376**	47,949,927	**57,769,376**	47,949,927
Stock dividend distributable	**6,355,129**	–	**6,355,129**	–
Surplus free	**88,719,176**	90,799,424	**89,032,606**	91,379,317
Surplus reserves	**2,542,762**	2,452,975	**2,142,570**	2,030,080
Net unrealized fair value losses on investment securities at FVOCI (Note 13)	**(2,195,087)**	(14,057,609)	**(2,196,947)**	(14,059,469)
Remeasurements of defined benefit plans (Note 29)	**(1,627,698)**	(1,227,666)	**(1,566,266)**	(1,166,234)
Other reserves	**(108,141)**	30,989	**16,191**	37,182
Total capital funds attributable to the Parent Bank's stockholders	**174,991,166**	147,369,108	**175,088,308**	147,591,871
Non-controlling interests	**634,258**	844,712	**–**	–
	175,625,424	148,213,820	**175,088,308**	147,591,871
TOTAL LIABILITIES AND CAPITAL FUNDS	**₱1,145,143,353**	₱1,092,886,170	**₱989,612,695**	₱967,189,376

See accompanying Notes to Financial Statements.

UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES

STATEMENTS OF INCOME

For the Years Ended December 31, 2023, 2022 and 2021

(Amounts are presented in thousands of Philippine Pesos, Except Earnings per Share)

	Group			Parent Bank		
	Years Ended December 31			Years Ended December 31		
	2023	2022 (As restated)	2021	**2023**	2022 (As restated)	2021
INTEREST INCOME ON						
Loans and other receivables (Note 14)	**₱59,219,084**	₱36,004,714	₱27,372,449	**₱38,853,221**	₱23,907,388	₱17,497,261
Investment securities at amortized cost and FVOCI (Notes 12 and 13)	**15,620,211**	12,489,741	7,706,773	**15,172,216**	12,083,622	7,610,675
Cash and cash equivalents (Notes 8 and 9)	**2,160,236**	1,000,188	679,740	**947,155**	584,977	332,870
Interbank loans receivable and SPURRA (Note 10)	**1,367,804**	826,362	324,020	**518,152**	652,846	226,551
Trading securities at FVTPL (Note 11)	**194,354**	203,766	244,587	**193,268**	203,766	244,587
	78,561,689	50,524,771	36,327,569	**55,684,012**	37,432,599	25,911,944
INTEREST EXPENSE ON						
Deposit liabilities (Note 21)	**15,788,182**	6,021,671	2,967,692	**9,457,250**	4,196,509	1,805,424
Bills payable and other liabilities (Notes 22, 23, 24 and 29)	**10,797,983**	5,601,709	3,544,787	**8,532,872**	4,183,835	2,446,570
	26,586,165	11,623,380	6,512,479	**17,990,122**	8,380,344	4,251,994
NET INTEREST INCOME	**51,975,524**	38,901,391	29,815,090	**37,693,890**	29,052,255	21,659,950
PROVISION FOR CREDIT LOSSES (Note 20)	**14,040,864**	4,068,449	5,811,398	**11,025,059**	2,571,143	4,657,731
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	**37,934,660**	34,832,942	24,003,692	**26,668,831**	26,481,112	17,002,219
OTHER INCOME						
Service charges, fees and commissions (Note 27)	**10,412,799**	6,781,671	3,773,311	**8,680,427**	5,685,762	2,492,356
Gains (losses) on trading and investment securities at FVTPL and FVOCI (Notes 11 and 13)	**918,647**	(181,397)	217,943	**917,695**	(182,303)	217,533
Gains on sale of investment securities at amortized cost (Note 12)	–	100,223	8,447,595	–	100,223	8,447,595
Miscellaneous (Note 28)	**7,470,943**	6,598,584	2,861,815	**9,304,608**	7,497,855	3,542,828
	18,802,389	13,299,081	15,300,664	**18,902,730**	13,101,537	14,700,312
TOTAL OPERATING INCOME	**56,737,049**	48,132,023	39,304,356	**45,571,561**	39,582,649	31,702,531
OTHER EXPENSES						
Salaries and employee benefits (Note 29)	**13,558,225**	10,003,171	8,646,702	**10,232,372**	7,525,194	6,591,420
Taxes and licenses (Note 37)	**5,941,970**	4,110,188	2,881,458	**4,045,416**	2,738,837	1,929,202
Depreciation and amortization (Note 16)	**2,666,493**	1,860,432	1,623,679	**1,939,485**	1,420,123	1,146,458
Occupancy (Note 16)	**1,164,202**	1,026,889	890,645	**891,506**	764,356	674,342
Miscellaneous (Note 28)	**21,557,379**	14,347,165	10,277,070	**18,108,976**	11,497,383	7,147,271
	44,888,269	31,347,845	24,319,554	**35,217,755**	23,945,893	17,488,693
PROFIT BEFORE TAX	**11,848,780**	16,784,178	14,984,802	**10,353,806**	15,636,756	14,213,838
INCOME TAX EXPENSE (Note 30)	**2,644,225**	4,039,459	2,407,069	**1,525,349**	3,036,011	1,688,462
NET PROFIT	**₱9,204,555**	₱12,744,719	₱12,577,733	**₱8,828,457**	₱12,600,745	₱12,525,376
Attributable to:						
Parent Bank's stockholders	**₱9,072,217**	₱12,600,745	₱12,525,376	**₱8,828,457**	₱12,600,745	₱12,525,376
Non-controlling interests	**132,338**	143,974	52,357	–	–	–
	₱9,204,555	₱12,744,719	₱12,577,733	**₱8,828,457**	₱12,600,745	₱12,525,376
Basic/Diluted Earnings per Share (Note 33)	**₱3.06**	₱4.95	₱5.80	**₱2.97**	₱4.95	₱5.80

See accompanying Notes to Financial Statements.

UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2023, 2022 and 2021
(Amounts are presented in thousands of Philippine Pesos)

	Group			Parent Bank		
	Years Ended December 31			Years Ended December 31		
	2023	2022 (As restated)	2021	**2023**	2022 (As restated)	2021
NET PROFIT	**₱9,204,555**	₱12,744,719	₱12,577,733	**₱8,828,457**	₱12,600,745	₱12,525,376
OTHER COMPREHENSIVE INCOME (LOSS)						
***Items that may be reclassified to profit or loss in subsequent periods*:**						
Unrealized mark-to-market gains (losses) on investment securities at FVOCI	**12,279,193**	(12,510,381)	(845,911)	**12,278,125**	(12,556,049)	(835,790)
Realized gains on sale of investment securities at FVOCI recognized in profit or loss (Note 13)	**(416,510)**	(99,466)	(657,987)	**(416,510)**	(100,162)	(657,987)
Cumulative translation adjustment	**(20,991)**	17,235	32,640	**(20,991)**	17,235	30,559
Share in unrealized mark-to-market gains (losses) on investment securities at FVOCI of subsidiaries (Note 15)	**–**	–	–	**907**	43,807	(133)
Items that will not be reclassified to profit or loss in subsequent periods:						
Remeasurement gains (losses) on defined benefit plan (Note 29)	**(529,145)**	372,764	502,675	**(621,232)**	336,721	427,890
Income tax benefit (expense) (Note 30)	**132,286**	(93,191)	(193,286)	**155,309**	(84,180)	(174,589)
Share in changes in remeasurement gains of subsidiaries (Note 15)	**–**	–	–	**65,891**	30,406	38,907
TOTAL OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**11,444,833**	(12,313,039)	(1,161,869)	**11,441,499**	(12,312,222)	(1,171,143)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**₱20,649,388**	₱431,680	₱11,415,864	**₱20,269,956**	₱288,523	₱11,354,233
Attributable to:						
Parent Bank's stockholders	**₱20,513,716**	₱288,523	₱11,362,598	**₱20,269,956**	₱288,523	₱11,354,233
Non-controlling interests	**135,672**	143,157	53,266	**–**	–	–
	₱20,649,388	₱431,680	₱11,415,864	**₱20,269,956**	₱288,523	₱11,354,233

See accompanying Notes to Financial Statements.

UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES

STATEMENTS OF CHANGES IN CAPITAL FUNDS

For the Years Ended December 31, 2023, 2022 and 2021

(Amounts are presented in thousands of Philippine Pesos)

	Group											
	Equity Attributable to Equity Holders of the Parent Bank											
	Capital Stock	Treasury Stock	Additional Paid-in Capital	Stock Dividend Distributable	Surplus Free	Surplus Reserves	Net Unrealized Fair Value Gains (Losses) on Investment Securities at FVOCI	Remeasurements of Defined Benefit Plan	Other Reserves	Total	Non-controlling Interests	Total Capital Funds
Balances as at January 1, 2023, as previously reported	**₱21,421,068**	**₱–**	**₱47,949,927**	**₱–**	**₱90,727,927**	**₱2,452,975**	**(₱14,057,609)**	**(₱1,227,666)**	**₱30,989**	**₱147,297,611**	**₱844,712**	**₱148,142,323**
Effect of business combination (See Note 1)	–	–	–	–	**71,497**	–	–	–	–	**71,497**	–	**71,497**
Balances as at January 1, 2023, as restated	**21,421,068**	–	**47,949,927**	–	**90,799,424**	**2,452,975**	**(14,057,609)**	**(1,227,666)**	**30,989**	**147,369,108**	**844,712**	**148,213,820**
Total comprehensive income (loss) for the year	–	–	–	–	**9,072,217**	–	**11,862,522**	**(400,032)**	**(20,991)**	**20,513,716**	**135,672**	**20,649,388**
Issuance of new shares (Note 25)	**2,116,678**	–	**9,869,950**	–	–	–	–	–	–	**11,986,628**	–	**11,986,628**
Purchase of treasury stock (Note 25)	–	**(2,097)**	–	–	–	–	–	–	–	**(2,097)**	–	**(2,097)**
Stock dividends (Note 25)	–	–	**(50,501)**	**6,355,129**	**(6,355,129)**	–	–	–	–	**(50,501)**	–	**(50,501)**
Cash dividends (Note 25)	–	–	–	–	**(4,707,549)**	–	–	–	–	**(4,707,549)**	–	**(4,707,549)**
Appropriations during the year – net (Note 25)	–	–	–	–	**(89,787)**	**89,787**	–	–	–	–	–	–
Acquisition of non-controlling interests (NCI)	–	–	–	–	–	–	–	–	**(118,139)**	**(118,139)**	**(230,227)**	**(348,366)**
Dividends of subsidiaries to NCI	–	–	–	–	–	–	–	–	–	–	**(115,899)**	**(115,899)**
Balances as at December 31, 2023	**₱23,537,746**	**(₱2,097)**	**₱57,769,376**	**₱6,355,129**	**₱88,719,176**	**₱2,542,762**	**(₱2,195,087)**	**(₱1,627,698)**	**(₱108,141)**	**₱174,991,166**	**₱634,258**	**₱175,625,424**
Balances as at January 1, 2022	₱12,193,628	₱–	₱14,214,551	₱3,048,388	₱82,122,752	₱2,798,673	(₱1,448,457)	(₱1,507,361)	₱13,754	₱111,435,928	₱777,300	₱112,213,228
Total comprehensive income (loss), for the year, as previously reported	–	–	–	–	12,529,248	–	(12,609,152)	279,695	17,235	217,026	143,157	360,183
Effect of business combination (See Note 1)	–	–	–	–	71,497	–	–	–	–	71,497	–	71,497
Total comprehensive income (loss) for the year, as restated	–	–	–	–	12,600,745	–	(12,609,152)	279,695	17,235	288,523	143,157	431,680
Issuance of new shares (Note 25)	9,227,440	–	33,735,376	(3,048,388)	–	–	–	–	–	39,914,428	–	39,914,428
Cash dividends (Note 25)	–	–	–	–	(4,269,771)	–	–	–	–	(4,269,771)	–	(4,269,771)
Reversal of appropriations during the year – net (Note 25)	–	–	–	–	345,698	(345,698)	–	–	–	–	–	–
Dividends of subsidiaries to NCI	–	–	–	–	–	–	–	–	–	–	(75,745)	(75,745)
Balances as at December 31, 2022, as restated	₱21,421,068	₱–	₱47,949,927	₱–	₱90,799,424	₱2,452,975	(₱14,057,609)	(₱1,227,666)	₱30,989	₱147,369,108	₱844,712	₱148,213,820

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	Capital Stock	Treasury Stock	Additional Paid-in Capital	Stock Dividend Distributable	Surplus Free	Surplus Reserves	Net Unrealized Fair Value Gains (Losses) on Investment Securities at FVOCI	Remeasurements of Defined Benefit Plan	Other Reserves	Total	Non-controlling Interests	Total Capital Funds
	Group											
	Equity Attributable to Equity Holders of the Parent Bank											
Balances as at January 1, 2021	₱12,184,715	₱–	₱14,214,983	₱–	₱77,096,218	₱2,645,080	₱55,384	(1,815,784)	(₱18,886)	₱104,361,710	₱790,692	₱105,152,402
Total comprehensive income (loss) for the year	–	–	–	–	12,525,376	–	(1,503,841)	308,423	32,640	11,362,598	53,266	11,415,864
Issuance of new shares (Note 25)	8,913	–	54,684	–	–	–	–	–	–	63,597	–	63,597
Stock dividends (Note 25)	–	–	(55,116)	3,048,388	(3,048,388)	–	–	–	–	(55,116)	–	(55,116)
Cash dividends (Note 25)	–	–	–	–	(4,267,770)	–	–	–	–	(4,267,770)	–	(4,267,770)
Appropriations during the year (Note 25)	–	–	–	–	(153,593)	153,593	–	–	–	–	–	–
Dividends of subsidiaries to NCI	–	–	–	–	–	–	–	–	–	–	(59,300)	(59,300)
Subscription of shares by NCI	–	–	–	–	–	–	–	–	–	–	10,000	10,000
Acquisition of NCI	–	–	–	–	(29,091)	–	–	–	–	(29,091)	(17,358)	(46,449)
Balances as at December 31, 2021	₱12,193,628	₱–	₱14,214,551	₱3,048,388	₱82,122,752	₱2,798,673	(₱1,448,457)	(₱1,507,361)	₱13,754	₱111,435,928	₱777,300	₱112,213,228

	Parent Bank									
	Capital Stock	Treasury Stock	Additional Paid-in Capital	Stock Dividend Distributable	Surplus Free	Surplus Reserves	Net Unrealized Fair Value Gains (Losses) on Investment Securities at FVOCI	Remeasurements of Defined Benefit Plan	Other Reserves	Total Capital Funds
Balances as at January 1, 2023, as previously reported	**₱21,421,068**	**₱–**	**₱47,949,927**	**₱–**	**₱91,307,820**	**₱2,030,080**	**(₱14,059,469)**	**(₱1,166,234)**	**₱37,182**	**₱147,520,374**
Effect of business combination (See Note 1)	–	–	–	–	**71,497**	–	–	–	–	**71,497**
Balances as at January 1, 2023, as restated	**21,421,068**	–	**47,949,927**	–	**91,379,317**	**2,030,080**	**(14,059,469)**	**(1,166,234)**	**37,182**	**147,591,871**
Total comprehensive income (loss) for the year	–	–	–	–	**8,828,457**	–	**11,862,522**	**(400,032)**	**(20,991)**	**20,269,956**
Issuance of new shares (Note 25)	**2,116,678**	–	**9,869,950**	–	–	–	–	–	–	**11,986,628**
Purchase of treasury stock (Note 25)	–	**(2,097)**	–	–	–	–	–	–	–	**(2,097)**
Stock dividends (Note 25)	–	–	**(50,501)**	**6,355,129**	**(6,355,129)**	–	–	–	–	**(50,501)**
Cash dividends (Note 25)	–	–	–	–	**(4,707,549)**	–	–	–	–	**(4,707,549)**
Appropriations during the year – net (Note 25)	–	–	–	–	**(112,490)**	**112,490**	–	–	–	–
Balances as at December 31, 2023	**₱23,537,746**	**(₱2,097)**	**₱57,769,376**	**₱6,355,129**	**₱89,032,606**	**₱2,142,570**	**(₱2,196,947)**	**(₱1,566,266)**	**₱16,191**	**₱175,088,308**
Balances as at January 1, 2022	₱12,193,628	₱–	₱14,214,551	₱3,048,388	₱82,754,489	₱2,323,934	(₱1,447,065)	(₱1,449,181)	₱19,947	₱111,658,691
Total comprehensive income (loss) for the year, as previously reported	–	–	–	–	12,529,248	–	(12,612,404)	282,947	17,235	217,026
Effect of business combination (See Note 1)	–	–	–	–	71,497	–	–	–	–	71,497
Total comprehensive income (loss) for the year, as restated	–	–	–	–	12,600,745	–	(12,612,404)	282,947	17,235	288,523
Issuance of new shares (Note 25)	9,227,440	–	33,735,376	(3,048,388)	–	–	–	–	–	39,914,428
Cash dividends (Note 25)	–	–	–	–	(4,269,771)	–	–	–	–	(4,269,771)
Appropriations during the year – net (Note 25)	–	–	–	–	293,854	(293,854)	–	–	–	–
Balances as at December 31, 2022, as restated	₱21,421,068	₱–	₱47,949,927	₱–	₱91,379,317	₱2,030,080	(₱14,059,469)	(₱1,166,234)	₱37,182	₱147,591,871
Balances as at January 1, 2021	₱12,184,715	₱–	₱14,214,983	₱–	₱77,697,363	₱2,171,842	₱46,845	(₱1,741,389)	(₱10,612)	₱104,563,747
Total comprehensive income (loss) for the year	–	–	–	–	12,525,376	–	(1,493,910)	292,208	30,559	11,354,233
Issuance of new shares (Note 25)	8,913	–	54,684	–	–	–	–	–	–	63,597
Stock dividends (Note 25)	–	–	(55,116)	3,048,388	(3,048,388)	–	–	–	–	(55,116)
Cash dividends (Note 25)	–	–	–	–	(4,267,770)	–	–	–	–	(4,267,770)
Appropriations during the year – net (Note 25)	–	–	–	–	(152,092)	152,092	–	–	–	–
Balances as at December 31, 2021	₱12,193,628	₱–	₱14,214,551	₱3,048,388	₱82,754,489	₱2,323,934	(₱1,447,065)	(₱1,449,181)	₱19,947	₱111,658,691

See accompanying Notes to Financial Statements.

UNION BANK OF THE PHILIPPINES AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2023, 2022 and 2021

(Amounts are presented in thousands of Philippine Pesos)

	GROUP			PARENT BANK		
	Years Ended December 31			Years Ended December 31		
	2023	2022 (As restated)	2021	**2023**	2022 (As restated)	2021
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax	**₱11,848,780**	₱16,784,178	₱14,984,802	**₱10,353,806**	₱15,636,756	₱14,213,838
Adjustments for:						
Provision for credit losses (Note 20)	**14,040,864**	4,068,449	5,811,398	**11,025,059**	2,571,143	4,657,731
Depreciation and amortization (Note 16)	**3,277,968**	2,480,931	2,221,316	**2,408,164**	1,884,657	1,557,053
Amortization of premium and discount of financial assets and liabilities	**1,129,034**	1,168,740	2,269,357	**1,121,507**	1,272,967	2,220,141
Gains on sale of investment properties and property and equipment (Note 16 and 17)	**(1,026,933)**	(1,209,196)	(25,581)	**(1,110,755)**	(1,192,575)	(209,261)
Unrealized foreign exchange losses (gains) - net	**786,431**	1,265,139	(876,088)	**781,304**	1,187,664	(909,334)
Gains on foreclosure of investment properties (Note 17)	**(751,936)**	(466,388)	(135,309)	**(679,745)**	(466,388)	(135,309)
Gains on sale of investment securities at FVOCI (Note 13)	**(416,510)**	(99,466)	(657,987)	**(416,510)**	(100,162)	(657,987)
Gain on sale of investments in associates (Note 15)	**(22,702)**	–	(167,332)	**–**	–	–
Share in net loss (profit) of subsidiaries and associates (Notes 15 and 28)	**22,355**	29,666	4,135	**(2,837,072)**	(1,712,086)	(1,173,016)
Reversal of impairment on investment properties (Note 17)	**(751)**	(24,695)	(64,649)	**(787)**	(24,722)	(64,649)
Gains on sale of investment securities at amortized cost (Note 12)	**–**	(100,223)	(8,447,595)	**–**	(100,223)	(8,447,595)
Impairment of goodwill and investment in subsidiaries (Notes 15 and 18)	**–**	–	529,599	**–**	–	–
Changes in operating assets and liabilities:						
Decreases (increases) in:						
Loans and other receivables	**(60,181,803)**	(80,626,502)	(19,355,679)	**(28,603,062)**	(54,060,475)	(17,497,222)
Trading securities at FVTPL	**2,847,800**	(3,013,511)	12,670,664	**2,906,311**	(3,011,908)	12,840,034
Other resources	**(12,452,972)**	(9,394,186)	(6,328,757)	**(9,461,654)**	(5,491,485)	(4,114,905)
Increases (decreases) in:						
Deposit liabilities	**4,264,466**	75,537,858	42,715,866	**(23,365,639)**	65,596,659	27,830,562
Other liabilities	**9,971,999**	17,677,790	2,905,804	**7,448,793**	15,065,712	1,533,845
Net cash provided (used) by operations	**(26,663,910)**	24,078,584	48,105,126	**(30,430,280)**	37,055,534	31,643,927
Income taxes paid	**(4,860,628)**	(3,566,294)	(2,171,465)	**(3,223,021)**	(2,148,791)	(1,260,561)
Net cash provided (used) by operating activities	**(31,524,538)**	20,512,290	45,933,661	**(33,653,301)**	34,906,743	30,383,366
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of:						
Investment securities at amortized cost	**(13,554,953)**	(118,551,429)	(125,796,399)	**(13,519,953)**	(113,271,357)	(124,111,014)
Investment securities at FVOCI	**(25,052,262)**	(111,135,751)	(78,214,061)	**(25,026,221)**	(111,112,623)	(78,214,061)
Bank premises, furniture, fixtures and equipment (Note 16)	**(2,283,303)**	(551,592)	(505,605)	**(2,000,248)**	(308,016)	(317,391)
Investments in subsidiaries and associates (Notes 1 and 15)	–	(14,400)	(109,608)	**(1,547,298)**	(7,073,025)	(1,500,000)
Proceeds from maturities/sale of:						
Investment securities at FVOCI	**19,524,353**	87,266,386	46,097,932	**19,478,530**	87,191,082	46,067,931
Investment securities at amortized cost	**2,800,379**	42,109,410	122,933,196	**2,690,328**	41,846,113	122,903,200
Investment properties (Note 17)	**631,815**	620,286	464,361	**626,621**	575,169	407,214
Bank premises, furniture, fixtures and equipment (Note 16)	**113,651**	45,761	52,920	**101,896**	18,285	15,543
Investments in associates (Note 15)	**86,068**	–	313,012	**–**	–	–
Dividends received from subsidiaries	**–**	–	–	**129,000**	188,000	1,496,811
Acquisition of business, net of cash acquired (Notes 1 and 15)	**(3,259,683)**	(44,942,683)	–	**(3,252,782)**	(41,193,404)	–
Dissolution of subsidiaries (Notes 1 and 15)	**–**	–	–	**–**	–	11
Net cash used in investing activities	**(20,993,935)**	(145,154,012)	(34,764,252)	**(22,320,127)**	(143,139,776)	(33,251,756)

(Forward)

	GROUP			PARENT BANK		
	Years Ended December 31			Years Ended December 31		
	2023	2022 (As restated)	2021	**2023**	2022 (As restated)	2021
CASH FLOWS FROM FINANCING ACTIVITIES						
Payments of:						
Bills payable	**(₱1,291,332,050)**	(₱225,725,630)	(₱131,247,110)	**(₱1,268,901,574)**	(₱177,520,637)	(₱69,805,980)
Notes and bonds payable	**(21,616,552)**	(38,183,199)	(3,473,520)	**(19,115,000)**	(35,112,500)	–
Cash dividends (Note 25)	**(4,707,549)**	(4,269,771)	(4,267,770)	**(4,707,549)**	(4,269,771)	(4,267,770)
LTNCD	**(3,000,000)**	–	–	**(3,000,000)**	–	–
Lease liabilities (Note 24)	**(633,871)**	(659,030)	(579,064)	**(524,291)**	(496,312)	(446,112)
Acquisition of NCI's share in a subsidiary	**(230,227)**	–	–	**–**	–	–
Dividends of subsidiaries to NCI	**(115,899)**	(75,745)	(59,300)	**–**	–	–
Buy-back of treasury shares	**(2,097)**	–	–	**(2,097)**	–	–
Cash for fractional shares related to stock dividends (Note 25)	**–**	–	(55,116)	**–**	–	(55,116)
Proceeds from:						
Bills payable	**1,313,421,732**	306,504,535	127,075,530	**1,289,600,128**	247,352,242	62,765,158
Notes and bonds payable (Note 23)	**20,500,543**	13,904,476	11,057,895	**18,005,196**	10,932,289	7,650,000
Issuance of new shares, net of issuance costs (Note 25)	**11,936,127**	39,914,428	63,597	**11,936,127**	39,914,428	63,597
Subscription of shares by NCI	**–**	–	10,000	**–**	–	–
Net cash provided by (used in) financing activities	**24,220,157**	91,410,064	(1,474,858)	**23,290,940**	80,799,739	(4,096,223)
EFFECT OF CHANGES IN FOREIGN CURRENCY EXCHANGE RATES	**(240,224)**	42,726	(44,958)	**(122,089)**	34,162	(44,958)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(28,538,540)**	(33,188,932)	9,649,593	**(32,804,577)**	(27,399,132)	(7,009,571)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR						
Cash and other cash items	**9,891,536**	8,904,903	8,958,042	**8,924,249**	7,988,517	7,814,917
Due from Bangko Sentral ng Pilipinas (BSP)	**94,610,308**	103,407,946	103,869,770	**66,588,121**	67,478,389	83,867,434
Due from other banks	**46,239,964**	54,258,465	68,532,218	**42,263,529**	51,308,983	64,763,768
Interbank loans receivable and securities purchased under reverse repurchase agreement (SPURRA)	**23,553,973**	40,913,399	16,475,090	**14,634,811**	33,033,953	10,373,294
	174,295,781	207,484,713	197,835,120	**132,410,710**	159,809,842	166,819,413
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**10,439,112**	9,891,536	8,904,903	**9,350,898**	8,924,249	7,988,517
Due from BSP	**82,643,663**	94,610,308	103,407,946	**63,883,124**	66,588,121	67,478,389
Due from other banks	**27,263,347**	46,239,964	54,258,465	**23,188,033**	42,263,529	51,308,983
Interbank loans receivable and SPURRA	**25,411,119**	23,553,973	40,913,399	**3,184,078**	14,634,811	33,033,953
	₱145,757,241	₱174,295,781	₱207,484,713	**₱99,606,133**	₱132,410,710	₱159,809,842
OPERATIONAL CASH FLOWS FROM INTERESTS AND DIVIDENDS						
Interest received	**₱77,075,696**	₱47,786,261	₱38,840,197	**₱54,692,669**	₱36,762,893	₱28,048,227
Interest paid	**24,915,594**	10,608,914	6,482,612	**16,913,293**	7,588,579	4,250,186
Dividends received	**3,617**	6,076	145,789	**2,768**	2,768	145,789

See accompanying Notes to Financial Statements.

1. **Corporate Information**

Incorporation and Operations
Union Bank of the Philippines (the Bank, UnionBank or the Parent Bank) was incorporated in the Philippines on August 16, 1968 and operates as a universal bank through its universal banking license acquired in July 1992.

The Bank provides expanded commercial banking products and services such as loans and deposits, cash management, retail banking, foreign exchange, capital markets, corporate and consumer finance, investment management and trust banking. As of December 31, 2023, the Bank and its subsidiaries (collectively referred to as the "Group") has 385 branches and 437 on-site and 165 off-site automated teller machines (ATMs), located nationwide.

The Bank's common shares are listed in the Philippine Stock Exchange (PSE). The Bank is effectively 49.94% owned by Aboitiz Equity Ventures, Inc. (AEVI), a company incorporated and domiciled in the Philippines. AEVI is the holding and management company of the Aboitiz Group of Companies.

The Bank's subsidiaries are all incorporated in the Philippines, except for UBX SG and UBX Remit, and the Bank's effective percentage of ownership and the nature of the subsidiaries' businesses as of December 31, 2023 and 2022 are as follows:

	Percentage of ownership		
Name of Subsidiary	**2023**	2022	Nature of Business
City Savings Bank, Inc. (CSB)	**99.79%**	99.79%	Thrift bank
PetNet, Inc. (PETNET) [(a)]	**51.00%**	51.00%	Foreign currency trader and remittance business
First-Agro Industrial Rural Bank, Inc. (FAIR Bank) [(f)]	–	100.00%	Rural bank
UBP Investments Corporation (UIC)	**100.00%**	100.00%	Holding company
First Union Plans, Inc. (FUPI) [(j)]	**100.00%**	100.00%	Pre-need
First Union Direct Corporation (FUDC) [(h)]	**100.00%**	100.00%	Financial products marketing
First Union Insurance and Financial Agencies, Inc. (FUIFAI) [(b)]	**100.00%**	100.00%	Agent for insurance and financial products
UBP Securities, Inc. (UBPSI) [(h)]	**100.00%**	100.00%	Securities brokerage
Union Data Corp. (UDC) [(h)]	**100.00%**	100.00%	Data processing
Interventure Capital Corporation (IVCC) [(h)]	**60.00%**	60.00%	Venture capital
UBX Philippines Corporation (UBX)	**100.00%**	100.00%	Investment holding and innovation company
UBX Private Limited (UBX SG) [(c)]	**100.00%**	100.00%	Holding company
UBX Remit Pte Ltd. (UBX Remit) [(d)]	**100.00%**	100.00%	Remittance company
Bangko Kabayan, Inc. (A Private Development Bank) (Bangko Kabayan) [(e)]	**97.75%**	70.00%	Private development bank
Progressive Bank, Inc. (PBI) [(f)]	–	100.00%	Rural bank
UnionDigital Bank, Inc. (UnionDigital) [(g)]	**100.00%**	100.00%	Digital bank
Unionbank Financial Services and Insurance Brokerage Philippines, Inc. (UFSI) [(i)]	**100.00%**	100.00%	Insurance and securities brokerage
Unionbank Investment Management and Trust Corporation (UBIMTC) [(k)]	**100.00%**	–	Trust and other fiduciary business

(a) Subsidiary through CSB and UIC, with 40% and 11% share in ownership, respectively
(b) Wholly-owned subsidiaries of UIC
(c) Wholly owned subsidiary of UBX
(d) Wholly owned subsidiary of UBX SG
(e) Subsidiary through CSB and UIC, with 49% and 23.79% share in ownership, respectively. On July 10, 2023, the Parent Bank completed the purchase of 24.96% interest from the minority shareholders.
(f) On July 13, 2023, the SEC approved the merger between Bangko Kabayan, FAIR Bank and PBI, with Bangko Kabayan as the surviving entity
(g) Incorporated on November 25, 2021
(h) Non-operating subsidiaries, wholly-owned by UIC
(i) Acquired 100% ownership as part of the Parent Bank's acquisition of Citigroup Inc.'s consumer business in the Philippines on August 1, 2022. On February 28, 2023, the SEC approved the change in corporate name from Citicorp Financial Services and Insurance Brokerage Philippines, Inc. to Unionbank Financial Services and Insurance Brokerage Philippines, Inc.
(j) In October 2022, the stockholders of FUPI approved the voluntary cessation and withdrawal of its pre-need business
(k) Incorporated on October 11, 2023

Other relevant information about the subsidiaries' nature of businesses and their status of operations are discussed in the sections that follow:

(a) In its letter dated March 6, 2023, the BSP approved the Bank's application to establish a standalone trust corporation, which will be registered under the name of Unionbank Investment Management and Trust Corporation (UBIMTC), a direct and wholly-owned subsidiary of the Bank. The BSP subsequently granted the Bank authority to register with the SEC via its issuance of a Certificate of Authority to Register dated July 28, 2023.

Pursuant to the requirements for incorporating UBIMTC, the Bank contributed ₱300.0 million on May 9, 2023, in exchange for 300.0 million common shares. These funds were deposited in a treasury-in-trust for account to ensure the timely completion of SEC documentation. On October 11, 2023, the SEC issued UBIMTC's Certificate of Incorporation together with its approved Articles of Incorporation and By-Laws.

As authorized by BSP in its letter dated November 15, 2023, UBIMTC will commence operations in March 2024.

(b) In a special meeting held on December 23, 2021, the Bank's BOD approved the acquisition of Citigroup Inc.'s consumer banking business in the Philippines. The transaction includes the acquisition of Citigroup's credit card, personal loans, wealth management, and retail deposit businesses, as well as the real estate interests in Citibank Square in Eastwood, Quezon City, 3 full-service bank branches, and 5 wealth centers in the Philippines. On the same date, the BOD approved the raising of additional capital of up to ₱40.0 billion through the issuance of additional shares from the Bank's unissued authorized capital stock via a stock rights offering (SRO) to all existing shareholders. On May 16, 2022, the Bank issued approximately 617.2 million common shares priced at ₱64.81 per share. Proceeds from the SRO were deployed to partially fund the acquisition of Citigroup, Inc.'s Philippine consumer business.

On April 5, 2022, the Philippine Competition Commission (PCC) issued clearance on the Bank's proposed acquisition of assets and liabilities of Citibank N.A., Philippine Branch and Citi Square Building Corporation, and shares in Citicorp Financial Services and Insurance Brokerage Philippines, Inc. The PCC resolved to take no further action with respect to the proposed acquisition. On July 14, 2022, the Monetary Board (MB) of the Bangko Sentral ng Pilipinas (BSP), in its Resolution No. 1017, approved the Bank's acquisition of Citigroup's consumer business in the Philippines.

On August 1, 2022, the Bank completed the acquisition of Citigroup Inc.'s consumer banking business in the Philippines. The transaction is effected via (i) an asset and liability transfer of the consumer banking activities of Citibank N.A., Philippines Branch, (ii) the sale of freehold and owned office premises and parking spaces in Citibank Square building in Eastwood, Quezon City, and (iii) the sale of the 100% shares in Citicorp Financial Services and Insurance Brokerage Philippines, Inc. CFSI is a domestic corporation organized to engage in the business of marketing insurance products and to act as a broker of debt and equity securities of every kind and description. CFSI is engaged in the brokerage of debt securities, third-party investment funds, and insurance products.

Finalization of purchase price allocation of Citigroup consumer business

As of December 31, 2022, the Group has provisionally assessed the fair values of the assets and liabilities acquired, except for Cash and other cash items and Due from other banks. In July 2023, the Parent Bank, with the assistance of a third party consultant, completed the determination of the fair values of assets and liabilities acquired, which includes the following adjustments:

(1) the determination of the fair value of previously unidentified intangible assets attributable to the business acquired amounting to ₱8.49 billion, which comprises of customer relationship of ₱4.81 billion, and core deposits of ₱3.68 billion,
(2) other adjustments, resulting in net reduction in net asset of ₱89.62 million;
(3) adjustments in purchase price amounting to ₱76.81 million as a result of the above adjustments; and
(4) reduction to the initially recorded goodwill amounting to ₱8.32 billion.

As required by PFRS, the above adjustments are retrospectively adjusted on the Group's 2022 comparative financial statements. Refer to the section "Restatement of comparative information" below.

The final fair values of the identifiable assets and liabilities acquired at the date of acquisition are as follows (amounts in millions):

	Fair values recognized on acquisition date
Assets	
Cash and other cash items	₱1,598
Due from other banks	28,126
Loans and receivables	65,493
Intangible assets*	8,486
Bank premises, furniture and fixtures, and equipment	2,120
Other resources	2,699
Total assets	108,522
Liabilities	
Deposit liabilities	65,265
Other liabilities	4,506
Total liabilities	69,771
Net Assets Acquired	₱38,751

**This consists of customer relationships of ₱4.81 billion, and core deposits of ₱3.68 billion.*

The final goodwill from the acquisition is determined as follows (amounts in millions):

Total Purchase price	₱77,926
Less: Fair values of net assets acquired	38,751
Goodwill	₱39,175

The goodwill arising from the acquisition is attributed to the opportunities for future growth in the credit card and personal loans business of the Group, and expected synergies in the consumer banking business of the combined Parent Bank and Citi acquired business. None of the resulting goodwill is expected to be deductible for tax purposes.

The fair value of the loans and receivables acquired as part of the business combination amounted to ₱65.55 billion, with gross contractual amount of ₱69.44 billion.

Had the acquisition occurred at the beginning of 2022, the consolidated total operating income would have increased by ₱8.21 billion and net income would have increased by ₱1.24 billion.

Cash outflow from Acquisition of business, net of cash acquired by the Group and the Parent Bank follows:

	Group	Parent Bank[1]
Purchase price	₱77,926	₱72,829
Less: Cash acquired from the acquisition of business	29,724	28,383
Net cash outflow from the acquisition	₱48,202	₱44,446

(1) For purposes of the Parent Bank financial statements, the purchase price above excludes the purchase of shares in UFSI amounting to ₱5.10 billion, which is included in 'acquisition of an investment in subsidiaries and associates' in the statement of cash flows.

Restatement of comparative information

As required by PFRS, the Bank retrospectively adjusted the provisional amounts recognized at the acquisition date. These adjustments reflect information about facts and circumstances that existed at the time of acquisition that, if known, would have influenced the measurement of the amounts recognized then. The retrospective adjustments made on the comparative period mainly include the following:

(1) Net increase in other resources as a result of recognition of intangible assets related to customer relationship and core deposit, less amortization recognized in 2022 amounting to ₱252.56 million, recognition of credit card origination cost, net of amortization amounting to ₱432.07 million and net reduction in miscellaneous asset as a result of derecognition of prepaid insurance totaling ₱58.38 million, .
(2) Net reduction in loans and receivable as a result of derecognition of the capitalized origination costs amounting to ₱31.25 million, net of amortization recognized in 2022.
(3) Additional tax expense recognized in 2022 as a result of above adjustments, amounting to ₱108.02 million

The table below presents the impact of the retrospective adjustments (amounts in millions):

<u>Group</u>

	As of December 31, 2022		
	As previously reported	Increase (Decrease)	As restated
Statements of financial position			
Loans and other receivables	₱479,658	(₱31)	₱479,627
Goodwill	62,310	(8,317)	53,993
Other resources	26,342	8,497	34,839
Other liabilities	48,800	77	48,877
Surplus free	90,728	71	90,799

	For the year ended December 31, 2022		
	As previously reported	Increase (Decrease)	As restated
Statements of income			
Depreciation and amortization	₱1,607	₱253	₱1,860
Salaries and employee benefits	10,031	(28)	10,003
Miscellaneous expenses	14,751	(404)	14,347
Total operating expenses	31,527	(179)	31,348
Profit before tax	16,605	179	16,784
Tax expense	3,931	108	4,039
Net profit	12,674	71	12,745

<u>Parent Bank</u>

	As of December 31, 2022		
	As previously reported	Increase (Decrease)	As restated
Statements of financial position			
Loans and other receivables	₱393,765	(₱31)	₱393,734
Goodwill	51,659	(8,319)	43,340
Other resources	19,635	8,475	28,110
Other liabilities	44,646	77	44,723
Surplus free	91,308	71	91,379

	For the year ended December 31, 2022		
	As previously reported	Increase (Decrease)	As restated
Statements of income			
Depreciation and amortization	₱1,167	₱253	₱1,420
Salaries and employee benefits	7,553	(28)	7,525
Miscellaneous expenses	11,901	(404)	11,497
Total operating expenses	24,125	(179)	23,946
Profit before tax	15,458	179	15,637
Tax expense	2,928	108	3,036
Net profit	12,530	71	12,601

(c) CSB was incorporated and registered with the SEC on December 9, 1965. It is a thrift bank specializing in granting teacher's loans under the Department of Education's Automatic Payroll Deduction System. CSB has 149 branches as of December 31, 2023.

(d) PETNET, more widely-known by its retail brand name PERA HUB, has the largest network of Western Union outlets in the Philippines. PETNET has over 3,649 outlets nationwide. It offers a variety of cash-based services including remittance, currency exchange and bills payment.

(e) UIC was incorporated and registered with the SEC on December 20, 1993. It is presently engaged in business as a holding company authorized to hold investments of real and personal properties, including shares of stocks, bonds, debentures, notes and other securities and obligations, without engaging in business of an investment company or broker or dealer in securities of stocks.

UIC holds investments of the Group's thrift banks, rural banks and remittance companies. In addition, through its wholly-owned subsidiaries, FUPI and FUIFAI, UIC is also engaged in the servicing of existing pre-need plans, and being an agent for life and non-life insurance products.

(f) UBX was incorporated to invest in, hold, own, purchase, lease manage, sell or otherwise dispose of real and personal properties of every kind and description. It shall also engage in the development of financial technology innovations and engage in electronic commerce business. UBX SG, a subsidiary of UBX, is incorporated to engage in the development of financial technology innovations and engage in electronic commerce business.

(g) Bangko Kabayan is authorized to engage in the business of extending financial services to farmers, entrepreneurs, commercial, manufacturing and industrial enterprises and to such other persons or entities that require financial intermediation, and to have and to exercise all authority and powers, and to do and perform all acts, and to transact all business which may legally be done by thrift banks organized under and in accordance with the existing New Thrift Banks Act of 1995 (Republic Act No. 7906).

PBI is authorized to engage in the business of extending credit to farmers, tenants, and rural industries or enterprises, and to transact all business that may be legally done by rural banks formed under and in accordance with the existing Rural Banks Act (Republic Act No. 7353).

FAIR Bank was registered with the SEC primarily to engage in the business of extending rural credit to small farmers and tenants and to deserving rural industries or enterprises.

On June 22, 2023, the BSP approved the Parent Bank's request to purchase 1,011,961 shares or 27.52% ownership interest in Bangko Kabayan. On July 10, 2023, the Parent Bank completed the purchase, increasing the Group's ownership in Bangko Kabayan to 97.52%. CSB's and UIC's ownership remained the same at 49% and 21%, respectively.

Bangko Kabayan, FAIR Bank and PBI applied for the regulatory approvals to merge, with Bangko Kabayan as the surviving entity. On March 21, 2022, the Philippine Competition Commission (PCC) acknowledged that the proposed merger of Bangko Kabayan, FAIR Bank and PBI, with Bangko Kabayan as the surviving entity, does not breach the thresholds for compulsory notification. On June 17, 2022 and September 12, 2022, the banks received the consent from PDIC and approval of the BSP, respectively. On July 13, 2023, SEC approved the aforementioned merger. The merger resulted in an increase in the Group's ownership in Bangko Kabayan to 97.75%. CSB's ownership in Bangko Kabayan remained at 49% while UIC's ownership in Bangko Kabayan increased to 23.79%.

With the approval of its merger with Fairbank and Progressive Bank, Inc. on July 13, 2023, Bangko Kabayan, Inc., as the surviving entity, has added 12 branches and 2 branch lite, based at Cebu and Iloilo, to its former 23 branches and 1 branch lite, located in Southern Luzon (Batangas, Laguna, and Quezon).

(h) In its letter dated July 15, 2021, the BSP approved the application for authority to establish a digital bank, to be known as UnionDigital Bank, Inc. (UnionDigital), a wholly-owned subsidiary of the Bank, subject to regulatory conditions. The BSP subsequently granted the Authority to Register with the SEC. On November 25, 2021, the SEC approved UnionDigital's Articles of Incorporation and its By-Laws and issued its Certificate of Incorporation. The Parent Bank subscribed to 100,000,000 new common shares of UnionDigital at par value ₱10 per share totaling ₱1.0 billion.

On June 24, 2022, the BOD of the Parent Bank approved to infuse additional capital to UnionDigital of up to ₱2.0 billion. On July 12, 2022, UnionDigital was granted the Certificate of Authority to Operate as a digital bank. Accordingly, UnionDigital started its operations on July 18, 2022. On the same date, the Parent Bank infused ₱1.0 billion to UnionDigital.

UnionDigital was organized to engage in, and carry on, the general business of a digital bank, including such other expanded services as may be approved by the MB of the BSP such as creating, developing, owning, maintaining, distributing, and marketing a digital platform that allows the bank to offer digital services, and issues mortgage and chattel mortgage certificates, buys and sells them or accept them in to such terms and conditions as may be prescribed by the MB of BSP.

In its letter dated October 27, 2022, the BSP approved the Parent Bank's request for additional equity investment of up to ₱2.0 billion in UnionDigital. The Parent Bank then infused additional capital to UnionDigital in tranches for a total amount of ₱1.0 billion.

On June 23, 2023, the BOD of the Parent Bank approved the infusion of additional capital of ₱900 million to UnionDigital to support business growth. Subsequently, on September 29, 2023 and November 13, 2023, the Parent Bank infused capital amounting to ₱300.00 million and ₱600.00 million, respectively.

As of December 31, 2023 and 2022, the Parent Bank's total equity investment in UnionDigital amounted to ₱3.9 billion and ₱3.0 billion, respectively.

<u>Non-operating subsidiaries</u>

(a) The BOD of FUDC authorized to temporarily suspend its business operations effective June 1, 2022 and until such time that management, with the approval of the BOD of FUDC, deems it appropriate to resume operations.

(b) UBPSI was incorporated and registered with the SEC on March 2, 1993. It was organized to engage in the business of buying, selling or dealing in stocks and other securities. In January 1995, as approved by UBPSI's stockholders and BOD, UBPSI sold its stock exchange seat in the PSE. Accordingly, UBPSI ceased its stock brokerage activities.

(c) UDC was registered with the SEC on September 8, 1998. It was organized to handle the centralized branch accounting services as well as the processing of credit card application forms of the Parent Bank and the entire backroom operations of FUPI. On July 1, 2003, the BOD of UDC approved the cessation of its business operations effective on August 30, 2003, and subsequently shortened its corporate term to December 31, 2017 by amending its Articles of Incorporation. The services previously handled by UDC are now undertaken by the Financial Services Group of the Parent Bank. UDC is still in process of securing the tax clearance from the BIR.

(d) IVCC was incorporated and registered with the SEC on October 10, 1980. It was organized to develop, promote, aid and assist financially any small or medium scale enterprises and to purchase, receive, take or grant, hold, convey, sell, lease, pledge, mortgage and otherwise deal with such real and personal property, including securities and bonds of other corporations as the transaction of the lawful business of the corporation may reasonably and necessarily require, subject to the limitations prescribed by law. IVCC has ceased operations since 1992.

The total assets, liabilities and capital funds of these non-operating subsidiaries amounted to ₱10,724, ₱3,283, and ₱7,442, respectively, as of December 31, 2023 and ₱12,436, ₱3,341 and ₱9,095, respectively, as of December 31, 2022.

The Bank's registered address, which is also its principal place of business, is at UnionBank Plaza, Meralco Avenue corner Onyx Street and Sapphire Road, Ortigas Center, Pasig City. AEVI's registered address is located at NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, Metro Manila.

Approval of Financial Statements

The consolidated financial statements of UnionBank and Subsidiaries (the Group) and the financial statements of the Parent Bank as of and for each of the three years in the period ended December 31, 2023 were authorized for issue by the Bank's BOD on February 28, 2024.

2. Material Accounting Policy Information

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

Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group and the financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRSs are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB), and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of resource, liability, income and expense.

The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standards (PAS 1), *Presentation of Financial Statements.* The Group presents statement of comprehensive income separate from the statement of income.

(c) Functional and Presentation Currency

The financial statements of the Group include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of RBU and FCDU is Philippine Peso (PHP) and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in PHP (see accounting policy on Foreign Currency Translation).

The financial statements of these units are combined after eliminating inter-unit accounts. These are presented in Philippine pesos, and all values are presented in thousands of Philippine Pesos except when otherwise indicated.

Items included in the financial statements of the Group are measured using its functional currency, the currency of the primary economic environment in which the Group operates.

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except that the Bank has adopted the following new accounting pronouncements starting January 1, 2023. Adoption of these pronouncements did not have any significant impact on the Bank's financial position or performance unless otherwise indicated.

- Amendments to PAS 12, *International Tax Reform-Pillar Two Model Rules*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

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

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

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

Basis of Consolidated Financial Statements

The Group's financial statements comprise the accounts of the Parent Bank and its subsidiaries, as enumerated in Note 1 and as disclosed under Note 15, after the elimination of material intercompany transactions. All intercompany resources and liabilities, equity, income, and expenses and cash flows relating to transactions with subsidiaries are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in the separate financial statements are also eliminated in full. Intercompany losses that indicate impairment are recognized in the Group's financial statements.

The financial statements of the subsidiaries are prepared in the same reporting period as the Parent Bank using consistent accounting policies.

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

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in capital funds. Disposals of equity investments to non-controlling interests may result in gains and losses for the Group that are also recognized in capital funds.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in the statement of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related resources or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

Investment in Subsidiaries
Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it has the power over the entity, it is exposed, or has rights to, variable returns from its involvement with the entity, and it has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Group obtains control.

The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

In the Parent Bank's separate financial statements, investments in subsidiaries are initially recognized at cost and subsequently accounted for using the equity method (see Note 15).

All subsequent changes to the share in the equity of the subsidiaries are recognized in the carrying amount of the Parent Bank's investment. Changes resulting from the profit or loss generated by the subsidiaries are reported as Share in net profit of subsidiaries under Miscellaneous income account in the Parent Bank's separate statement of income.

Changes resulting from other comprehensive income of the subsidiaries are recognized in other comprehensive income of the Parent Bank. Any distributions received from the subsidiaries (e.g., dividends) are recognized as reduction in the carrying amount of investment in subsidiaries. However, when the Parent Bank's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, including any other unsecured receivables, the Parent Bank does not recognize further losses, unless it has incurred obligations or made payments on behalf of the subsidiary. If the subsidiary subsequently reports profits, the Parent Bank recognizes its share on those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

In computing the Parent Bank's share in net profit or loss of subsidiaries, unrealized gains or losses on transactions between the Parent Bank and its subsidiaries are eliminated to the extent of the Parent Bank's interest in the subsidiaries. Where unrealized losses are eliminated, the underlying asset is also tested for impairment from a group perspective.

The Parent Bank holds interests in various subsidiaries as presented in Notes 1 and 15.

Investment in Associates

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

Business Combinations and Goodwill

Business acquisitions are accounted for using the acquisition method of accounting. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in the statement of income.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment. Impairment losses on goodwill are not reversed.

Gain on bargain purchase which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is recognized directly to profit.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the statement of income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in the statement of income or as a charge to other comprehensive income. Contingent consideration that is classified as capital funds is not remeasured, and its subsequent settlement is accounted for within capital funds.

Fair Value Measurement

The Group measures financial instruments such as financial assets at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost and investment properties are disclosed in Note 7.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If an asset or a liability measured at fair value has a bid price and ask price, the price within the bid-ask spread is the most representative of fair value in the circumstance shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy. The fair value measurement of a nonfinancial asset takes into account the market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 7, based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial-assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Group recognises balances due to customers when funds are transferred to the Group.

Initial measurement of financial instruments
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described below. Financial instruments are initially measured at their fair value; except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

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

Measurement categories of financial assets and liabilities
The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured either at amortized cost, at FVOCI or at FVTPL.

The Group classifies and measures its derivative and trading portfolio at FVTPL. The Group may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial Assets
Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria under PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification, Measurement and Reclassification of Financial Assets

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

As part of its classification process, the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g., if there are repayments of principal or amortization of the premium or discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

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

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

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

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

The Group's measurement categories are described below:

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

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

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Group's financial assets at amortized cost are presented in the statement of financial position as Due from BSP, Due from other banks, Interbank loans receivable, Financial assets at amortized cost under Trading and investment securities, Loans and other receivables and certain accounts under Other resources.

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including Cash and other cash items, non-restricted balances of Due from BSP, Due from other banks, Interbank loans receivable and Securities purchased under repurchase agreements included in Loans and other receivables. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

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

Financial Assets at FVTPL
Debt instruments that do not meet the amortized cost criteria, or that meet the criteria but the Group has chosen to designate as at FVTPL at initial recognition, are classified as financial assets at FVTPL. Equity investments are classified as financial assets at FVTPL, unless the Group designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Group's financial assets at FVTPL include government securities, corporate bonds and equity securities which are held for trading purposes.

A financial asset is considered as held for trading if:

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

Financial assets at FVTPL are measured at fair value. Related transaction costs are recognized directly as expense in the statement of income. Unrealized gains and losses arising from changes (mark-to-market) in the fair value of the financial assets at FVTPL category and realized gains or losses arising from disposals of these instruments are included in Gains (losses) on trading and investment securities at FVTPL and FVOCI account in the statement of income.

Interest earned on these investments is reported in the statement of income under Interest income account while dividend income is reported in the statement of income under Miscellaneous income account when the right of payment has been established.

Financial Assets at FVOCI - Equity Investments
At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading. The Group has designated certain equity instruments as at FVOCI on initial application of PFRS 9.

Equity financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in Net unrealized fair value gains (losses) on investment securities in the statement of financial position. When the asset is disposed of, the cumulative gain or loss previously recognized in the Net unrealized fair value gains (losses) on investment securities account is not reclassified to profit or loss, but is reclassified directly to Surplus free account.

Any dividends earned on holding these equity instruments are recognized in the statement of income under Miscellaneous income account.

Financial Assets at FVOCI - Debt Instruments
The Group classifies debt instruments measured at FVOCI when both of the following conditions are met:
- the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value being recognized in OCI. Interest income and foreign exchange gains and losses are recognized in the statement of income in the same manner as for financial assets measured at amortized cost. The Expected Credit Loss (ECL) calculation for financial assets at FVOCI is explained in the 'Impairment of Financial Assets' section.

On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to the statement of income.

Reclassification of financial assets
The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Group's business model will be effected only at the beginning of the next reporting period following the change in the business model.

(b) Impairment of Financial Assets

The Group recognizes the allowance for expected credit losses for all loans and other debt financial assets carried at amortized cost, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under PFRS 9.

ECL represent possible credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

For non-credit-impaired financial instruments:

- Stage 1 consists of all non-impaired financial instruments which have not experienced a SICR since initial recognition. The Group and the Parent Bank recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 consists of all non-impaired financial instruments which have experienced a SICR since initial recognition. The Group and the Parent Bank recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Financial instruments are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires that lifetime ECL be recognized for impaired financial instruments.

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

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower becomes more than 90 days past due on its contractual payments. As part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e., to have cured) when it no longer meets any of the default criteria for a consecutive period of 180 days (i.e., consecutive payments from the borrowers for 180 days).

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors such as downgrade in the credit rating of the borrowers and a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL. All exposures are therefore provided with ECLs, in the context of SICR status.

ECL is a function of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

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

EAD is modelled on historic data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet and undrawn amounts, EAD includes an estimate of any further amounts that may be drawn at the time of default. LGD is the amount that may not be recovered in the event of default and is modelled based on historical cash flow recovery and reasonable and supportable information about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held.

(c) *Derecognition of Financial Assets*

A financial asset (or where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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

The Group derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

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

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new ' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI). Distressed restructuring with indications of unlikeliness to pay are categorized as impaired accounts and are moved to Stage 3.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

Derivative Financial Instruments
The Group is a counterparty to derivatives contracts, such as forwards, swaps and warrants. These contracts are entered into as a means of reducing or managing the Group's foreign exchange and interest rate exposures as well as those of its customers.

Derivatives are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently measured at their fair values. Fair values are obtained from quoted market prices in active markets, including recent market transactions. All derivatives are carried as resources when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument. When such evidence exists, which indicates a fair value different from the transaction price, the Group recognizes a gain or loss at initial recognition.

Changes in the fair value of derivatives are recognized in the statement of income.

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

Financial liabilities are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method, for those with maturities beyond one year, less settlement payments. All interest-related charges incurred on financial liabilities are recognized as an expense in the statement of income under Interest expense.

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

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

Derivative liabilities, which are included as part of Other Liabilities, are recognized initially and subsequently measured at fair value with changes in fair value recognized in the statement of income.

Other liabilities, apart from derivative liabilities, are recognized initially at their fair value and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or if the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of the new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Offsetting Financial Instruments

Financial resources and liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

Bank Premises, Furniture, Fixtures and Equipment

Bank premises, furniture, fixtures and equipment are carried at acquisition cost less accumulated depreciation and amortization, and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized, while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the depreciable assets as follows:

Buildings	25 - 50 years
Furniture, fixtures and equipment	5 - 10 years

Leasehold rights and improvements are amortized over the term of the lease or the estimated useful lives of the improvements of five to ten years, whichever is shorter.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The residual values, estimated useful lives and method of depreciation and amortization of bank premises, furniture, fixtures and equipment (except land) are reviewed and adjusted if appropriate, at the end of each reporting period.

If a change in use requires an item of bank premises, furniture, fixtures and equipment to be reclassified to investment properties, the difference between the carrying amount of such asset and its fair value as of the date of change in use is recognized in other comprehensive income and accumulated in equity under the Other reserves account. If the asset is subsequently retired or disposed of, the related revaluation surplus is transferred directly to Surplus free account.

An item of bank premises, furniture, fixtures and equipment, including the related accumulated depreciation, amortization and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of income in the year the item is derecognized.

The Group classifies ROU assets as part of property and equipment. The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. ROU assets are subject to impairment.

Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include parcels of land and buildings and related improvements acquired by the Group from defaulting borrowers.

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is initially measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of the asset given up. Foreclosed properties are classified under Investment properties from foreclosure date. Gain or loss from foreclosure is included as part of Gain or loss on foreclosure account under Miscellaneous Income section of the statement of income.

Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and amortization and impairment. Depreciation is computed using the straight line method over the useful life of 50 years and 10 years for building held for lease and other foreclosed properties, respectively. Land is carried at cost less any impairment in value.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income in the year of retirement or disposal. Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs and real estate taxes, are normally charged against income in the period in which costs are incurred.

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

Intangible Assets

Intangible assets include goodwill, acquired computer software, customer relationships and core deposits acquired from business combination. Goodwill represents the excess of the acquisition cost over the fair value of the net identifiable assets arising from the acquisition of a business. Goodwill has indefinite useful life and, thus, not subject to amortization but requires an annual test for impairment. Goodwill is subsequently carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Goodwill sometimes cannot be allocated on a non-arbitrary basis to individual cash-generating units, but only to groups of cash-generating units. As a result, the lowest level within the Group at which goodwill is monitored for internal management purposes sometimes comprises a number of cash-generating units. The Group's cash-generating unit represents major business segments of the Parent Bank and the subsidiaries of the Group.

Computer software used in administration is accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production.

Computer software are capitalized on the basis of the costs incurred to acquire, develop, and install the specific software, and are amortized on a straight-line basis over the expected useful lives ranging from five to ten years, as the lives of these intangible assets are considered finite. Costs associated with maintaining computer software are expensed as incurred. Customer relationships and core deposits acquired from business combination are recognized at their acquisition date fair values, and are amortized on a straight-line basis over the expected useful lives ranging from ten to 14 years. These costs are recognized as part of Depreciation and amortization in the statement of income.

Intangible assets are subject to impairment testing.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in the statement of income.

Other Resources

Other resources pertain to resources controlled by the Group as a result of past events. These are recognized in the financial statements only if recognition of that asset and of any resulting income or expenses is a faithful representation of the resources and provides relevant information about the resources.

Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized in the statement of financial position under 'Bills payable' and is considered as a loan to the Group, reflecting the economic substance of such transaction. For purposes of business model assessment, the Group considers the economic substance of the transaction when analyzing whether sales within a portfolio provide evidence related to how cash flows are realized.

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

Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events (e.g., legal dispute or onerous contracts).

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, at an amount not exceeding the balance of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessment and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements.

Capital Funds

Common stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premiums received on the issuance of common stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Surplus free includes all current and prior period results as reported in the statement of income and which are available and not restricted for use by the Group, reduced by the amounts of dividend declared, if any.

Surplus reserves pertains to the following:

(a) Portion of the Group's income from trust operations set-up on a yearly basis in compliance with BSP regulations. The surplus set-up is equal to 10% of the net profit accruing from the trust business until the surplus shall amount to 20% of authorized capital stock. The reserve shall not be paid out as dividends, but losses accruing in the course of the trust business may be charged against this account.

(b) Accumulated trust fund income of FUPI that is automatically restricted to payments of benefits of planholders and releases from appropriation representing the amounts of trust fund income that pertains to the matured and pre-terminated plans of planholders which have been withdrawn from the trust fund during the year, in accordance with the amended Pre-need Uniform Chart of Accounts (PNUCA).

(c) The difference of the 1% required General Loan Loss Provision on Stage 1 on-balance sheet loans over the computed allowance for credit losses on Stage 1 accounts as required by the BSP Circular No. 1011 - *Guidelines on the Adoption of the Philippine Financial Reporting Standard (PFRS) 9 - Financial Instruments*.

Net unrealized fair value gains (losses) on investment securities pertains to cumulative mark-to-market valuation of financial assets at FVOCI.

Remeasurements of defined benefit plan refer to accumulated actuarial losses, net of gains, as a result of remeasurements of post-employment defined benefit plan and return on plan assets (excluding amount included in net interest).

Other reserves pertains to exchange differences arising from the translation of the Parent Bank's Foreign Currency Deposit Unit (FCDU) operations and UBX SG, which is taken to the statement of comprehensive income.

Non-controlling interests represent the portion of the net resources and profit or loss not attributable to the Group which are presented separately in the Group's statement of income and within the capital funds in the Group's statements of financial position and changes in capital funds.

Revenue Recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Expenses are recognized in the statement of income upon utilization of the resources or services or at the date these are incurred. All finance costs are reported on an accrual basis. The following specific recognition criteria of income and expenses must also be met before income or expense is recognized:

(a) *Interest income recognized using the effective interest rate method* - Interest income is recognized in the statement of income for all instruments measured at amortized cost and debt instruments classified as financial assets at FVOCI using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(b) *Other interest income* - Interest income on all trading assets and financial assets mandatorily required to be measured at FVTPL is recognized using the contractual interest rate and is included under Interest Income on financial assets at fair value through profit or loss.

(c) *Service charges, fees and commissions* - Service charges, fees and commissions are generally recognized when the service has been provided. Loan commitment fees are earned as services are provided, recognized as other income on a time proportion basis over the commitment period.

The Group has a loyalty points programme as part of its credit cards business which allows customers to accumulate points that can be redeemed for free products. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer.

A portion of the interchange fee is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of products by the customer.

(d) *Gain (loss) on trading and investment securities* - Gain (loss) on trading and investment securities is recognized when the contractual rights on the securities is transferred to the buyer (at an amount equal to the difference of the selling price and the carrying amount of securities) and as a result of the mark-to market valuation of outstanding securities classified as FVTPL at year-end.

(e) *Miscellaneous* income includes the following accounts:

- *Commissions earned on credit cards* - Commissions earned on credit cards are recognized as income 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. Purchases by the credit cardholders, collectible on installment basis, are recorded at the cost of the items purchased. Interest income is recognized on every term of installment billed to the cardholders and computed using the effective interest method.

- *Gain (loss) from assets sold or exchanged* - Profit or loss from assets sold or exchanged is recognized when the control of the assets is transferred to the buyer or when the collectibility of the entire sales price is reasonably assured.

- *Rental* - Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms on ongoing leases.

- *Income from bancassurance business* - Exclusive access fee (EAF) related to the bancassurance partnership is recognized as revenue by reference to the completion rate of the target cumulative annualized premium earned.

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

- *Income from trust operations* - Trust fees related to investment funds are recognized in reference to the net asset value of the funds. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

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

The Group as Lessee accounts for its leases as follows:

Group as Lessor
Leases, which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Lease income from operating leases is recognized as income in the statement of income on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

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

i. Right-of-use assets
The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU 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.

ii. Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expense (unless they are incurred to produce inventories) in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest recognized under Interest expense of bills payable and other liabilities and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii. *Short-term leases and leases of low-value assets*
The Group applies the short-term lease recognition exemption to its short-term leases for some branches and the related parking spaces, stalls used for specific events and several office equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of ATM offsite locations, signages and several items of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term as is recognized as part of 'Occupancy' in the statement of income.

Foreign Currency Transactions and Translations
The accounting records of the Group are maintained in Philippine pesos except for the FCDU of the Parent Bank which are maintained in United States (U.S.) dollars. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

For financial reporting purposes, the accounts of the FCDU are translated into their equivalents in Philippine pesos based on the Philippine Dealing System closing rates (PDSCR) prevailing at the end of the period (for resources and liabilities) and at the average PDSCR for the period (for income and expenses).

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

Changes in the fair value of monetary financial assets denominated in foreign currency are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in the statement of income, and other changes in the carrying amount are recognized in other comprehensive income.

Impairment of Non-financial Assets
The Group's intangible assets (consisting of goodwill and computer software recorded as part of Other resources), bank premises, furniture, fixtures and equipment, investment properties, investments in subsidiaries (for Parent Bank only) and other non-financial assets are subject to impairment testing. Intangible assets with an indefinite useful life, such as goodwill, are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment loss is recognized in the statement of income for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value, reflecting market conditions, less costs to sell and value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss, except for goodwill.

Employee Benefits
The Group's employment benefits to employees are as follows:

(a) *Post-employment Defined Benefit Plan*
A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, noncontributory and administered by a trustee.

The liability recognized in the statement of financial position for a defined benefit plan (included as part of Other Liabilities) is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows arising from expected benefit payments using a discount rate derived from the interest rates of a zero-coupon government bond as published by Philippine Dealing & Exchange Corp., that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset and is included as part of Interest expense or Interest income in the statement of income.

Past-service costs are recognized immediately in the statement of income in the period of a plan amendment or curtailment.

(b) *Post-employment Defined Contribution Plan*
A defined contribution plan is a post-employment plan under which the Group pays fixed contributions. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred.

(c) *Termination Benefits*
Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring

that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) *Profit-Sharing and Bonus Plans*
The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Parent Bank's shareholders, as indicated in the statement of income, after certain regulatory adjustments. The Group recognizes a provision where it is contractually obliged to pay the bonus plans. The Group also recognizes a provision for profit-sharing and bonus plans where there is a past practice that has created a constructive obligation, whether paid in cash or in the form of shares of the Parent Bank to be issued under the Employee Stock Plan.

(e) *Compensated Absences*
Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting date.

They are included as part of Accrued taxes and other expenses under the Other liabilities account in the statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

Income Taxes
Tax expense recognized in the statement of income comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in capital funds, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply 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 end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in capital funds. In this case, the tax is also recognized in other comprehensive income or directly in capital funds, respectively.

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

Related Party Relationships and Transactions
Related Party Transactions are transactions or dealings with related parties, regardless of whether a price is charged. These covers all types of transactions both on and off-balance sheet and regardless of which side of the transaction/deal of the bank is acting.

Parties are said to be related if one has direct or indirect control as well as significant influence over the other. Related Parties of the Bank include, but is not limited to: (a) DOSRI, subsidiaries, affiliates, and any party that directly or indirectly has control over or is subjected to the control of the Bank as well as those with direct and indirect linkages to it, (b) the Bank's and its affiliated companies' directors, officers, stockholders, and their related interests and close family members, and (c) other persons and juridical entities whose interests may pose potential conflict with the Bank.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Earnings Per Share
Basic earnings per share are determined by dividing the net profit for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year, after retroactive effect to any stock dividends declared in the current year.

Diluted earnings per common share are also computed by dividing net profit by the weighted average number of common shares subscribed and outstanding at the end of the reporting period, after making adjustments to reflect the effects of any potentially dilutive preferred shares, stock options and warrants.

Trust and Fiduciary Activities
The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These resources and the related income arising thereon are excluded from these financial statements, as they are neither resources nor income of the Group.

Segment Reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and services as disclosed in Note 6, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these services require different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements in arriving at the operating profit of the operating segments.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a particular segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

The Group's operations are organized according to the nature of the products and services provided. Financial information on business segments is presented in Note 6.

Events After the End of the Reporting Period
Any post-year-end event that provides additional information about the Group's position at the statement of financial position date (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. Summary of Accounting Judgments and Estimates

The preparation of the Group's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

Unless otherwise stated, below significant judgments and estimates apply as of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023.

Critical Management Judgments in Applying Accounting Policies
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

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

In determining the classification of a financial instrument under PFRS 9, the Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument). The Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group.

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

In 2022 and 2021, the Parent Bank sold investment securities under the HTC FCDU sub portfolio with carrying amount of ₱1.7 billion and ₱47.4 billion, respectively, resulting in Gain on sale of investment securities at amortized cost totaling ₱100.2 million and ₱8.5 billion, respectively. The Parent Bank has assessed that such sales do not reflect a change in the business model of the Group. Accordingly, the remaining investment securities in the affected hold-to-collect subportfolio are continued to be measured at amortized cost.

Reclassification of Financial Assets as FVOCI into Financial Assets at Amortized cost
The acquisition of Citigroup Inc.'s consumer banking business in the Philippines (the Acquisition) in August 2022 substantially altered the Parent Bank's balance sheet composition both on the asset and liability sides. For the FCDU, the Acquisition has significantly changed its FCDU funding profile and together with its existing diversified funding structure, resulted in a change in objective of the management of financial assets in the FCDU moving forward.

With the substantial increase in the asset base of the Parent Bank and the significant change in the CASA profile, there is a need to adjust the Parent Bank's balance sheet and capital management strategies to reap the maimum benefit. These developments have led the Parent Bank to reevaluate its asset and liability managementstrategies for FCDU. Existing bank assets, including the objectives of the FVOCI Business Model have been reviewed, including the re-assessment of their accounting classification and the related impact to risk metrics. The Bank then revisited its strategy, and consequently, has determined that there has been a fundamental change to its existing business model for managing FCDU FVOCI securities, which resulted in selling the securities being integral to the management of the securities to no longer exist and expected to be incidental only. The portfolio is now held under hold to collect where contractual cash flows will be collected and reinvested to ensure that the desired balance sheet structure is achieved in the most efficient manner. As part of the Parent Bank's governance process, the business model change has been presented to the Market Risk Committee and Risk Management Committee for review, and for approval and endorsement to the BOD. In line with this, the

Parent Bank's BOD in its meeting held on December 16, 2022, approved the business model change and the consequent reclassification of FCDU FVOCI sub-porftolio (excluding the FX Liquidity sub-portfolio) to FCDU HTC.

As required by PFRS 9, the reclassification was applied prospectively on January 1, 2023, the first day of the reporting period following the change in business model. The reclassification on January 1, 2023 resulted in: (1) the decrease in investment securities at FVOCI with fair value of $903.21 million (₱50.36 billion); (2) reversal of related net unrealized fair value losses on FVOCI amounting to $185.36 million (₱10.33 billion), as if the investment securities are carried at amortized cost since acquisition; and, (3) increase in FCDU HTC financial assets at amortized cost amounting to $1.09 billion (₱60.69 billion), as if the investment securities had always been carried at amortized cost.

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

In view of this, the Group considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

Determining the lease term of contracts with renewal and termination options - Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group determined that generally, the options to extend or terminate the lease are not included in the determination of the lease term. These optional periods are not enforceable, as the Group cannot enforce the extension of the lease without the agreement from the lessor, and therefore, the Group does not have the right to use the asset beyond the non-cancellable period.

<u>Key Sources of Estimation Uncertainty</u>
The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

Estimation of impairment losses on Loans and other receivables, Financial assets at amortized cost and Financial assets at FVOCI
The measurement of impairment losses under PFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and

collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

Significant factors affecting the estimates on the ECL model include:

- The Group's internal grading model, which assigns PDs to individual grades. Sensitivities were applied, during risk rating, to consider uncertainties on available economic forecasts.
- The Group's criteria for assessing if there has been a SICR which is the basis for measuring allowances for financial assets on a Lifetime Expected Credit Loss (LTECL) basis. There are also qualitative assessments to consider significant increase in credit risk based on the identified risk profiles of their accounts and portfolios. In 2023 and 2022, the Parent Bank updated the stage assessment to include enhancements on the factors considered in the movements in the borrower's credit rating when determining the significant increase in credit risk, which include rating threshold triggers.
- The Group's definition of default. The Bank considers the regulatory requirement and the Bank's indicators of loss events.
- Development of ECL models, including the various formulas and the choice of inputs. Similar to prior years, in 2023 and 2022, models have been reviewed and revised as appropriate based on latest reviews, economic outlook and studies from external sources. In 2022, the Group updated the PD models for wholesale and certain retail portfolios, the LGD model for home loan, and the EAD for credit cards considering the credit conversion factor (CCF). In 2023, the Bank developed new ECL models for the newly acquired Citibank portfolios. In addition, PD estimates for certain retail products were created. For wholesale sectors, the Parent Bank incorporated environmental and social (E&S) factors into the calculation of PDs based on E&S client due diligence.
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels, level of government spending, and collateral values, and their effect on PDs, EADs and LGDs. As the economy progresses to post-pandemic scenario, analyses and forecasts were reviewed and updated if needed as the economic conditions evolved. The quantitative overlays were complemented by experience-based expert judgment inputs through management overlays considered integral to the systematic process.

The carrying amount of loans and other receivables and the related allowance are disclosed in Notes 14 and 20, while the carrying amount of debt financial assets classified under amortized cost and fair value through other comprehensive income and the related allowances are disclosed in Notes 12, 13 and 20.

Fair value of derivatives
Management applies valuation techniques to determine the fair value of derivatives that are not quoted in active markets. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Valuation techniques are used to determine fair values which are validated and periodically reviewed. To the extent practicable, models use observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions could affect reported fair value of financial instruments. The Group uses judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

The fair values of derivatives as of December 31, 2023 and 2022 are presented and grouped into the fair value hierarchy in Note 7.

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 likely timing and level of future taxable income together with future tax planning strategies.

The carrying value of recognized deferred tax assets is disclosed in Note 30.

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 of the related CGU is insufficient to support its carrying value. The Group determines the recoverable value of goodwill by discounting the estimated excess earnings using the weighted-average cost of capital (WACC) as the discount rate. The Group estimates the discount rate used for the computation of the net present value by reference to industry cost of capital.

The recoverable amount of the CGU is determined based on a value-in-use calculation using cash flow projections from financial budgets covering a five-year period. Financial budget for the immediately succeeding year is approved by senior management and BOD of the Parent Bank, while the financial budgets for the other years of cash flow projections are determined by corporate planning group and the relevant business units. In 2023, the key assumptions used in the calculation of value-in-use, including loan and deposit growth rates, net interest margin, have been updated to consider the effect of the pandemic. The discount rates used for the computation of the value in use for various CGUs (see Note 18) are based on the pre-tax discount rates ranging from 10.2% to 26.3% and from 11.63% to 34.81% as of December 31, 2023 and 2022, respectively. The long-term growth rates used is 6.2% as of December 31, 2023 and 5.7% as of December 31, 2022. The CGUs to which the goodwill is allocated and related carryings are disclosed in Note 18.

Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

The carrying amount of goodwill is disclosed in Note 18.

Valuation of post-employment and other benefits
The determination of the Group's obligation and cost of pension and other post-employment benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, expected rates of salary increase, and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or loss and the carrying amount of the post-employment benefit obligation in the next reporting period.

The Group also estimates other employee benefit obligations and expenses, including the cost of paid leaves based on historical leave availments of employees, subject to the Group and the Parent Bank policies. These estimates may vary depending on future changes in salaries and actual experiences during the year.

The amounts of post-employment defined benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment defined benefit obligation, as well as significant assumptions such as salary rate increase, discount rates, and turnover rates used in estimating such obligation are presented in Note 29.

Fair value determination of assets acquired and liabilities assumed from business combinations
As discussed in Note 1, the Parent Bank completed the acquisition of Citigroup Inc.'s consumer banking business in the Philippines. The Group sought an independent valuation for certain assets and liabilities acquired, including the identifiable intangible assets from the acquisition. In 2023, the Parent Bank finalized the determination of the fair values of the assets acquired and liabilities assumed from the acquisition of Citigroup Inc.'s consumer banking business in the Philippines.

In 2022, the Group finalized the determination of the fair values of the assets acquired and liabilities assumed from the acquisitions of Bangko Kabayan and PBI (see Note 15).

The Group determines the acquisition-date fair values of identifiable assets acquired and liabilities assumed from the acquiree without quoted market prices based on the following:
- For assets and liabilities that are short term in nature, carrying values approximate fair values;
- For financial assets and liabilities that are long-term in nature, fair values are estimated through the discounted cash flow methodology, using the appropriate market rates (e.g., current lending rates); and
- For nonfinancial assets such as property and equipment and investment properties, fair values are determined based on an appraisal which follows sales comparison approach and depreciated replacement cost approach depending on the highest and best use of the assets.
- For identifiable intangible assets such as customer relationships and core deposits, fair values are determined based on the discounted cash flows of the expected benefits from the net assets acquired.

4. Risk Management Objectives and Policies

Risks are inherent in the business activities of the Group. Among its identified risks are credit risk, liquidity risk, market risk, interest rate risk, foreign exchange risk, operational risk, information security risk, legal risk, and regulatory risk. These are managed through a risk management framework and governance structure that provides comprehensive controls and management of major risks on an ongoing basis.

Risk management is the process by which the Group identifies its key risks, collects consistent and understandable risk measures, decides which risks to take on or reduce and establishes procedures for monitoring the resulting risk positions. The objective of risk management is to ensure that the Group conducts its business within the risk levels set by the BOD while business units pursue their objective of maximizing returns.

Risk Management Structure

The BOD of the Parent Bank exercises oversight over the Parent Bank's risk management process as a whole and through its various risk committees. For the purpose of day-to-day management of risks, the Parent Bank has established independent Risk Management Units (RMUs) that objectively review and ensure compliance with the risk parameters set by the BOD. The RMUs are responsible for the monitoring and reporting of risks to senior management and the various committees of the Parent Bank.

On the other hand, the risk management processes of its subsidiaries are handled separately by their respective BODs.

The Parent Bank's BOD is primarily responsible for setting the risk appetite, approving risk parameters, proposed credit policies, and investment guidelines, as well as establishing the overall risk-taking capacity of the Parent Bank. To fulfill its responsibilities in risk management, the BOD has established the following committees, whose functions are described below.

(a) The Executive Committee (EXCOM) is composed of seven (7) members of the BOD. The EXCOM exercises certain functions as delegated by the BOD, including among others, the approval of credit and loan transactions, asset recovery, real and other properties acquired sales, and such other transactions as may be initiated by the Bank units within the EXCOM's delegated limits.

(b) The Risk Management Committee (RMC) is composed of at least seven (7) members of the BOD, majority of whom are independent directors including the Chairman, who cannot be the chairman of the board or any other board committee. The RMC advises the BOD regarding the Bank's overall current and future risk appetite, oversees Senior Management's adherence to the risk appetite statement, and reports on the state of risk culture of the Parent Bank. The RMC oversees the Bank's risk management framework and the risk management function. The RMC also provides oversight, direction, and guidance to the other risk committees, specifically the Market Risk Committee (MRC) and the Operations Risk Management Committee (ORMC).

(c) The MRC is composed of nine (9) members of the BOD, majority of whom are independent directors, including the Chairman. The MRC is primarily responsible for reviewing the risk management policies and practices relating to market risk including interest rate risk in the banking book and liquidity risk.

(d) The ORMC is composed of at least seven (7) members of the BOD, all of whom are non-executive, with the Chairman being an independent director. The ORMC reviews various operational risk policies and practices and approves the Operational Risk Management Framework which forms part of the Bank's enterprise risk management system that covers all business and functional units, including outsourced services, services provided to external parties, and environmental and social-related operational risk requirements. The ORMC also provides oversight on the implementation of a sound business continuity management framework.

(e) The Audit Committee is composed of seven (7) members, all non-executive and majority of whom are independent, including the Chairman, most of whom are with accounting, auditing, or related financial management expertise or experience. The skills, qualifications, and experience of the committee members are appropriate for them to perform their duties as laid down by the BOD.

The Audit Committee serves as principal agent of the BOD in ensuring independence of the Parent Bank's external auditors and the internal audit function. It also oversees the Parent Bank's financial reporting process on behalf of the BOD. It assists the BOD in fulfilling its fiduciary responsibilities as to accounting policies, reporting practices and the sufficiency of auditing relative thereto, and regulatory compliance.

To effectively perform these functions, the Audit Committee has a good understanding of the Parent Bank's business including the following: Parent Bank's structure, businesses, controls, and the types of transactions or other financial reporting matters applicable to the Parent Bank as well as to determine whether the controls are adequate, functioning as designed, and operating effectively. It also considers the potential effects of emerging business risks and their impact on the Parent Bank's financial position and results of operations.

Among the responsibilities of the Audit Committee are:

- *Oversight of the financial reporting process*. The Audit Committee ensures that the Parent Bank has a high-quality reporting process that provides transparent, consistent, and comparable financial statements. In this regard, the Audit Committee works closely with management especially the Office of the Financial Controller, the Internal Audit Group (IAG), as well as the external auditors, to effectively monitor the financial reporting process.

- *Monitoring and evaluation of internal control*. The Audit Committee, through the IAG, monitors and evaluates the adequacy and effectiveness of the Parent Bank's internal control framework, integrity of financial reporting, and security of physical assets. The Audit Committee ensures that a proactive and forward-looking approach on evaluation of risks and controls is taken. The Audit Committee also ensures that periodic assessment of the internal control system is conducted to identify weaknesses and evaluates its robustness considering the risk profile and strategic direction of the Parent Bank.

- *Oversight of the audit process*. The Audit Committee is knowledgeable on audit function and the audit process. The Audit Committee maintains supportive, trusting, and inquisitive relationships with both internal and external auditors to enhance its effectiveness.

- *Oversight of the outsourced internal audit activities*. The Audit Committee oversees the performance of the internal audit service provider and ensures that they comply with sound internal auditing standards and other supplemental standards issued by regulatory authorities/government agencies, as well as with relevant code of ethics.

- *Oversees the implementation of Group Internal Audit Policy.* The Audit Committee oversees the implementation of the policy through the periodic reports on oversight of the Group Internal Audit and takes appropriate action on any group internal oversight issues identified. The Audit Committee reviews and evaluates the group internal audit policy, and any amendments thereto, and endorses the same to the BOD for approval.

- *Oversight of the whistle-blowing mechanism.* The Audit Committee oversees the establishment of a whistle-blowing mechanism in the Parent Bank by which officers and staff shall in confidence raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It also ensures that independent investigation, appropriate follow-up, action, and subsequent resolution of complaints are in place.

- *Reporting responsibilities.* The Audit Committee regularly reports to the Board of Directors about committee activities in relation to its responsibilities and how they were discharged, issues, and related recommendations.

In the performance of these functions, the Audit Committee is supported by the IAG. The Chief Audit Executive derives authority from and is directly accountable to the Audit Committee. However, administratively, the Chief Audit Executive reports to the President of the Parent Bank.

The IAG is entirely independent from all the other organizational units of the Parent Bank, as well as from the personnel and work that are to be audited. It operates under the direct control of the Audit Committee and is given an appropriate standing within the Parent Bank to be free from bias and interference. The IAG is free to report its findings and appraisals internally at its own initiative to the Audit Committee.

The IAG is authorized by the Audit Committee to have unrestricted access to all functions, records, property, and personnel of the Bank subject to existing mandate and applicable laws. This includes the authority to allocate resources, set audit frequencies, select subjects, determine scope of work, and apply the techniques required to accomplish the audit engagement objectives.

The IAG is also authorized to obtain the necessary assistance from personnel within the Parent Bank units where they perform audits, as well as other specialized services within or outside the Parent Bank.

The IAG presents its risk-based rolling 1-year audit plan that is forward-looking and consistent with the Parent Bank's strategic plans and priorities every quarter for approval by the Audit Committee.

At least once a month, the Audit Committee meets to discuss the results of the assurance and consulting engagements, and case investigations by IAG. Financial reporting and Controllership related topics are also included as needed. The results of these meetings are regularly reported by the Audit Committee Chairman to the BOD in its monthly meetings.

As the Bank continuously evolves towards its digitization strategy, IAG has undertaken initiatives to adapt and expand its processes, and to provide relevant and timely recommendations to the Bank. IAG has implemented continuous auditing process that aims to provide assurance on high-risk, high-volume areas/process, on a real time, or near-real time basis.

IAG adopted the Governance, Risk & Compliance (GRC) system which aims to integrate the operational risk management across the Parent Bank. IAG also uses it as an audit management system to aid in ensuring quality and completeness of documentation across its different engagements. IAG also implemented remote auditing and leveraged on the document management system of the Bank.

(f) The Corporate Governance Committee (CGC) is primarily responsible for helping the BOD fulfill its corporate governance and compliance responsibilities. It is responsible for ensuring the BOD's effectiveness and due observance of corporate governance principles and of oversight over the compliance risk management. It assists in the establishment of a compliance program that facilitates the escalation and resolution of compliance issues expeditiously.

The CGC is composed of nine (9) members of the BOD, all non-executive, majority of whom, including its Chairman, are independent directors. Its specific duties include, among others, making recommendations to the BOD regarding continuing education of directors, overseeing the periodic performance evaluation of the 1) Board; 2) Board Committees; 3) Individual Directors; 4) Management-level Committees (through the respective committee secretariats; and 5) Chief Compliance and Corporate Governance Officer (CCO).

The CGC also performs oversight functions over the Compliance and Corporate Governance Office (CCGO) and the following management-level committees: 1) Anti-Money Laundering Committee and 2) Discipline Committee.

Senior management, through the CCO, periodically reports to the CGC the status of regulatory audit and compliance testing findings until their closure. Any material breaches of the compliance program are reported to and promptly addressed by the CCO within the mechanisms defined by the Compliance Manual.

The Parent Bank's CCO defines the Group's governance and compliance requirements and works closely with the subsidiaries' Chief Compliance Officers in the execution of these standards.

The CGC acts as the Bank's Nomination Committee and reviews the qualifications of and screens candidates for the board including nominees for independent directors and key officers of the Parent Bank. It also oversees the succession plan for board members and senior officers, and directs the alignment of the latter's remuneration with corporate and individual performance.

The Parent Bank's CCO assists the CGC in fulfilling its functions by apprising the same of (1) pertinent regulations and other issuances relating to compliance and corporate governance, (2) related regulatory issues and compliance initiatives affecting the various units and the status of the corrective action plans, and (3) continuously giving updates thereon. In addition, the CCO keeps the CGC abreast of best governance practices and discusses issues brought up among private organizations and individuals advocating good governance philosophy.

(g) The Related Party Transaction Committee is composed of at least five (5) members of the BOD, all of whom are independent directors, with the Internal Audit Head and Chief Compliance Officer as resource persons. The Committee assists the BOD in the fulfillment of its corporate governance responsibilities on related party transactions by ensuring that the latter are transacted on arm's length terms. The Committee reviews and endorses the related party transactions to the BOD for approval or confirmation, depending on the amounts involved. On January 26, 2024, the Board of Directors appointed two more independent directors to the Related Party Transaction Committee, increasing the current number of members to five.

The major risk types identified by the Group are discussed in the following sections:

Credit Risk
Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligation to the Group. The risk may arise from lending, trade finance, treasury, investments, derivatives and other activities undertaken by the Group. Credit risk is managed through strategies, policies and limits that are approved by the respective BOD and/or Credit Committee of the various companies within the Group. With respect to the Parent Bank, it has a well-structured and standardized credit approval process and credit scoring system for each of its business and/or product segments.

The Enterprise Risk Management (ERM) undertakes several functions with respect to credit risk management. The ERM independently performs credit risk assessment, evaluation and review for its consumer, commercial and corporate financial products to ensure consistency in the Parent Bank's risk assessment process. It also ensures that the Parent Bank's credit policies and procedures are adequate and are constantly updated to meet the changing demands or risk profiles of the business units. The ERM also reported to the Board's Risk Management Committee.

The ERM's portfolio management function involves the review of the Parent Bank's loan portfolio, including the portfolio risks associated with particular customer segment, industry sectors, regions, loan size and maturity, and the development of a strategy for the Parent Bank to achieve its desired portfolio mix and risk profile. The ERM reviews the Parent Bank's loan portfolio quality in line with the Parent Bank's policy of avoiding significant concentrations of exposure to specific industries or groups of borrowers. Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features. Concentrations indicate the relative sensitivity of the Parent Bank's performance to developments affecting a particular industry or geographical location.

The Group and the Parent Bank consider concentration risk to be present when the total exposure to a particular industry exceeds 30.0% of the total exposure, which is similar to the BSP requirement. As of December 31, 2023 and 2022, the Group and the Parent Bank did not exceed the limit in any of its industry concentration.

In order to avoid excessive concentrations of risk, the Parent Bank's policies and procedures include guidelines for maintaining a diversified portfolio mix (e.g., concentration limits). Identified concentrations of credit risks are controlled and managed accordingly. The ERM also monitors compliance to the BSP's limit on exposures.

The table below shows the breakdown of the Group's and the Parent Bank's exposure on receivable from customers and investments and placements as of December 31, 2023 and 2022:

	2023	
	Group	**Parent Bank**
Corporate loans	**₱132,676,825**	**₱132,676,825**
Consumer products*	**120,130,248**	**120,130,248**
Commercial loans	**75,045,930**	**75,045,930**
Home loans	**70,547,795**	**70,547,795**
CSB salary loans	**84,456,190**	**–**
Other receivables from customers**	**46,418,744**	**11,860,899**
Total receivables from customers	**529,275,732**	**410,261,697**
Investments and placements	**491,108,029**	**436,698,874**
	₱1,020,383,761	**₱846,960,571**

**Comprised of Small and Medium Enterprise (SME) Financial Products and Consumer Loans*
***Comprised of HR loans, quick loans and Home Credit receivables*

	2022	
	Group	Parent Bank
Corporate loans	₱130,499,972	₱130,499,972
Consumer products*	99,202,486	99,202,486
Commercial loans	75,232,498	75,232,498
Home loans	65,659,469	65,659,469
CSB salary loans	64,029,282	–
Other receivables from customers**	45,871,855	20,002,091
Total receivables from customers	480,495,562	390,596,516
Investments and placements	492,852,118	442,454,859
	₱973,347,680	₱833,051,375

**Comprised of Small and Medium Enterprise (SME) Financial Products and Consumer Loans*
***Comprised of HR loans, quick loans and Home Credit receivables*

Investments and placements include financial assets at amortized cost, debt securities classified as financial assets at FVOCI, due from other banks, due from BSP and interbank loans receivable and the related accrued interest receivable amounting to ₱4.31 billion and ₱3.83 billion as of December 31, 2023 and 2022, respectively.

The following summarizes the Group's credit risk management practices and the relevant quantitative and qualitative financial information regarding the credit exposure according to portfolios:

Credit risk management practices and credit quality disclosures
<u>Corporate Loans</u>
Corporate lending activities are undertaken by the Parent Bank's Corporate Banking Center. The customer accounts under this group belong to the top tier corporations, conglomerates and large multinational companies.

The Parent Bank undertakes a comprehensive procedure for the credit evaluation and risk assessment of large corporate borrowers based on its obligor risk rating master scale.

The Parent Bank currently utilizes the same single rating system for both Corporate and Commercial accounts. In addition, the result on the latter is further refined through a second model to take more careful account of the nuances between the commercial bank portfolio with that of the corporate loan book.

The rating system assesses default risk based on financial profile, management capacity, industry performance, and other factors deemed relevant. Significant changes in the credit risk considering movements in credit rating, among other account-level profile and performance factors, define whether the accounts are classified in either Stage 1, Stage 2, or Stage 3 per PFRS 9 loan impairment standards. In 2023 and 2022, the Parent Bank updated the stage assessment to enhance the considerations related to movements in the borrower's credit rating when determining significant increase in credit risk, which include rating threshold triggers.

Based on foregoing factors, each borrower is assigned a Borrower Risk Rating (BRR), from AAA to D. In addition to the BRR, the Parent Bank assigns a loan exposure rating (LER), a 100-point system which consists of a Facility Tenor Rating (FTR) and a Security Risk Rating (SRR). The FTR measures the maturity risk based on the length of loan exposure, while the SRR measures the quality of the collateral and risk of its potential deterioration over the term of the loan. The FTR and the SRR, each a 100-point scoring system, are given equal weight in determining the LER.

Once the BRR and the LER have been determined, the credit limit to a borrower is determined under the Risk Asset Acceptance Criteria (RAAC) which is a range of acceptable combinations of the BRR and the LER. Under the RAAC system, a borrower with a high BRR will have a broader range of acceptable LERs.

The credit rating for each borrower is reviewed annually or earlier when there are extraordinary or adverse developments affecting the borrower, the industry and/or the Philippine economy such as the COVID-19 pandemic. Any major change in the credit scoring system, the RAAC range and/or the risk-adjusted pricing system is presented to and approved by the RMC.

The description of each credit quality grouping for the credit scores is explained further as follows:

High Quality Grade - These accounts are of the highest quality and are likely to meet financial obligations.

Standard Grade - These accounts may be vulnerable to adverse business, financial and economic conditions but are expected to meet financial obligations.

Substandard Grade - These accounts are vulnerable to non-payment but for which default has not yet occurred.

Non-Performing - These refer to accounts which are in default or those that demonstrate objective evidence of impairment.

Below is the breakdown of the Group and Parent Bank's corporate loans exposure (outstanding balance and accrued interest receivable) by masterscale rating as of December 31, 2023 and 2022:

		December 31, 2023			
		Amounts			
Credit Score	**Masterscale**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
High Quality Grade					
AAA to A-	1	**₱–**	**₱–**	**₱–**	**₱–**
BBB+	2	**3,883,509**	**–**	**–**	**3,883,509**
BBB	3	**2,770,438**	**–**	**–**	**2,770,438**
BBB- to BB+	4	**9,567,635**	**–**	**–**	**9,567,635**
Standard Grade					
BB to BB-	5	**49,358,202**	**40,118**	**–**	**49,398,320**
B+	6	**16,089,803**	**–**	**–**	**16,089,803**
B to B-	7	**29,983,735**	**4,832,351**	**–**	**34,816,086**
CCC+ to CCC	8	**3,583,286**	**10,170,378**	**–**	**13,753,664**
Substandard Grade					
Lower than CCC	9	**2,138,896**	**157,496**	**–**	**2,296,392**
Non-Performing					
Default	10	**–**	**–**	**100,978**	**100,978**
		₱117,375,504	**₱15,200,343**	**₱100,978**	**₱132,676,825**

		December 31, 2022			
		Amounts			
Credit Score	Masterscale	Stage 1	Stage 2	Stage 3	Total
High Quality Grade					
AAA to A-	1	₱–	₱–	₱–	₱–
BBB+	2	4,702,187	–	–	4,702,187
BBB	3	–	–	–	–
BBB- to BB+	4	42,470,009	30,021	–	42,500,030
Standard Grade					
BB to BB-	5	26,794,965	40,651	–	26,835,616
B+	6	4,983,374	–	–	4,983,374
B to B-	7	30,739,257	10,649,085	–	41,388,342
CCC+ to CCC	8	9,776,060	76,577	–	9,852,637
Substandard Grade					
Lower than CCC	9	77,012	7,816	–	84,828
Non-Performing					
Default	10	–	–	152,958	152,958
		₱119,542,864	₱10,804,150	₱152,958	₱130,499,972

Commercial Loans

The Group and Parent Bank's commercial banking activities are undertaken by its Commercial Banking Center (ComBank). These consist of banking products and services rendered to customers which are entities that are predominantly middle market companies. These products and services are similar to those provided to large corporate customers, with the predominance of trade finance-related products and services.

The non-financial ComBank accounts use an adjusted obligor rating scale derived from the one applied for corporate loans, and follows the same RAAC framework, while ComBank accounts classified as banks and non-bank financial institutions are still rated using the 2018 rating scale.

Below is the breakdown of the Group and Parent Bank's commercial loans exposure (outstanding balance and accrued interest receivable) by masterscale rating as of December 31, 2023 and 2022 for financial and non-financial institutions:

Financial Institutions

		December 31, 2023			
		Amounts			
Credit Score	Masterscale	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
High Quality Grade					
AAA to A-	1	**₱–**	**₱–**	**₱–**	**₱–**
BBB+	2	**–**	**–**	**–**	**–**
BBB-	3	**–**	**–**	**–**	**–**
BBB- to BB+	4	**2,509,605**	**–**	**–**	**2,509,605**
Standard Grade					
BB to BB-	5	**29,328**	**–**	**–**	**29,328**
B+	6	**1,152,948**	**–**	**–**	**1,152,948**
B to B-	7	**17,526,941**	**–**	**–**	**17,526,941**
CCC+ to CCC	8	**738,545**	**–**	**–**	**738,545**
Substandard Grade					
Lower than CCC	9	**75,396**	**–**	**–**	**75,396**
Non-Performing					
Default	10	**–**	**–**	**28,176**	**28,176**
		₱22,032,763	**₱–**	**₱28,176**	**₱22,060,939**

		December 31, 2022			
		Amounts			
Credit Score	Masterscale	Stage 1	Stage 2	Stage 3	Total
High Quality Grade					
AAA to A-	1	₱–	₱–	₱–	₱–
BBB+	2	–	–	–	–
BBB-	3	–	–	–	–
BBB- to BB+	4	250,218	–	–	250,218
Standard Grade					
BB to BB-	5	1,974,404	–	–	1,974,404
B+	6	1,151,668	–	–	1,151,668
B to B-	7	8,393,725	–	–	8,393,725
CCC+ to CCC	8	7,809,630	–	–	7,809,630
Substandard Grade					
Lower than CCC	9	135,453	–	–	135,453
Non-Performing					
Default	10	–	–	28,430	28,430
		₱19,715,098	₱–	₱28,430	₱19,743,528

Non-financial Institutions

	December 31, 2023			
	Amounts			
Masterscale	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
1	**₱–**	**₱–**	**₱–**	**₱–**
2	**–**	**–**	**–**	**–**
3	**360,593**	**–**	**–**	**360,593**
4	**4,018,599**	**–**	**–**	**4,018,599**
5	**13,994,067**	**47,556**	**–**	**14,041,623**
6	**6,860,808**	**–**	**–**	**6,860,808**
7	**14,892,588**	**–**	**–**	**14,892,588**
8	**1,483,261**	**28,839**	**–**	**1,512,100**
9	**307,030**	**1,525,569**	**–**	**1,832,599**
10	**3,272**	**21,878**	**9,440,931**	**9,466,081**
	₱41,920,218	**₱1,623,842**	**₱9,440,931**	**₱52,984,991**

	December 31, 2022			
	Amounts			
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱–	₱–	₱–	₱–
2	–	–	–	–
3	1,377,275	–	–	1,377,275
4	3,056,524	–	–	3,056,524
5	10,820,105	504,744	–	11,324,849
6	14,048,050	4,112,895	–	18,160,945
7	13,655,655	51,023	–	13,706,678
8	1,020,102	1,050,094	–	2,070,196
9	604,258	1,166,003	–	1,770,261
10	30,909	85,377	3,905,956	4,022,242
	₱44,612,878	₱6,970,136	₱3,905,956	₱55,488,970

Small and Medium Enterprise (SME) Financial Products

SME portfolio is composed of Business Lines and a small portion from emerging products. Each of these products has established credit risk guidelines and systems for managing credit risk across all businesses. Credit models are constantly reviewed and updated as necessary while data analytics have been enhanced to improve portfolio quality and product offers.

Consumer Financial Products

The Consumer loan portfolio of the Parent Bank is composed of four main product lines, namely: Home Loans, Credit Card, Personal Loans, and Auto Loans. Each of these products has established credit risk guidelines and systems for managing credit risk across all products. Credit models are constantly reviewed and updated as necessary supported by enhanced data analytics to improve portfolio quality and product offers.

For the subsidiary, CSB, an accredited lending institution of the Department of Education (DepEd), provides salary loans to teachers under an agreement with DepEd for payroll deductions. CSB also provides motorcycle loans as a result of its acquisition and subsequent merger with PR Savings Bank.
Exposure to credit risk is managed through diligent assessment upon onboarding and regular portfolio and segment analysis of the ability of borrowers to meet interest and principal repayment obligations and by changing these lending limits when appropriate.

The Consumer products' respective masterscale is defined by the credit scoring models, which consider demographic variables and behavioral performance, to segment the portfolio according to risk masterscale per product. The stages are defined by the approved SICR for Consumer which takes into account the following: NPL status, days past due, and credit score rating for Application Score (point of application) and Behavior Score (monthly credit performance).

Both Home Loans (except Contract to Sell - CTS) and Legacy Credit Cards use rating scale 1 to 6, while Citi Credit Cards and Personal Loans use rating scale 1 to 13 and 1 to 17, respectively. CTS utilizes the Corporate ratings ranging from 1 to 9. Meanwhile, Auto Loans and SME products use rating scale 1 to 5.

Below is the breakdown of the Group's and the Parent Bank's major consumer portfolio loans exposure (outstanding balance and accrued interest receivable) by masterscale rating as of December 31, 2023 and 2022:

Home Loans

	December 31, 2023			
	Amounts			
Masterscale	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
1	**₱7,859,646**	**₱28,100**	**₱–**	**₱7,887,746**
2	**10,828,564**	**46,860**	**–**	**10,875,424**
3	**9,507,714**	**187,012**	**–**	**9,694,726**
4	**8,532,904**	**419,933**	**–**	**8,952,837**
5	**8,795,005**	**735,960**	**–**	**9,530,965**
6	**2,905,576**	**1,621,101**	**–**	**4,526,677**
7	**12,069,230**	**–**	**–**	**12,069,230**
Default	**–**	**–**	**7,010,190**	**7,010,190**
	₱60,498,639	**₱3,038,966**	**₱7,010,190**	**₱70,547,795**

	December 31, 2022			
	Amounts			
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱7,640,551	₱–	₱–	₱7,640,551
2	10,467,797	–	–	10,467,797
3	10,920,928	39,841	–	10,960,769
4	8,489,749	313,319	–	8,803,068
5	7,357,469	544,792	–	7,902,261
6	1,878,642	682,064	–	2,560,706
7	11,511,153	–	–	11,511,153
Default	–	–	5,813,164	5,813,164
	₱58,266,289	₱1,580,016	₱5,813,164	₱65,659,469

Consumer Products (Credit cards and Personal loan portfolio)

	December 31, 2023			
	Amounts			
Masterscale	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
0	**₱17,859,240**	**₱234,278**	**₱–**	**₱18,093,518**
1	**11,807,491**	**2,261**	**–**	**11,809,752**
2	**18,166,397**	**12,795**	**–**	**18,179,192**
3	**19,122,782**	**10,823**	**–**	**19,133,605**
4	**12,244,860**	**16,775**	**–**	**12,261,635**
5	**9,980,209**	**21,950**	**–**	**10,002,159**
6	**273,541**	**291**	**–**	**273,832**
7	**523,765**	**1,754**	**–**	**525,519**
8	**701,743**	**15,805**	**–**	**717,548**
9	**39,307**	**109,088**	**–**	**148,395**
10	**68,774**	**195,742**	**–**	**264,516**
11	**51,735**	**409,384**	**–**	**461,119**
12	**–**	**616,926**	**–**	**616,926**
13	**–**	**72,940**	**1,615,309**	**1,688,249**
14	**–**	**104,610**	**–**	**104,610**
15	**–**	**40,954**	**–**	**40,954**
16	**–**	**80,847**	**–**	**80,847**
17	**–**	**–**	**422,955**	**422,955**
	₱90,839,844	**₱1,947,223**	**₱2,038,264**	**₱94,825,331**

	December 31, 2022			
	Amounts			
Deliquency Bucket	Stage 1	Stage 2	Stage 3	Total
0	₱73,051,126	₱192,070	₱27,577	₱73,270,773
1	1,569,678	60,467	2,266	1,632,411
2	–	413,390	3,383	416,773
3	–	300,022	9,945	309,967
4	–	–	185,255	185,255
5	–	–	154,904	154,904
6	–	–	120,610	120,610
	₱74,620,804	₱965,949	₱503,940	₱76,090,693

Consumer Products (SME Financial Products, Legacy Credit Cards and Auto Loans)

	December 31, 2023			
	Amounts			
Masterscale	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
1	**₱3,642,044**	**₱83,997**	**₱–**	**₱3,726,041**
2	**3,481,836**	**218**	**–**	**3,482,054**
3	**3,064,521**	**40,052**	**–**	**3,104,573**
4	**4,063,824**	**72,780**	**–**	**4,136,604**
5	**5,282,769**	**143,649**	**–**	**5,426,418**
6	**4,140,919**	**1,159,220**	**–**	**5,300,139**
7	–	–	–	–
8	–	–	–	–
9	–	–	–	–
Default	**–**	**–**	**129,088**	**129,088**
	₱23,675,913	**₱1,499,916**	**₱129,088**	**₱25,304,917**

	December 31, 2022			
	Amounts			
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱2,804,812	₱182,287	₱–	₱2,987,099
2	2,451,709	–	–	2,451,709
3	4,238,197	483,315	–	4,721,512
4	3,534,179	2,596	–	3,536,775
5	3,762,453	41,294	–	3,803,747
6	2,614,899	147,808	–	2,762,707
7	–	–	–	–
Default	–	–	2,848,244	2,848,244
	₱19,406,249	₱857,300	₱2,848,244	₱23,111,793

CSB Salary Loans
For CSB salary loans, which relates to the DepEd loans of CSB, each borrower is assigned a credit score with E as minimal risk, D as low risk, C as moderate risk, B as average risk and A as high risk.

The description of each credit quality grouping for the credit scores is explained further as follows:

High grade (minimal to low risk) - These are receivables which have a high probability of collection. The counterparty has the apparent ability to satisfy its obligation and the security on the receivables is readily enforceable.

Standard grade (moderate to average risk) - These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but with experience of default.

Substandard (high risk) - Accounts classified as “Substandard” are individual credits or portions thereof which appear to involve a substantial and unreasonable degree of risk to CSB because of unfavorable record or unsatisfactory characteristics. There exists in such accounts the possibility of future loss to CSB unless given closer supervision. Those classified as “Substandard” must have a well-defined weakness or weaknesses that jeopardize their liquidation. Such well-defined weaknesses may include adverse trends or development of financial, managerial, economic or political nature, or a significant weakness in collateral.

Below is the breakdown of CSB’s salary loans exposure (outstanding balance and accrued interest receivable) by credit score as of December 31, 2023 and 2022:

	December 31, 2023			
	Amounts			
Credit Score	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
D to E	**₱11,268,117**	**₱34,833**	**₱–**	**₱11,302,950**
B to C	**64,281,214**	**1,596,857**	**–**	**65,878,071**
A	**1,143,608**	**110,276**	**–**	**1,253,884**
Default	**–**	**–**	**6,021,285**	**6,021,285**
	₱76,692,939	**₱1,741,966**	**₱6,021,285**	**₱84,456,190**

	December 31, 2022			
	Amounts			
Credit Score	Stage 1	Stage 2	Stage 3	Total
D to E	₱11,204,266	₱–	₱–	₱11,204,266
B to C	46,106,634	1,096,789	–	47,203,423
A	247,694	188,085	–	435,779
Default	–	–	5,185,814	5,185,814
	₱57,558,594	₱1,284,874	₱5,185,814	₱64,029,282

Other receivables from customers
Other receivables from customers of the Group and the Parent Bank include small portfolios such as, with respect to the Parent Bank, (i) personal loans, (ii) HR loans, (iii) bills purchased and (iv) customer liabilities under acceptances, (v) home credit receivables, (vi) teacher's loans acquired from CSB and, with respect to the subsidiaries, (i) personal loans, and (ii) motorcycle loans. Each of these products has established credit risk guidelines and systems for managing credit risk across all businesses.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate.

Each product was risk rated using techniques appropriate to the Group's and Parent Bank's credit experience. Such methods consider the payment history that are reflected in aging, delinquency, and/or change in rating. These provide the bases for the ECL stage determination.

The description of each groupings according to stage is explained further as follows:

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

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

Stage 3 - Those that are considered default of more than 90 days past due or demonstrates objective evidence of impairment as of reporting date.

Below is a summary as of December 31, 2023 and 2022 of the Group's and Parent Bank's other receivables from customers.

	December 31, 2023			
	Amounts			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Group	**₱34,868,654**	**₱2,241,167**	**₱9,308,923**	**₱46,418,744**
Parent Bank	**10,847,410**	**239,451**	**774,038**	**11,860,899**

	December 31, 2022			
	Amounts			
	Stage 1	Stage 2	Stage 3	Total
Group	₱37,691,857	₱2,674,618	₱5,505,380	₱45,871,855
Parent Bank	18,883,459	261,453	857,179	20,002,091

Investments and Placements
Investments and placements include financial assets at amortized cost, debt financial assets through other comprehensive income, due from BSP, interbank loans receivable, and due from other banks. Each has established credit risk guidelines and systems for managing credit risk across all businesses.

Below is the breakdown of the Group's and the Parent Bank's investments and placements (outstanding balance and accrued interest receivable) by masterscale rating as of December 31, 2023 and 2022:

Sovereign - Group

	December 31, 2023			
	Amounts			
Masterscale	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
1	**₱15,056,577**	**₱–**	**₱–**	**₱15,056,577**
2	–	–	–	–
3	–	–	–	–
4	**277,725**	–	–	**277,725**
5	**1,741,414**	–	–	**1,741,414**
6	–	–	–	–
7	–	–	–	–
8	–	–	–	–
9	**286,359,197**	–	–	**286,359,197**
10	–	–	–	–
11	**3,278,223**	**1,299,905**	–	**4,578,128**
12	–	–	–	–
13	–	–	–	–
14	–	**2,232,039**	–	**2,232,039**
15	–	–	–	–
16	–	–	–	–
Default	–	–	–	–
	₱306,713,136	**₱3,531,944**	**₱–**	**₱310,245,080**

	December 31, 2022			
	Amounts			
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱16,316,140	₱–	₱–	₱16,316,140
2	–	–	–	–
3	–	–	–	–
4	279,717	–	–	279,717
5	–	–	–	–
6	1,513,995	–	–	1,513,995
7	–	–	–	–
8	–	–	–	–
9	266,666,218	–	–	266,666,218
10	–	–	–	–
11	1,315,359	789,534	–	2,104,893
12	2,014,319	–	–	2,014,319
13	–	–	–	–
14	–	2,247,582	–	2,247,582
15	–	–	–	–
16	–	–	–	–
Default	–	–	–	–
	₱288,105,748	₱3,037,116	₱–	₱291,142,864

Corporate – Group

	December 31, 2023			
	Amounts			
Masterscale	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
1	**₱18,469,539**	**₱–**	**₱–**	**₱18,469,539**
2	**2,050,789**	**–**	**–**	**2,050,789**
3	**622,974**	**–**	**–**	**622,974**
4	**112,625,385**	**–**	**–**	**112,625,385**
5	**7,984,325**	**–**	**–**	**7,984,325**
6	**12,397,023**	**–**	**–**	**12,397,023**
7	**4,079,434**	**–**	**–**	**4,079,434**
8	**2,379,104**	**–**	**–**	**2,379,104**
9	**5,544,929**	**–**	**–**	**5,544,929**
10	**10,550,593**	**–**	**–**	**10,550,593**
11	**4,158,854**	**–**	**–**	**4,158,854**
12	**–**	**–**	**–**	**–**
13	**–**	**–**	**–**	**–**
Default	**–**	**–**	**–**	**–**
	₱180,862,949	**₱–**	**₱–**	**₱180,862,949**

	December 31, 2022			
	Amounts			
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱37,191,682	₱–	₱–	₱37,191,682
2	4,473,290	–	–	4,473,290
3	632,707	–	–	632,707
4	124,625,859	–	–	124,625,859
5	5,469,752	–	–	5,469,752
6	11,206,441	–	–	11,206,441
7	1,943,576	–	–	1,943,576
8	2,776,528	–	–	2,776,528
9	9,624,269	–	–	9,624,269
10	1,693,417	–	–	1,693,417
11	2,071,733	–	–	2,071,733
12	–	–	–	–
13	–	–	–	–
Default	–	–	–	–
	₱201,709,254	₱–	₱–	₱201,709,254

Sovereign – Parent Bank

	December 31, 2023			
	Amounts			
Masterscale	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
1	**₱15,056,577**	**₱–**	**₱–**	**₱15,056,577**
2	–	–	–	–
3	–	–	–	–
4	**277,725**	–	–	**277,725**
5	**1,741,414**	–	–	**1,741,414**
6	–	–	–	–
7	–	–	–	–
8	–	–	–	–
9	**277,165,707**	–	–	**277,165,707**
10	–	–	–	–
11	**3,278,223**	**1,299,905**	–	**4,578,128**
12	–	–	–	–
13	–	–	–	–
14	–	**2,232,039**	–	**2,232,039**
15	–	–	–	–
16	–	–	–	–
Default	–	–	–	–
	₱297,519,646	**₱3,531,944**	**₱–**	**₱301,051,590**

	December 31, 2022			
	Amounts			
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱16,316,140	₱–	₱–	₱16,316,140
2	–	–	–	–
3	–	–	–	–
4	279,717	–	–	279,717
5	–	–	–	–
6	1,513,995	–	–	1,513,995
7	–	–	–	–
8	–	–	–	–
9	257,339,212	–	–	257,339,212
10	–	–	–	–
11	1,315,359	789,534 –		₱2,104,893
12	2,014,319	–	–	2,014,319
13	–	–	–	–
14	–	2,247,582	–	2,247,582
15	–	–	–	–
16	–	–	–	–
Default	–	–	–	–
	₱278,778,742	₱3,037,116	₱–	₱281,815,858

Corporate – Parent Bank

	December 31, 2023			
	Amounts			
Masterscale	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
1	**₱18,469,539**	**₱–**	**₱–**	**₱18,469,539**
2	**2,050,789**	**–**	**–**	**2,050,789**
3	**622,974**	**–**	**–**	**622,974**
4	**71,489,154**	**–**	**–**	**71,489,154**
5	**7,984,325**	**–**	**–**	**7,984,325**
6	**12,397,023**	**–**	**–**	**12,397,023**
7	**–**	**–**	**–**	**–**
8	**2,379,104**	**–**	**–**	**2,379,104**
9	**5,544,929**	**–**	**–**	**5,544,929**
10	**10,550,593**	**–**	**–**	**10,550,593**
11	**4,158,854**	**–**	**–**	**4,158,854**
12	**–**	**–**	**–**	**–**
13	**–**	**–**	**–**	**–**
Default	**–**	**–**	**–**	**–**
	₱135,647,284	**₱–**	**₱–**	**₱135,647,284**

	December 31, 2022			
	Amounts			
Masterscale	Stage 1	Stage 2	Stage 3	Total
1	₱37,191,682	₱–	₱–	₱37,191,682
2	4,473,290	–	–	4,473,290
3	632,707	–	–	632,707
4	83,703,955	–	–	83,703,955
5	5,469,752	–	–	5,469,752
6	11,206,441	–	–	11,206,441
7	1,884,024	–	–	1,884,024
8	2,736,528	–	–	2,736,528
9	9,624,269	–	–	9,624,269
10	1,693,417	–	–	1,693,417
11	2,022,936	–	–	2,022,936
12	–	–	–	–
13	–	–	–	–
Default	–	–	–	–
	₱160,639,001	₱–	₱–	₱160,639,001

<u>Analysis of Movements of Gross Carrying Amounts</u>

Movements in 2023 and 2022 for total receivables from customers follow. The balances presented include the related accrued interest receivables:

<u>Group</u>

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balances at beginning of year	**₱431,414,633**	**₱25,137,043**	**₱23,943,886**	**₱480,495,562**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**198,247,972**	–	–	**198,247,972**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	–	**5,689,456**	**9,538,467**	**15,227,923**
Movements in receivable balance (excluding write-offs)	**(146,525,650)**	**(4,205,922)**	**(5,870,947)**	**(156,602,519)**
Transfers to Stage 1	**3,892,876**	**(2,153,493)**	**(1,739,383)**	–
Transfers to Stage 2	**(9,469,703)**	**9,815,342**	**(345,639)**	–
Transfers to Stage 3	**(9,655,654)**	**(6,989,003)**	**16,644,657**	–
Amounts written-off	–	–	**(8.093,206)**	**(8,093,206)**
Balances at end of year	**₱467,904,474**	**₱27,293,423**	**₱34,077,835**	**₱529,275,732**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱282,953,118	₱34,964,422	₱21,970,626	₱339,888,166
Newly originated assets that remained in Stage 1 as at December 31, 2023	204,366,140	–	–	204,366,140
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	–	10,994,810	4,132,300	15,127,110
Movements in receivable balance (excluding write-offs)	(127,828,623)	(12,871,190)	(640,456)	(141,340,269)
Transfers to Stage 1	16,082,298	(11,938,827)	(4,143,471)	–
Transfers to Stage 2	(4,345,040)	4,870,309	(525,269)	–
Transfers to Stage 3	(4,737,502)	(1,260,552)	5,998,054	–
Amounts written-off	(16,778)	(4,394)	(3,090,214)	(3,111,386)
Effects of business combination (see Note 1)	64,941,020	382,465	242,316	65,565,801
Balances at end of year	₱431,414,633	₱25,137,043	₱23,943,886	₱480,495,562

Parent Bank

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balances at beginning of year	**₱354,666,830**	**₱22,312,321**	**₱13,617,365**	**₱390,596,516**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**115,800,971**	–	–	**115,800,971**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	–	**2,516,824**	**2,454,117**	**4,970,941**
Movements in receivable balance (excluding write-offs)	**(90,226,268)**	**(2,525,845)**	**(1,651,979)**	**(94,404,092)**
Transfers to Stage 1	**2,613,555**	**(1,733,947)**	**(879,608)**	–
Transfers to Stage 2	**(9,049,528)**	**9,385,315**	**(335,787)**	–
Transfers to Stage 3	**(6,615,269)**	**(6,404,927)**	**13,020,196**	–
Amounts written-off	–	–	**(6,702,639)**	**(6,702,639)**
Balances at end of year	**₱367,190,291**	**₱23,549,741**	**₱19,521,665**	**₱410,261,697**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱230,841,937	₱32,938,659	₱15,193,263	₱278,973,859
Newly originated assets that remained in Stage 1 as at December 31, 2023	137,123,696	–	–	137,123,696
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	–	8,466,219	1,814,489	10,280,708
Movements in receivable balance (excluding write-offs)	(86,987,037)	(11,371,851)	(254,062)	(98,612,950)
Transfers to Stage 1	15,939,588	(11,814,113)	(4,125,475)	–
Transfers to Stage 2	(4,102,795)	4,622,984	(520,189)	–
Transfers to Stage 3	(3,089,579)	(912,042)	4,001,621	–
Amounts written-off	–	–	(2,734,598)	(2,734,598)
Effects of business combination (see Note 1)	64,941,020	382,465	242,316	65,565,801
Balances at end of year	₱354,666,830	₱22,312,321	₱13,617,365	₱390,596,516

The movements in 2023 and 2022 for total receivables from customers follow:

Corporate Loans - Group and Parent Bank

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balances at beginning of year	**₱119,542,864**	**₱10,804,150**	**₱152,958**	**₱130,499,972**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**25,719,830**	–	–	**25,719,830**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	–	**263,017**	–	**263,017**
Movements in receivable balance (excluding write-offs)	**(23,189,804)**	**(564,210)**	**(51,980)**	**(23,805,994)**
Transfers to Stage 2	**(4,697,386)**	**4,697,386**	–	–
Balances at end of year	**₱117,375,504**	**₱15,200,343**	**₱100,978**	**₱132,676,825**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱89,626,427	₱27,629,390	₱1,418,769	₱118,674,586
Newly originated assets that remained in Stage 1 as at December 31, 2023	35,366,827	–	–	35,366,827
Movements in receivable balance (excluding write-offs)	(13,458,919)	(8,816,711)	(239,909)	(22,515,539)
Transfers to Stage 1	10,532,896	(10,532,896)		
Transfers to Stage 2	(2,524,367)	2,524,367	–	–
Amounts written off	–	–	(1,025,902)	(1,025,902)
Balances at end of year	₱119,542,864	₱10,804,150	₱152,958	₱130,499,972

Commercial Loans - Group and Parent Bank

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balances at beginning of year	**₱64,327,976**	**₱6,970,136**	**₱3,934,386**	**₱75,232,498**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**52,714,903**	**–**	**–**	**52,714,903**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	**–**	**1,231,556**	**1,259,386**	**2,490,942**
Movements in receivable balance (excluding write-offs)	**(53,505,362)**	**(1,778,647)**	**(108,404)**	**(55,392,413)**
Transfers to Stage 1	**588,016**	**(577,664)**	**(10,352)**	**–**
Transfers to Stage 2	**(115,872)**	**115,872**	**–**	**–**
Transfers to Stage 3	**(56,680)**	**(4,337,411)**	**4,394,091**	**–**
Balances at end of year	**₱63,952,981**	**₱1,623,842**	**₱9,469,107**	**₱75,045,930**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱62,899,728	₱3,669,199	₱3,373,820	₱69,942,747
Newly originated assets that remained in Stage 1 as at December 31, 2023	57,610,451	–	–	57,610,451
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023		6,434,907	307,023	6,741,930
Movements in receivable balance (excluding write-offs)	(55,891,527)	(2,963,017)	(208,086)	(59,062,630)
Transfers to Stage 1	204,121	(36,891)	(167,230)	–
Transfers to Stage 2	(11,662)	101,750	(90,088)	–
Transfers to Stage 3	(483,135)	(235,812)	718,947	–
Balances at end of year	₱64,327,976	₱6,970,136	₱3,934,386	₱75,232,498

Home Loans - Group and Parent Bank

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balances at beginning of year	**₱58,266,289**	**₱1,580,016**	**₱5,813,164**	**₱65,659,469**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**17,021,583**	**–**	**–**	**17,021,583**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	**–**	**267,831**	**342,728**	**610,559**
Movements in receivable balance (excluding write-offs)	**(11,076,034)**	**(266,835)**	**(1,396,014)**	**(12,738,883)**
Transfers to Stage 1	**1,155,702**	**(435,759)**	**(719,943)**	**–**
Transfers to Stage 2	**(2,307,460)**	**2,551,886**	**(244,426)**	**–**
Transfers to Stage 3	**(2,561,441)**	**(658,173)**	**3,219,614**	**–**
Amounts written off	**–**	**–**	**(4,933)**	**(4,933)**
Balances at end of year	**₱60,498,639**	**₱3,038,966**	**₱7,010,190**	**₱70,547,795**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱50,025,715	₱1,344,654	₱6,844,301	₱58,214,670
Newly originated assets that remained in Stage 1 as at December 31, 2022	21,149,124	–	–	21,149,124
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	–	201,611	274,863	476,474
Movements in receivable balance (excluding write-offs)	(12,751,142)	(125,291)	(1,301,467)	(14,177,900)
Transfers to Stage 1	2,305,218	(714,332)	(1,590,886)	–
Transfers to Stage 2	(851,925)	1,193,695	(341,770)	–
Transfers to Stage 3	(1,610,701)	(320,321)	1,931,022	–
Amounts written off	–	–	(2,899)	(2,899)
Balances at end of year	₱58,266,289	₱1,580,016	₱5,813,164	₱65,659,469

Other Consumer Products - Group and Parent Bank

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balances at beginning of year	**₱94,027,053**	**₱1,823,249**	**₱3,352,184**	**₱99,202,486**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**15,441,984**	**–**	**–**	**15,441,984**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	**–**	**588,056**	**769,937**	**1,357,993**
Movements in receivable balance (excluding write-offs)	**9,945,664**	**877,508**	**(60,419)**	**10,762,754**
Transfers to Stage 1	**770,059**	**(671,481)**	**(98,578)**	**–**
Transfers to Stage 2	**(1,866,880)**	**1,953,236**	**(86,356)**	**–**
Transfers to Stage 3	**(3,802,123)**	**(1,123,429)**	**4,925,551**	**–**
Amounts written-off	**–**	**–**		**(6,634,968)**
Balances at end of year	**₱114,515,757**	**₱3,447,139**	**₱2,167,351**	**₱120,130,248**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱15,215,749	₱158,194	₱2,745,710	₱18,119,653
Newly originated assets that remained in Stage 1 as at December 31, 2023	8,759,275	–	–	8,759,275
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	–	734,103	1,186,838	1,920,941
Movements in receivable balance (excluding write-offs)	3,853,771	606,470	1,691,030	6,151,271
Transfers to Stage 1	2,862,306	(523.403)	(2,338,903)	–
Transfers to Stage 2	(704,885)	766,774	(61,889)	–
Transfers to Stage 3	(900,183)	(301,354)	1,201,537	–
Amounts written-off	–	–	(1,314,455)	(1,314,455)
Effects of business combination (see Note 1)	64,941,020	382,465	242,316	65,565,801
Balances at end of year	₱94,027,053	₱1,823,249	₱3,352,184	₱99,202,486

Consumer Products

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balances as of acquisition date	**₱74,620,804**	**₱965,949**	**₱503,940**	**₱76,090,693**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**8,483,398**	**–**	**–**	**8,483,398**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31 2023	**–**	**233,176**	**218,623**	**451,799**
Movements in receivable balance (excluding write-offs)	**11,358,752**	**1,014,325**	**1,001,918**	**13,374,995**
Transfers to Stage 1	**703,662**	**(640,912)**	**(62,750)**	**–**
Transfers to Stage 2	**(1,318,020)**	**1,396,221**	**(78,201)**	**–**
Transfers to Stage 3	**(3,008,751)**	**(1,021,536)**	**4,030,287**	**–**
Amounts written-off	**–**	**–**	**(3,575,554)**	**(3,575,554)**
Balances at end of year	**₱90,839,845**	**₱1,947,223**	**₱2,038,263**	**₱94,825,331**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances as of acquisition date	₱64,941,020	₱382,465	₱242,316	₱65,565,801
Newly originated assets that remained in Stage 1 as at December 31, 2023	3,182,203	–	–	3,182,203
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	–	17,595	276	17,871
Movements in receivable balance (excluding write-offs)	6,819,213	631,206	191,843	7,642,262
Transfers to Stage 1	517,680	(495,416)	(22,264)	–
Transfers to Stage 2	(588,099)	643,158	(55,059)	–
Transfers to Stage 3	(251,213)	(213,059)	464,272	–
Amounts written-off	–	–	(317,444)	(317,444)
Balances at end of year	₱74,620,804	₱965,949	₱503,940	₱76,090,693

CSB Salary Loans - Group

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balances at beginning of year	**₱57,558,594**	**₱1,284,874**	**₱5,185,814**	**₱64,029,282**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**64,157,086**	**–**	**–**	**64,157,086**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	**–**	**1,563,239**	**1,793,030**	**3,356,269**
Movements in receivable balance (excluding write-offs)	**(43,917,268)**	**(965,756)**	**(2,203,423)**	**(47,086,447)**
Transfers to Stage 1	**92,449**	**(74,277)**	**(18,172)**	**–**
Transfers to Stage 2	**(129,695)**	**131,226**	**(1,531)**	**–**
Transfers to Stage 3	**(1,068,227)**	**(197,340)**	**1,265,567**	**–**
Balances at end of year	**₱76,692,939**	**₱1,741,966**	**₱6,021,285**	**₱84,456,190**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱40,801,513	₱ 1,467,019	₱3,356,560	₱45,625,092
Newly originated assets that remained in Stage 1 as at December 31, 2022	50,842,291	–	–	50,842,291
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	–	1,181,381	1,326,854	2,508,235
Movements in receivable balance (excluding write-offs)	(33,667,702)	(1,223,528)	(15,411)	(34,906,641)
Transfers to Stage 1	79,028	(74,611)	(4,417)	–
Transfers to Stage 2	(90,252)	91,926	(1,674)	–
Transfers to Stage 3	(389,843)	(153,055)	542,898	–
Amounts written-off	(16,441)	(4,258)	(18,996)	(39,695)
Balances at end of year	₱57,558,594	₱1,284,874	₱5,185,814	₱64,029,282

Other Receivables from Customers

Other receivables from customers include HR loans, Quick loans and Home Credit and CSB personal loan receivables.

Group

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balances at beginning of year	**₱37,691,857**	**₱2,674,618**	**₱5,505,380**	**₱45,871,855**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**23,192,586**	**–**	**–**	**23,192,586**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	**–**	**1,775,758**	**5,373,385**	**7,149,143**
Movements in receivable balance (excluding write-offs)	**(24,782,845)**	**(1,507,982)**	**(2,050,708)**	**(28,341,535)**
Transfers to Stage 1	**1,286,650**	**(394,313)**	**(892,337)**	**–**
Transfers to Stage 2	**(352,411)**	**365,737**	**(13,326)**	**–**
Transfers to Stage 3	**(2,167,183)**	**(672,652)**	**2,839,834**	**–**
Amounts written-off	**–**	**–**	**(1,453,306)**	**(1,453,306)**
Balances at end of year	**₱34,868,654**	**₱2,241,167**	**₱9,308,923**	**₱46,418,744**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱24,383,986	₱695,966	₱4,231,466	₱29,311,418
Newly originated assets that remained in Stage 1 as at December 31, 2022	30,638,172	–	–	30,638,172
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	–	2,442,808	1,036,722	3,479,530
Movements in receivable balance (excluding write-offs)	(15,913,104)	(349,113)	(566,613)	(16,828,830)
Transfers to Stage 1	98,729	(56,694)	(42,035)	–
Transfers to Stage 2	(161,949)	191,797	(29,848)	–
Transfers to Stage 3	(1,353,640)	(250,010)	1,603,650	–
Amounts written-off	(337)	(136)	(727,962)	(728,435)
Balances at end of year	₱37,691,857	₱2,674,618	₱5,505,380	₱45,871,855

<u>Parent Bank</u>

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balances at beginning of year	**₱18,502,648**	**₱1,134,770**	**₱364,673**	**₱20,002,091**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**4,902,671**	**–**	**–**	**4,902,671**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	**–**	**166,365**	**82,065**	**248,430**
Movements in receivable balance (excluding write-offs)	**(12,400,731)**	**(793,661)**	**(35,162)**	**(13,229,554)**
Transfers to Stage 1	**99,779**	**(49,045)**	**(50,734)**	**–**
Transfers to Stage 2	**(61,931)**	**66,936**	**(5,005)**	**–**
Transfers to Stage 3	**(195,026)**	**(285,914)**	**480,940**	**–**
Amounts written-off	**–**	**–**	**(62,739)**	**(62,739)**
Balances at end of year	**₱10,847,410**	**₱239,451**	**₱774,038**	**₱11,860,899**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱13,074,318	₱137,222	₱810,663	₱14,022,203
Newly originated assets that remained in Stage 1 as at December 31, 2022	14,238,019	–	–	14,238,019
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	–	1,095,598	45,765	1,141,363
Movements in receivable balance (excluding write-offs)	(8,739,220)	(73,302)	(195,630)	(9,008,152)
Transfers to Stage 1	35,047	(6,591)	(28,456)	–
Transfers to Stage 2	(9,956)	36,398	(26,442)	–
Transfers to Stage 3	(95,560)	(54,555)	150,115	–
Amounts written-off	–	–	(391,342)	(391,342)
Balances at end of year	₱18,502,648	₱1,134,770	₱364,673	₱20,002,091

Investments and Placements

Movements in 2023 and 2022 for investments and placements follow. The balances presented include accrued interest receivables:

Group

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balances at beginning of year	**₱489,815,002**	**₱3,037,116**	**₱–**	**₱492,852,118**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**200,016,146**	**–**	**–**	**200,016,146**
Newly originated assets that moved to Stage 2 as at December 31, 2023	**–**	**516,780**	**–**	**516,780**
Movements in the balance (excluding write-offs)	**(202,255,063)**	**(21,952)**	**–**	**(202,277,015)**
Balances at end of year	**₱487,576,085**	**₱3,531,944**	**₱–**	**₱491,108,029**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱423,060,847	₱2,778,897	₱–	₱425,839,744
Newly originated assets that remained in Stage 1 as at December 31, 2022	196,419,137	–	–	196,419,137
Movements in the balance (excluding write-offs)	(129,664,982)	258,219	–	(129,406,763)
Balances at end of year	₱489,815,002	₱3,037,116	₱–	₱492,852,118

Parent

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at beginning of year	**₱439,417,743**	**₱3,037,116**	**₱–**	**₱442,454,859**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**154,800,568**	**–**	**–**	**154,800,568**
Newly originated assets that moved to Stage 2 as at December 31, 2023	**–**	**516,780**	**–**	**516,780**
Movements in the balance (excluding write-offs)	**(161,051,381)**	**(21,952)**	**–**	**(161,073,333)**
Balance at end of year	**₱433,166,930**	**₱3,531,944**	**₱–**	**₱436,698,874**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱379,695,719	₱2,778,897	₱–	₱382,474,616
Newly originated assets that remained in Stage 1 as at December 31, 2022	150,492,730	–	–	150,492,730
Movements in the balance (excluding write-offs)	(90,770,706)	258,219	–	(90,512,487)
Balance at end of year	₱439,417,743	₱3,037,116	₱–	₱442,454,859

Modification

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

For the years ended December 31, 2023, 2022, and 2021, the net impact of the subsequent accretion of the 2020 loan modifications amounted to income of ₱47.14 million, ₱129.15 million, and ₱101.37 million for the Group, respectively, and income of ₱46.52 million, ₱106.00 million, and ₱51.84 million for the Parent Bank, respectively.

Collateral Held as Security and Other Credit Enhancements

The Group holds collateral against loans and other receivables from customers in order to mitigate risk. The collateral may be in the form of mortgages over real estate property, chattels, inventory, cash, securities and/or guarantees. The Bank regularly monitors and updates the fair value of the collateral depending on the type of credit exposure. Estimates of the fair value of collateral are considered in the review and assessment of the adequacy of allowance for credit losses. In general, the Bank does not require collateral for loans and advances to other banks, except when securities are held as part of reverse repurchase agreements.

An estimate of the fair value of collateral and other security enhancements held by the Group and the Parent Bank against loans and other receivables as of December 31, 2023 and 2022 is shown below:

	Group				
	Exposure before collaterals	Properties	Deposits	Others	Exposure after financial effect of collaterals
As of December 31, 2023	**₱548,898,606**	**₱27,626,545**	**₱824,136**	**₱90,110,026**	**₱430,337,900**
As of December 31, 2022	496,377,906	₱32,771,126	₱764,920	₱86,173,770	376,668,090

	Parent Bank				
	Exposure before collaterals	Properties	Deposits	Others	Exposure after financial effect of collaterals
As of December 31, 2023	**₱426,207,235**	**₱25,425,229**	**₱749,558**	**₱89,230,221**	**₱310,802,228**
As of December 31, 2022	403,594,811	30,824,454	722,316	85,015,443	287,032,598

The Group's manner of disposing the collateral for impaired loans and receivables is normally through sale of the assets after foreclosure proceedings have taken place.

Liquidity Risk

Liquidity risk is the risk that there are insufficient funds available to adequately meet the credit demands of the Group's customers and repay deposits on maturity. The Asset and Liability Committee (ALCO) and the Treasurer of the Group ensure that sufficient liquid assets are available to meet short-term funding and regulatory requirements. Liquidity is monitored by the Group on a daily basis and under stressed situations. A contingency plan is formulated to set out the amount and the sources of funds (such as unused credit facilities) that are available to the Group and the circumstances under which the Group may use such funds.

Liquidity ratios are used to monitor and manage the Bank's liquidity. The MRC approves the ratios to be used for monitoring the performance of the Bank and for mapping out areas where improvements are needed. These ratios include Liquid Assets to Deposits Ratio, Liquidity Ratio, Leverage Ratio and Intermediation Ratio.

The Group also manages its liquidity risks through the use of a Maximum Cumulative Outflow (MCO) limit which regulates the outflow of cash on a cumulative basis and on a tenor basis. To maintain sufficient liquidity in foreign currencies, the Group has also set an MCO limit for certain designated foreign currencies. The MCO limits are endorsed by the MRC and approved by the BOD. The Bank has separate limits for the short term (generally less than 30 days) and the medium term tenor (from 30 days to one year).

The table below shows the financial assets and financial liabilities' liquidity information which includes coupon cash flows categorized based on the contractual date on which the asset will be realized and the liability will be settled. For financial assets at FVTPL, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the expected date the assets will be realized (amounts in millions).

	Group						
	2023						
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	Total
Financial assets							
Cash and other cash items	₱10,439	₱–	₱–	₱–	₱–	₱–	₱10,439
Due from BSP	59,247	23,413	–	–	–	–	82,660
Due from other banks	27,263	–	–	–	–	–	27,263
Interbank loans receivable and SPURRA	–	25,431	–	–	–	–	25,431
	96,949	48,844	–	–	–	–	145,793
Financial assets at FVTPL							
Derivative assets	–	26	74	129	255	928	1,412
Debt securities	–	5,113	–	–	–	–	5,113
Financial assets at FVOCI							
Debt securities	–	325	188	441	984	54,872	56,810
Equity securities	–	–	–	–	–	63	63
Financial assets at amortized cost	–	1,576	2,101	3,581	12,987	428,368	448,613
	–	7,040	2,363	4,151	14,226	484,231	512,011
Loans and other receivables	–	69,664	71,541	55,254	73,981	323,990	594,430
Other receivables							
Accounts receivable	–	–	–	–	–	10,750	10,750
Accrued interest receivable	–	–	–	–	–	14,692	14,692
Sales contract receivable	–	27	54	78	146	3,312	3,617
	–	69,691	71,595	55,332	74,127	352,744	623,489
Other financial assets							
Returned checks and other cash items	–	282	–	–	–	–	282
Sundry debits	–	246	–	–	–	–	246
	–	528	–	–	–	–	528
Total assets	₱96,949	₱126,103	₱73,958	₱59,482	₱88,353	₱836,975	₱1,281,820
Non-derivative liabilities							
Deposit liabilities							
Demand	₱233,283	₱–	₱–	₱–	₱–	₱–	₱233,283
Savings	195,864	–	–	–	–	–	195,864
Time and LTNCD	402	167,166	76,952	12,550	10,755	25,553	293,378
	429,549	167,166	76,952	12,550	10,755	25,553	722,525
Bills payable	–	35,217	50,473	3,754	11,540	64,663	165,647
Notes and bonds payable	–	58	397	576	1,032	53,193	55,256
Manager's checks	7,513	–	–	–	–	–	7,513
Accrued interest payable	–	3,472	–	–	–	–	3,472
Accounts payable	–	14,716	–	–	–	–	14,716
Other liabilities	–	10,009	–	–	–	–	10,009
	437,062	230,638	127,822	16,880	23,327	143,409	979,138
Derivative Liabilities	–	52	253	295	632	2,520	3,752
Total liabilities	₱437,062	₱230,690	₱128,075	₱17,175	₱23,959	₱145,929	₱982,890

	Group						
	2022						
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	Total
Financial assets							
Cash and other cash items	₱9,892	₱–	₱–	₱–	₱–	₱–	₱9,892
Due from BSP	72,286	22,336	–	–	–	–	94,622
Due from other banks	46,240	–	–	–	–	–	46,240
Interbank loans receivable and SPURRA	8,274	15,292	–	–	–	–	23,566
	136,692	37,628	–	–	–	–	174,320
Financial assets at FVTPL							
Derivative assets	–	445	367	125	192	905	2,034
Debt securities	–	7,478	–	–	–	–	7,478
Equity securities	–	–	–	–	–	411	411
Financial assets at FVOCI							
Debt securities	–	3,206	2,998	1,159	1,253	79,470	88,086
Equity securities	–	–	–	–	–	46	46
Financial assets at amortized cost	–	1,450	1,539	2,710	6,149	340,496	352,344
	–	12,579	4,904	3,994	7,594	421,328	450,399
Loans and other receivables	2,091	90,780	39,572	31,540	48,307	363,061	575,351
Other receivables							
Accounts receivable	–	–	–	–	–	11,116	11,116
Accrued interest receivable	–	9,693	–	–	–	–	9,693
Sales contract receivable	–	29	46	67	130	2,952	3,224
	2,091	100,502	39,618	31,607	48,437	377,129	599,384
Other financial assets							
Returned checks and other cash items	–	30	–	–	–	–	30
Sundry debits	–	154	–	–	–	–	154
	–	184	–	–	–	–	184
Total assets	₱138,783	₱150,893	₱44,522	₱35,601	₱56,031	₱798,457	₱1,224,387
Non-derivative liabilities							
Deposit liabilities							
Demand	₱232,082	₱–	₱–	₱–	₱–	₱–	₱232,082
Savings	195,021	–	–	–	–	–	195,021
Time and LTNCD	3,168	171,623	62,678	7,124	29,440	18,633	292,666
	430,271	171,623	62,678	7,124	29,440	18,633	719,769
Bills payable	–	19,284	50,183	4,829	14,629	52,225	141,150
Notes and bonds payable	–	58	241	421	19,839	34,683	55,242
Manager's checks	7,334	–	–	–	–	–	7,334
Accrued interest payable	–	1,802	–	–	–	–	1,802
Accounts payable	–	12,586	–	–	–	–	12,586
Other liabilities	–	16,907	–	–	–	–	16,907
	437,605	222,260	113,102	12,374	63,908	105,541	954,790
Derivative Liabilities	–	923	393	92	191	799	2,398
Total liabilities	₱437,605	₱223,183	₱113,495	₱12,466	₱64,099	₱106,340	₱957,188

	Parent Bank						
	2023						
	On Demand	**Up to 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Beyond 1 Year**	**Total**
Financial assets							
Cash and other cash items	**₱9,351**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱9,351**
Due from BSP	**55,883**	**8,005**	–	–	–	–	**63,888**
Due from other banks	**23,188**	–	–	–	–	–	**23,188**
Interbank loans receivable and SPURRA	–	**3,187**	–	–	–	–	**3,187**
	88,422	**11,192**	–	–	–	–	**99,614**
Financial assets at FVTPL							
Derivative assets	–	**26**	**74**	**129**	**255**	**928**	**1,412**
Debt securities	–	**4,984**	–	–	–	–	**4,984**
Financial assets at FVOCI							
Debt securities	–	**325**	**188**	**440**	**953**	**54,624**	**56,530**
Equity securities	–	–	–	–	–	**63**	**63**
Financial assets at amortized cost	–	**1,424**	**1,925**	**3,547**	**12,775**	**416,802**	**436,473**
	–	**6,759**	**2,187**	**4,116**	**13,983**	**472,417**	**499,462**
Loans and other receivables	–	**65,531**	**63,152**	**44,614**	**54,884**	**236,102**	**464,283**
Other receivables							
Accounts receivable	–	–	–	–	–	**8,415**	**8,415**
Accrued interest receivable	–	**7,553**	–	–	–	–	**7,553**
Sales contract receivable	–	**26**	**51**	**73**	**137**	**3,123**	**3,410**
	–	**73,110**	**63,203**	**44,687**	**55,021**	**247,640**	**483,661**
Other financial assets							
Returned checks and other cash items	–	**282**	–	–	–	–	**282**
Sundry debits	–	**246**	–	–	–	–	**246**
	–	**528**	–	–	–	–	**528**
Total assets	**₱88,422**	**₱91,589**	**₱65,390**	**₱48,803**	**₱69,004**	**₱720,057**	**₱1,083,265**

(Forward)

	Parent Bank						
	2023						
	On Demand	**Up to 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Beyond 1 Year**	**Total**
Non-derivative liabilities							
Deposit liabilities							
Demand	**₱234,228**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱234,228**
Savings	**190,063**	**–**	**–**	**–**	**–**	**–**	**190,063**
Time and LTNCD	**90**	**111,777**	**54,710**	**5,029**	**2,252**	**1,248**	**175,106**
	424,381	**111,777**	**54,710**	**5,029**	**2,252**	**1,248**	**599,397**
Bills payable	**–**	**35,217**	**39,061**	**2,082**	**1,472**	**47,201**	**125,033**
Notes and bonds payable	**–**	**58**	**397**	**576**	**1,032**	**53,193**	**55,256**
Manager's checks	**7,509**	**–**	**–**	**–**	**–**	**–**	**7,509**
Accrued interest payable	**–**	**2,495**	**–**	**–**	**–**	**–**	**2,495**
Accounts payable	**–**	**12,821**	**–**	**–**	**–**	**–**	**12,821**
Other liabilities	**–**	**8,837**	**–**	**–**	**–**	**–**	**8,837**
	431,890	**171,205**	**94,168**	**7,687**	**4,756**	**101,642**	**811,348**
Derivative liabilities	**–**	**52**	**253**	**295**	**632**	**2,520**	**3,752**
Total liabilities	**₱431,890**	**₱171,257**	**₱94,421**	**₱7,982**	**₱5,388**	**₱104,162**	**₱815,100**

	Parent Bank						
	2022						
	On Demand	Up to 1 month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 year	Total
Financial assets							
Cash and other cash items	₱8,924	₱–	₱–	₱–	₱–	₱–	₱8,924
Due from BSP	58,188	8,406	–	–	–	–	66,594
Due from other banks	42,264	–	–	–	–	–	42,264
Interbank loans receivable and SPURRA	–	14,646	–	–	–	–	14,646
	109,376	23,052	–	–	–	–	132,428
Financial assets at FVTPL							
Derivative assets	–	445	367	125	192	905	2,034
Debt securities	–	7,408	–	–	–	–	7,408
Equity securities	–	–	–	–	–	–	–
Financial assets at FVOCI							
Debt securities	–	3,206	2,997	1,158	1,252	79,169	87,782
Equity securities	–	–	–	–	–	46	46
Financial assets at amortized cost	–	1,299	1,423	2,678	5,934	328,341	339,675
	–	12,358	4,787	3,961	7,378	408,461	436,945
Loans and other receivables	–	88,260	37,903	29,759	43,398	254,846	454,166
Other receivables							
Accounts receivable	–	–	–	–	–	6,347	6,347
Accrued interest receivable	–	6,956	–	–	–	–	6,956
Sales contract receivable	–	21	42	61	120	2,829	3,073
	–	95,237	37,945	29,820	43,518	264,022	470,542
Other financial assets							
Returned checks and other cash items	–	30	–	–	–	–	30
Sundry debits	–	154	–	–	–	–	154
	–	184	–	–	–	–	184
Total assets	₱109,376	₱130,831	₱42,732	₱33,781	₱50,896	₱672,483	₱1,040,099
Non-derivative liabilities							
Deposit liabilities							
Demand	₱233,365	₱–	₱–	₱–	₱–	₱–	₱233,365
Savings	188,481	–	–	–	–	–	188,481
Time and LTNCD	163	123,249	50,119	3,941	25,967	2,418	205,857
	422,009	123,249	50,119	3,941	25,967	2,418	627,703
Bills payable	–	19,284	49,173	398	692	35,351	104,898
Notes and bonds payable	–	58	241	421	19,839	34,683	55,242
Manager's checks	7,320	–	–	–	–	–	7,320
Accrued interest payable	–	1,418	–	–	–	–	1,418
Accounts payable	–	11,053	–	–	–	–	11,053
Other liabilities	–	15,194	–	–	–	–	15,194
	429,329	170,256	99,533	4,760	46,498	72,452	822,828
Derivative liabilities	–	923	393	92	191	799	2,398
Total liabilities	₱429,329	₱171,179	₱99,926	₱4,852	₱46,689	₱73,251	₱825,226

<u>BSP Reporting</u>

Liquidity Coverage Ratio (LCR)
BSP Circular No. 905 provides the implementing guidelines on LCR and disclosure standards that are consistent with Basel III framework. The LCR is calculated as the ratio of stock of high quality liquid assets (HQLA) over the total net cash outflows over the next 30 calendar days, which should not be lower than 100%. The Group is required to disclose information related to the liquidity coverage ratio (LCR) in a single currency and on solo and consolidated basis starting 2019.

The Group's and the Parent Bank's LCR as of December 31, 2023 and 2022 follows (amounts in millions):

	December 31, 2023	
	Group	**Parent Bank**
Total HQLA	**₱303,469**	**₱252,662**
Total net cash outflows	**186,732**	**147,849**
LCR Ratio	**162.52%**	**170.89%**

	December 31, 2022	
	Group	Parent Bank
Total HQLA	₱284,622	₱238,303
Total net cash outflows	191,939	167,553
LCR Ratio	148.29%	142.23%

Net Stable Funding Ratio (NSFR)
On June 6, 2018, the BSP issued BSP Circular No. 1007 covering the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (NSFR). The NSFR is aimed to promote long-term resilience against liquidity risk by requiring banks to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. It complements the LCR, which promotes short-term resilience of a bank's liquidity profile. Banks shall maintain an NSFR of at least 100 percent (100%) at all times. The implementation of the minimum NSFR shall be phased in to help ensure that covered banks can meet the standard through reasonable measures without disrupting credit extension and financial market activities. Banks shall comply with the prescribed minimum ratio of 100%. As of December 31, 2023 and 2022, the NSFR was at 123.54% and 123.81%, respectively, for the Group, and at 124.03% and 122.03%, respectively, for the Parent Bank.

<u>Market Risk</u>
Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate, foreign exchange rates and equity prices. The Group classifies exposures to market risk into either trading book or banking book. The market risk for the trading portfolio is managed and monitored based on a Value-at-Risk (VaR) methodology. Meanwhile, the market risk for the non-trading positions are managed and monitored using other sensitivity analyses.

The Parent Bank applies a VaR methodology to assess the market risk of positions held and to estimate the potential economic loss based upon a number of parameters and assumptions for various changes in market conditions. VaR is a method used in measuring financial risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon.

The Bank uses a 10-day 99% VaR historical simulation with full revaluation approach. The historical simulation with full revaluation approach is the general market accepted methodology in the measurement of VaR. This methodology recalculates the market value of each financial product for each scenario by applying simulated risk factors based on historical movements to the market-accepted valuation methodology defined for each product.

VaR may also be underestimated or overestimated 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% confidence level.

The VaR figures are backtested daily against actual and hypothetical profit and loss of the trading book to validate the robustness of the VaR model. To supplement the VaR, the Parent Bank performs stress tests wherein the trading portfolios are valued under extreme market scenarios not covered by the confidence interval of the Parent Bank's VaR model.

Since VaR is an integral part of the Parent Bank's market risk management, VaR limits are established annually for all financial trading activities and exposures against the VaR limits and are monitored on a daily basis. Limits are based on the tolerable risk appetite of the Parent Bank.

A summary of the Parent Bank's VaR position at December 31, 2023 and 2022 follows (amounts in millions of Philippine pesos)

	Foreign Exchange	Interest Rate	Equity	Total VaR
2023	**₱762.3**	**₱1,813.7**	**₱–**	**₱2,576.0**
Average daily	**503.7**	**1,620.3**	–	**2,124.0**
Highest	**910.9**	**2,053.2**	–	**2,864.1**
Lowest	**138.2**	**1,062.0**	–	**1,206.6**
2022	₱135.4	₱1,132.7	₱–	₱1,574.3
Average daily	97.6	2,441.5	–	3,141.7
Highest	233.3	5,001.8	–	5,026.6
Lowest	7.9	1,132.7	–	1,574.3

The high and low of the total portfolio may not equal to the sum of the individual components as the highs and lows of the individual portfolios may have occurred on different trading days.

Interest Rate Risk

Interest rate risk in the banking book (IRRBB) is the current and prospective risk to earnings and capital arising from adverse movements in interest rates that affect the bank's banking book positions. When interest rates change, the present value and timing of future cash flows change. This, in turn, changes the underlying value of the Bank's assets, liabilities and off-balance sheet items, and hence its economic value. On the other hand, changes in interest rates also affect the Bank's earnings by altering interest rate-sensitive income and expenses, affecting its net interest income (NII). The ALCO establishes appropriate asset and liability pricing in support of the Bank's balance sheet objectives.

The Group employs "gap analysis" to measure rate-sensitivity of the income and expenses, also known as Earnings-at-Risk (EaR). This sensitivity analysis is performed at least every month. The EaR measures the impact on the net interest income for any mismatch between the amounts of interest-earning assets, and interest-bearing liabilities within a one-year period. The EaR is calculated by first distributing the interest-sensitive assets, liabilities and off-balance sheet items based on the current balance sheet composition into tenor buckets based on time remaining to the next repricing date or the time remaining to maturity if there is no repricing and then subtracting the liabilities from the assets to obtain the repricing gap. The repricing gap per tenor bucket is then multiplied by the assumed interest rate shock and appropriate time factor to derive the EaR per tenor. The 1st year (one-year) EaR is derived from the summation of the EaR per tenor within one year is subject to the established EaR limit per currency. EaR limits are reviewed and updated regularly to ensure that the risks brought by the changes in the balance sheet and liquidity strategies are within the risk appetite of the Bank.

The Bank also calculates EaR for the 2nd and 3rd years in order to measure medium-term vulnerabilities, i.e., those occurring in the 2nd and 3rd years. In addition, EaR is also calculated based on the current balance sheet composition plus projections to provide additional valuable insights in managing IRRBB. However, these are not subject to the EaR limit but are for monitoring purposes only.

Non-maturing or repricing assets or liabilities are considered to be non-interest rate sensitive and are not included in the measurement.

A positive gap occurs when the amount of interest rate-sensitive assets exceeds the amount of interest rate-sensitive liabilities while a negative gap occurs when the amount of interest rate-sensitive liabilities exceeds the amount of interest rate-sensitive assets. Accordingly, during a period of rising interest rates, an entity with a positive gap will have more interest rate-sensitive assets repricing at a higher interest rate than interest rate-sensitive liabilities which will be favorable to it. During a period of falling interest rates, an entity with a positive gap will have more interest rate-sensitive assets repricing at a lower interest rate than interest rate sensitive liabilities, which will be unfavorable to it.

The asset-liability gap position of the Group and Parent Bank at carrying amounts follows (amounts in millions of Philippine pesos):

	Group			
	2023			
	Up to Six Months	**Beyond Six Months To One Year**	**Beyond One Year**	**Total**
Resources				
Loans	**₱195,451**	**₱58,261**	**₱272,434**	**₱526,146**
Placements	**76,067**	**–**	**59,251**	**135,318**
Investments	**3,799**	**4,925**	**348,536**	**357,260**
	275,317	**63,186**	**680,221**	**1,018,724**
Liabilities				
Deposit liabilities	**253,498**	**9,955**	**449,115**	**712,568**
Bills payable	**122,319**	**9,645**	**23,324**	**155,288**
Notes and bonds payable	**8,267**	**–**	**42,227**	**50,494**
	384,084	**19,600**	**514,666**	**918,350**
Asset-Liability Gap	**(₱108,767)**	**₱43,586**	**₱165,555**	**₱100,374**

	Group			
	2022			
	Up to Six Months	Beyond Six Months To One Year	Beyond One Year	Total
Resources				
Loans	₱175,895	₱67,406	₱236,326	₱479,627
Placements	103,164	–	61,240	164,404
Investments	6,539	2,678	323,826	333,043
	285,598	70,084	621,392	977,074
Liabilities				
Deposit liabilities	235,191	27,557	448,556	711,304
Bills payable	94,048	13,431	25,368	132,847
Notes and bonds payable	8,313	19,035	24,296	51,644
	337,552	60,023	498,220	895,795
Asset-Liability Gap	(₱51,954)	₱10,061	₱123,172	₱81,279

	Parent Bank			
	2023			
	Up to Six Months	**Beyond Six Months To One Year**	**Beyond One Year**	**Total**
Resources				
Loans	**₱177,588**	**₱45,751**	**₱188,485**	**₱411,824**
Placements	**34,372**	–	**55,883**	**90,255**
Investments	**3,663**	**4,896**	**339,152**	**347,711**
	215,623	**50,647**	**583,520**	**849,790**
Liabilities				
Deposit liabilities	**169,889**	**2,127**	**425,539**	**597,555**
Bills payable	**110,162**	**679**	**9,518**	**120,359**
Notes and bonds payable	**8,267**	–	**42,227**	**50,494**
	288,318	**2,806**	**477,284**	**768,408**
Asset-Liability Gap	**(₱72,695)**	**₱47,841**	**₱106,236**	**₱81,382**

	Parent Bank			
	2022			
	Up to Six Months	Beyond Six Months To One Year	Beyond One Year	Total
Resources				
Loans	₱169,462	₱57,440	₱166,832	₱393,734
Placements	56,906	–	66,580	123,486
Investments	6,464	2,658	314,330	323,452
	232,832	60,098	547,742	840,672
Liabilities				
Deposit liabilities	174,915	24,956	424,050	623,921
Bills payable	88,764	–	10,545	99,309
Notes and bonds payable	8,313	19,035	24,296	51,644
	271,992	43,991	458,891	774,874
Asset-Liability Gap	(₱39,160)	₱16,107	₱88,851	₱65,798

EAR is complemented by stress tests which are conducted quarterly. It involves subjecting the total interest rate-sensitive assets and liabilities within one year to probable short-term and medium-term interest rate movements, assuming parallel and non-parallel shifts (flatteners and steepeners) in the yield curve.

Additionally, the Bank also monitors long-term sensitivity to interest rate risk of the Bank's balance sheet through the Economic Value of Equity (EVE) method at least on a monthly basis. EVE measures the economic value which provides a more comprehensive view of potential long-term effects of changes in interest rates. EVE is defined as the net cash flows of the Bank's assets and liabilities which affect the Bank's capital. Similar to EaR, EVE is also complemented by stress tests conducted quarterly. It involves subjecting the Bank's total interest rate sensitive assets and liabilities to probable short, medium and long-term interest rate movements, assuming parallel and non-parallel (flatteners and steepeners) in the yield curve.

The Bank's interest rate-sensitive asset and liability positions are analyzed based on its cash flows, and its present value are computed using appropriate market rates which include the current risk-free rate plus the corresponding margin. On the other hand, the present values of non-interest sensitive assets and liabilities will be kept at their carrying values.

The Bank's IRRBB models and its assumptions are validated by an independent party prior to use. The Bank's risk management program includes measuring and monitoring the risks associated with fluctuations in market interest rates on its net interest income and capital ensuring that the exposures in interest rates are kept within acceptable limits.

The following table sets out the impact of changes in interest rates on the Group's and Parent Bank's net interest income (amounts in millions of Philippine pesos):

	Group		**Parent Bank**	
Increase (decrease) in interest rates (in basis points)	**100**	**(100)**	**100**	**(100)**
2023				
Change in annualized net interest income	**(₱1,647.7)**	**₱1,647.7**	**(₱1,259.0)**	**₱1,259.0**
As a percentage of net interest income	**(3.17%)**	**3.17%**	**(3.34%)**	**3.34%**
2022				
Change in annualized net interest income	(₱927.8)	₱927.8	(₱606.3)	₱606.3
As a percentage of net interest income	(1.49%)	1.49%	(1.32%)	1.32%

This sensitivity analysis is performed for risk management purposes and assumes no other changes in the repricing structure. Actual changes in net interest income may vary from the Bank's internal model.

Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates.

The Group's net foreign exchange exposure, taking into account any spot or forward exchange contracts, is computed as foreign currency assets less foreign currency liabilities. The foreign exchange exposure is limited to the day-to-day, over-the-counter buying and selling of foreign exchange in the Group's branches, as well as foreign exchange trading with corporate accounts and other financial institutions. The Group is permitted to engage in proprietary trading to take advantage of foreign exchange fluctuations.

The breakdown of the financial resources and financial liabilities of the Group and the Parent Bank as to foreign currency-denominated balances (excluding FCDU USD-denominated financial resources and liabilities, which functional currency is in USD), translated to Philippine pesos as of December 31, 2023 and 2022 is shown below:

	Group		
	2023		
	U.S. Dollars	**Other Foreign Currencies**	**Total**
Resources:			
Cash and other cash items	**₱108,171**	**₱730,640**	**₱838,811**
Due from other banks	**4,100,751**	**2,558,199**	**6,658,950**
Interbank loans receivables and SPURRA	**–**	**188,520**	**188,520**
Financial assets at FVTPL	**–**	**703**	**703**
Financial assets at amortized cost	**–**	**1,926,099**	**1,926,099**
Loans and other receivables	**3,167,946**	**613,475**	**3,781,421**
	7,376,868	**6,017,636**	**13,394,504**
Liabilities:			
Deposit liabilities	**–**	**5,428,675**	**5,428,675**
Bills payable	**19,082,743**	**14,312,054**	**33,394,797**
Notes and bonds payable	**6,921,250**	**–**	**6,921,250**
Derivative liabilities	**–**	**7,007**	**7,007**
Accrued interest and other expenses	**376,128**	**30,168**	**406,296**
Other liabilities	**361,075**	**153,748**	**514,823**
	26,741,196	**19,931,652**	**46,672,848**
Currency swaps and forwards	**51,291,204**	**15,844,124**	**67,135,328**
Net exposure	**₱31,926,876**	**₱1,930,108**	**₱33,856,984**

	Group		
	2022		
	U.S. Dollars	Other Foreign Currencies	Total
Resources:			
Cash and other cash items	₱15,207	₱592,166	₱607,373
Due from other banks	5,507,861	2,783,336	8,291,197
Financial assets at FVTPL	–	955	955
Financial assets at amortized cost	–	1,868,279	1,868,279
Loans and other receivables	3,579,372	147,946	3,727,318
	9,102,440	5,392,682	14,495,122
Liabilities:			
Deposit liabilities	–	4,416,831	4,416,831
Bills payable	75,173,396	12,103	75,185,499
Notes and bonds payable	6,969,375	–	6,969,375
Derivative liabilities	–	1,567	1,567
Accrued interest and other expenses	451,087	210	451,297
Other liabilities	59,019	98,364	157,383
	82,652,877	4,529,075	87,181,952
Currency swaps and forwards	49,162,467	(648,950)	48,513,517
Net exposure	(₱24,387,970)	₱214,657	(₱24,173,313)

	Parent Bank 2023 U.S. Dollars	Other Foreign Currencies	Total
Resources:			
Cash and other cash items	**₱52,625**	**₱423,204**	**₱475,829**
Due from other banks	**3,954,839**	**2,273,638**	**6,228,477**
Interbank loans receivable and SPURRA	**–**	**188,520**	**188,520**
Financial assets at FVTPL	**–**	**703**	**703**
Financial assets at amortized cost	**–**	**1,926,099**	**1,926,099**
Loans and other receivables	**3,141,829**	**82,374**	**3,224,203**
	7,149,293	**4,894,538**	**12,043,831**
Liabilities:			
Deposit liabilities	**–**	**5,428,675**	**5,428,675**
Bills payable	**19,082,743**	**14,312,054**	**33,394,797**
Notes and bonds payable	**6,921,250**	**–**	**6,921,250**
Derivative liabilities	**–**	**7,007**	**7,007**
Accrued interest and other expenses	**376,128**	**1,642**	**377,770**
Other liabilities	**48,082**	**122,445**	**170,527**
	26,428,203	**19,871,823**	**46,300,026**
Currency swaps and forwards	**51,291,204**	**15,098,480**	**66,389,684**
Net exposure	**₱32,012,294**	**₱121,195**	**₱32,133,489**

	Parent Bank 2022 U.S. Dollars	Other Foreign Currencies	Total
Resources:			
Cash and other cash items	₱15,207	₱592,166	₱607,373
Due from other banks	5,323,373	2,783,335	8,106,708
Financial assets at FVTPL	–	955	955
Financial assets at amortized cost	–	1,868,279	1,868,279
Loans and other receivables	3,579,372	147,946	3,727,318
	8,917,952	5,392,681	14,310,633
Liabilities:			
Deposit liabilities	–	4,416,831	4,416,831
Bills payable	75,173,396	12,103	75,185,499
Notes and bonds payable	6,969,375	–	6,969,375
Derivative liabilities	–	1,567	1,567
Accrued interest and other expenses	451,087	210	451,297
Other liabilities	59,019	98,364	157,383
	82,652,877	4,529,075	87,181,952
Currency swaps and forwards	49,162,467	(648,950)	48,513,517
Net exposure	(₱24,572,458)	₱214,656	(₱24,357,802)

The Parent Bank's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Parent Bank 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 Parent Bank is involved.

The following table illustrates the sensitivity of the net results and capital funds to the changes in foreign exchange rates on the Parent Bank's financial assets and financial liabilities in the RBU. The percentages change (increase and decrease) have been determined based on the average market volatility in exchange rates in the previous 12 months, using a confidence level of 99%. The sensitivity analysis is based on the Parent Bank's foreign currency-denominated financial instruments held at each reporting date, including currency swaps and forwards.

	2023		2022	
	% Change	**Effect on Net Profit For the Year**	% Change	Effect on Net Profit For the Year
U.S. dollars	**1.0%**	**(705,647)**	1.0%	(245,721)
Japanese yen	**2.0%**	**(630,043)**	2.0%	1,250
Euros	**1.0%**	**7,608**	1.5%	2,529
Others	**1.2%**	**6,894**	1.6%	(355)

Operational Risk

BSP Circular No. 900, Guidelines on Operational Risk Management, serve as the groundwork for the Bank's Operational Risk Management (ORM) framework. This is to standardize the approach undertaken by the Bank in order to facilitate consistently strong ORM practices across the organization.

Operational risk is defined as the risk of loss arising from direct or indirect loss from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. Direct loss being the result primarily from an operational failure while an indirect loss relates to the impact of operational risk on other risks such as market, credit or liquidity risk.

Each specific unit of the Bank has its roles and responsibilities in the management of operational risk and these are clearly stated in the ORM framework. At the BOD level, an ORMC was formed to provide overall direction in the management of operational risk, aligned with the overall business objectives. Key to the effective implementation of the operational risk management framework is a governance structure that transparently defines the lines of responsibility from the BOD down to the Business and Functional Units level.

The ORMC was formed and given the mandate to build and lead the roadmap in developing the foundations and systems necessary for the effective implementation of an Operational Risk Management Framework. The ORM, together with all other Risk Units, reports directly to the Chief Risk Officer.

In managing products, services and systems, these are implemented only after a thorough operational risk evaluation. As part of the product and systems approval process, product owners and managers ensure that risks are clearly identified and adequately controlled and mitigated. For existing products, services and systems, regular reviews are conducted and controls are assessed to determine continued effectiveness. The Parent Bank, as part of its continuing effort to manage operational risk, has ensured that the basic controls to manage exposure to operational risk have been embedded in its processes.

Legal Risk and Regulatory Risk Management

Legal risk pertains to the Parent Bank's exposure to losses arising from cases decided not in favor of the Parent Bank where significant legal costs have already been incurred, or in some instances, where the Parent Bank may be required to pay damages. The Parent Bank is often involved in litigation in enforcing its collection rights under loan agreements in case of borrower default. The Parent Bank may incur significant legal expenses as a result of these events, but the Parent Bank may still end up with non-collection or non-enforcement of claims.

The Parent Bank has established measures to avoid or mitigate the effects of these adverse decisions and engages several qualified legal advisors, who were endorsed to and carefully approved by senior management. At year-end, the Parent Bank also ensures that material adjustments or disclosures are made in the financial statements for any significant commitments or contingencies which may have arisen from legal proceedings involving the Parent Bank.

Regulatory risk refers to the potential risk for the Parent Bank and its subsidiaries to suffer financial loss due to changes in the laws, monetary, tax, or other governmental regulations of the country. Compliance risk is the Bank's potential exposure to legal penalties, financial forfeiture and material loss, resulting from its failure to act in accordance with industry laws and regulations, internal policies or prescribed best practices. While the proper and consistent implementation of these rules and regulations is the primary responsibility of the respective units within the Bank and its subsidiaries, the monitoring of the latter's compliance with these regulations rests on the entity's CCO. The study of the potential impact of new laws and regulations is coordinated by the CCO with the Legal Group. The CCO is responsible for communicating and disseminating new rules and regulations to all units, analyzing and addressing potential compliance issues, performing periodic compliance testing, and regularly reporting to the CGC and the BOD.

5. Capital Management

Regulatory Capital

As the Parent Bank's regulator, the BSP sets and monitors capital requirements of the Parent Bank.

In implementing current capital requirements, the BSP requires the Group and the Parent Bank to maintain a minimum capital amount and a prescribed ratio of qualifying capital to risk-weighted assets, known as the "capital adequacy ratio" (CAR). Risk-weighted assets is the aggregate value of assets weighted by credit risk, market risk, and operational risk, based on BSP-prescribed formula provided under BSP Circular No. 360 and BSP Circular No. 538 which contain the implementing guidelines for the revised risk-based capital adequacy framework to conform to Basel II recommendations.

Effective January 1, 2014, the BSP has adopted the new risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for the Philippine banking system in accordance with the Basel III standards through BSP Circular No. 781. The adopted Basel III risk-based capital adequacy framework requires the Group to maintain:

(a) Common Equity Tier 1 (CET1) of at least 6.0% of risk-weighted assets;
(b) Tier 1 Capital of at least 7.5% of risk-weighted assets;
(c) Qualifying Capital (Tier 1 plus Tier 2 Capital) of at least 10.0% of risk-weighted assets; and,
(d) Capital Conservation Buffer of 2.5% of risk-weighted assets, comprised of CET1 Capital.

On November 29, 2018, the BSP amended the requirements of Subsection X115.1 of the Manual for Regulations for Banks (MORB) through BSP Circular No. 1024. The amendment requires the Group and the Parent Bank to maintain, with respect to the CET 1 requirement, in addition to the minimum, the following capital buffers:

(a) Capital conservation buffer (CCB) of 2.5%; and
(b) Countercyclical capital buffer (CCyB) of 0% subject to upward adjustment to a rate determined by the MB when systemic conditions warrant but not to exceed to 2.5%The Group's and the Parent Bank's regulatory capital position as of December 31, 2023 and 2022, as reported to the BSP, follow (amounts in millions):

	Group		Parent Bank	
	2023	2022	**2023**	2022
Common Equity Tier 1 Capital				
Paid-up common stock	**₱23,538**	₱21,421	**₱23,538**	₱21,421
Common stock dividends distributable	**6,355**	–	**6,355**	–
Additional paid in capital	**57,769**	47,950	**57,769**	47,950
Surplus free	**75,449**	77,052	**77,388**	78,044
Undivided profits	**8,624**	11,506	**9,241**	12,093
Other comprehensive income/(loss)	**(3,390)**	(15,289)	**(3,357)**	(15,384)
Minority interest in financial allied subsidiary	**655**	866	**–**	–
Sub-total	**169,000**	143,506	**170,934**	144,124
Less Regulatory Adjustments:				
Treasury stock	**₱3**	₱–	**₱2**	₱–
Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI, and unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates	**448**	293	**400**	1,191
Deferred income tax	**9,024**	7,288	**6,936**	5,301
Goodwill	**48,843**	57,232	**43,340**	51,456
Other intangible assets	**12,820**	3,760	**10,810**	1,499
Defined benefit pension fund assets	**–**	7	**–**	–
Un-booked valuation reserves	**–**	2,109	**–**	1,694
Investments in equity of consolidated subsidiary banks and quasi banks, and other financial allied undertakings	**–**	–	**36,439**	31,325
Total regulatory adjustments to Common Equity Tier 1 capital	**71,138**	70,689	**97,927**	92,466
Total Common Equity Tier 1 capital	**97,862**	72,817	**73,007**	51,658
Total Tier 1 capital	**₱97,862**	₱72,817	**₱73,007**	₱51,658
Tier 2 Capital				
General loan loss provision	**₱5,770**	₱4,443	**₱4,773**	₱3,268
Unsecured subordinated debt	**6,762**	6,756	**6,762**	6,756
Total Tier 2 capital	**12,532**	11,199	**11,535**	10,024
Net Tier 1 capital	**97,862**	72,817	**73,007**	51,658
Net Tier 2 capital	**12,532**	11,199	**11,535**	10,024
Total qualifying capital	**110,394**	84,016	**84,542**	61,682
Credit risk-weighted assets	**608,482**	556,365	**477,080**	455,410
Market risk-weighted assets	**20,816**	7,127	**20,789**	6,831
Operational risk-weighted assets	**74,642**	80,922	**55,781**	60,374
Total risk-weighted assets	**₱703,940**	₱644,414	**₱553,650**	₱522,615
Capital ratios:				
Total regulatory capital expressed as percentage of total risk weighted assets	**15.68%**	13.04%	**15.27%**	11.80%
Total Tier 1 expressed as percentage of total risk-weighted assets	**13.90%**	11.30%	**13.19%**	9.88%
Total Common Equity Tier 1 expressed as percentage of total risk-weighted assets	**13.90%**	11.30%	**13.19%**	9.88%
Conservation buffer	**7.90%**	5.30%	**7.19%**	3.88%

The Group and the Parent Bank have fully complied with the CAR requirements of the BSP.

The breakdown of credit risk-weighted assets, market risk-weighted assets and operational risk-weighted assets follow (amounts in millions):

	Group		Parent Bank	
	2023	2022	**2023**	2022
On-books assets	**₱589,047**	₱534,813	**₱457,879**	₱433,867
Off-books assets	**9,401**	10,410	**9,387**	10,401
Counterparty risk-weighted assets:				
in the banking books	**8,671**	9,619	**8,671**	9,619
in the trading books	**1363**	1,523	**1363**	1,523
Gross Credit Risk-Weighted Assets	**₱608,482**	₱556,365	**₱477,300**	₱455,410
Excess of amount permitted in upper Tier 2	**–**	–	**220**	–
Total Credit Risk-Weighted Assets	**₱608,482**	₱556,365	**₱477,080**	₱455,410
Capital Requirements	**₱60,848**	₱55,637	**₱47,708**	₱45,541
Interest rate exposures	**₱8,328**	₱5,419	**₱8,328**	₱5,419
Equity exposures	**–**	–	**–**	–
Foreign exchange exposures	**12,488**	1,708	**12,461**	1,412
Total Market Risk-Weighted Assets	**₱20,816**	₱7,127	**₱20,789**	₱6,831
Capital Requirements	**₱2,082**	₱713	**₱2,079**	₱683
Total Operational Risk-Weighted Assets - Basic indicator	**₱74,642**	₱80,922	**₱55,781**	₱60,374
Capital Requirements	**₱7,464**	₱8,092	**₱5,578**	₱6,037

The total credit exposure broken down by type of exposures and risk weights follow (amounts in millions):

	Group					
	2023					
	Credit Risk Total Credit Risk Exposure	**Total Credit Risk Exposure after Risk Mitigation**	**0%-50%**	**75%-100%**	**150%**	**Total Weighted Assets**
Risk-Weighted On-Books Assets						
Cash on hand	**₱10,436**	**₱10,436**	**₱10,436**	**₱–**	**₱ –**	**₱–**
Checks and other cash items	**13**	**13**	**13**	**–**	**–**	**3**
Due from BSP	**82,766**	**82,766**	**82,766**	**–**	**–**	**–**
Due from other banks	**27,263**	**27,263**	**25,467**	**1,796**	**–**	**13,845**
Financial assets at FVTPL	**99**	**99**	**60**	**39**	**–**	**39**
Financial assets at FVOCI	**37,620**	**37,620**	**37,331**	**289**	**–**	**297**
Financial assets at amortized cost	**319,078**	**306,630**	**263,923**	**42,707**	**–**	**56,196**
Loans and receivables	**505,126**	**503,742**	**86,754**	**400,617**	**16,371**	**448,747**
SPURRA	**25,227**	**4,446**	**4,446**	**–**	**–**	**–**
Sales contract receivable (SCR)	**2,452**	**2,452**	**–**	**1,045**	**1,407**	**3,156**
ROPA	**5,025**	**5,025**	**–**	**–**	**5,025**	**7,537**
Other assets	**55,451**	**55,451**	**–**	**55,451**	**–**	**55,451**
Total risk-weighted on-books assets not covered by CRM	**1,070,556**	**1,035,943**	**511,196**	**501,944**	**22,803**	**585,271**
Total risk-weighted on-books assets covered by CRM	**–**	**34,612**	**34,612**	**–**	**–**	**3,776**
	₱1,070,556	**₱1,070,555**	**₱545,808**	**₱501,944**	**₱22,803**	**₱589,047**
Risk-Weighted Off-Books Assets						
Direct credit substitutes (e.g., general guarantee of indebtedness and acceptances)	**₱4,496**	**₱–**	**₱–**	**₱4,496**	**₱–**	**₱4,496**
Transaction-related contingencies (e.g., performance bonds, bid bonds, warrantees and stand-by LCs related to particular transactions)	**3,057**	**–**	**–**	**3,057**	**–**	**3,057**

(Forward)

	Group					
	2023					
	Credit Risk Total Credit Risk Exposure	**Total Credit Risk Exposure after Risk Mitigation**	**0%-50%**	**75%-100%**	**150%**	**Total Weighted Assets**
Trade-related contingencies arising from movements of goods (e.g., documentary credits collateralized by the underlying shipments) and commitments with an original maturity of up to one year	**₱16,881**	**₱–**	**₱–**	**₱3,377**	**₱–**	**₱3,377**
	₱24,434	**₱–**	**₱–**	**₱9,401**	**₱–**	**₱9,401**
Counterparty Risk-Weighted Assets in the Banking Books						
Repo-style Exposure	**₱114,057**	**₱15,892**	**₱13,897**	**₱1,995**	**₱–**	**₱8,671**
Counterparty Risk-Weighted Assets in the Trading Books						
Interest Rate Contracts	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Exchange Rate Contracts	**101,841**	**2,231**	**1,679**	**552**	**–**	**1,363**
Total	**₱101,841**	**₱2,231**	**₱1,679**	**₱552**	**₱–**	**₱1,363**

	Group					
	2022					
	Credit Risk Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	Total Weighted Assets
Risk-Weighted On-Books Assets						
Cash on hand	₱9,873	₱9,873	₱9,873	₱–	₱–	₱–
Checks and other cash items	18	18	18	–	–	4
Due from BSP	94,630	94,630	94,630	–	–	–
Due from other banks	46,254	46,254	43,111	3,144	–	22,893
Financial assets at FVTPL	39	39	–	39	–	39
Financial assets at FVOCI	80,679	69,443	49,460	19,983	–	24,253
Financial assets at amortized cost	248,372	248,372	228,213	20,159	–	27,287
Loans and receivables	461,304	459,917	91,711	361,647	6,560	407,172
SPURRA	23,565	3,323	3,323	–	–	–
Sales contract receivable (SCR)	2,162	2,162	–	1,039	1,123	2,724
ROPA	5,297	5,297	–	–	5,297	7,946
Other assets	39,045	39,045	–	39,045	–	39,045
Total risk-weighted on-books assets not covered by CRM	1,011,238	978,373	520,339	445,056	12,980	531,363
Total risk-weighted on-books assets covered by CRM	–	32,864	32,864	–	–	3,450
	₱1,011,238	₱1,011,237	₱553,203	₱445,056	₱12,980	₱534,813
Risk-Weighted Off-Books Assets						
Direct credit substitutes (e.g., general guarantee of indebtedness and acceptances)	₱4,536	₱–	₱–	₱4,536	₱–	₱4,536
Transaction-related contingencies (e.g., performance bonds, bid bonds, warrantees and stand-by LCs related to particular transactions)	4,600	–	–	2,300	–	2,300
Trade-related contingencies arising from movements of goods (e.g., documentary credits collateralized by the underlying shipments) and commitments with an original maturity of up to one year	17,873	–	–	3,574	–	3,574
	₱27,009	₱–	₱–	₱10,410	₱–	₱10,410

(Forward)

	Group 2022					
	Credit Risk Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	Total Weighted Assets
Counterparty Risk-Weighted Assets in the Banking Books						
Repo-style Exposure	₱97,000	₱18,770	₱18,302	₱468	₱–	₱9,619
Counterparty Risk-Weighted Assets in the Trading Books						
Interest Rate Contracts	₱1,115	₱–	₱–	₱–	₱–	₱–
Exchange Rate Contracts	107,982	2,413	1,685	728	–	1,523
Total	₱109,097	₱2,413	₱1,685	₱728	₱–	₱1,523

	Parent Bank 2023					
	Credit Risk Total Credit Risk Exposure	**Total Credit Risk Exposure after Risk Mitigation**	**0%-50%**	**75%-100%**	**150%**	**Total Weighted Assets**
Risk-Weighted On-Books Assets						
Cash on hand	**₱9,351**	**₱9,351**	**₱9,351**	**₱ –**	**₱ –**	**₱–**
Cash and other cash items	–	–	–	–	–	–
Due from BSP	**63,976**	**63,976**	**63,976**	–	–	–
Due from other banks	**23,196**	**23,196**	**21,572**	**1,624**	–	**11,726**
Financial asset at FVTPL	–	–	–	–	–	–
Financial assets at FVOCI	**37,344**	**37,344**	**37,281**	**63**	–	**63**
Financial assets at amortized cost	**309,799**	**297,352**	**254,645**	**42,707**	–	**56,178**
Loans and other receivables	**396,801**	**395,611**	**86,580**	**301,006**	**8,025**	**336,924**
SPURRA	**2,996**	–	–	–	–	–
SCR	**2,342**	**2,342**	–	**994**	**1,348**	**3,016**
ROPA	**3,872**	**3,872**	–	–	**3,872**	**5,808**
Other assets	**40,415**	**40,415**	–	**55,459**	–	**40,415**
Total risk-weighted on-books assets not covered by CRM	**890,092**	**873,459**	**473,405**	**386,809**	**13,245**	**454,133**
Total risk-weighted on-books assets covered by CRM	–	**16,633**	**16,633**	–	–	**3,776**
	₱890,092	**₱890,092**	**₱490,038**	**₱386,809**	**₱13,245**	**₱457,909**
Risk-Weighted Off-Books Assets						
Direct credit substitutes (e.g., general guarantee of indebtedness and acceptances)	**₱4,496**	**₱–**	**₱–**	**₱4,496**	**₱–**	**₱4,496**
Transaction-related contingencies (e.g., performance bonds, bid bonds, warrantees and stand-by LCs related to particular transactions)	**3,057**	–	–	**1,528**	–	**1,528**
Trade-related contingencies arising from movements of goods (e.g., documentary credits collateralized by the underlying shipments) and commitments with an original maturity of up to one year	**16,813**	–	–	**3,363**	–	**3,363**
	₱24,366	**₱–**	**₱–**	**₱9,387**	**₱–**	**₱9,387**
Counterparty Risk-Weighted Assets in the Banking Books						
Repo-style Exposure	**₱114,057**	**₱15,892**	**₱13,897**	**₱1,995**	**₱–**	**₱8,671**
Counterparty Risk-Weighted Assets in the Trading Books						
Interest Rate Contracts	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Exchange Rate Contracts	**101,841**	**2,231**	**1,679**	**552**	–	**1,363**
Total	**₱101,841**	**₱2,231**	**₱1,679**	**₱552**	**₱–**	**₱1,363**

	Parent Bank					
	2022					
	Credit Risk Total Credit Risk Exposure	Total Credit Risk Exposure after Risk Mitigation	0%-50%	75%-100%	150%	Total Weighted Assets
Risk-Weighted On-Books Assets						
Cash on hand	₱8,924	₱8,924	₱8,924	₱ –	₱ –	₱–
Due from BSP	66,595	66,595	66,595	–	–	–
Due from other banks	42,278	42,278	40,929	1,348	–	20,007
Financial assets through other comprehensive income	80,384	69,148	49,392	19,756	–	24,015
Financial assets at amortized cost	239,143	239,143	218,985	20,159	–	27,269
Loans and receivables	379,934	378,629	90,084	286,201	2,344	324,589
SPURRA	14,645	1,539	1,539	–	–	–
SCR	2,063	2,063	–	989	1,074	2,600
ROPA	3,839	3,839	–	–	3,839	5,759
Other assets	26,189	26,189	–	26,189	–	26,189
Total risk-weighted on-books assets not covered by CRM	863,994	838,347	476,448	354,642	7,257	430,428
Total risk-weighted on-books assets covered by CRM	–	25,647	25,647	–	–	3,439
	₱863,994	₱863,994	₱502,095	₱354,642	₱7,257	₱433,867
Risk-Weighted Off-Books Assets						
Direct credit substitutes (e.g., general guarantee of indebtedness and acceptances)	₱4,536	₱–	₱–	₱4,536	₱–	₱4,536
Transaction-related contingencies (e.g., performance bonds, bid bonds, warrantees and stand-by LCs related to particular transactions)	4,600	–	–	2,300	–	2,300
Trade-related contingencies arising from movements of goods (e.g., documentary credits collateralized by the underlying shipments) and commitments with an original maturity of up to one year	17,826	–	–	3,565	–	3,565
	₱26,962	₱–	₱–	₱10,401	₱–	₱10,401
Counterparty Risk-Weighted Assets in the Banking Books						
Repo-style Exposure	₱97,000	₱18,770	₱18,302	₱468	₱–	₱9,619
Counterparty Risk-Weighted Assets in the Trading Books						
Interest Rate Contracts	₱1,115	₱–	₱–	₱–	₱–	₱–
Exchange Rate Contracts	107,982	2,413	1,685	728	–	1,523
Total	₱109,097	₱2,413	₱1,685	₱728	₱–	₱1,523

Risk weighted on-balance sheet assets covered by credit risk mitigants were based on collateralized transactions as well as guarantees by the Philippine National Government and those guarantors and exposures with the highest credit rating.

Standardized credit risk weights were used in the credit assessment of asset exposures. Third party credit assessments were based on the ratings by Standard & Poor's, Moody's, Fitch and Philratings on exposures to Sovereigns, Multilateral Development Banks, Banks, Local Government Units, Government Corporations and Corporates.

Minimum Capital Requirement
Under the relevant provisions of current BSP regulations, the required minimum capitalization of a universal bank is ₱20.0 billion both as of December 31, 2023 and 2022. As of those dates, the Bank is in compliance with these regulations.

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

The details of the BLR as of December 31, 2023 and 2022 follow (amounts in millions, except for percentages):

	Consolidated		Parent Bank	
	2023	2022	**2023**	2022
Tier 1 Capital	**₱97,862**	₱72,817	**₱73,007**	₱51,658
Exposure Measure	**1,123,087**	1,035,178	**915,156**	888,335
BLR	**8.71%**	7.03%	**7.98%**	5.82%

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

Ensuring Sufficient Capital
On January 15, 2009, the BSP issued Circular No. 639, which articulates the need for banks to adopt and document an Internal Capital Adequacy Assessment Process (ICAAP). All universal and commercial banks are expected to perform a thorough assessment of all their material risks, as well as maintain capital adequate to support these risks. This is intended to complement the current regulatory capital requirement of at least 10% of risk assets, which only covers credit, market and operational risks. On December 29, 2009, the BSP issued Circular No. 677 that effectively extends the implementation of the ICAAP from January 2010 to January 2011.

Cognizant of the importance of a strong capital base to meet strategic and regulatory requirements, the Parent Bank has adopted a robust ICAAP on a group-wide level that is consistent with its risk philosophy and risk appetite. The ICAAP Document embodies the Group's risk philosophy, risk appetite, and risk governance framework and structure, and integrates these with: (a) the Group's strategic objectives and long-term strategies; (b) the five-year financial and business plans; and, (c) the capital plan and dividend policy.

The ICAAP's objective is to ensure that the BOD and senior management actively and promptly identify and manage the material risks arising from the general business environment, and that an appropriate level of capital is maintained to cover these risks.

On January 4, 2018, the BSP issued Circular No. 989 which mandates the conduct of stress testing exercise of banks. The Group's ICAAP Document considered the impact of severe but plausible scenarios on the Group's capital position. The results are thoroughly discussed during RMC meetings, and reported to the Board. In the course of its discussions, the BOD and senior management may request for additional stress testing scenarios or revisions to the test assumptions in order to better align these to current trends and forecasts.

The Group has a cross-functional ICAAP technical team, comprised of representatives from the core risk management units - credit, market, operational, information technology, and emerging risks; corporate planning; financial controllership; treasury; internal audit; and compliance. This ensures a well-coordinated approach to the development, documentation, implementation, review, improvement, and maintenance of the various sub-processes included in the ICAAP.

The key members of the ICAAP technical team are enrolled in further training as well as various fora and briefings to enhance their knowledge and expertise particularly on the subjects of ICAAP, Basel III, and their interface with PFRS.

The Group's ICAAP Document is subjected each year to an independent review by the Internal Audit Division (IAD) to provide reasonable assurance that the Group has met the regulatory requirements. For the 2023 ICAAP Document submission, the results of the audit assessment were presented to the Audit Committee and the BOD.

Based on IAD's assessment of the ICAAP document, its related supporting documents, and existing processes and structures, IAD reported that the Group has satisfactorily complied with the minimum requirements prescribed in BSP Circular No. 639. Presence of a proper governance and oversight function of the ICAAP, comprehensive risk management framework, and sound capital management process were verified in the audit process. For 2023, the Group and Parent Bank's ICAAP Document was submitted to the BSP on March 30, 2023.

6. Segment Reporting

Business Segments

The Group's main operating businesses are organized and managed separately according to the nature of products and services provided and the different markets served, with each segment representing a strategic business unit. These are also the basis of the Group in reporting to its chief operating decision-maker for its strategic decision-making activities.

In 2023, given the significant growth in mass market and digital banking products, the Group revisted the level of aggregation of its consumer banking segment. Given the differences in processes and customer characteristics, the Group assessed that there is a change in the level of aggregation, and Mass Market/ Digital Banking is now presented as a separate operating segment. In accordance with PFRS, the Group retroactively presented the comparative information separating this segment from the others.

The Group's main business segments are presented below.

(a) Consumer Banking
This segment principally handles individual customer deposits, funds transfer facilities and provides consumer type loans, such as personal loans, automobiles and mortgage financing, and credit card facilities.

(b) Institutional Banking
This segment principally handles loans and other credit facilities and deposit and current accounts for corporate, institutional, small and medium enterprises, and middle market customers.

(c) *Mass Market/Digital Banking*
Mass Market banking primarily provides a range of mass market financial products and services such as salary loans, pension loans, seafarer loans, motorcycle loans, company loans, LGU salary loans, and traditional deposits. Digital Banking offers retail financial products, including deposits and loans, on a highly secure digital banking platform.

(d) *Treasury Banking*
This segment is principally responsible for managing the Bank's liquidity and funding requirements, and handling transactions in the financial markets covering foreign exchange, fixed income trading and investments, and derivatives.

(e) *Trust and Insurance*
The segment handles trust, asset management and fiduciary services provided by the Bank to its customers.

(f) *Headquarters*
This segment includes corporate management, support and administrative units not specifically identified with Consumer Banking, Corporate and Commercial Banking or Treasury.

These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at estimated market rates on an arm's length basis.

Segment resources and liabilities comprise operating resources and liabilities including items such as taxation and borrowings. Revenues and expenses that are directly attributable to a particular business segment and the relevant portions of the Group's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment.

Analysis of Segment Information
Segment information of the Group as of and for the years ended December 31, 2023, 2022 and 2021 follow (amounts in millions):

	Consumer Banking	Mass Market/ Digital	Institutional	Treasury	Trust/ Insurance and Brokerage	Headquarters	Total
December 31, 2023							
Results of operations							
Net interest income and other income	**₱42,037**	**₱14,992**	**₱8,554**	**₱3,784**	**₱1,224**	**₱187**	**₱70,778**
Other expenses	**(20,612)**	**(8,454)**	**(3,680)**	**(1,786)**	**(672)**	**(9,684)**	**(44,888)**
Income before credit losses and income tax	**₱21,425**	**₱6,538**	**₱4,874**	**₱1,998**	**₱552**	**(₱9,497)**	**25,890**
Provision for credit losses							**(14,041)**
Tax expense							**(2,644)**
Net income							**₱9,205**
Segment resources	**₱194,610**	**₱182,076**	**₱210,701**	**₱383,954**	**₱1,869**	**₱171,933**	**₱1,145,143**
Segment liabilities	**₱403,353**	**₱155,938**	**₱150,684**	**₱214,413**	**₱245**	**₱44,885**	**₱969,518**
Other information:							
Depreciation and amortization	**₱35**	**₱644**	**₱70**	**₱5**	**₱6**	**₱1,906**	**₱2,666**
Capital expenditures	**171**	**605**	**362**	**43**	**–**	**3,144**	**4,325**

	Consumer Banking	Mass Market/ Digital	Institutional	Treasury	Trust/ Insurance and Brokerage	Headquarters	Total
December 31, 2022							
Results of operations							
Net interest income and other income	₱23,657	₱11,095	₱9,329	₱5,260	₱727	₱2,132	₱52,200
Other expenses	(11,544)	(6,449)	(3,134)	(1,940)	(332)	(7,949)	(31,348)
Income before credit losses and income tax	₱12,113	₱4,646	₱6,195	₱3,320	₱395	(₱5,817)	20,852
Provision for credit losses							(4,068)
Tax expense							(4,039)
Net income							₱12,745
Segment resources	₱174,533	₱148,966	₱210,838	₱405,454	₱1,600	₱151,495	₱1,092,886
Segment liabilities	₱394,203	₱126,431	₱130,426	₱250,306	₱222	₱43,084	₱944,672
Other information:							
Depreciation and amortization	₱26	₱381	₱53	₱4	₱7	₱1,389	₱1,860
Capital expenditures	759	216	273	140	–	2,778	4,166

	Consumer Banking	Mass Market/ Digital	Institutional	Treasury	Trust/ Insurance and Brokerage	Headquarters	Total
December 31, 2021							
Results of operations							
Net interest income and other income	₱11,053	₱8,856	₱9,522	₱13,254	₱337	₱2,094	₱45,116
Other expenses	(6,090)	(5,991)	(3,148)	(1,319)	(176)	(7,596)	(24,320)
Income before credit losses and income tax	₱4,963	₱2,865	₱6,374	₱11,935	₱161	(₱5,502)	20,796
Provision for credit losses							(5,811)
Tax expense							(2,407)
Net income							₱12,578
Segment resources	₱78,100	₱123,500	₱198,796	₱337,676	₱74	₱92,949	₱831,095
Segment liabilities	₱290,339	₱105,372	₱151,029	₱150,119	₱7	₱22,016	₱718,882
Other information:							
Depreciation and amortization	₱13	₱424	₱50	₱4	₱7	₱1,126	₱1,624
Capital expenditures	259	139	342	7	–	2,639	3,386

7. Fair Value Measurement and Offsetting of Financial Assets and Financial Liabilities

Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the resource or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

For assets and liabilities that are recognized at fair value in the statement of financial position on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are grouped into the fair value hierarchy as follows:

a) Financial instruments measured at fair value

Group

	December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Resources				
Financial assets at FVTPL				
Debt securities	**₱4,542,117**	**₱–**	**₱–**	**₱4,542,117**
Equity securities	**97,849**	**442,100**	**31,000**	**570,949**
Derivative assets	**–**	**640,325**	**52,325**	**692,650**
Trust fund assets	**–**	**55,673**	**–**	**55,673**
Financial assets at FVOCI				
Debt securities	**36,685,421**	**–**	**–**	**36,685,421**
Equity securities	**–**	**–**	**289,353**	**289,353**
Liabilities				
Derivative liabilities	**–**	**926,176**	**–**	**926,176**
	December 31, 2022			
Resources				
Financial assets at FVTPL				
Debt securities	₱6,996,559	₱–	₱–	₱6,996,559
Equity securities	39,338	411,050	31,000	481,388
Derivative assets	–	1,122,881	52,688	1,175,569
Trust fund assets	–	60,109	–	60,109
Financial assets at FVOCI				
Debt securities	79,489,027	–	–	79,489,027
Equity securities	–	–	272,735	272,735
Liabilities				
Derivative liabilities	–	1,546,773	–	1,546,773

Parent Bank

	December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Resources				
Financial assets at FVTPL				
Debt securities	**₱4,542,117**	**₱–**	**₱–**	**₱4,542,117**
Equity securities	**–**	**442,100**	**–**	**442,100**
Derivative assets	**–**	**640,325**	**52,325**	**692,650**
Financial assets at FVOCI				
Debt securities	**36,636,587**	**–**	**–**	**36,636,587**
Equity securities	**–**	**–**	**62,647**	**62,647**
Liabilities				
Derivative liabilities	**–**	**926,176**	**–**	**926,176**

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Resources				
Financial assets at FVTPL				
Debt securities	₱6,996,559	₱–	₱–	₱6,996,559
Equity securities	–	411,050	–	411,050
Derivative assets	–	1,122,881	52,688	1,175,569
Financial assets at FVOCI				
Debt securities	79,421,431	–	–	79,421,431
Equity securities	–	–	46,247	46,247
Liabilities				
Derivative liabilities	–	1,546,773	–	1,546,773

b) Financial instruments measured at amortized cost and investment properties for which fair value is disclosed

Group

	December 31, 2023				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Resources					
Financial Assets					
Financial assets at amortized cost	**₱314,479,239**	**₱293,924,390**	**₱–**	**₱–**	**₱293,924,390**
Loans and other receivables	**526,145,828**	**–**	**–**	**514,125,509**	**514,125,509**
Nonfinancial Assets					
Investment properties	**8,592,259**	**–**	**–**	**18,908,548**	**18,908,548**
Liabilities					
Financial Liabilities					
Deposit liabilities	**712,568,408**	**–**	**–**	**714,376,295**	**714,376,295**
Bills payable	**155,287,929**	**–**	**152,063,102**	**–**	**152,063,102**
Notes and bonds payable	**50,493,627**	**–**	**48,342,776**	**–**	**48,342,776**

	December 31, 2022				
	Carrying Value	Level 1	Level 2	Level 3	Total
Resources					
Financial Assets					
Financial assets at amortized cost	₱244,627,904	₱219,164,614	₱–	₱–	₱219,164,614
Loans and other receivables	479,626,649	–	–	473,119,154	473,119,154
Nonfinancial Assets					
Investment properties	8,258,873	–	–	16,767,610	16,767,610
Liabilities					
Financial Liabilities					
Deposit liabilities	711,303,942	–	–	711,341,525	711,341,525
Bills payable	132,846,789	–	127,994,547	–	127,994,547
Notes and bonds payable	51,644,325	–	48,770,253	–	48,770,253

Parent Bank

	December 31, 2023				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Resources					
Financial assets at amortized cost	**₱305,334,583**	**₱285,206,482**	**₱–**	**₱–**	**₱285,206,482**
Loans and other receivables	**411,823,839**	**–**	**–**	**399,803,520**	**399,803,520**
Investment properties	**7,359,283**	**–**	**–**	**17,343,691**	**17,343,691**
Liabilities					
Deposit liabilities	**597,555,393**	**–**	**–**	**599,363,280**	**599,363,280**
Bills payable	**120,359,136**	**–**	**117,134,309**	**–**	**117,134,309**
Notes and bonds payable	**50,493,627**	**–**	**48,342,776**	**–**	**48,342,776**

	December 31, 2022				
	Carrying Value	Level 1	Level 2	Level 3	Total
Resources					
Financial assets at amortized cost	₱235,400,671	₱210,794,053	₱–	₱–	₱210,794,053
Loans and other receivables	393,734,345	–	–	387,226,850	387,226,850
Investment properties	7,124,049	–	–	16,572,598	16,572,598
Liabilities					
Deposit liabilities	623,921,032	–	–	623,958,615	623,958,615
Bills payable	99,309,124	–	94,456,882	–	94,456,882
Notes and bonds payable	51,644,325	–	48,770,253	–	48,770,253

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years. Certain disclosures required for financial instruments measured at fair value and classified as Level 3 are not presented as these financial instruments are comprised of derivative assets and unquoted equity securities that are not material to the financial statements.

Below information provided about how the fair values of the Group's classes of financial instruments are determined.

(a) *For Cash and other cash items, Due from BSP and other banks, Interbank loans receivable, SPURRA (included under loans and other receivable) and Returned checks and other cash items, and Other liabilities such as Manager's checks, Bills purchased, Accounts payable, Accrued interest payable, Payment orders payable and Due to Treasurer of the Philippines*
Management considers that the carrying amounts approximate their fair value due to their short-term nature. Accordingly, these are not presented in the tables above.

(b) *Debt securities*
Fair values of debt securities under Level 1, composed of government securities issued by the Philippine government and other foreign governments and private debt securities, are determined based on quoted prices at the close of business as appearing on Bloomberg. Fair values of debt securities under Level 2 composed of government securities, determined based on observable input prices of similar securities appearing on Bloomberg.

(c) *Derivatives*
The fair values of derivative financial instruments that are not quoted in an active market are determined through valuation techniques using the net present value computation (see Note 3). The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

(d) *Equity securities*
Instruments included in Level 1 comprise equity securities classified as financial assets at FVTPL. These securities are valued based on their closing prices published by the Philippine Stock Exchange.

Club shares classified as financial assets at FVTPL are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period.

Equity instruments included in Level 3 are UIC's investment in unquoted equity securities valued using the adjusted net asset method. The adjusted net asset method involves deriving the fair value of the investee's equity instruments by reference to the fair value of its assets and liabilities. Adjustments in the fair value of the investee's net assets, such as discount for the lack of liquidity, were also considered in the valuation. The Level 3 unquoted equity instruments are not material to the consolidated financial statements.

(e) Loans and receivables, Deposit liabilities and Bills payable
The Group maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

(f) Notes and bonds payable
Fair values of notes and bonds payable under Level 2 are determined based on quoted prices at the close of business as appearing on PDEx and Bloomberg. These are classified as Level 2 due to absence of an active market.

(g) Investment properties
The fair values of the Group's investment properties are determined on the basis of the appraisals performed by internal appraisers (for investment properties with values below ₱5 million) and independent appraisal companies acceptable to the BSP (for investment properties with fair values above ₱5 million), with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation process is conducted by the appraisers with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location.

In estimating the fair value of these properties, appraisal companies take into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management's assessment, the best use of the Group's non-financial assets indicated above is their current use.

The fair values of investment properties are determined using the market data approach that reflects observable and recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable property in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2. On the other hand, if the observable and recent prices of the reference properties were adjusted for differences in key attributes such as property size, zoning, and accessibility, the fair value will be the lower level of the hierarchy or Level 3. The most significant input into this valuation approach is the price per square meter, hence, the higher the price per square meter, the higher the fair value.

There has been no change in the valuation techniques used by the Group during the year for its investment properties.

Offsetting Financial Assets and Financial Liabilities

Certain financial assets and financial liabilities of the Group and the Parent Bank with amounts presented in the statements of financial position as of December 31, 2023 and 2022 are subject to offsetting, enforceable master netting arrangements and similar agreements. However, there were no financial assets and financial liabilities presented at net in the statements of financial position.

Presented below is the financial assets and financial liabilities subject to offsetting but the related amounts are not set-off in the statements of financial position.

	Group							
	December 31, 2023				December 31, 2022			
	Net amount presented in the statement of financial position	**Related amounts not set off in the statement of financial position**			Net amount presented in the statement of financial position	Related amounts not set off in the statement of financial position		
		Financial Instruments	**Collateral Received**	**Net Exposure**		Financial Instruments	Collateral Received	Net Exposure
Financial Assets								
Derivative Assets								
Currency forwards	**₱171,025**	**₱75,833**	**₱–**	**₱95,192**	₱807,279	₱379,452	₱–	₱427,827
Cross currency interest rate swaps	**469,300**	**57,965**	**–**	**411,335**	315,602	21,550	–	294,052
Loans and Receivables	**25,785,023**	**–**	**25,785,023**	**–**	23,948,338	–	23,948,338	–
Total financial assets	**₱26,425,348**	**₱133,798**	**₱25,785,023**	**₱506,527**	₱25,071,219	₱401,002	₱23,948,338	₱721,879
Financial Liabilities								
Derivative Liabilities								
Currency forwards	**₱741,313**	**₱75,833**	**₱–**	**₱665,480**	₱1,306,506	₱379,452	₱–	₱927,054
Cross currency swaps	**184,863**	**57,965**	**–**	**126,898**	240,267	21,550	–	218,717
Deposit Liabilities	**595,679**	**373,904**	**–**	**221,775**	652,651	331,529	–	321,122
Bills Payable	**25,411,119**	**25,411,119**	**–**	**–**	23,553,973	23,553,973	–	–
Total financial liabilities	**₱26,932,974**	**₱25,918,821**	**₱–**	**₱1,014,153**	₱25,753,397	₱24,286,504	₱–	₱1,466,893

	Parent Bank							
	December 31, 2023				December 31, 2022			
	Net amount presented in the statement of financial position	**Related amounts not set off in the statement of financial position**			Net amount presented in the statement of financial position	Related amounts not set off in the statement of financial position		
		Financial Instruments	**Collateral Received**	**Net Exposure**		Financial Instruments	Collateral Received	Net Exposure
Financial assets								
Derivative assets								
Currency forwards	**₱171,025**	**₱75,833**	**₱–**	**₱95,192**	₱807,279	₱379,452	₱–	₱427,827
Cross currency interest rate swaps	**469,300**	**57,965**	**–**	**411,335**	315,602	21,550	–	294,052
Loans and receivables	**3,498,457**	**–**	**3,498,457**	**–**	14,966,340	–	14,966,340	–
Total financial assets	**₱4,138,782**	**₱133,798**	**₱3,498,457**	**₱506,527**	₱16,089,221	₱401,002	₱14,966,340	₱721,879
Financial liabilities								
Derivative liabilities								
Currency forwards	**₱741,313**	**₱75,833**	**₱–**	**₱665,480**	₱1,306,506	₱379,452	₱–	₱927,054
Cross currency swaps	**184,863**	**57,965**	**–**	**126,898**	240,267	21,550	–	218,717
Deposit liabilities	**511,063**	**314,379**	**–**	**196,684**	610,047	331,529	–	278,518
Bills Payable	**3,184,078**	**3,184,078**	**–**	**–**	14,634,811	14,634,811	–	–
Total financial liabilities	**₱4,621,317**	**₱3,632,255**	**₱–**	**₱989,062**	₱16,791,631	₱15,367,342	₱–	₱1,424,289

8. Cash and Balances with the BSP

These accounts are composed of the following as of December 31:

	Group		Parent Bank	
	2023	2022	**2023**	2022
Cash and other cash items	**₱10,439,112**	₱9,891,536	**₱9,350,898**	₱8,924,249
Due from BSP				
Mandatory reserves	**₱56,967,441**	₱62,263,916	**₱53,955,218**	₱59,250,130
Non-mandatory reserves	**25,676,222**	32,346,392	**9,927,906**	7,337,991
	₱82,643,663	₱94,610,308	**₱63,883,124**	₱66,588,121

Cash consists primarily of funds in the form of Philippine currency notes and coins in the Group and the Parent Bank's vault and those in the possession of tellers, including ATMs. Other cash items include cash items (other than currency and coins on hand) such as checks drawn on other banks or other branches that were received after the Group and the Parent Bank's clearing cut-off time until the close of the regular banking hours.

Mandatory reserves represent the balance of the deposit account maintained with the BSP to meet reserve requirements and to serve as clearing account for interbank claims (see Note 21). Due from BSP bears annual interest rates ranging from 5.00% to 6.71% in 2023, from 1.50% to 5.00% in 2022, and from 1.50% to 2.00% in 2021, except for the amounts within the required reserve as determined by the BSP. Total interest income on Due from BSP recognized by the Group amounted to ₱1,465,746, ₱896,452 and ₱665,311 in 2023, 2022, and 2021, respectively, while the total interest income on Due from BSP recognized by the Parent Bank amounted to ₱290,285, ₱487,778 and ₱325,236 in 2023, 2022, and 2021, respectively.

Under Section 254 of the MORB, a bank shall keep its required reserves in the form of deposits placed in the bank's demand deposit account with the BSP. Section 254.1 of the MORB further provides that such deposit account with the BSP is not considered as a regular current account as drawings against such deposits shall be limited to: (a) settlement of obligation with the BSP, and (b) withdrawals to meet cash requirements.

9. Due from Other Banks

The balance of this account consists of regular deposits with the following:

	Group		Parent Bank	
	2023	2022	**2023**	2022
Foreign banks	**₱22,905,216**	₱41,686,572	**₱22,905,216**	₱41,686,572
Local banks	**4,358,131**	4,553,392	**282,817**	576,957
	₱27,263,347	₱46,239,964	**₱23,188,033**	₱42,263,529

The breakdown of this account as to currency follows:

	Group		Parent Bank	
	2023	2022	**2023**	2022
U.S. dollars	**₱20,482,672**	₱39,093,926	**₱20,373,199**	₱38,909,437
Philippine pesos	**4,507,037**	4,362,703	**541,197**	570,757
Other currencies	**2,273,638**	2,783,335	**2,273,637**	2,783,335
	₱27,263,347	₱46,239,964	**₱23,188,033**	₱42,263,529

Annual interest rates on these deposits range from 0.00% to 5.40% in 2023, from 0.00% to 2.30% in 2022, and from 0.00% to 2.00% in 2021. Total interest income on Due from other banks earned by the Group amounted to ₱694,490, ₱103,736, and ₱14,429 in 2023, 2022, and 2021, respectively, while total interest income earned by the Parent Bank amounted to ₱656,870, ₱97,199, and ₱7,634 in 2023, 2022, and 2021, respectively.

Due from other banks is net of allowance for credit losses amounting to ₱11,874 and ₱18,447, as of December 31, 2023 and 2022, respectively.

10. Interbank Loans Receivable and Securities Purchased under Repurchase Agreements

Interbank loans receivable consists of foreign currency-denominated loans granted to other banks with terms ranging from 1 to 10 days as of 2023 and from 1 to 68 days as of 2022. SPURRA represents short-term placements with the BSP and private entities where the underlying securities cannot be sold or re-pledged to parties other than the contracting party.

Interest income on interbank loans amounted to ₱251,783, ₱260,343, and ₱23,256 in 2023, 2022, and 2021, respectively, for the Group, and ₱251,783, ₱259,183, and ₱22,170 in 2023, 2022, and 2021, respectively, for the Parent Bank. Interest income on SPURRA amounted to ₱1,116,021, ₱566,019, and ₱300,764 in 2023, 2022, and 2021, respectively, for the Group, and ₱266,369, ₱393,663, and ₱204,381 in 2023, 2022, and 2021, respectively, for the Parent Bank.

Annual interest rates on interbank loans receivable range from 0.00% to 6.44% in 2023, from 0.05% to 5.03% in 2022, and 0.01% to 2.00% in 2021. SPURRA bears nominal annual interest ranging from 5.50% to 6.48% in 2023, from 0.00% to 5.23% in 2022, and from 0.10% to 3.05% in 2021.

11. Financial Assets at Fair Value through Profit or Loss

The Group's and Parent Bank's financial assets at FVTPL as of December 31, 2023 and 2022 consist of the following:

	Group		Parent Bank	
	2023	2022	**2023**	2022
Debt securities held for trading	**₱4,542,117**	₱6,996,559	**₱4,542,117**	₱6,996,559
Equity securities designated at FVTPL	**570,949**	481,388	**442,100**	411,050
Derivative assets	**692,650**	1,175,569	**692,650**	1,175,569
	₱5,805,716	₱8,653,516	**₱5,676,867**	₱8,583,178

The breakdown of this account as to currency follows:

	Group		Parent Bank	
	2023	2022	**2023**	2022
Philippine pesos	**₱3,222,363**	₱5,304,291	**₱3,093,514**	₱5,233,953
U.S. dollars	**2,582,650**	3,348,270	**2,582,650**	3,348,270
Others	**703**	955	**703**	955
	₱5,805,716	₱8,653,516	**₱5,676,867**	₱8,583,178

The Group recognized fair value gains (losses) on financial assets at FVTPL amounting to ₱502,136, (₱281,559), and (₱440,044) in 2023, 2022, and 2021, respectively, while the Parent Bank recognized fair value gains (losses) on financial assets at FVTPL amounting to ₱501,185, (₱282,465) and (₱440,453), in 2023, 2022, and 2021, respectively, and included as part of Gains (losses) on trading and investment securities at FVTPL and FVOCI in the statement of income.

Interest income generated from these financial assets amounted to ₱194,354, ₱203,766, and ₱244,587 in 2023, 2022, and 2021, respectively, for the Group, and ₱193,268, ₱203,766, and ₱244,587 in 2023, 2022, and 2021, respectively, for the Parent Bank. In 2023 and 2022, annual interest rates on these financial assets range from 2.38% to 9.25% and from 1.38% to 9.63% for securities denominated in Philippine peso and U.S. dollars, respectively. In 2021, annual interest rates on these financial assets range from 2.38% to 4.62% and from 1.38% to 10.63% for securities denominated in Philippine peso and U.S. dollars, respectively.

Derivative instruments include warrants, foreign exchange forwards and swaps and cross-currency interest rate swaps. These derivative instruments represent commitments to purchase/sell/exchange foreign currency or bonds on a future date at an agreed price, exchange rate and/or interest rates.

Equity securities include PSE listed securities, club shares and unquoted equity securities.

The aggregate contractual or notional amount of derivative financial instruments and the total fair values of derivative financial assets and liabilities of the Group and the Parent Bank are set out below.

	December 31, 2023		
		Fair Values	
	Notional Amount	**Assets**	**Liabilities** (Note 24)
Currency forwards			
Bought	**₱67,830,319**	**₱100,663**	**₱688,115**
Sold	**15,469,007**	**70,362**	**53,198**
Cross currency interest rate swaps			
Payer	**20,848,585**	**35,580**	**158,876**
Receiver	**21,207,464**	**433,720**	**25,987**
Warrants		**52,325**	**–**
		₱692,650	**₱926,176**
	December 31, 2022		
Currency forwards			
Bought	₱74,853,141	₱288,247	₱1,263,097
Sold	25,708,489	519,032	43,409
Cross currency interest rate swaps			
Payer	3,751,347	15,823	234,509
Receiver	3,917,497	299,779	5,758
Warrants		52,688	–
		₱1,175,569	₱1,546,773

12. Financial Assets at Amortized Cost

The Group's and the Parent Bank's financial assets at amortized cost as of December 31, 2023 and 2022 consist of the following:

	Group		Parent Bank	
	2023	2022	**2023**	2022
Government bonds and other debt securities	**₱293,919,676**	₱242,659,492	**₱284,865,020**	₱233,522,259
Private bonds and commercial papers	**20,864,219**	2,273,341	**20,774,219**	2,183,341
	314,783,895	244,932,833	**305,639,239**	235,705,600
Allowance for impairment (Note 20)	**(304,656)**	(304,929)	**(304,656)**	(304,929)
	₱314,479,239	₱244,627,904	**₱305,334,583**	₱235,400,671

Investment securities of both the Group and the Parent Bank with an aggregate principal amount of ₱120,461,769 and ₱103,659,400 of December 31, 2023 and 2022, respectively, were pledged as collaterals for bills payable under repurchase agreements (see Note 22).

The breakdown of this account as to currency as of December 31, 2023 and 2022 follows:

	Group		Parent Bank	
	2023	2022	**2023**	2022
Philippine pesos	**₱217,448,551**	₱211,267,150	**₱208,303,895**	₱202,039,917
U.S. dollars	**95,104,589**	31,492,475	**95,104,589**	31,492,475
Others	**1,926,099**	1,868,279	**1,926,099**	1,868,279
	₱314,479,239	₱244,627,904	**₱305,334,583**	₱235,400,671

Financial assets at amortized cost denominated in Philippine pesos have annual fixed interest rates ranging from 2.38% to 9.50% in 2023, from 2.38% to 18.25% in 2022, and from 1.03% to 18.25% in 2021, while financial assets at amortized cost denominated in U.S. dollars and Euros have annual fixed interest rates ranging from 1.25% to 9.63% in 2023 and 2022, and from 3.25% to 9.50% in 2021. These bonds have remaining maturities of 1 year to 30 years as at December 31, 2023 and 2022 and 1 year to 29 years as at December 31, 2021.

Interest income generated from these financial assets, including amortization of premium or discount, amounted to ₱13,810,046, ₱9,731,453, and ₱5,865,798 in 2023, 2022, and 2021, respectively, by the Group, and ₱13,365,395, ₱9,330,858, and ₱5,777,352 in 2023, 2022, and 2021, respectively, by the Parent Bank. This is shown as part of Interest income on investment securities at amortized cost and FVOCI account in the statement of income.

Government bonds with aggregate face value of ₱1.2 billion as of December 31, 2023, and 2022, are deposited with BSP as security for the Bank's faithful compliance with its fiduciary obligations (see Note 31).

The Parent Bank sold investment securities classified as Investment securities at amortized cost with carrying amount of ₱1.7 billion, and ₱47.4 billion in 2022 and 2021, respectively, resulting in gains totaling ₱0.10 billion, and ₱8.45 billion in 2022 and 2021, respectively (see Note 3). There were no sale of investment securities classified as Investment securities at amortized cost in 2023.

13. Financial Assets at Fair Value Through Other Comprehensive Income

The Group's and the Parent Bank's financial assets at FVOCI as of December 31, 2023 and 2022 consist of the following:

	Group		Parent Bank	
	2023	2022	**2023**	2022
Debt securities:				
Government bonds	**₱36,646,114**	₱62,104,853	**₱36,636,587**	₱62,095,606
Private bonds and commercial papers	**39,307**	17,384,174	**–**	17,325,825
Equity securities	**289,353**	272,735	**62,647**	46,247
	₱36,974,774	₱79,761,762	**₱36,699,234**	₱79,467,678

The breakdown of this account as to currency as of December 31, 2023 and 2022 follows:

	Group		Parent Bank	
	2023	2022	**2023**	2022
Philippine pesos	**₱36,748,068**	₱23,609,883	**₱36,699,234**	₱23,542,286
U.S. dollars	**226,706**	56,151,879	**–**	55,925,392
	₱36,974,774	₱79,761,762	**₱36,699,234**	₱79,467,678

The Group has designated the above equity securities as at FVOCI because they are held for long-term investments and are neither held-for-trading nor designated as at FVTPL. Unquoted equity securities pertain to golf club shares and investments in non-marketable equity securities.

Debt securities denominated in Philippine pesos have annual interest rates ranging from 2.88% to 9.25% for 2023 and 2022, and from 2.88% to 6.88% for 2021, while debt securities denominated in U.S. dollars have annual interest rates ranging from 1.25% to 9.63% in 2023 and 2022, and from 1.13% to 9.63% in 2021. Interest income, including amortization of premium or discount, amounted to ₱1,810,165 and ₱1,806,821 in 2023 for the Group and Parent Bank, respectively, ₱2,758,288 and ₱2,752,764 in 2022 for the Group and Parent Bank, respectively, and ₱1,840,975 and ₱1,833,323 in 2021 for the Group and Parent Bank, respectively, and is shown as part of Interest income on investment securities at amortized cost and FVOCI account in the statement of income.

In 2023, 2022 and 2021, the Group and the Parent Bank recognized gains from the sale of investments securities at FVOCI amounting to ₱0.42 billion, ₱0.10 billion, and ₱0.66 billion, respectively. The amounts are included under Gains on trading and investments securities at FVTPL and FVOCI in the statement of income.

As of December 31, 2023 and 2022, allowance for credit losses credited against other comprehensive income amounted to ₱65 and ₱12,287, respectively.

14. **Loans and Other Receivables**

The Group's and the Parent Bank's loans and other receivables as of December 31, 2023 and 2022 consist of the following:

	Group		Parent Bank	
	December 31		December 31	
	2023	2022	**2023**	2022
Receivables from customers:				
Loans and discounts	**₱509,344,030**	₱459,972,123	**₱393,690,035**	₱372,906,505
Customers' liabilities under acceptances and trust receipts	**10,944,955**	11,616,859	**10,944,955**	11,616,859
Bills purchased	**2,432,182**	3,180,968	**2,432,182**	3,180,968
Accrued interest receivable	**6,554,565**	5,725,612	**3,194,525**	2,892,184
	529,275,732	480,495,562	**410,261,697**	390,596,516
Unearned discounts	**(2,741,969)**	(2,235,708)	**(367,697)**	(235,514)
Allowance for impairment (Note 20)	**(19,166,486)**	(14,038,685)	**(13,415,639)**	(9,177,037)
	507,367,277	464,221,169	**396,478,361**	381,183,965
Other receivables:				
Accounts receivable	**12,346,579**	9,316,601	**8,920,956**	6,718,338
Accrued interest receivable	**4,506,661**	4,244,524	**4,358,097**	4,063,998
Sales contracts receivable	**2,768,725**	2,319,031	**2,666,485**	2,215,959
Installment contracts receivable	**909**	2,188	**–**	–
	19,622,874	15,882,344	**15,945,538**	12,998,295
Allowance for impairment (Note 20)	**(844,323)**	(476,864)	**(600,060)**	(447,915)
	18,778,551	15,405,480	**15,345,478**	12,550,380
	₱526,145,828	₱479,626,649	**₱411,823,839**	₱393,734,345

Restructured loans amounted to ₱2,534,769 and ₱2,766,595 as of December 31, 2023 and 2022, respectively, for the Group, and ₱2,464,565 and ₱2,733,513 as of December 31, 2023 and 2022, respectively, for the Parent Bank. Interest income on these restructured loans amounted to ₱113,116, ₱136,650, and ₱38,733 in 2023, 2022 and 2021, respectively, for the Group, and ₱111,147, ₱136,129 and ₱25,189 in 2023, 2022 and 2021, respectively, for the Parent Bank.

The maturity profile of loans and other receivables (net of unearned discounts) follows:

	Group		Parent Bank	
	2023	2022	**2023**	2022
Less than one year	**₱206,226,521**	₱206,542,153	**₱179,801,242**	₱197,799,858
One year to less than five years	**221,942,259**	169,116,975	**128,518,701**	97,237,602
Beyond five years	**117,987,857**	118,514,319	**117,519,595**	108,353,086
	₱546,156,637	₱494,173,447	**₱425,839,538**	₱403,390,546

Loans and other receivables bear annual interest ranging from 4.25% to 14.00% in 2023 and 2022, and from 4% to 14% in 2021.

The breakdown of loans (receivable from customers excluding accrued interest receivable) as to type of interest rate follows:

	Group		Parent Bank	
	2023	2022	**2023**	2022
Variable interest rates	**₱379,224,034**	₱274,129,500	**₱278,853,696**	₱274,129,500
Fixed interest rates	**143,497,133**	200,640,450	**128,213,476**	113,574,832
	₱522,721,167	₱474,769,950	**₱407,067,172**	₱387,704,332

The amounts of interest income per type of loans and receivables for each reporting period are as follows:

	Group		
	2023	2022	2021
Receivables from customers	**₱59,015,283**	₱35,862,813	₱27,270,729
Other receivables:			
Sales contracts receivable	**203,642**	141,615	101,402
Installment contracts receivable	**159**	286	318
	₱59,219,084	₱36,004,714	₱27,372,449

	Parent Bank		
	2023	2022	2021
Receivables from customers	**₱38,670,624**	₱23,773,696	₱17,402,061
Sales contracts receivable	**182,597**	133,692	95,200
	₱38,853,221	₱23,907,388	₱17,497,261

15. Investments in Subsidiaries and Associates

Investment in Subsidiaries

This account in the Parent Bank's financial statements pertains to investments in the following subsidiaries, which are accounted for using the equity method:

	% Interest	**2023**	2022
Acquisition costs:			
CSB	99.79%	**₱6,746,861**	₱6,746,861
UFSI (Note 1)	100%	**5,097,261**	5,097,261
UnionDigital (Note 1)	100%	**3,900,000**	3,000,000
UBX	100%	**1,100,000**	1,100,000
UIC	100%	**924,861**	924,861
UBIMTC (Note 1)	100%	**300,000**	–
FUPI	100%	**290,002**	290,002
UBPSI	100%	**5,000**	5,000
UDC	100%	**3,125**	3,125
		₱18,367,110	₱17,167,110

The movement in investments in subsidiaries is shown below:

	2023	2022	2021
Acquisition costs:			
Beginning balances	**₱17,167,110**	₱10,069,849	₱8,573,349
Additional investments (Note 1)	**1,200,000**	7,097,261	1,500,000
Others	**–**	–	(3,500)
	18,367,110	17,167,110	10,069,849
Accumulated equity in total comprehensive income:			
Beginning balances	**14,615,586**	13,013,106	13,294,638
Share in net profit (Note 28)	**2,837,072**	1,712,086	1,173,016
Dividends	**(129,000)**	(188,000)	(1,496,811)
Share in other comprehensive income (loss) (Note 29)	**76,346**	82,778	38,774
Others	**–**	(4,384)	3,489
	17,400,004	14,615,586	13,013,106
Net investment in subsidiaries	**₱35,767,114**	₱31,782,696	₱23,082,955

The Parent Bank's direct subsidiaries are all incorporated in the Philippines. The principal place of business of these subsidiaries is in Metro Manila, Philippines except for CSB, which has its principal place of operations in Cebu, Philippines.

Investment in Associates

As of December 31, 2023 and 2022, the Group has investment in associates with aggregate carrying amounts of ₱37,675 and ₱123,396, respectively. The aggregate share in losses on these associates amounted to ₱21,300, ₱30,125, and ₱14,186 in 2023, 2022, and 2021, respectively.

On June 22, 2023, the BSP approved the Parent Bank's request to purchase 1,011,961 shares in Bangko Kabayan. On July 10, 2023, the Parent Bank completed the purchase representing 27.52% ownership interest in Bangko Kabayan. This is accounted as an Investment in associate in the Parent Bank's statement of financial position. The result of the purchase of the said shares increased the Group's ownership in Bangko Kabayan to 97.52%. CSB's and UIC's ownership remained the same at 49% and 21%, respectively (see Note 1).

Sale of Investments in Fintech Platform Ventures Pte Ltd. by UBX SG

On October 31, 2023, UBX SG sold its 31.98% stake in FinTech Platform Ventures Pte. Ltd. (FPV)'s for a total consideration of $2.10 million (₱118.9 million) of which $0.38 million (₱21.3 million) was kept in an escrow account as provision for future tax liability. The sale resulted in a gain on sale of investment in associate amounting to $0.42 million (₱22.7 million).

Sale of Investments in Pacific Payments Pte. Ltd by UBX SG

On June 18, 2021, UBX SG sold its 25% stake in Pacific Payments Pte. Ltd.'s for a total consideration of $5.4 million (₱262.4 million) resulting in a gain on sale of investment in associate amounting to $3 million (₱156.0 million). UBX SG will use the proceeds to pursue growth and investments opportunities.

Sale of Investments in CC Mobile Financial Services Philippines, Inc. by UBX PH

On June 11, 2021, UBX sold its 35% equity ownership in CC Mobile Financial Services Philippines, Inc. to FPV pursuant to a corporate restructuring of the Finscore Group intended to consolidate the ownership of all its subsidiaries under one Singaporean holding company – FPV. UBX PH has agreed to assign the receivable from FPV arising from the sale to UBX SG. In exchange, UBX SG issued 64,760 Class A Redeemable Preferred Shares (RPS) ("UBX shares") at an issue price of $1.04 million (₱53.03 million) to UBX PH. UBX SG has, in turn, entered into a Subscription and Shareholders' Agreement dated June 4, 2021 wherein it subscribed to 1,350,000 shares (31.98% equity ownership) in FPV, free from any encumbrances, for the aggregate subscription consideration of $1.39 million (₱70.88 million). As of December 31, 2021, UBX SG has 31.98% ownership in FPV, which in turn has 100% ownership in CC Mobile Financial Services Philippines, Inc.

Summarized Financial Information
The following table presents the combined financial information of the subsidiaries, which comprises of CSB, UnionDigital, PETNET, UBX, CFSI, UIC, Bangko Kabayan, FAIR Bank, PBI and UBIMTC as of and for the years ended December 31, 2023 and 2022:

	Assets	Liabilities	Revenues	Net Profit (Loss)
2023	**₱187,953,140**	**₱157,096,503**	**₱25,946,479**	**₱3,126,768**
2022	154,318,123	127,538,388	16,079,090	2,491,764

16. Bank Premises, Furniture, Fixtures and Equipment

The gross carrying amounts and accumulated depreciation and amortization of bank premises, furniture, fixtures and equipment as of December 31, 2023 and 2022 are shown below.

	Group					
	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-use Asset	Leasehold and Improvements	Total
December 31, 2023						
Cost	**₱1,182,455**	**₱6,198,435**	**₱5,868,900**	**₱4,049,322**	**₱1,918,847**	**₱19,217,959**
Accumulated depreciation and amortization	**–**	**(1,075,637)**	**(3,897,871)**	**(2,632,391)**	**(1,418,821)**	**(9,024,720)**
Net carrying amounts	**₱1,182,455**	**₱5,122,798**	**₱1,971,029**	**₱1,416,931**	**₱500,026**	**₱10,193,239**
December 31, 2022						
Cost	₱850,660	₱5,070,587	₱5,314,628	₱3,416,378	₱1,852,361	₱16,504,614
Accumulated depreciation and amortization	–	(929,215)	(3,477,933)	(2,112,457)	(1,278,390)	(7,797,995)
Net carrying amounts	₱850,660	₱4,141,372	₱1,836,695	₱1,303,921	₱573,971	₱8,706,619

	Parent Bank					
	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-use Asset	Leasehold and Improvements	Total
December 31, 2023						
Cost	**₱558,820**	**₱5,701,310**	**₱4,288,699**	**₱3,218,343**	**₱910,845**	**₱14,678,017**
Accumulated depreciation and amortization	**–**	**(803,000)**	**(2,688,984)**	**(2,148,168)**	**(498,539)**	**(6,138,691)**
Net carrying amounts	**₱558,820**	**₱4,898,310**	**₱1,599,715**	**₱1,070,175**	**₱412,306**	**₱8,539,326**
December 31, 2022						
Cost	₱248,301	₱4,574,015	₱3,878,962	₱2,751,126	₱904,476	₱12,356,880
Accumulated depreciation and amortization	–	(671,565)	(2,348,595)	(1,682,023)	(418,663)	(5,120,846)
Net carrying amounts	₱248,301	₱3,902,450	₱1,530,367	₱1,069,103	₱485,813	₱7,236,034

A reconciliation of the carrying amounts at the beginning and end of 2023 and 2022 of this account (including right-of-use assets) is shown below:

	Group					
	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-Use Assets	Leasehold and Improvements	Total
Balances at January 1, 2023, net of accumulated depreciation and amortization	**₱850,660**	**₱4,141,372**	**₱1,836,695**	**₱1,303,921**	**₱573,971**	**₱8,706,619**
Additions	**355,276**	**1,152,394**	**707,799**	**675,994**	**67,834**	**2,959,297**
Disposals	**(23,481)**	**(13,430)**	**(30,469)**	**–**	**–**	**(67,380)**
Reclassifications/adjustments	**–**	**(9)**	**(1,371)**	**48,491**	**(1,348)**	**45,763**
Depreciation and amortization charges for the year	**–**	**(157,529)**	**(541,625)**	**(611,475)**	**(140,431)**	**(1,451,060)**
Balances at December 31, 2023, net of accumulated depreciation and amortization	**₱1,182,455**	**₱5,122,798**	**₱1,971,029**	**₱1,416,931**	**₱500,026**	**₱10,193,239**
Balances at January 1, 2022, net of accumulated depreciation and amortization	₱850,660	₱2,246,859	₱1,850,968	₱1,194,627	₱622,657	₱6,765,771
Additions	–	15,282	454,858	523,806	81,451	1,075,397
Disposals	–	–	(24,849)	–	–	(24,849)
Reclassifications/adjustments	–	23,476	(2,784)	136,607	(23,309)	133,990
Depreciation and amortization charges for the year (as restated - Note 1)	–	(96,708)	(494,052)	(620,499)	(152,494)	(1,363,753)
Effects of business combination (Note 1)	–	1,952,463	52,554	69,380	45,666	2,120,063
Balances at December 31, 2022, net of accumulated depreciation and amortization	₱850,660	₱4,141,372	₱1,836,695	₱1,303,921	₱573,971	₱8,706,619

	Parent Bank					
	Land	Buildings	Furniture, Fixtures and Equipment	Right-of-Use Assets	Leasehold and Improvements	Total
Balances at January 1, 2023, net of accumulated depreciation and amortization	**₱248,301**	**₱3,902,450**	**₱1,530,367**	**₱1,069,103**	**₱485,813**	**₱7,236,034**
Additions	**334,000**	**1,145,646**	**514,233**	**468,129**	**6,369**	**2,468,377**
Disposals	**(23,481)**	**(13,429)**	**(21,557)**	**–**	**–**	**(58,467)**
Reclassifications/adjustments	**–**	**–**	**(3,283)**	**1,622**	**–**	**(1,661)**
Depreciation and amortization charges for the year	**–**	**(136,357)**	**(420,045)**	**(468,679)**	**(79,876)**	**(1,104,957)**
Balances at December 31, 2023, net of accumulated depreciation and amortization	**₱558,820**	**₱4,898,310**	**₱1,599,715**	**₱1,070,175**	**₱412,306**	**₱8,539,326**
Balances at January 1, 2022, net of accumulated depreciation and amortization	₱248,301	₱2,024,558	₱1,622,650	₱956,692	₱484,125	₱5,336,326
Additions	–	–	273,418	514,000	34,597	822,015
Disposals	–	–	(17,318)	–	–	(17,318)
Reclassifications/adjustments	–	–	(1,393)	(250)	–	(1,643)
Depreciation and amortization charges for the year (as restated – Note 1)	–	(74,571)	(399,334)	(464,534)	(78,575)	(1,017,014)
Effects of business combination (Note 1)	–	1,952,463	52,344	63,195	45,666	2,113,668
Balances at December 31, 2022, net of accumulated depreciation and amortization	₱248,301	₱3,902,450	₱1,530,367	₱1,069,103	₱485,813	₱7,236,034

The Group has leases for branch offices, parking lots, stalls for specific events, signage and computer equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the consolidated statement of financial position as a ROU asset and a lease liability.

Generally, the Group is restricted from assigning and subleasing the leased assets. The lease contracts are cancellable upon mutual agreement of the parties or renewable under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 5% to 10%. As of December 31, 2023 and 2022, the Group has neither a contingent rent payable nor an asset restoration obligation in relation with these lease agreements.

The Group's leasing activities qualified to recognize ROU assets mainly comprise of branch offices and parking lots with remaining lease terms ranging from 1 to 10 years.

The details of depreciation and amortization in the consolidated statements of income follow:

		Group	
	2023	2022 (as restated)	2021
Bank premises, furniture, fixtures and equipment*	**₱839,585**	₱743,254	₱647,994
Investment properties (Note 17)	**389,636**	370,290	406,421
Computer software (Note 19)	**595,876**	322,612	405,150
Customer relationships (Note 19)	**343,500**	143,125	–
Core deposits (Note 19)	**289,714**	136,505	–
Foreclosed machineries and chattel	**208,182**	144,646	164,114
	₱2,666,493	₱1,860,432	₱1,623,679

**Excluding depreciation of ROU asset presented in Occupancy amounting to ₱611,475 and ₱620,499 in 2023 and 2022, respectively.*

		Parent Bank	
	2023	2022 (as restated)	2021
Bank premises, furniture, fixtures and equipment*	**₱636,278**	₱552,480	₱498,472
Investment properties (Note 17)	**374,242**	358,600	394,241
Computer software (Note 19)	**316,402**	252,365	253,745
Customer relationships (Note 19)	**343,500**	143,125	–
Core deposits (Note 19)	**262,643**	109,434	–
Foreclosed machineries and chattel	**6,420**	4,119	–
	₱1,939,485	₱1,420,123	₱1,146,458

**Excluding depreciation of ROU asset presented in Occupancy amounting to ₱468,679 and ₱464,534 in 2023 and 2022, respectively.*

In 2023, 2022, and 2021 depreciation charges amounted to ₱611.48 million, ₱620.50 million, and ₱597.64 million, respectively, for the ROU asset of the Group and ₱468.68 million, ₱464.53 million, and ₱410.60 million, respectively, for ROU of the Parent Bank. This is shown as part of Occupancy in the consolidated and parent bank statements of income.

Under BSP rules, investments in bank premises, furniture, fixtures and equipment should not exceed 50% of the Parent Bank's unimpaired capital. As of December 31, 2023 and 2022, the Parent Bank has satisfactorily complied with this requirement.

17. Investment Properties

The Group's and the Parent Bank's investment properties include several parcels of land and buildings held for rentals and foreclosed properties. The composition of this account are below.

	Group		Parent	
	As at December 31		As at December 31	
	2023	2022	**2023**	2022
Cost	**₱11,648,702**	₱11,432,533	**₱10,190,789**	₱10,129,917
Accumulated depreciation	**(2,951,583)**	(3,101,955)	**(2,766,694)**	(2,934,165)
Accumulated impairment loss	**(104,860)**	(71,705)	**(64,812)**	(71,703)
Net carrying amounts	**₱8,592,259**	₱8,258,873	**₱7,359,283**	₱7,124,049

The movements in the Group's and the Parent Bank's investment properties are shown below.

	Group		
	2023		
	Building Held for Lease	**Foreclosed Properties**	**Total**
Cost			
Balances at January 1	**₱2,533,566**	**₱8,898,967**	**₱11,432,533**
Reclassifications/adjustments	**–**	**10,676**	**10,676**
Additions	**–**	**1,716,395**	**1,716,395**
Disposals	**(142)**	**(1,510,760)**	**(1,510,902)**
Balances at December 31	**2,533,424**	**9,115,278**	**11,648,702**
Accumulated Depreciation and Amortization			
Balances at January 1	**789,725**	**2,312,230**	**3,101,955**
Reclassifications/adjustments	**–**	**5,335**	**5,335**
Depreciation	**52,738**	**336,898**	**389,636**
Disposals	**–**	**(545,343)**	**(545,343)**
Balances at December 31	**842,463**	**2,109,120**	**2,951,583**
Accumulated Impairment Losses			
Balances at January 1	**–**	**71,705**	**71,705**
Reclassifications/adjustments	**–**	**40,969**	**40,969**
Reversals on provision for impairment	**–**	**(751)**	**(751)**
Disposals	**–**	**(7,063)**	**(7,063)**
Balances at December 31	**–**	**104,860**	**104,860**
Net Book Values	**₱1,690,961**	**₱6,901,298**	**₱8,592,259**

	Group		
	2022		
	Building Held for Lease	Foreclosed Properties	Total
Cost			
Balances at January 1	₱2,533,566	₱9,166,608	₱11,700,174
Reclassifications/adjustments	–	(41,189)	(41,189)
Additions	–	842,881	842,881
Disposals	–	(1,069,333)	(1,069,333)
Balances at December 31	2,533,566	8,898,967	11,432,533
Accumulated Depreciation and Amortization			
Balances at January 1	736,553	2,193,850	2,930,403
Reclassifications/adjustments	434	(9,042)	(8,608)
Depreciation	52,738	317,552	370,290
Disposals	–	(190,130)	(190,130)
Balances at December 31	789,725	2,312,230	3,101,955
Accumulated Impairment Losses			
Balances at January 1	–	96,427	96,427
Reversals on provision for impairment	–	(24,722)	(24,722)
Balances at December 31	–	71,705	71,705
Net Book Values	₱1,743,841	₱6,515,032	₱8,258,873

	Parent Bank		
	2023		
	Building Held for Lease	**Foreclosed Properties**	**Total**
Cost			
Balances at January 1	**₱2,198,110**	**₱7,931,807**	**₱10,129,917**
Additions	**–**	**1,522,822**	**1,522,822**
Disposals	**–**	**(1,461,950)**	**(1,461,950)**
Balances at December 31	**2,198,110**	**7,992,679**	**10,190,789**
Accumulated Depreciation and Amortization			
Balances at January 1	**649,281**	**2,284,884**	**2,934,165**
Depreciation	**45,854**	**328,388**	**374,242**
Disposals	**–**	**(541,713)**	**(541,713)**
Balances at December 31	**695,135**	**2,071,559**	**2,766,694**
Accumulated Impairment Losses			
Balances at January 1	**–**	**71,703**	**71,703**
Reversals on provision for impairment	**–**	**(787)**	**(787)**
Disposals	**–**	**(6,104)**	**(6,104)**
Balances at December 31	**–**	**64,812**	**64,812**
Net Book Values	**₱1,502,975**	**₱5,856,308**	**₱7,359,283**

	Parent Bank		
	2022		
	Building Held for Lease	Foreclosed Properties	Total
Cost			
Balances at January 1	₱2,198,110	₱8,090,635	₱10,288,745
Additions	–	831,156	831,156
Disposals	–	(988,760)	(988,760)
Balances at December 31	2,198,110	7,931,807	10,129,917
Accumulated Depreciation and Amortization			
Balances at January 1	603,427	2,153,016	2,756,443
Depreciation	45,854	312,746	358,600
Disposals	–	(180,878)	(180,878)
Balances at December 31	649,281	2,284,884	2,934,165
Accumulated Impairment Losses			
Balances at January 1	–	96,425	96,425
Reversals on provision for impairment	–	(24,722)	(24,722)
Balances at December 31	–	71,703	71,703
Net Book Values	₱1,548,829	₱5,575,220	₱7,124,049

Real property taxes related to these investment properties paid by the Group and recognized as expense in 2023, 2022, and 2021 totaled ₱48,291, ₱41,242, and ₱33,676, respectively, and are presented as part of Taxes and licenses account under Other expenses in the statements of income.

Rent income earned by the Group on its investment properties under operating leases amounted to ₱118,560, ₱209,600, and ₱108,047, in 2023, 2022, and 2021, respectively, and is included as part of Rental account under Miscellaneous income in the statements of income (see Note 28).

The gain from foreclosure of loan collaterals, presented as part of Miscellaneous income in the statements of income (see Note 28), amounted to ₱751.94 million and ₱679.75 million for the Group and the Parent Bank, respectively, in 2023, ₱466.39 million and ₱135.31 million for the Group and the Parent Bank in 2022 and 2021, respectively.

The gain (loss) on disposal of foreclosed properties, presented as part of Miscellaneous income in the statements of income (see Note 28), amounted to ₱1,023.53 million, ₱1,224.04 million, and (₱43.69 million), in 2023, 2022, and 2021, respectively, for the Group, and ₱1,110.20 million, ₱1,193.00 million, and ₱207.36 million in 2023, 2022, and 2021, respectively, for the Parent Bank.

Information about the fair value of investment properties is presented in Note 7.

18. Goodwill

Goodwill represents the excess of the acquisition cost over the fair value arising from the acquisitions of (a) former iBank's in April 2006; (b) CSB in January 2013, (c) PR Savings Bank by CSB in June 2018, (d) PETNET in December 2018, (e) Bangko Kabayan in March 2020, and (f) Citigroup Inc.'s consumer banking business in the Philippines in August 2022 (see Note 1).

For the 2022 acquisition of Citigroup's consumer banking business, the Group, with the assistance of a third party consultant, completed the determination of the fair value of assets and liabilities acquired and the related goodwill.

None of the goodwill recognized is expected to be deductible for income tax purposes.

For impairment testing purposes, the goodwill of the Group acquired through business combinations is allocated to the following CGUs:

a. With respect to acquisition of iBank, to the Parent Bank's Retail Banking and Parent Bank's Corporate and Commercial Banking;
b. With respect to the goodwill from the acquisition of CSB and PR Savings Bank, to CSB's DepEd salary loans business and motorcycle loans business, respectively;
c. With respect to the goodwill from the acquisition of PETNET, the separate cash generating unit of PETNET at entity level;
d. With respect to the goodwill from the acquisition of Bangko Kabayan, the separate cash generating unit of Bangko Kabayan at entity level; and,
e. With respect to the goodwill from the acquisition of Citigroup Inc.'s consumer banking business in the Philippines, the separate cash generating unit of (i) credit card and personal loans products within the consumer banking business; and (ii) UFSI at entity level

The following presents the movement in goodwill of the Group for 2023 and 2022:

	Group	
	2023	2022 (As restated)
Beginning balance	**₱53,992,565**	₱14,818,932
Acquisition of business and a subsidiary (Note 1)	**–**	39,173,633
Ending balance	**₱53,992,565**	₱53,992,565

The goodwill of the Group is allocated to the following CGUs:

	Group		Parent Bank	
	2023	2022 (As restated)	**2023**	2022 (As restated)
Parent Bank				
Parent Bank's Credit card/personal loan Business	**₱35,452,798**	₱35,452,798	**₱35,452,798**	₱35,452,798
Parent Bank's Corporate and Commercial Banking	**3,208,998**	3,208,998	**3,208,998**	3,208,998
Parent Bank's Retail Banking	**4,677,900**	4,677,900	**4,677,900**	4,677,900
	43,339,696	43,339,696	**43,339,696**	43,339,696
CSB				
CSB's DepEd Salary Loans Business*	**3,371,353**	3,371,353	**–**	–
CSB's Motorcycle Loans Business**	**2,729,424**	2,729,424	**–**	–
	6,100,777	6,100,777	**–**	–
PETNET	**715,118**	715,118	**–**	–
UFSI	**3,720,835**	3,720,835	**–**	–
Bangko Kabayan	**116,139**	116,139	**–**	–
	₱53,992,565	₱53,992,565	**₱43,339,696**	₱43,339,696

**Arising from the acquisition of CSB amounting to ₱3.37 billion*
***Arising from the acquisition of PR Savings Bank amounting to ₱3.48 billion. Goodwill impairment recognized in 2021 and 2020 for CSB's motorcycle loans business amounted to ₱752.77 million.*
Refer to Note 1 for the discussion on the acquisition of the Citigroup Inc.'s consumer banking business

In July 2023, the Bank completed the allocation of goodwill arising from the acquisition of Citigroup's consumer banking business in the Philippines to the CGUs. As allowed by PFRS, the Bank allocated the goodwill to the individual CGU or an aggregation of a group of CGUs that are expected to benefit from the synergies arising from the acquisition, which includes (i) a group of CGUs within the Consumer Banking Group, comprising of the Bank's credit card and personal loans business; and (ii) UFSI at entity level.

The Group performed its annual impairment test in December of each year, unless indicators for impairment warrant earlier reassessment. The Group considers various internal and external sources of information in assessing whether there is any indication that goodwill is impaired including if there are significant changes with an adverse effect on the CGUs that have taken place during the period in the technological, market, economic or legal environment in which the Group operates.

The recoverable amount of the Group's CGUs has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. Key assumptions in VIU calculation of CGUs are most sensitive to loan growth rate and discount rate. Future cash flows and growth rates were based on historical experiences and strategies developed. The discount rate used for the computation of the net present value is the weighted average cost of capital and was determined by reference to a comparable entity, market observable inputs and assumptions consistent with the valuation practice. Refer to Note 3 for the disclosure of assumptions used in the impairment assessment.

In 2023 and 2022, the Group performed its annual impairment test and noted that there is no impairment to be recognized for the CGUs (see note 3).

19. Other Resources

The composition of Other resources account as of December 31 follows:

	Group		Parent Bank	
	2023	2022 (As restated)	**2023**	2022 (As restated)
Deferred tax assets (Note 30)	**₱9,680,031**	₱7,707,203	**₱7,710,187**	₱5,856,878
Software under development	**9,650,075**	6,190,999	**9,650,075**	6,190,999
Computer software – net	**5,327,888**	3,836,706	**3,182,556**	1,499,300
Customer relationships – net	**4,322,375**	4,665,875	**4,322,375**	4,665,875
Core deposits – net	**3,426,743**	3,716,456	**3,304,923**	3,567,565
Advances and other investments	**1,614,541**	1,755,564	**1,525,288**	1,754,866
Creditable withholding taxes	**1,449,688**	1,604,581	**1,329,675**	1,400,877
Deferred charges	**1,229,215**	993,808	**819,419**	432,074
Prepaid expenses	**1,032,466**	927,173	**714,724**	745,778
Documentary stamps	**778,537**	363,585	**428,597**	329,892
Non-current assets held for sale	**626,545**	331,476	**–**	–
Returned checks and other cash items	**281,599**	29,999	**281,599**	29,999
Sundry debits	**246,755**	153,758	**246,755**	153,758
Net retirement asset (Note 29)	**189,241**	31,955	**–**	–
Miscellaneous	**3,352,374**	2,511,069	**1,606,920**	1,485,756
	43,208,073	34,881,888	**35,123,093**	28,113,617
Allowance for impairment (Note 20)	**(43,256)**	(42,783)	**(3,771)**	(3,298)
	₱43,164,817	₱34,839,105	**₱35,119,322**	₱28,110,319

Movements in the Computer software, Customer relationship and Core deposits accounts follow:

	Group		
	Computer Software	**Customer Relationship**	**Core Deposits**
Balances at January 1, 2023, net of accumulated amortization	**₱3,836,706**	**₱4,665,875**	**₱3,716,457**
Additions	**2,340,414**	**–**	–
Amortization charges for the year	**(595,876)**	**(343,500)**	**(289,714)**
Reclassifications/adjustments	**(253,356)**	**–**	–
Balances at December 31, 2023, net of accumulated amortization	**₱5,327,888**	**₱4,322,375**	**₱3,426,743**
Balances at January 1, 2022, net of accumulated amortization	₱2,159,596	₱–	₱175,962
Additions	2,027,117	–	–
Amortization charges for the year	(322,612)	(143,125)	(136,505)
Reclassifications/adjustments	(27,395)	–	–
Effects of business combination (Note 1)	–	4,809,000	3,677,000
Balances at December 31, 2022, net of accumulated amortization	₱3,836,706	₱4,665,875	₱3,716,457

	Parent Bank		
	Computer Software	**Customer Relationship**	**Core Deposit**
Balances at January 1, 2023, net of accumulated amortization	**₱1,499,300**	**₱4,665,875**	**₱3,567,565**
Additions	**1,999,658**	**–**	–
Amortization charges for the year	**(316,402)**	**(343,500)**	**(262,643)**
Balances at December 31, 2023, net of accumulated amortization	**₱3,182,556**	**₱4,322,375**	**₱3,304,923**
Balances at January 1, 2022, net of accumulated amortization	₱1,722,139	₱–	₱–
Additions	29,528	–	–
Amortization charges for the year	(252,365)	(143,125)	(109,435)
Reclassifications/adjustments	(2)	–	–
Effects of business combination (Note 1)	–	4,809,000	3,677,000
Balances at December 31, 2022, net of accumulated amortization	₱1,499,300	₱4,665,875	₱3,567,565

Miscellaneous includes foreclosed machineries, chattels, motorcycle and automobiles, security deposits and ongoing improvements on the Group's and the Parent Bank's branches and offices.

20. **Allowance for Impairment**

The breakdown of allowance for impairment is shown in the table below:

	Group		Parent Bank	
	2023	2022	**2023**	2022
Receivable from customers (Note 14)	**₱19,166,486**	₱14,038,685	**₱13,415,639**	₱9,177,037
Other receivables (Note 14)	**844,323**	476,864	**600,060**	447,915
Investments and placements (Notes 9, 12 and 13)	**316,638**	335,663	**312,518**	331,543
Others	**148,116**	114,488	**68,583**	75,001
	₱20,475,563	₱14,965,700	**₱14,396,800**	₱10,031,496

Allowance for impairment of investments and placements include the Group's and the Parent Bank's financial assets at amortized cost, debt financial assets at FVOCI, due from other banks and interbank loans receivables. Others refer to allowance for impairment of investment properties and other resources.

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

The reconciliation of allowance for the total receivables from customers follows.

Total Receivables from Customers - Group

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balances at beginning of year	**₱2,475,127**	**₱1,037,808**	**₱10,525,750**	**₱14,038,685**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**1,223,586**	**–**	**–**	**1,223,586**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	**–**	**372,563**	**3,074,350**	**3,446,913**
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	**648,930**	**597,385**	**432,500**	**1,678,815**
Amounts written-off	**(60,003)**	**(40,846)**	**(3,690,060)**	**(3,790,909)**
Transfers to Stage 1	**613,455**	**(384,742)**	**(228,713)**	**–**
Transfers to Stage 2	**(85,165)**	**195,996**	**(110,831)**	**–**
Transfers to Stage 3	**(775,406)**	**(1,000,666)**	**1,776,072**	**–**
Impact on ECL of exposures transferred between stages	**(437,266)**	**580,080**	**2,426,582**	**2,569,396**
Balances at end of year	**₱3,603,258**	**₱1,357,576**	**₱14,205,652**	**₱19,166,486**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱1,460,927	₱861,913	₱11,112,182	₱13,435,022
Newly originated assets that remained in Stage 1 as at December 31, 2022	1,658,539	–	–	1,658,539
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	–	632,846	1,893,670	2,526,516
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(1,313,814)	795,907	(910,571)	(1,428,478)
Amounts written-off	1,202,776	(498,644)	(704,132)	–
Transfers to Stage 1	619,827	(447,721)	(172,106)	–
Transfers to Stage 2	(356,893)	(213,335)	570,228	–
Transfers to Stage 3	(779,436)	(88,775)	1,348,038	479,827
Impact on ECL of exposures transferred between stages	(16,799)	(4,383)	(2,611,559)	(2,632,741)
Balances at end of year	₱2,475,127	₱1,037,808	₱10,525,750	₱14,038,685

Total Receivables from Customers – Parent Bank

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balances at beginning of year	**₱1,697,803**	**₱829,162**	**₱6,650,072**	**₱9,177,037**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**947,769**	**–**	**–**	**947,769**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	**–**	**230,571**	**1,225,536**	**1,456,107**
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	**776,814**	**570,969**	**(237,679)**	**1,110,104**
Transfers to Stage 1	**562,996**	**(363,160)**	**(199,836)**	**–**
Transfers to Stage 2	**(71,785)**	**175,513**	**(103,728)**	**–**
Transfers to Stage 3	**(105,725)**	**(779,441)**	**885,166**	**–**
Impact on ECL of exposures transferred between stages	**(532,300)**	**563,837**	**3,096,437**	**3,127,974**
Amounts written-off	**(60,003)**	**(40,846)**	**(2,302,503)**	**(2,403,352)**
Balances at end of year	**₱3,215,569**	**₱1,186,605**	**₱9,013,465**	**₱13,415,639**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱522,406	₱758,099	₱8,755,380	₱10,035,885
Newly originated assets that remained in Stage 1 as at December 31, 2022	1,020,405	–	–	1,020,405
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	–	448,013	1,081,563	1,529,576
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(1,367,151)	732,291	(991,410)	(1,626,270)
Transfers to Stage 1	1,199,324	(495,056)	(704,268)	–
Transfers to Stage 2	638,024	(466,129)	(171,895)	–
Transfers to Stage 3	458,270	(59,499)	(398,771)	–
Impact on ECL of exposures transferred between stages	(773,454)	(88,554)	1,347,808	485,800
Amounts written-off	(21)	(3)	(2,268,335)	(2,268,359)
Balances at end of year	₱1,697,803	₱829,162	₱6,650,072	₱9,177,037

Reconciliation of the allowance for impairment by class follows:

Corporate Loans - Group and Parent Bank

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balances at beginning of year	**₱48,511**	**₱233,297**	**₱141,586**	**₱423,394**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**50,036**	**–**	**–**	**50,036**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	**–**	**12,840**	**–**	**12,840**
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	**(29,533)**	**(64,030)**	**(40,608)**	**(134,171)**
Transfers to Stage 2	**(864)**	**864**	**–**	**–**
Impact on ECL of exposures transferred between stages	**–**	**7,735**	**–**	**7,735**
Balances at end of year	**₱68,150**	**₱190,706**	**₱100,978**	**₱359,834**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱109,824	₱595,309	₱1,436,992	₱2,142,125
Newly originated assets that remained in Stage 1 as at December 31, 2022	26,340	–	–	26,340
Newly originated assets that moved to Stage 3 as at December 31, 2022	–	3,564	16,182	19,746
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(87,059)	(273,367)	(285,686)	(646,112)
Transfers to Stage 1	96,869	(96,869)	–	–
Transfers to Stage 2	(1,708)	1,708	–	–
Impact on ECL of exposures transferred between stages	(95,755)	2,952	–	(92,803)
Amounts written-off	–	–	(1,025,902)	(1,025,902)
Balances at end of year	₱48,511	₱233,297	₱141,586	₱423,394

In 2023, there were no write-offs for corporate loans.

Commercial Loans - Group and Parent Bank

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balances at beginning of year	**₱315,049**	**₱245,527**	**₱2,896,794**	**₱3,457,370**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**237,326**	**–**	**–**	**237,326**
Newly originated assets that moved to Stage 2 & 3 as at December 31, 2023	**–**	**81,184**	**661,092**	**742,276**
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	**(262,786)**	**(88,412)**	**(1,146)**	**(352,344)**
Transfers to Stage 1	**16,552**	**(13,674)**	**(2,878)**	**–**
Transfers to Stage 2	**(56)**	**56**	**–**	**–**
Transfers to Stage 3	**(440)**	**(136,715)**	**137,155**	**–**
Impact on ECL of exposures transferred between stages	**(15,990)**	**3,728**	**1,013,384**	**1,001,122**
Balances at end of year	**₱289,655**	**₱91,694**	**₱4,704,401**	**₱5,085,750**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱236,600	₱140,537	₱2,202,547	₱2,579,684
Newly originated assets that remained in Stage 1 as at December 31, 2022	308,773	–	–	308,773
Newly originated assets that moved to Stage 3 as at December 31, 2022	–	235,401	180,066	415,467
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(224,944)	(125,034)	247,975	(102,003)
Transfers to Stage 1	85,256	(533)	(84,723)	–
Transfers to Stage 2	–	42,776	(42,776)	–
Transfers to Stage 3	(5,527)	(4,863)	10,390	–
Impact on ECL of exposures transferred between stages	(85,109)	(42,757)	383,315	255,449
Balances at end of year	₱315,049	₱245,527	₱2,896,794	₱3,457,370

In 2023 and 2022, there were no write-offs for commercial loans.

Home Loans - Group and Parent Bank

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balances at beginning of year	**₱475,196**	**₱33,831**	**₱1,247,656**	**₱1,756,683**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**262,545**	**–**	**–**	**262,545**
Newly originated assets that moved to Stage 3 as at December 31, 2023	**–**	**5,941**	**58,264**	**64,205**
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL inputs, model and assumptions	**(244,869)**	**(1,177)**	**(179,197)**	**(426,329)**
Transfers to Stage 1	**152,585**	**(9,053)**	**(143,532)**	**–**
Transfers to Stage 2	**(13,082)**	**60,764**	**(47,682)**	**–**
Transfers to Stage 3	**(13,898)**	**(14,513)**	**28,411**	**–**
Impact on ECL of exposures transferred between stages	**(146,833)**	**8,270**	**669,270**	**530,707**
Amounts written-off	**–**	**–**	**(3,847)**	**(3,847)**
Balances at end of year	**₱471,644**	**₱84,063**	**₱1,628,257**	**₱2,183,964**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱28,163	₱13,510	₱2,147,296	₱2,188,969
Newly originated assets that remained in Stage 1 as at December 31, 2022	322,534	–	–	322,534
Newly originated assets that moved to Stage 3 as at December 31, 2022	–	4,492	49,243	53,735
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	112,530	2,082	(730,590)	(615,978)
Transfers to Stage 1	491,523	(7,213)	(484,310)	–
Transfers to Stage 2	(196)	90,171	(89,975)	–
Transfers to Stage 3	(390)	(2,998)	3,388	–
Impact on ECL of exposures transferred between stages	(478,968)	(66,213)	355,503	(189,678)
Amounts written-off	-	-	(2,899)	(2,899)
Balances at end of year	₱475,196	₱33,831	₱1,247,656	₱1,756,683

Consumer Products - Group and Parent Bank

Consumer Products include auto loans, business line, credit cards and the acquired credit card and the acquired credit card and personal loan portfolio from Citibank.

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balances at beginning of year	**₱755,729**	**₱168,100**	**₱2,140,699**	**₱3,064,528**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**391,493**	**–**	**–**	**391,493**
Newly originated assets that moved to Stage 3 as at December 31, 2023	**–**	**125,613**	**461,065**	**586,678**
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	**1,392,981**	**817,718**	**(21,238)**	**2,189,461**
Transfers to Stage 1	**385,702**	**(333,427)**	**(52,275)**	**–**
Transfers to Stage 2	**(57,633)**	**113,570**	**(55,937)**	**–**
Transfers to Stage 3	**(89,918)**	**(581,278)**	**671,196**	**–**
Impact on ECL of exposures transferred between stages	**(361,479)**	**538,489**	**1,417,450**	**1,594,460**
Amounts written-off	**(60,003)**	**(40,846)**	**(2,250,237)**	**(2,351,086)**
Balances at end of year	**₱2,356,872**	**₱807,939**	**₱2,310,723**	**₱5,475,534**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱24,322	₱4,732	₱2,362,695	₱2,391,749
Newly originated assets that remained in Stage 1 as at December 31, 2022	270,921	–	–	270,921
Newly originated assets that moved to Stage 3 as at December 31, 2022	–	59,936	824,492	884,428
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(1,059,607)	1,129,937	(133,045)	(62,715)
Transfers to Stage 1	524,413	(390,089)	(134,324)	–
Transfers to Stage 2	639,929	(601,577)	(38,352)	–
Transfers to Stage 3	468,188	(50,749)	(417,439)	–
Impact on ECL of exposures transferred between stages	(112,417)	15,913	573,457	476,953
Amounts written-off	(20)	(3)	(896,785)	(896,808)
Balances at end of year	₱755,729	₱168,100	₱2,140,699	₱3,064,528

Other Consumer Products - Citi

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balances at beginning of year	**₱138,621**	**₱98,832**	**₱76,855**	**₱314,308**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**204,419**	**–**	**–**	**204,419**
Newly originated assets that moved to Stage 3 as at December 31, 2023	**–**	**107,277**	**135,226**	**242,503**
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	**1,459,625**	**833,686**	**719,786**	**3,013,097**
Transfers to Stage 1	**368,661**	**(327,120)**	**(41,541)**	**–**
Transfers to Stage 2	**(19,663)**	**71,911**	**(52,248)**	**–**
Transfers to Stage 3	**(44,666)**	**(576,419)**	**621,085**	**–**
Impact on ECL of exposures transferred between stages	**(346,480)**	**501,724**	**934,596**	**1,089,840**
Amounts written-off	**–**	**–**	**(1,166,531)**	**(1,166,531)**
Balances at end of year	**₱1,760,517**	**₱709,891**	**₱1,227,228**	**₱3,697,636**

CSB Salary Loans – Group

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balances at beginning of year	**₱270,800**	**₱174,497**	**₱849,136**	**₱1,294,433**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**83,820**	**–**	**–**	**83,820**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	**–**	**33,937**	**150,906**	**184,843**
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	**(234,675)**	**(118,435)**	**34,646**	**(318,464)**
Transfers to Stage 1	**23,974**	**(14,939)**	**(9,035)**	**–**
Transfers to Stage 2	**(4,016)**	**5,445**	**(1,429)**	**–**
Transfers to Stage 3	**(7,730)**	**(36,169)**	**43,899**	**–**
Amounts written-off	**–**	**–**	**–**	**–**
Balances at end of year	**₱132,173**	**₱44,336**	**₱1,068,123**	**₱1,244,632**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱157,803	₱86,678	₱644,341	₱888,822
Newly originated assets that remained in Stage 1 as at December 31, 2022	217,944	–	–	217,944
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	–	156,532	187,114	343,646
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	4,882	(37,605)	(83,561)	(116,284)
Transfers to Stage 1	2,576	(2,446)	(130)	–
Transfers to Stage 2	(15,629)	16,043	(414)	–
Transfers to Stage 3	(80,335)	(40,447)	120,782	–
Amounts written-off	(16,441)	(4,258)	(18,996)	(39,695)
Balances at end of year	₱270,800	₱174,497	₱849,136	₱1,294,433

Other Receivables from Customers

Group

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balances at beginning of year	**₱609,842**	**₱182,554**	**₱3,249,881**	**₱4,042,277**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**198,366**	**–**	**–**	**198,366**
Newly originated assets that moved to Stage 3 as at December 31, 2023	**–**	**113,048**	**1,743,023**	**1,856,071**
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	**73,981**	**54,526**	**561,414**	**689,921**
Transfers to Stage 1	**34,642**	**(13,649)**	**(20,993)**	**–**
Transfers to Stage 2	**(9,514)**	**15,297**	**(5,783)**	**–**
Transfers to Stage 3	**(663,420)**	**(231,991)**	**895,411**	**–**
Impact on ECL of exposures transferred between stages	**40,867**	**19,053**	**(593,807)**	**(533,887)**
Amounts written-off	**–**	**–**	**(1,435,976)**	**(1,435,976)**
Balances at end of year	**₱284,765**	**₱138,836**	**₱4,393,171**	**₱4,816,772**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱904,215	₱21,145	₱2,318,313	₱3,243,673
Newly originated assets that remained in Stage 1 as at December 31, 2022	512,027	–	–	512,027
Newly originated assets that moved to Stage 3 as at December 31, 2022	–	172,921	636,573	809,494
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(59,616)	99,894	74,336	114,614
Transfers to Stage 1	2,139	(1,494)	(645)	–
Transfers to Stage 2	(2,569)	3,158	(589)	–
Transfers to Stage 3	(738,829)	(114,278)	853,107	–
Impact on ECL of exposures transferred between stages	(7,187)	1,330	35,763	29,906
Amounts written-off	(338)	(122)	(666,977)	(667,437)
Balances at end of year	₱609,842	₱182,554	₱3,249,881	₱4,042,277

Parent Bank

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balances at beginning of year	**₱103,319**	**₱148,405**	**₱223,338**	**₱475,062**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**6,369**	–	–	**6,369**
Newly originated assets that moved to Stage 3 as at December 31, 2023	–	**4,993**	**45,115**	**50,108**
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	**(78,979)**	**(93,130)**	**5,596**	**(166,513)**
Transfers to Stage 1	**8,157**	**(7,006)**	**(1,151)**	–
Transfers to Stage 2	**(150)**	**259**	**(109)**	–
Transfers to Stage 3	**(1,469)**	**(46,935)**	**48,404**	–
Impact on ECL of exposures transferred between stages	**(7,998)**	**5,615**	**(3,667)**	**(6,050)**
Amounts written-off	–	–	**(48,419)**	**(48,419)**
Balances at end of year	**₱29,249**	**₱12,201**	**₱269,107**	**₱310,557**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱123,498	₱4,009	₱605,851	₱733,358
Newly originated assets that remained in Stage 1 as at December 31, 2022	91,837	–	–	91,837
Newly originated assets that moved to Stage 3 as at December 31, 2022	–	144,620	11,580	156,200
Effect of collections and other movements in receivable balance (excluding write-offs), and impact of changes in ECL model and assumptions	(108,071)	(1,327)	(90,064)	(199,462)
Transfers to Stage 1	1,263	(352)	(911)	–
Transfers to Stage 2	(1)	793	(792)	–
Transfers to Stage 3	(4,001)	(889)	4,890	–
Impact on ECL of exposures transferred between stages	(1,205)	1,551	35,533	35,879
Amounts written-off	(1)	–	(342,749)	(342,750)
Balances at end of year	₱103,319	₱148,405	₱223,338	₱475,062

Investments and Placements

Group

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balances at beginning of year	**₱44,176**	**₱291,487**	**₱–**	**₱335,663**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**15,103**	**–**	**–**	**15,103**
Effect of collections and other movements in receivable balance (excluding write-offs)	**–**	**3,456**	**–**	**3,456**
Impact of changes in ECL model and assumptions	**(21,282)**	**(16,302)**	**–**	**(37,584)**
Balances at end of year	**₱37,997**	**₱278,641**	**₱–**	**₱316,638**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱58,265	₱235,311	₱–	₱293,576
Newly originated assets that remained in Stage 1 as at December 31, 2022	392	–	–	392
Effect of collections and other movements in receivable balance (excluding write-offs)	(14,481)	56,176	–	41,695
Impact of changes in ECL model and assumptions	–	–	–	–
Balances at end of year	₱44,176	₱291,487	₱–	₱335,663

Parent Bank

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balances at beginning of year	**₱40,056**	**₱291,487**	**₱–**	**₱331,543**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**15,103**	**–**	**–**	**15,103**
Newly originated assets that moved to Stage 2 as at December 31, 2023	**–**	**3,456**	**–**	**3,456**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(21,282)**	**(16,302)**	**–**	**(37,584)**
Balances at end of year	**₱33,877**	**₱278,641**	**₱–**	**₱312,518**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of year	₱54,144	₱235,311	₱–	₱289,455
Newly originated assets that remained in Stage 1 as at December 31, 2022	392	–	–	392
Newly originated assets that moved to Stage 2 as at December 31, 2022	–	–	–	–
Effect of collections and other movements in receivable balance (excluding write-offs)	(14,480)	56,176	–	41,696
Balances at end of year	₱40,056	₱291,487	₱–	₱331,543

21. **Deposit Liabilities**

The breakdown of deposit liabilities account follows:

	Group		**Parent Bank**	
	2023	2022	**2023**	2022
Due to banks:				
Demand	**₱1,223,082**	₱1,729,960	**₱1,223,082**	₱1,729,960
Savings	**264,879**	195,453	**264,021**	195,396
Time	**188,340**	159,893	**185,765**	157,364
Long-term certificate of deposits	**–**	10,000	**–**	10,000
	1,676,301	2,095,306	**1,672,868**	2,092,720
Due to customers:				
Demand	**232,059,602**	230,351,833	**233,005,285**	231,635,193
Savings	**195,599,454**	194,825,277	**189,798,530**	188,285,189
Time	**283,233,051**	281,041,526	**173,078,710**	198,917,930
Long-term certificate of deposits	**–**	2,990,000	**–**	2,990,000
	710,892,107	709,208,636	**595,882,525**	621,828,312
	₱712,568,408	₱711,303,942	**₱597,555,393**	₱623,921,032

The breakdown of deposit liabilities account as to currency follows:

	Group		Parent Bank	
	2023	2022	**2023**	2022
Philippine pesos	**₱616,554,615**	₱619,749,669	**₱501,541,600**	₱532,366,759
Foreign currencies	**96,013,793**	91,554,273	**96,013,793**	91,554,273
	₱712,568,408	₱711,303,942	**₱597,555,393**	₱623,921,032

Deposit liabilities bear annual interest rates ranging from 0.00% to 7.00% in 2023, from 0.00% to 8.00% in 2022, and from 0.00% to 8.00% in 2021 for the Group and from 0.00% to 6.00% in 2023, from 0.00% to 5.75% in 2022, and from 0.00% to 5.75% in 2021 for the Parent Bank. Demand and savings deposits usually have either fixed or variable interest rates while time deposits have fixed interest rates.

Long Term Negotiable Certificate of Deposits (LTNCD)
On December 12, 2017, the MB of the BSP approved the Parent Bank's issuance of up to ₱20,000,000 of Long-term Negotiable Certificate of Deposits (LTNCD). Out of the approved amount, ₱3,000,000 were issued on February 21, 2018 at a fixed coupon rate of 4.375% per annum, payable quarterly and matured on August 21, 2023. The net proceeds were utilized to further improve the Parent Bank's maturity profile and support business expansion plans.

Interest expense on the deposit liabilities amounted to ₱15.79 million, ₱6.02 million, and ₱2.97 million, in 2023, 2022, and 2021 respectively, in the Group's statements of income, and ₱9.46 million, ₱4.20 million, and ₱1.81 million in 2023, 2022, and 2021, respectively, in the Parent Bank's statements of income.

Under existing BSP regulations at the start of 2023, non-FCDU deposit liabilities of the Bank are subject to unified reserve requirement equivalent to 12.0% (under BSP Circular No. 1092). In 2023, BSP Circular No. 1175 were issued reducing the reserve requirement to 9.5%, 6.0%, 2.0% and 1.0% for universal and commercial banks, digital banks, thrift banks, and rural banks, respectively, effective reserve week June 30, 2023.

BSP Circulars No. 1083, 1087, and 1100 were issued in 2020 to provide guidelines allowing the use of eligible loans to MSME and large enterprises for alternative compliance to required reserves for deposit liabilities and amended by BSP Circular No. 1155 issued in 2022.

LTNCDs are subject to required reserves of 4.0% under BSP Circular 1041. As of December 31, 2023, the Group has no outstanding LTNCD.

Regular reserves as of December 31, 2023 and 2022 amounted to ₱56,967,441 and ₱62,263,916, respectively, for the Group, and ₱53,955,218 and ₱59,250,130, respectively, for the Parent Bank (see Note 8).

22. Bills Payable

Bills payable consist of borrowings from:

	Group		Parent Bank	
	2023	2022	**2023**	2022
Banks, other financial institutions and individuals	**₱154,975,282**	₱131,571,232	**₱120,056,162**	₱98,043,240
Others	**312,647**	1,275,557	**302,974**	1,265,884
	₱155,287,929	₱132,846,789	**₱120,359,136**	₱99,309,124

Bills payable to banks and other financial institutions consist mainly of amortized cost balance of short, medium and long-term borrowings. Certain bills payable to banks and other financial institutions are collateralized by investment securities (see Notes 12 and 38).

Other bills payable of the Group mainly pertain to availments of short-term loan lines from certain related parties (see Note 32).

The breakdown of bills payable as to currency follows:

	Group		Parent Bank	
	2023	2022	**2023**	2022
Foreign currencies	**₱84,836,387**	₱99,303,162	**₱84,836,387**	₱99,303,162
Philippine pesos	**70,451,542**	33,543,627	**35,522,749**	5,962
	₱155,287,929	₱132,846,789	**₱120,359,136**	₱99,309,124

The breakdown of interest expense on bills payable, which is presented as part of Interest expense on bills payable and other liabilities account in the statements of income, follows:

	Group			Parent Bank		
	2023	2022	2021	**2023**	2022	2021
Banks, other financial institutions and individuals	**₱8,466,972**	₱3,002,685	₱1,229,757	**₱6,263,551**	₱1,621,975	₱175,039
BSP	**87,028**	–	21	**87,028**	–	21
Others	**327**	485	762	**327**	485	762
	₱8,554,327	₱3,003,170	₱1,230,540	**₱6,350,906**	₱1,622,460	₱175,822

In November 2022, the Parent Bank raised $358 million 3-year syndicated loan facility. The proceeds were used to partially refinance the USD Senior Medium Term Notes, which matured on November 29, 2022 (see Note 23).

The range of interest rates of bills payable per currency follows:

	Group and Parent Bank		
	2023	2022	2021
Philippine pesos	**3.50% to 8.37%**	1.00% to 8.37%	1.00% to 8.28%
Foreign currencies	**0.32% to 6.41%**	1.06% to 5.23%	0.10% to 3.05%

23. Notes and Bonds Payable

The Group's and the Parent Bank's notes and bonds payable as of December 31, 2023 and 2022 consist of the following:

	Coupon Interest	Principal Amount	Outstanding Balance December 31, 2023	December 31, 2022	Issue Date	Maturity Date	Redemption Date
USD Senior Medium Term Notes Due 2025	2.125%	₱16,611,000	**₱16,568,058**	₱16,659,943	October 22, 2020	October 22, 2025	
Peso Senior Series F Bonds Due 2025	6.563%	10,338,500	**10,269,590**	–	December 5, 2023	June 5, 2025	
USD Social Bonds Due 2028	6.821%*	8,305,500	**8,266,271**	8,312,899	July 23, 2021	July 23, 2028	
Peso Senior Series G Bonds Due 2026	6.680%	7,829,500	**7,739,007**	–	December 5, 2023	December 5, 2026	
Unsecured Subordinated Tier 2 Notes Due 2030 Callable in 2025	5.250%	6,800,000	**6,762,293**	6,756,565	February 24, 2020	May 24, 2030	May 24, 2030
Peso Senior Series D Bonds Due 2026	3.375%	885,000	**888,408**	880,047	December 9, 2020	March 9, 2026	March 9, 2026
Peso Digital Bonds	3.250%	11,000,000	–	10,937,832	June 2, 2022	December 2, 2023	
Peso Senior Series C Bonds Due 2023	2.750%	8,115,000	–	8,097,039	December 9, 2020	December 9, 2023	December 9, 2023
Total for the Group and Parent Bank		₱69,884,500	**₱50,493,627**	₱51,644,325			

**floating interest rate based on SOFR rate, which is based on prevailing rate as of December 31, 2023*

<u>USD Senior Medium Term Notes Due 2025</u>
These USD300 million Senior Medium Term Notes Due 2025 were issued under the updated USD2 Billion MTN Programme of the Parent Bank and were also rated Baa2 by Moody's. The Notes were also listed on the SGX-ST.

The Notes will constitute direct, unconditional, unsubordinated and (subject to the Terms and Conditions of the issuance) unsecured obligations of the Parent Bank and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Parent Bank from time to time outstanding.

<u>Peso Senior Series F Bonds Due 2025 and Peso Senior Series G Bonds Due 2026</u>
On December 5, 2023, the Bank issued and listed on the PDEx its ₱18.17 billion of Peso denominated fixed rate bonds via a dual tranche offering. This is the largest bond issuance by the Bank from its ₱50.00 billion Bonds Program, which received strong demand from both retail and institutional investors. This enabled the Bank to upsize the issuance to over nine times its initial minimum offer size of ₱2.00 billion for the two tranches.

The 1.5Y Series F Bonds due 2025 raised a total of ₱10.34 billion and carries an interest rate of 6.56% per annum while the 3Y Series G Bonds due 2026 raised a total of ₱7.83 billion and carries an interest rate of 6.68% per annum (collectively, the "New Bonds").

Concurrent with the issuance of the New Bonds, the Bank also implemented the country's first public non-sovereign bond exchange which extended to the holders of its Php8.12 billion 2.75% Fixed Rate Series C Bonds due December 9, 2023 (the "Exchangeable Bonds") the option to sell to UnionBank such Exchangeable Bonds in exchange for subscription to any of the New Bonds (the "Bond Exchange"). The Bond Exchange settlement date was on December 4, 2023, with ₱236.70 million of Exchangeable Bonds to be exchanged with the New Bonds.

Peso Digital Bonds Due 2022
On June 2, 2022, the Parent Bank successfully issued the country's first-ever offering of Peso Digital Bonds amounting to ₱11.0 billion. The Digital Bonds with a tenor of 1.5 years and a fixed rate of 3.25% per annum were issued out of the Bank's existing ₱39.0 billion Bond Program. The Digital Bonds were listed and available for trading on PDEx.

A first for the Philippines, this digital public bond offering and issuance marks a milestone and the success of this Proof of Concept and paves the way for future utilization of Distributed Ledger / Blockchain Technology towards more automated and operationally efficient local capital markets. The Digital Bonds were issued through the digital registry and digital depository of the Phil. Depository & Trust Corp. utilizing infrastructure powered by #STACS blockchain and which new digital infrastructure is kept interoperable with the traditional trading to clearing infrastructure of the Phil. Dealing & Exchange Corp. Fixed Income Market.

Peso Senior Series C Bonds Due 2022
The ₱8.12 billion worth of fixed rate Senior Series C Bonds were issued as part of the dual-tranche issuance of the Bank on December 9, 2020 under its existing ₱39.0 Billion Bond Program. The bonds were listed on the PDEx.

The Bank may, at its sole option and subject to the Terms and Conditions of the issuance, redeem the Bonds at par plus accrued interest (if any), without premium or penalty, as of but excluding the Early Redemption Date.

The Bonds constitute direct, unconditional, unsecured, and unsubordinated peso-denominated obligations of the Bank, enforceable according to the Terms and Conditions of the Bonds, and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves, and at least *pari passu* with all other present and future direct, unconditional, unsecured, and unsubordinated peso-denominated obligations of the Bank, except for any obligation enjoying a statutory preference or priority established under Philippine laws.

USD Social Bonds Due 2028
The International Finance Corporation (IFC) invested in a USD150 million social bond issued by the Bank under its sustainable finance framework. The social bond carries a floating rate interest and is unsecured. It is the first social bond by the Parent Bank and its longest-term USD-denominated bond to date. Proceeds from the bond will be used to finance loans to micro, small and medium-sized enterprises (MSMEs).

The Parent Bank shall at all times maintain, and abstain from any action which may result in the breach of, several financial parameters provided in the subscription agreement with IFC.

Unsecured Subordinated Tier 2 Notes Due 2030 Callable in 2025
The Basel III-compliant Unsecured Subordinated Tier 2 Notes were issued by the Parent Bank under its BSP-approved issuance of ₱20.0 Billion Unsecured Subordinated Notes Qualifying as Tier 2 Capital.

Unless the Notes are previously redeemed, the Initial Interest Rate will be reset at the equivalent of the Initial Spread per annum plus the Benchmark as of Reset Date as defined in the Terms and Conditions of the Notes. Subject to certain conditions, the BSP Guidelines, and the Terms and Conditions, the Parent Bank may redeem the Notes in whole and not only in part on the Redemption Option Date at 100% of the face value of the Notes, plus accrued and unpaid interest as of but excluding the Redemption Option Date.

The Notes have a loss absorption feature which means the Notes are subject to a Non-Viability Write-Down in case of a Non-Viability Trigger Event. A Non-Viability Trigger Event is deemed to have occurred when the Issuer is considered non-viable as determined by the BSP.

The Tier II Notes constitute a direct, unconditional, fixed, unsecured and subordinated obligation of the Bank. Claims in respect of the Tier II Notes will rank: (a) junior to the claims of holders of all deposits and general creditors of the Bank; (b) *pari passu* with obligations of the Bank that are, expressly or by applicable laws, subordinated so as to rank *pari passu* with claims in respect of securities constituting "Tier 2" capital of the Bank; and (c) senior to (i) the claims for payment of any obligation that, expressly or by applicable law, is subordinated to the Tier II Notes, (ii) the claims in respect of securities constituting "Tier 1" capital of the Bank, and (iii) the rights and claims of holders of equity shares of the Bank.

Peso Senior Series D Bonds Due 2026
These fixed rate Senior Series Bonds Due 2026 amounting to ₱885.0 million formed part of the Bank's dual-tranche issuance on December 9, 2020. The Bonds were issued under the existing ₱39 Billion Corporate Bonds Program of the Bank.

The Bank may, at its sole option and subject to the Terms and Conditions of the issuance, redeem the Bonds at par plus accrued interest (if any), without premium or penalty, as of but excluding the Early Redemption Date. The Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Bank.

The interest expense on notes and bonds payable amounted to ₱2,123,773, ₱2,490,116, and ₱2,197,668 in 2023, 2022, and 2021, respectively, for the Group, and ₱2,075,693, ₱2,465,079, and ₱2,173,188 in 2023, 2022, and 2021, respectively, for the Parent Bank. These are included under Interest Expense on Bills payable and other liabilities account in the statements of income.

As of December 31, 2023 and 2022, the Group is in compliance with all the debt covenants on the above notes and bonds.

24. Other Liabilities

Other liabilities consist of the following as of December 31:

	Group		Parent Bank	
	2023	2022	**2023**	2022
Accounts payable	**₱14,715,682**	₱15,399,428	**₱12,821,356**	₱13,842,626
Accrued taxes and other expenses	**13,039,259**	10,718,444	**10,729,290**	8,825,604
Manager's checks	**7,512,789**	7,333,511	**7,509,074**	7,319,745
Other credits - dormant	**3,055,238**	2,831,198	**2,927,349**	2,742,792
Bills purchased - domestic and foreign	**2,432,182**	3,180,968	**2,432,182**	3,180,968
Payment orders payable	**1,950,117**	614,557	**1,950,117**	614,557
Post-employment defined benefit obligation (Note 29)	**1,571,666**	999,012	**1,464,586**	910,109
Lease liabilities	**1,551,143**	1,424,530	**1,180,973**	1,177,555
Unearned income - bancassurance (Note 32)	**590,258**	715,710	**590,258**	715,710
Sundry credits	**1,117,848**	1,661,559	**1,115,410**	1,661,559
Derivative liabilities (Note 11)	**926,176**	1,546,773	**926,176**	1,546,773
Withholding taxes payable	**498,995**	451,502	**365,536**	358,269
Pre-need reserves	**1,646**	12,346	**–**	–
Miscellaneous	**2,204,966**	1,987,756	**2,103,924**	1,826,757
	₱51,167,965	₱48,877,294	**₱46,116,231**	₱44,723,024

The unearned income represents the unamortized portion of the Exclusive Access Fees (EAF) arising from the Parent Bank's bancassurance agreement with a related party (see Note 32).

Set out below is the carrying amount of lease liabilities and the movements during the year:

	Group		Parent Bank	
	2023	2022	**2023**	2022
As at January 1	**₱1,424,530**	₱1,382,880	**₱1,177,555**	₱1,043,850
Additions	**685,477**	567,389	**468,129**	514,000
Payments	**(633,871)**	(659,030)	**(524,291)**	(496,312)
Accretion of interest (Note 34)	**75,007**	67,851	**59,580**	56,240
Effect of business combination (Note 1)	**–**	65,440	**–**	59,777
As at December 31	**₱1,551,143**	₱1,424,530	**₱1,180,973**	₱1,177,555

Accretion of interest is included as part of Interest expense on bills payable and other liabilities account in the statements of income.

As at December 31, 2023 and 2022, the Group has no lease commitments which have not yet commenced.

The breakdown of Accrued taxes and other expenses account follows:

	Group		Parent Bank	
	2023	2022	**2023**	2022
Accrued interest payable	**₱3,472,484**	₱1,801,913	**₱2,495,138**	₱1,418,309
Accrued income and other taxes	**860,068**	1,044,520	**728,144**	663,356
Other accruals	**8,706,707**	7,872,011	**7,506,008**	6,743,939
	₱13,039,259	₱10,718,444	**₱10,729,290**	₱8,825,604

Other accruals represent mainly fringe and other personnel benefits.

25. Capital Funds

Capital Stock

The Parent Bank's capital stock as of December 31, 2023 and 2022 consists of the following:

	Shares		Amount	
	2023	2022	**2023**	2022
Common – ₱10 par value				
Authorized	**5,030,785,238**	2,530,785,238	**₱50,307,852**	₱25,307,852
Issued	**2,353,774,567**	2,142,106,764	**23,537,746**	21,421,068
Treasury stock	**(27,977)**	–	**(2,097)**	–
Issued and outstanding	**2,353,746,590**	2,142,106,764	**23,535,649**	21,421,068
Preferred – ₱100 par value, non-voting				
Authorized	**100,000,000**	100,000,000	**₱10,000,000**	₱10,000,000
Issued and outstanding	**–**	–	**–**	–

On June 29, 1992, the Bank was originally listed with the then Makati Stock Exchange, now PSE. A total of 89.7 million shares were issued at an issue price of ₱22.50. As of December 31, 2023 and 2022, there are 2,351.5 million and 2,139.6 million shares listed at the PSE, respectively. The number of holders and the closing price of the said shares is 4,949 and ₱50.35 per share as of December 31, 2023, respectively, and 4,961 and ₱86.10 per share as of December 31, 2022, respectively.

Issuance of Shares under the Employee Stock Plan
The Bank issued 697,339, 199,964 and 516,435 common shares on February 6, 2023, January 28, 2022 and February 4, 2021, respectively, and 891,351 common shares on January 29, 2021, to qualified employees under the Parent Bank's Employee Stock Plan (ESP).

The last tranche of the issuance of shares under the ESP was on February 6, 2023. A total of 3.6 million common shares were issued over the five-year period.

On March 10, 2023, in accordance with the terms of the ESP and its supporting agreements, the Parent Bank acquired 27,977 common shares at a price per share of ₱74.97 or in the total amount of ₱2.10 million. The ESP provides that in the event of death or disability of an employee participating in the ESP, the Parent Bank shall buy back shares that have not been previously released to the employee and are subject to a holding period.

Issuance of Shares through Stock Rights
Also on February 6, 2023, the Parent Bank issued approximately 211.0 million common shares priced at ₱56.88 per share. The shares were offered to eligible shareholders as of record date of January 12, 2023 at a ratio of 1 right share for every 10.1536 existing common shares. The issued shares were listed at the PSE on the same date. Net proceeds to the Parent Bank amounted to ₱11.86 billion.

On May 16, 2022, the Parent Bank issued approximately 617.2 million common shares priced at ₱64.81 per share. The shares were offered to eligible shareholders as of record date of April 11, 2022 at a ratio of 1 right share for every 2.4707 existing common shares. The newly issued shares were listed at the PSE on the same date. Net proceeds to the Parent Bank from the Offer amounted to ₱39.80 billion.

Distribution of Stock Dividends
On January 5, 2022, the Parent Bank issued 304,838,842 common shares at par value of ₱10 for whole shares and paid ₱0.14 million for 1,862.5 fractional shares in relation to the 25% stock dividends approved by the Bank's BOD and stockholders on June 25, 2021 and August 11, 2021, respectively.

<u>Surplus Free</u>
At the annual meeting of the stockholders of the Parent Bank held on April 28, 2023, the stockholders approved the following matters as endorsed by the BOD at its meeting held on February 24, 2023:

a. Amendment of the Parent Bank's Articles of Incorporation (AOI) to increase the authorized capital stock from ₱35.3 billion to ₱60.3 billion, with the increase of ₱25.0 billion equivalent to 2,500,000,000 common shares with a par value of ₱10.00.
b. Declaration of 27% stock dividends in the amount of ₱6.4 billion equivalent to 635.5 million common shares with a par value of ₱10.00, to comply with the required 25% subscription of the increase in authorized capital stock.

The stock dividend is presented as Stock dividend distributable in the statement of financial position as of December 31, 2023.

Fractional shares resulting from the stock dividend declaration were paid in cash based on the closing rate of ₱87.50 as of February 27, 2023, the next trading day at the PSE following the date of approval by the BOD of the stock dividend declaration and computed up to two (2) decimal places.

On August 1, 2023 and December 5, 2023, the Parent Bank obtained the BSP and the SEC approvals, respectively, for the increase in the authorized capital stock and for the issuance of common shares to stockholders of record as of December 22, 2023 and payment date on January 4, 2024.

The following is a summary of the cash dividends declared and distributed by the Parent Bank in 2023, 2022, and 2021:

Date of Declaration	Date of Record	Date of BSP Approval	Date of Payment	Dividend per Share	Outstanding Shares	Total Amount
February 1, 2023	**February 15, 2023**	**N/A**	**February 27, 2023**	**₱2.00**	**2,353,774,567**	**₱4,707,549**
January 28, 2022	February 14, 2022	N/A	March 2, 2022	2.80	1,524,918,059	4,269,771
January 29, 2021	February 15, 2021	N/A	March 4, 2021	3.50	1,219,362,818	4,267,770

In compliance with BSP regulations, the Parent Bank ensures that adequate reserves are in place for future bank expansion requirements. The foregoing cash dividend declarations were made within the BSP's allowable limit of dividends.

Surplus Reserves

The amended PNUCA requires that the portion of retained earnings representing Trust fund income of FUPI be automatically restricted to payments of benefits of plan holders and related payments as allowed in the amended PNUCA. The accumulated Trust Fund income, net of releases representing the amount of Trust fund income that pertains to the matured and pre-terminated plans of planholders which have been withdrawn from the trust fund during the year, should be appropriated and presented separately as Surplus Reserves in the statements of changes in capital funds. FUPI transferred out ₱55.79 million and ₱0.66 million from appropriated reserves for the years ended December 31, 2022, and 2021, respectively. No transfer has been made for the year ended December 31, 2023.

In compliance with BSP regulations, a portion of the Group's income from trust operations is setup as Surplus Reserves. For the years ended December 31, 2023, 2022, and 2021, the Group and the Parent Bank appropriated ₱31.2 million, ₱31.7 million, and ₱24.0 million, respectively.

Included in this account is the difference between the 1% general loan loss provision (GLLP) over the computed ECL allowance for credit losses related to Stage 1 accounts, as a required BSP appropriation. As of December 31, 2023 and 2022, surplus reserves related to the difference between GLLP over ECL allowance amounted to ₱2.17 billion and ₱2.12 billion, respectively, for the Group and ₱1.77 billion and ₱1.69 billion, respectively, for the Parent Bank.

26. Maturity Profile of Assets and Liabilities

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

	Group					
	2023			2022 (As Restated)		
	Due within one year	**Due beyond one year**	**Total**	Due within one year	Due beyond one year	Total
Financial Assets						
Cash and other cash items	**₱10,439,112**	**₱–**	**₱10,439,112**	₱9,891,536	₱–	₱9,891,536
Due from BSP	**82,643,663**	**–**	**82,643,663**	94,610,308	–	94,610,308
Due from other banks	**27,275,221**	**–**	**27,275,221**	46,258,411	–	46,258,411
IBLR and SPURRA	**25,411,162**	**–**	**25,411,162**	23,553,973	–	23,553,973
Trading and investment securities						
at FVTPL	**5,805,716**	**–**	**5,805,716**	8,653,516	–	8,653,516
at amortized cost - gross	**4,855,282**	**309,928,613**	**314,783,895**	431,164	244,501,669	244,932,833
at FVOCI	**29,506**	**36,945,268**	**36,974,774**	6,127,961	73,633,801	79,761,762
Loans and receivables - net of unearned discounts	**205,981,555**	**340,175,082**	**546,156,637**	206,510,904	287,631,294	494,142,198
Other resources	**585,449**	**1,802,360**	**2,387,809**	245,340	1,787,617	2,032,957
	363,026,666	**688,851,323**	**1,051,877,989**	396,283,113	607,554,381	1,003,837,494
Nonfinancial Assets						
Investment in associates	**–**	**37,675**	**37,675**	–	123,396	123,396
Bank premises, furniture, fixtures and equipment	**–**	**19,217,959**	**19,217,959**	–	16,504,614	16,504,614
Investment properties	**–**	**11,648,702**	**11,648,702**	–	11,432,533	11,432,533
Goodwill	**–**	**53,992,565**	**53,992,565**	–	53,992,565	53,992,565
Other resources	**3,260,691**	**37,559,573**	**40,820,264**	2,953,714	29,895,217	32,848,931
	3,260,691	**122,456,474**	**125,717,165**	2,953,714	111,948,325	114,902,039
	₱366,287,357	**₱811,307,797**	**₱1,177,595,154**	₱399,236,827	₱719,502,706	₱1,118,739,533
Allowance for credit losses and impairment (Notes 20)			**20,475,455**			14,953,413
Accumulated depreciation (Notes 16 and 17)			**11,976,303**			10,899,950
			32,451,758			25,853,363
			₱1,145,143,353			₱1,092,886,170
Financial Liabilities						
Deposit liabilities	**₱680,342,981**	**₱32,225,427**	**₱712,568,408**	₱649,537,302	₱61,766,640	₱711,303,942
Bills payable	**118,394,375**	**36,893,554**	**155,287,929**	107,029,992	25,816,797	132,846,789
Notes and bonds payable	**–**	**50,493,627**	**50,493,627**	8,097,039	43,547,286	51,644,325
Other liabilities	**41,706,033**	**5,307,645**	**47,013,678**	38,313,521	4,702,712	43,016,233
	840,443,389	**124,920,253**	**965,363,642**	802,977,854	135,833,435	938,811,288
Nonfinancial Liabilities						
Accrued income and other taxes	**860,068**	**–**	**860,068**	1,044,520	–	1,044,520
Other liabilities	**498,995**	**2,795,224**	**3,294,219**	451,502	4,365,040	4,816,542
	1,359,063	**2,795,224**	**4,154,287**	1,496,022	4,365,040	5,861,062
	₱841,802,452	**₱127,715,477**	**₱969,517,929**	₱804,473,876	₱140,198,475	₱944,672,350

	Parent Bank					
	2023			2022 (As Restated)		
	Due within one year	**Due beyond one year**	**Total**	Due within one year	Due beyond one year	Total
Financial Assets						
Cash and other cash items	**₱9,350,898**	**₱–**	**₱9,350,898**	₱8,924,249	₱–	₱8,924,249
Due from BSP	**63,883,124**	**–**	**63,883,124**	66,588,121	–	66,588,121
Due from other banks	**23,195,787**	**–**	**23,195,787**	42,277,856	–	42,277,856
IBLR and SPURRA	**3,184,121**	**–**	**3,184,121**	14,634,811	–	14,634,811
Trading and investment securities						
at FVTPL	**5,676,867**	**–**	**5,676,867**	8,583,178	–	8,583,178
at amortized cost - gross	**4,719,843**	**300,919,396**	**305,639,239**	356,113	235,349,487	235,705,600
at FVOCI	**–**	**36,699,234**	**36,699,234**	6,108,089	73,359,589	79,467,678
Loans and receivables - net of unearned discounts	**179,801,242**	**246,038,296**	**425,839,538**	197,768,610	205,590,687	403,359,297
Other resources	**528,354**	**1,525,288**	**2,053,642**	183,757	1,754,866	1,938,623
	290,340,236	**585,182,214**	**875,522,450**	345,424,784	516,054,629	861,479,413
Nonfinancial Assets						
Investment in subsidiaries	**–**	**36,114,412**	**36,114,412**	–	31,782,696	31,782,696
Bank premises, furniture, fixtures and equipment	**–**	**14,678,017**	**14,678,017**	–	12,356,880	12,356,880
Investment properties	**–**	**10,190,789**	**10,190,789**	–	10,129,917	10,129,917
Goodwill	**–**	**43,339,696**	**43,339,696**	–	43,339,696	43,339,696
Other resources	**2,472,996**	**30,596,455**	**33,069,451**	2,534,922	23,640,072	26,199,230
	2,472,996	**134,919,369**	**137,392,365**	2,534,922	121,249,261	123,784,183
	₱292,813,232	**₱720,101,583**	**₱1,012,914,815**	₱347,959,706	₱637,303,890	₱985,263,596
Allowance for credit losses and impairment			**14,396,692**			10,019,209
Accumulated depreciation (Notes 16 and 17)			**8,905,385**			8,055,011
			23,302,077			18,074,220
			₱989,612,695			₱967,189,376
Financial Liabilities						
Deposit liabilities	**595,611,052**	**1,944,341**	**597,555,393**	584,787,370	39,133,662	623,921,032
Bills payable	**97,271,395**	**23,087,741**	**120,359,136**	88,265,362	11,043,762	99,309,124
Notes and bonds payable	**–**	**50,493,627**	**50,493,627**	8,097,039	43,547,286	51,644,325
Other liabilities	**37,484,533**	**4,843,836**	**42,328,369**	35,164,978	4,332,394	39,497,372
	730,366,980	**80,369,545**	**810,736,525**	716,314,749	98,057,104	814,371,853
Nonfinancial Liabilities						
Accrued income and other taxes	**728,144**	**–**	**728,144**	663,356	–	663,356
Other liabilities	**365,536**	**2,694,182**	**3,059,718**	358,269	4,204,027	4,562,296
	1,093,680	**2,694,182**	**3,787,862**	1,021,625	4,204,027	5,225,652
	₱731,460,660	**₱83,063,727**	**₱814,524,387**	₱717,336,374	₱102,261,131	₱819,597,505

27. Service Charges, Fees and Commissions

This account is broken down as follows:

	Group			Parent Bank		
	2023	2022	2021	**2023**	2022	2021
Service charges	**₱8,487,387**	₱5,308,086	₱2,817,479	**₱7,747,743**	₱4,812,508	₱1,850,655
Brokerage fees	**769,277**	312,756	22,588	**6,405**	19,888	22,588
Commissions from bancassurance (Note 32)	**589,520**	377,657	230,570	**589,520**	377,657	230,570
Bank commissions	**203,243**	241,109	189,630	**198,945**	218,555	157,510
Others	**363,372**	542,063	513,044	**137,814**	257,154	231,033
	₱10,412,799	₱6,781,671	₱3,773,311	**₱8,680,427**	₱5,685,762	₱2,492,356

Others include various commission income on remittance transactions and management fees.

28. Miscellaneous Income and Expenses

Miscellaneous Income

Miscellaneous income is composed of the following:

	Group		
	2023	2022	2021
Foreign exchange gains - net	**₱2,126,188**	₱2,151,194	₱1,295,539
Recoveries from charged-off assets	**1,149,193**	579,130	164,270
Gain (loss) on sale of investment properties (Note 17)	**1,023,532**	1,224,045	(43,689)
Cards rebates and migration support	**826,689**	463,827	–
Gain on foreclosure of investment properties (Note 17)	**751,936**	466,388	135,309
Fines and penalties	**424,541**	289,138	175,877
Income from trust operations (Note 31)	**311,816**	316,939	239,994
Rental (Notes 17 and 34)	**127,739**	218,019	116,450
Gain on sale of investments in associates and subsidiary (Note 15)	**22,702**	–	167,332
Dividend	**3,617**	6,076	145,789
Gain (loss) on sale of property and equipment	**3,401**	(14,849)	18,108
Trust fund income (loss) (Note 19)	**3,341**	(1,301)	212
Others	**696,248**	899,978	446,624
	₱7,470,943	₱6,598,584	₱2,861,815

	Parent Bank		
	2023	2022	2021
Share in net profit of subsidiaries (Note 15)	**₱2,837,072**	₱1,712,086	₱1,173,016
Foreign exchange gains – net	**1,464,603**	1,523,650	869,122
Gain on sale of investment properties (Note 17)	**1,110,198**	1,193,004	207,360
Recoveries from charged-off assets	**1,106,189**	533,616	131,843
Cards rebates and migration support	**826,689**	463,827	–
Gain on foreclosure of investment properties (Note 17)	**679,745**	466,388	135,309
Fines and penalties	**424,541**	289,138	175,877
Income from trust operations (Note 31)	**311,816**	316,939	239,994
Rental (Notes 17 and 34)	**180,273**	154,907	132,734
Dividend	**2,768**	2,768	145,789
Gain (loss) on sale of property and equipment	**558**	(429)	1,900
Others	**360,156**	841,961	329,884
	₱9,304,608	₱7,497,855	₱3,542,828

Miscellaneous Expenses

The breakdown of miscellaneous expenses follows:

	Group		
	2023	2022	2021
Information technology	**₱5,726,110**	₱3,115,086	₱1,559,722
Advertising and publicity	**4,882,498**	2,255,794	1,078,193
Insurance	**1,518,627**	1,353,558	1,095,425
Outside services	**1,488,965**	1,260,553	1,304,352
Fees and commission	**1,364,037**	573,087	205,180
Provision for impairment on investment properties and other non-financial assets (Note 17)	**916,619**	374,536	318,639
Management and professional fees	**903,708**	1,062,648	424,333
Supervision and compliance costs	**781,521**	684,576	597,197
Communication	**644,736**	460,209	434,029
Card-related expenses	**508,396**	730,958	493,255
Stationery and supplies	**424,516**	353,613	369,415
Transportation and travel	**416,558**	334,164	175,810
Litigation	**303,581**	183,726	73,377
Repairs and maintenance	**224,376**	169,308	129,711
Fines and penalties	**95,918**	87,503	65,679
Representation and entertainment	**76,332**	74,712	43,165
Impairment on goodwill (Note 18)	**–**	–	529,599
Others	**1,280,881**	1,273,134	1,379,989
	₱21,557,379	₱14,347,165	₱10,277,070

	Parent Bank		
	2023	2022	2021
Information technology	**₱5,215,041**	₱2,937,704	₱1,475,863
Advertising and publicity	**4,792,726**	2,187,771	1,052,145
Insurance	**1,264,648**	1,176,892	952,327
Fees and commission	**1,149,643**	388,987	127,030
Outside services	**1,083,916**	863,284	706,927
Supervision and compliance costs	**747,560**	660,929	517,116
Management and professional fees	**700,469**	676,020	337,332
Card-related expenses	**508,396**	730,958	493,255
Communication	**446,582**	324,773	287,329
Provision for (reversal of) impairment on investment properties and other non-financial assets (Note 17)	**403,042**	2,186	(64,649)
Stationery and supplies	**368,009**	285,337	322,034
Litigation	**300,055**	170,532	69,306
Transportation and travel	**214,406**	171,298	80,497
Repairs and maintenance	**174,097**	124,642	92,144
Representation and entertainment	**51,928**	63,983	36,471
Others	**688,458**	732,087	662,144
	₱18,108,976	₱11,497,383	₱7,147,271

29. Salaries and Employee Benefits

Salaries and Employee Benefits Expense

Expenses recognized for employee benefits are as follows:

	Group		
	2023	2022	2021
Short-term benefits:			
Salaries and wages	**₱7,395,773**	₱5,581,557	₱4,378,637
Bonuses and fringe benefits	**4,763,223**	3,276,495	3,279,091
Social security costs	**386,205**	267,273	209,543
Other benefits	**225,620**	200,104	250,263
Post-employment and other long-term benefits	**787,404**	677,742	529,168
	₱13,558,225	₱10,003,171	₱8,646,702

	Parent Bank		
	2023	2022	2021
Short-term benefits:			
Salaries and wages	**₱5,318,750**	₱4,234,232	₱3,167,844
Bonuses and fringe benefits	**3,850,248**	2,452,656	2,712,001
Social security costs	**261,460**	164,995	123,634
Other benefits	**171,337**	159,729	160,551
Post-employment and other long-term benefits	**630,577**	513,582	427,390
	₱10,232,372	₱7,525,194	₱6,591,420

Post-employment Defined Benefit Plan and Defined Contribution Plan

(a) Characteristics of the Defined Benefit Plan

The Group maintains funded, tax-qualified, noncontributory pension plans covering all regular full-time employees that are being administered by appointed trustee banks, including the Parent Bank's TISG, for the Parent Bank, UIC, CSB, FUIFAI, Bangko Kabayan, PBI, and PETNET. Under these pension plans, all covered employees are entitled to cash benefits after satisfying certain age and service requirements.

The Group maintains various retirement plans, among the retirement plans are being maintained for UnionBank, former iBank employees and former Citigroup Inc.'s consumer banking business employees, hence, the Parent Bank presents pension information in its financial statements separately for the three plans. The other pension plans are for UIC, CSB, FUIFAI, Bangko Kabayan, PBI, PETNET, UFSI.

UnionBank Plan

The normal retirement age is 60. The plan also provides for an early retirement at age 55, or age 50 with the completion of at least ten years of service. However, late retirement is subject to the approval of the Parent Bank's BOD. Normal retirement benefit is an amount equivalent to 150% of the final monthly salary for each year of credited service.

Former iBank Plan
The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with the completion of at least ten years of service and late retirement subject to the approval of the Parent Bank's BOD on a case-to-case basis. Normal retirement benefit is an amount equivalent to 125% of the final monthly covered compensation for every year of credited service.

UIC Plan
The optional retirement age is 60 and the compulsory retirement age is 65. Both must have a minimum of five years of credited service. Both have retirement benefit equal to one-half month's salary as of the date of retirement multiplied by the employee's year of service. Upon retirement of an employee, whether optional or compulsory, his services may be continued or extended on a case to case basis upon agreement of management and employee.

This is based on the retirement plan benefits provided in the Retirement Law (R.A. No. 7641). Under the law, unless the parties provide for broader inclusions, the term one-half (1/2) month salary shall mean fifteen (15) days plus one-twelfth (1/12) of the 13th month pay and the cash equivalent of not more than (5) days of service incentive leaves.

CSB Plan
The normal retirement age is 60 or completion of 30 years of service whichever is earlier. The service of any member, however, may be extended from year-to-year beyond the normal retirement date, provided such an extension of service is with the consent of the member and the express approval of CSB. The plan also provides for an early retirement after completion of at least ten years of service. Normal retirement benefit is an amount equivalent to 100% of the final basic monthly salary multiplied by the number of years of service prior to January 1, 2008 and 150% of the final basic monthly salary for services rendered starting January 1, 2008.

FUIFAI Plan
The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with a minimum of five years of credited service and late retirement after age 60, both subject to the approval of FUIFAI's BOD. Normal retirement benefit is an amount equivalent to 150% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

PETNET Plan
The normal retirement age is 60. The plan also provides for an early retirement at age 50 with the completion of at least ten years of service and late retirement beyond age 60. However, early and late retirement are subject to the approval of the company. Retirement benefit is an amount equivalent to 92% of the final monthly salary for each year of continuous service.

Bangko Kabayan Plan
The normal retirement age is 60 with at least five years of credited service. Retirement benefit is an amount equivalent to 100%, 125% or 150% of the latest basic monthly salary for each year of credited service if the years of service is 10 years but less than 15 years, 15 years but less than 20 years, and 20 years or more, respectively.

PBI Plan
The normal retirement age is 60 with at least five years of credited service. Retirement benefit is an amount equivalent to 22.5 days pay for every year of credited service.

Former Citibank, N.A., PH Consumer Business Plans

Fund B and Fund C

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with the completion of at least ten years of continuous service. Normal retirement benefit is an amount equivalent to 200% of the final average covered monthly salary for each year of credited service.

The Parent Bank and Citigroup, Inc. agreed that the previous tenure of Citi employees will be continued upon joining with the Group.

(b) Characteristics of the Defined Contribution Plans

The Group maintains a defined contribution plan covering all regular and permanent employees. Starting on the date of membership of an employee in the Plan, the employer shall contribute to the retirement fund 8% of the member's salary as defined every month. As this plan operates in the Philippines, it is subject to R.A. No. 7641, which requires a minimum benefit equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year.

Former Citibank, N.A., PH Consumer Business Plan

Fund D

Fund D is an allocated fund established to hold contributions on behalf of and made by the employees and the corresponding earnings and losses on such contributions. The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with the completion of at least ten years of continuous service. Normal retirement benefit is an amount equivalent to the sum of (a) 100% of the balance in the Member's Individual Account Balances (IAB) attributable to the employer's contributions as of most recent valuation prior to his retirement date adjusted for subsequent contributions and earnings and (b) 100% of the balance in the Member's IAB attributable to the employee's contributions as of most recent valuation prior to his retirement date adjusted for subsequent contributions and earnings.

UFSI Plan

The unfunded, contributory defined contribution retirement plan covers all regular full-time employees. Contribution to the plan is equal to 8% of the annual basic salary of each covered employee.

(c) Analysis of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented in the subsequent pages are based on the actuarial valuation reports obtained from independent actuaries in 2023 and 2022.

The amounts of post-employment defined benefit obligation (net retirement asset) recognized in the statements of financial position are determined as follows (see Notes 19 and 24):

	Group	
	2023	2022
Present value of the obligation	**₱7,299,841**	₱6,194,063
Fair value of plan assets	**5,917,416**	5,227,021
	₱1,382,425	₱967,042

As of December 31, 2023 and 2022, the net retirement obligation amounting to ₱1,382,425 and ₱967,042 is separately shown as Net retirement asset of ₱189,241 and ₱31,955, respectively (see Note 19), and as Post-employment defined benefit obligation of ₱1,571,666 and ₱998,997, respectively (see Note 24).

	Parent Bank	
	2023	2022
Present value of the obligation	**₱6,505,811**	₱5,468,708
Fair value of plan assets	**5,041,225**	4,558,600
	₱1,464,586	₱910,109

The movements in the present value of the post-employment benefit obligation recognized in the financial statements are as follows:

		Group	
	2023	2022	2021
Balance at beginning of year	**₱6,194,063**	₱5,285,027	₱5,225,149
Current service cost	**617,879**	579,173	529,168
Interest expense	**392,446**	244,198	158,374
Remeasurements:			
Actuarial losses (gains) arising from			
Changes in financial assumptions	**425,647**	(917,442)	(524,992)
Experience adjustments	**56,868**	27,707	60,611
Changes in demographic assumptions	**50**	(3,246)	977
Benefits paid	**(387,112)**	(375,742)	(164,260)
Effects of business combinations*(Note 1)	**–**	1,354,388	–
Balance at end of year	**₱7,299,841**	₱6,194,063	₱5,285,027

* represents retirement obligation of employees from the acquired business at the date of business combination

		Parent Bank	
	2023	2022	2021
Balance at beginning of year	**₱5,468,709**	₱4,514,965	₱4,544,704
Current service cost	**521,682**	459,481	427,390
Interest expense	**346,395**	235,886	157,398
Remeasurements:			
Actuarial losses (gains) arising from			
Changes in financial assumptions	**473,555**	(877,330)	(472,541)
Experience adjustments	**(27,055)**	15,287	80,474
Changes in demographic assumptions	**–**	–	1,134
Benefits paid	**(277,475)**	(211,825)	(223,594)
Effects of business combinations* (Note 1)	**–**	1,332,245	–
Balance at end of year	**₱6,505,811**	₱5,468,708	₱4,514,965

* represents retirement obligation of employees from UnionBank, iBank, and Citibank PH Consumer Business Plans

The movements in the fair value of plan assets are presented below.

		Group	
	2023	2022	2021
Balance at beginning of year	**₱5,227,021**	₱4,321,676	₱4,113,808
Interest income	**344,075**	208,245	118,247
Return on plan asset (excluding amounts included in net interest)	**(46,580)**	(520,217)	39,271
Contributions to the plan	**720,135**	417,379	219,028
Benefits paid	**(327,235)**	(261,690)	(168,678)
Effects of business combinations (Note 1)	**–**	1,061,628	–
Balance at end of year	**₱5,917,416**	₱5,227,021	₱4,321,676

	Parent Bank		
	2023	2022	2021
Balance at beginning of year	**₱4,558,600**	₱3,621,937	₱3,439,660
Interest income	**301,472**	195,439	115,739
Return on plan asset (excluding amounts included in net interest)	**(174,732)**	(525,321)	36,957
Contributions to the plan	**633,360**	416,742	253,175
Benefits paid	**(277,475)**	(211,825)	(223,594)
Effects of business combinations* (Note 1)	–	1,061,628	–
Balance at end of year	**₱5,041,225**	₱4,558,600	₱3,621,937

* represents fair value of plans for UnionBank, iBank, and Citibank PH Consumer Business Plans

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	Group	
	2023	2022
Bank deposits	**₱789,749**	₱403,505
Quoted equity securities:		
Financial and insurance activities	**3,125,493**	2,614,648
Real estate activities	**88,133**	68,099
Electricity, gas and water	**30,675**	35,533
Wholesale and retail trade	–	13,376
Others	**564,438**	123,645
	3,808,739	2,855,301
Debt securities:		
Corporate bonds	**677,912**	813,103
Philippine government bonds	**624,496**	40,124
	1,302,408	853,227
Receivable related to the plan assets of the employees from the acquired business (Note 1)	–	1,061,628
Others	**16,520**	53,360
	₱5,917,416	₱5,227,021

	Parent Bank	
	2023	2022
Bank deposits	**₱769,724**	₱380,409
Quoted equity securities:		
Financial and insurance activities	**2,560,165**	2,207,860
Real estate activities	**88,130**	68,096
Electricity, gas and water	**21,151**	26,502
Wholesale and retail trade	**-**	13,376
Others	**400,910**	123,589
	3,070,356	2,439,423
Debt securities:		
Corporate bonds	**581,251**	647,751
Philippine government bonds	**604,224**	20,364
	1,185,475	668,115
Others	**15,670**	9,025
	₱5,041,225	₱3,496,972

Equity securities under the fund are primarily investments in corporations listed in the PSE, which include ₱478,398 and ₱352,208 investments in the shares of stocks of the Parent Bank as of December 31, 2023 and 2022, respectively, while debt securities represent investments in government and corporate bonds, which include ₱311,861 and ₱354,516 investment in the notes of the Parent Bank as of December 31, 2023 and 2022, respectively (see Note 32).

The fair values of the above equity and debt securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy). The retirement fund neither provides any guarantee or surety for any obligation of the Parent Bank nor its investments in the Bank's shares of stocks covered by any restriction and liens. Bank deposits are maintained with reputable financial institutions, which include ₱241,771 and ₱348,462 deposits with the Parent Bank as of December 31, 2023 and 2022, respectively (see Note 32).

Actual returns on plan assets amounted to ₱221,388 in 2023, (₱311,972) in 2022, and ₱157,518 in 2021 for the Group. Actual returns on plan assets amounted to ₱50,635 in 2023, (₱329,883) in 2022, and ₱152,596 in 2021 for Parent.

The amounts recognized in the statements of income in respect of the post-employment defined benefit plan are as follows:

	Group		
	2023	2022	2021
Current service cost	**₱617,879**	₱579,173	₱529,168
Past service cost	**–**	–	–
Net interest expense (income)	**48,371**	35,953	40,127
	₱666,250	₱615,126	₱569,295

	Parent Bank		
	2023	2022	2021
Current service cost	**₱521,682**	₱459,481	₱427,390
Net interest expense (income)	**44,923**	40,447	41,659
	₱566,605	₱499,928	₱469,049

The amounts recognized in other comprehensive income in respect of the post-employment defined benefit plan are as follows:

	Group		
	2023	2022	2021
Actuarial losses (gains) arising from changes in:			
Financial assumption	**₱425,647**	(₱917,442)	(₱524,992)
Experience adjustments	**56,868**	27,707	60,611
Demographic assumptions	**50**	(3,246)	977
Return on plan assets (excluding amounts included in net interest)	**46,580**	520,217	(39,271)
	₱529,145	(₱372,764)	(₱502,675)

	Parent Bank		
	2023	2022	2021
Actuarial losses (gains) arising from changes in:			
Financial assumption	**₱473,555**	(₱877,329)	(₱472,541)
Experience adjustments	**(27,055)**	15,286	80,474
Demographic assumptions	**-**	-	1,134
Return on plan assets (excluding amounts included in net interest)	**174,732**	525,321	(36,957)
	₱621,232	(₱336,722)	(₱427,890)

In addition to the above items, the Parent Bank also recognized its share of the other comprehensive income of subsidiaries in respect of the post-employment defined benefit plan amounting to gains of ₱65,891, ₱30,406 and ₱38,907 in 2023, 2022, and 2021, respectively (see Note 15).

The Group and the Parent Bank expect to contribute ₱918,375 and ₱745,889, respectively, in 2023.

In determining the retirement benefits, the following actuarial assumptions were used:

	Group		
	2023	2022	2021
Retirement age	**60**	60	60
Average remaining working life	**6-26 years**	5-26 years	6-27 years
Discount rate	**6.01%-7.31%**	4.00%-7.56%	3.88%-5.15%
Expected rate of salary increase	**2.00%-7.00%**	2.00%-7.00%	2.00%-6.00%
Employee turnover rate	**0%-19%**	0%-26%	0%-22%

	Parent Bank		
	2023	2022	2021
Retirement age	**60**	60	60
Average remaining working life	**8 to 14 years**	8 to 15 years	9 to 10 years
Discount rate	**6.01%-6.11%**	7.05%-7.25%	4.87%-5.02%
Expected rate of salary increase	**6.00%-7.00%**	6.00%-7.00%	6.00%
Employee turnover rate	**0%-18%**	0%-18%	0%-18%

Assumptions regarding future mortality and disability are based on published statistics and mortality tables. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero-coupon government bond with terms to maturity approximating to the terms of the retirement obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(d) *Risk Associated with the Retirement Plan*

The plans expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

- *Investment and Interest Risk*

  The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plans are mostly invested in equity securities. Due to the long-term nature of plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plans efficiently.

- *Longevity and Salary Risks*

  The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will results in an increase in the plan obligation.

(e) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below and in the succeeding pages.

- *Sensitivity Analysis*

  The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31:

Group

	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
December 31, 2023			
Discount rate	**+/-1.0%**	**(₱721,266)**	**₱930,243**
Salary growth rate	**+/-1.0%**	**992,066**	**(798,490)**
Turn-over rate	**+/-20.0%**	**(51,105)**	**(43,777)**
December 31, 2022			
Discount rate	+/-1.0%	(₱828,743)	₱1,028,688
Salary growth rate	+/-1.0%	1,082,018	(913,920)
Turn-over rate	+/-20.0%	218,908	(219,330)

Parent

	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
December 31, 2023			
Discount rate	**+/-1.0%**	**(₱641,114)**	**₱665,717**
Salary growth rate	**+/-1.0%**	**867,439**	**(544,559)**
Turn-over rate	**+/-20.0%**	**(52,624)**	**39,776**
December 31, 2022			
Discount rate	+/-1.0%	(₱522,565)	₱674,188
Salary growth rate	+/-1.0%	716,235	(569,040)
Turn-over rate	+/-20.0%	(20,189)	20,640

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

- *Asset-liability Matching Strategies*

To efficiently manage the retirement plan, the Group through its Retirement Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations. In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of assets as of December 31, 2023 and 2022 consists of equity securities and bonds, although the Group also invests in bank deposits. The Group believes that equity securities offer the best returns over the long term with an acceptable level of risk. The majority of equities are in a diversified portfolio of investments in corporations listed in the PSE.

There has been no change in the Group's strategies to manage its risks from previous periods.

- *Funding Arrangements and Expected Benefit Payment*

  There is no minimum funding requirement in the country.

  The maturity profile of undiscounted expected benefits payments from the plan follows:

Group

	2023	2022
Less than one year	**₱1,649,751**	₱1,048,430
One year to less than five years	**2,357,357**	1,813,795
Five years to less than ten years	**4,584,317**	3,162,944
Ten years to less than 15 years	**5,503,589**	3,496,334
15 years to less than 20 years	**6,906,291**	4,245,541
20 years and above	**15,254,451**	9,593,251
	₱36,255,756	₱23,360,295

Parent

	2023	2022
Less than one year	**₱1,447,895**	₱1,096,908
One year to less than five years	**2,131,964**	2,090,152
Five years to less than ten years	**4,036,406**	3,698,105
Ten years to less than 15 years	**4,365,293**	4,278,180
15 years to less than 20 years	**5,146,918**	4,953,445
20 years and above	**10,351,462**	10,517,514
	₱27,479,938	₱26,634,304

The weighted average duration of the defined benefit obligation is 17 years in 2023 and 16 years in 2022.

Other Long-term Employment benefits

Other long term employment benefits include convertible sick leave benefits. Sick leave is computed and credited on a pro-rata basis and accumulated up to a maximum of certain working days. Any excess sick leave beyond the limit shall be convertible to cash on January 31st of the following year. All earned sick leave is convertible to cash and for inclusion to the employee's separation pay upon resignation. Accordingly, this is considered as other long term employee benefits, calculated using an actuarial valuation. As of December 31, 2023, they key actuarial assumptions include expected salary increase rate of 6.00% per annum and discount rate of 6.07%.

As of December 31, 2023, accrued sick leave obligation amounted to ₱621.64 million.

30. Income Taxes

Current and Deferred Income Taxes

The components of income tax expense (benefit) for the years ended December 31, 2023, 2022, and 2021 are as follows:

	Group		
	2023	2022	2021
Reported in profit or loss			
Current tax expense:			
Final tax	**₱3,165,140**	₱2,231,917	₱1,269,860
Regular corporate income tax (RCIT)	**886,028**	1,333,468	826,288
MCIT	**538,492**	1,467	74,426
	4,589,660	3,566,852	2,170,574
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	**(1,945,435)**	472,607	236,495
	₱2,644,225	₱4,039,459	₱2,407,069
Reported in other comprehensive income			
Deferred tax expense (benefit) relating to origination and reversal of actuarial gains or losses	**(₱132,286)**	₱93,191	₱193,286

	Parent Bank		
	2023	2022	2021
Reported in profit or loss			
Current tax expense:			
Final tax	**₱2,669,179**	₱2,029,648	₱1,158,225
RCIT	**26,334**	108,513	35,941
MCIT	**527,838**	–	74,108
	3,223,351	2,138,161	1,268,274
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	**(1,698,002)**	897,850	420,188
	₱1,525,349	₱3,036,011	₱1,688,462
Reported in other comprehensive income			
Deferred tax expense (benefit) relating to origination and reversal of actuarial gains or losses	**(₱155,309)**	₱84,180	₱174,589

The reconciliation of the statutory income tax rate and the effective income tax rate follows:

	Group		
	2023	2022	2021
Statutory income tax rate	**25.00%**	25.00%	25.00%
Adjustment for income subjected to lower income tax rates	**(2.02)**	(3.20)	(2.11)
CREATE related adjustments	**–**	–	6.25
Tax effects of:			
FCDU income before tax	**(2.02)**	(1.73)	(17.72)
Non-taxable income	**(8.48)**	(0.89)	(0.76)
Non-deductible expenses	**10.98**	3.20	3.06
Others	**(0.98)**	1.69	2.34
Effective income tax rate	**22.49%**	24.07%	16.06%

	Parent Bank		
	2023	2022	2021
Statutory income tax rate	**25.00%**	25.00%	25.00%
Adjustment for income subjected to lower income tax rates	**(5.36)**	(3.15)	(1.97)
CREATE related adjustments	**–**	–	5.68
Tax effects of:			
FCDU income before tax	**(2.32)**	(1.86)	(18.79)
Non-taxable income	**(6.87)**	(3.68)	(0.27)
Non-deductible expenses	**6.49**	3.31	2.07
Others	**(2.22)**	(0.20)	(0.23)
Effective income tax rate	**14.73%**	19.42%	11.90%

The components of the net deferred tax assets presented under Other resources (see Note 19) as of December 31, 2023, and 2022 follow:

	Group	
	2023	2022
Deferred tax assets:		
Allowance for impairment	**₱5,010,016**	₱4,088,549
Accrued other expenses	**1,682,104**	1,203,425
Net operating loss carry over (NOLCO)	**1,069,474**	477,682
Deferred service fees	**476,785**	405,965
Excess MCIT	**681,016**	368,069
Investment properties	**287,322**	353,181
Unrealized foreign exchange loss	**250,459**	169,644
Others	**775,071**	1,190,370
	10,232,247	8,256,885
Deferred tax liabilities:		
Unrealized foreign exchange gain	**60,723**	126,653
Capitalized interest	**21,965**	22,880
Others	**469,528**	400,149
	552,216	549,682
Net deferred tax assets	**₱9,680,031**	₱7,707,203

	Parent Bank	
	2023	2022
Deferred tax assets:		
Allowance for credit losses	**₱3,576,777**	₱3,055,124
Accrued other expenses	**1,542,120**	1,196,466
Net operating loss carry-over (NOLCO)	**1,068,153**	466,729
Excess MCIT	**680,353**	366,968
Investment properties	**202,220**	276,990
Unrealized foreign exchange loss	**248,787**	169,646
Others	**789,288**	690,644
	8,107,698	6,222,567
Deferred tax liabilities:		
Unrealized foreign exchange gain	**51,875**	123,159
Capitalized interest	**21,965**	22,880
Others	**323,671**	219,650
	397,511	365,689
Net deferred tax assets	**₱7,710,187**	₱5,856,878

Other deferred tax asset includes post-retirement obligation and other future deductible items.

The Parent Bank's NOLCO follows:

Year incurred	**Amount**	**Expired**	**Applied**	**Balances**	**Availment period**
2020	₱2,211,455	₱–	₱500,000	₱1,711,455	2021-2025*
2021	155,461	–	–	155,461	2022-2026*
2023	2,517,174	–	–	2,517,174	2024-2026
	₱4,884,090	₱–	₱500,000	₱4,384,090	

**The NOLCO can be carried over as a deduction from gross income for the next five consecutive taxable years from the year it was incurred pursuant to Revenue Regulations No. 25-2020 (RR 25-2021), implementing Section 4(bbbb) of Republic Act No. 11494 or the Bayanihan to Recover as One Act.*

The Parent Bank's MCIT follows:

Year incurred	Amount	Expired	Applied	Balances	Availment period
2020	₱214,453	₱214,453	₱–	₱–	2021-2023
2021	152,515	–	–	152,515	2022-2024
2023	527,838	–	–	527,838	2024-2026
	₱894,806	₱214,453	₱–	₱680,353	

The Parent Bank's MCIT can be applied against regular corporate income tax liability for the next three consecutive years after the MCIT was incurred.

Relevant Tax Regulations

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill

As a result of the changes brought about by CREATE signed into law on March 26, 2021, the regular corporate income tax (RCIT) is reduced from 30% to 25% effective July 1, 2020.

This resulted in a reduction in the current income tax for 2020 by ₱156.36 million and by ₱78.41 million for the Group and the Parent Bank, respectively, that is recognized in the 2021 statement of income. In addition, as a result of the change in the tax rate, the deferred tax balances have been remeasured from 30% to 25%, resulting in reduction in net deferred tax asset of ₱1,156.01 million and ₱948.86 million for the Group and the Parent Bank, respectively, increase in provision for deferred income tax by ₱1,088.04 million and ₱881.24 million for the Group and the Parent Bank, respectively, in the 2021 statement of income, and decrease in other comprehensive income by ₱68.01 million and ₱67.62 million for the Group and the Parent Bank, respectively, in the 2021 statement of comprehensive income.

The following are the relevant tax regulations affecting the Group:

Income Tax

(a) MCIT computed at 1% of gross income (net of allowable deductions as defined under tax regulations) from July 1, 2020 to June 30, 2023 and at 2% from July 1, 2023 onwards, or RCIT of 25%, whichever is higher;
(b) FCDU transactions with non-residents of the Philippines are tax-exempt, while interest income on foreign currency loans from residents other than depository banks under the expanded system is subject to 10% income tax;
(c) Withholding tax of 15% is imposed on interest earned under the expanded foreign currency deposit system; and,
(d) NOLCO can be claimed as deductions against taxable income within three years after NOLCO is incurred. The excess of the MCIT over income tax due may be carried over to the three succeeding taxable years and credited against income tax due provided the Bank is in RCIT position. On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of Bayanihan to Recover as One Act which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Gross Receipts Tax
Banks are subject to gross receipts tax under Sec. 121 of the National Internal Revenue Code as amended.

Documentary Stamp Tax
Documentary stamp taxes (DST) (at varying rates) are imposed on the following:
(a) Bank checks, drafts, or certificate of deposit not bearing interest, and other instruments;
(b) Bonds, loan agreements, promissory notes, bills of exchange, drafts, instruments and securities issued by the Government of any of its instrumentalities, deposit substitute debt instruments, certificates of deposits bearing interest and other not payable on sight or demand;
(c) Acceptance of bills of exchange and letters of credit; and,
(d) Bills of lading or receipt.

The significant provisions relating to DST under TRAIN are summarized below:
(a) On every original issue of debt instruments, there shall be collected a DST of 1.50 on each 200 or fractional part thereof of the issue price of any such debt instrument; provided, that for such debt instruments with terms of less than one year, the DST to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days; provided further that only one DST shall be imposed on either loan agreement or promissory notes to secure such loan.
(b) On all sales or transfer of shares or certificates of stock in any corporation, there shall be collected a DST of 1.50 on each 200, or fractional part thereof, of the par value of such stock.
(c) On all bills of exchange (between points within the Philippines) or drafts, there shall be collected a DST of 0.60 on each 200, or fractional part thereof, of the face value of any such bill of exchange or draft.
(d) The following instruments, documents and papers shall be exempt from DST:
- Borrowings and lending of securities executed under the Securities Borrowing and Lending Program of a registered exchange, or in accordance with regulations prescribed by the appropriate regulatory authority;
- Loan agreements or promissory notes, the aggregate of which does not exceed 250,000 or any such amount as may be determined by the Secretary of Finance, executed by an individual for his purchase on installment for his personal use;
- Sale, barter or exchange of shares of stock listed and traded through the local stock exchange (as amended by RA No. 9648);
- Fixed income and other securities traded in the secondary market or through an exchange;
- Derivatives including repurchase agreements and reverse repurchase agreements;
- Bank deposit accounts without a fixed term or maturity; and,
- Interbank call loans with maturity of not more than seven days to cover deficiency in reserve against deposit liabilities.

<u>Itemized Deduction</u>
In 2023, 2022 and 2021, the Parent Bank opted to claim itemized deductions.

31. **Trust Operations**

The following securities and other properties held by the Parent Bank in fiduciary or agency capacity (for a fee) for its customers are not included in the accompanying statement of financial position since these are not properties of the Parent Bank.

	2023	2022
Investments	**₱91,212,192**	₱88,449,123
Others	**2,755,771**	3,199,964
	₱93,967,963	₱91,649,087

In compliance with the requirements of the General Banking Act relative to the Parent Bank's trust functions:

(a) Investment in government securities with a total face value of ₱1,210,600 as of December 31, 2023 and 2022, are deposited with BSP as security for the Parent Bank's faithful compliance with its fiduciary obligations (see Note 12); and,

(b) Ten percent of the Parent Bank's trust income is transferred to Surplus reserves. This yearly transfer is required until the surplus reserves for trust function is equivalent to 20% of the Parent Bank's authorized capital stock. No part of such reserves shall at anytime be paid out as dividends, but losses accruing in the course of business may be charged against such surplus. As of December 31, 2023 and 2022, the reserve for trust functions amounted to ₱367,836 and ₱336,655, respectively, and is included as part of Surplus reserves in the statements of financial position (see Note 25).

Income from trust operations of the Group and the Parent Bank amounted to ₱311,816, ₱316,939, and ₱239,994 in 2023, 2022 and 2021, respectively. These are shown as Income from trust operations account under Miscellaneous income in the statements of income (see Note 28).

32. **Related Party Transactions**

The Group's and Parent Bank's related parties include subsidiaries, stockholders, key management personnel and others as described below.

The Parent Bank's transactions with related parties, except deposit transactions, are reviewed and approved by the Bank's RPT Management Review Committee (for non-material transactions), endorsed by the RPT Board Committee, and ultimately approved or confirmed by the BOD. The terms and prices are benchmarked against market prices, non-RPT transactions and on a cost-plus basis as practiced by the market if market prices are not available. In other instances, valuations are made by appraisers and third party consultants in determining prices.

The summary of the Group's significant transactions with its related parties as of and for the years ended December 31, 2023 and 2022 are as follows:

Related Party Category	2023 Amount of Transaction	2023 Outstanding Balance	2022 Amount of Transaction	2022 Outstanding Balance	Terms and Conditions/Nature
Applicable to the Parent Bank					
Subsidiaries					
Lease of properties:					
Lease income	**₱72,056**	**₱–**	₱33,550	₱–	Lease renewed every 5 years
Refundable deposits	**6,375**	**8,334**	2,356	2,356	with 5% escalation rate
Management services	**88,227**	**–**	161,188	–	Project management fee, management services, commission and service charges paid to/by subsidiaries
Deposit liabilities:					
Outstanding balance	**–**	**1,799,248**	–	1,961,153	
Net movements	**(161,905)**	**–**	(1,241,048)	–	
Interest expense on deposits	**4,631**	**–**	2,356	–	With interest rate based on average daily bank deposit rate.
Receivables purchase agreements:					
Purchase of receivables	**–**	**–**	9,979,340	–	Purchase of DepEd receivables from CSB
Sale of receivables	**(22,027,981)**	**–**	6,682,351	–	Sale of qualified Quick Loan Accounts to UnionDigital
Interbank borrowing					
Net movements	**10,000,000**	**–**	3,000,521	–	Short-term borrowing with annual fixed rate ranging from 6.34% to 6.41% in 2023 and 2.125% in 2022. No outstanding balances as of 2023 and 2022.
Interest expense	**1,771**	**–**	531	–	
Advances:					
Outstanding balance	**–**	**129,438**	–	79,573	Various expenses advanced by the Bank
Net movements	**(49,865)**	**–**	8,372	–	
Other liabilities	**–**	**2,653**	–	375,978	Various expenses and service fees
Applicable to the Group and the Parent Bank					
Stockholders and related parties under common ownership					
Deposit liabilities:					
Outstanding balance	**–**	**2,474,724**	–	6,709,215	With interest rate based on average daily bank deposit rate
Net movements	**(4,234,491)**	**–**	(18,750,550)	–	
Interest expense on deposits	**24,028**	**–**	37,919	–	
Bills payable:					
Outstanding balance	**–**	**13,957**	–	13,936	Long term liability with annual fixed rate of 4%
Net movements	**21**	**–**	20	–	
Interest expense	**560**	**–**	56,658	–	
Income from bancassurance business:					
Commission income	**589,520**	**–**	377,657	–	Income recognized on sale of insurance policies in accordance with the bancassurance agreement
Unearned income	**–**	**590,258**	–	715,710	Unearned income from Exclusive Access Fees arising from the bancassurance agreement

(Forward)

Related Party Category	2023 Amount of Transaction	2023 Outstanding Balance	2022 Amount of Transaction	2022 Outstanding Balance	Terms and Conditions/Nature
Sale of Investment properties					
Sales contract receivable	**(₱413,987)**	**₱–**	₱591,410	₱413,987	
Gain on disposal	**–**	**–**	226,901	–	Sale of foreclosed property
Unearned income	**(52,044)**	**–**	52,004	52,004	
Loans receivable	**(29,330)**	**30,239**	(8,829)	909	Secured borrowings with annual interest of 8.0% and 12.0% in 2023 and 2022
Key management personnel	**4,262,562**	**–**	2,973,832	–	Employee benefits related to key management personnel
Directors, officers and other related interests:					
Loans	**829,899**	**829,899**	639,635	639,635	Employee fringe benefit loans with annual fixed interest rate from 0.00% to 8.0% in 2023 and 2022
Accounts receivable	**185,238**	**185,238**	156,659	156,659	Fringe benefits related to employee cars and laptop lease

Lease of Properties

The Parent Bank leases certain properties to UIC, CSB, UBX, UnionDigital and UFSI at fixed monthly rental payments with 5% annual escalation rate.

Management Services

The Parent Bank entered into service agreements with CSB, UIC, FAIR Bank, PETNET, UBX, UnionDigital, and UFSI to perform to perform various services including corporate accounting, human resource, legal, corporate secretarial, operations support, IT-related and data science.

Deposit Liabilities and Interest Expense

The deposit accounts of subsidiaries and stockholders with the Parent Bank generally earn interest based on daily bank deposit rates.

Advances

The Parent Bank also has advances to CSB, FUIFAI, UnionDigital, CFSI, PETNET and UBX as of December 31, 2023 and 2022. These are generally settled in cash upon demand.

Bills Payable and Interest Expense

In 2020, CSB availed of a loan with Aboitiz Foundation, Inc., amounting to ₱14.00 million which is payable in five years and bears an annual interest rate of 4.0%. This borrowing had an outstanding balance of ₱13.96 million and ₱13.94 million (net of unamortized debt issue costs) as of December 31, 2023 and 2022, respectively.

In 2022, CSB availed of short-term borrowings from AEVI, Aboitiz Power Corporation, and Aboitiz and Co., Inc., related parties under common ownership, amounting to ₱2.10 billion, ₱23.82 billion, and nil, respectively and such availments have been paid in full as of December 31, 2022. No availments were made for the year ended December 31, 2023.

Bancassurance Agreement

On January 27, 2017, the Parent Bank and its subsidiary, CSB, entered into a bancassurance partnership (the Distribution Agreement) with Insular Life Assurance Company, Ltd. (Insular Life). Under the Agreement, Insular Life paid the Parent Bank an amount representing Exclusive Access Fee (EAF) with a term of 15 years. Under the Distribution Agreement, in the event that the cumulative annualized premium earned (APE) sold during the first five-year period is less than the agreed minimum amount, the Parent Bank shall refund the proportion of EAF that equals the proportion by which the cumulative APE is less the minimum amount.

In 2023, the Parent Bank and Insular Life signed an addendum to the Distribution Agreement to modify certain provisions in the original contract. The Addendum removed the provision on EAF refund. Under the new terms of the agreement, the unearned EAF as of January 1, 2023 will be earned evenly by an amount of ₱143.08 million each year from 2023 to 2027, provided that UBP shall not be a defaulting party in a material breach during the EAF Credit Period.

EAF recognized for 2023 and 2022 is included in Commission from bancassurance under Service charges, fees and commissions account in the statements of income. Unearned income arising from this transaction is presented as Unearned Income - bancassurance under Other liabilities account in the statements of financial position (see Note 24).

Under the distribution agreement, Insular Life will have exclusive access to the branch network of the Parent Bank and CSB. Additionally, the Parent Bank's sales force, composed of relationship managers and financial advisors, shall be trained and licensed to sell life insurance products. Under the same Agreement, the Parent Bank shall earn commissions on all insurance policies sold by the Parent Bank. Commissions earned in 2023 and 2022 are presented as part of Commissions from bancassurance under Service charges, fees and commissions account in the statements of income (see Note 27).

Receivables Purchase Agreements

Department of Education (DepEd) Loans

On February 28, 2022, the Parent Bank entered into an agreement with CSB to purchase, in a true sale and without recourse basis, and for cash consideration, certain DepEd loans in one or more tranches for up to a maximum outstanding principal amount of ₱10 billion. The Parent Bank completed the purchase of the first tranche of receivables with outstanding principal of ₱99.31 million on April 8, 2022, and the second tranche of receivables with outstanding principal of ₱9.98 billion on July 4, 2022.

Quick Loans
On August 1, 2022 (the "Effective Date"), the Parent Bank entered into an agreement (the "Agreement") with UnionDigital to sell, in a true sale and without recourse basis, and for cash consideration, loan accounts from the Parent Bank's Quick Loans portfolio that are existing and granted as of the Effective Date and during the Term of the Agreement, which pass the eligibility criteria including the credit score, borrower profile, loan tenors and terms acceptable to UnionDigital. The Agreement shall remain valid and subsisting until terminated by the Parties as defined and allowed under the Agreement. The total outstanding principal sold to UnionDigital in 2023 and 2022 amounted to ₱22.03 billion and ₱6.68 billion, respectively. The Parent Bank and UnionDigital mutually agreed to terminate the Agreement in August 2023.

Sale of Investment Properties
In June 2022, the Parent Bank sold to Lima Land, Inc., a related party under common ownership, parcels of foreclosed land with carrying value of ₱312.50 million for a consideration of ₱591.41 million, payable until 2027. The Bank recognized Gain on disposal of investment properties amounting to ₱226.91 million and Unearned income of ₱52.00 million on the date of sale. In November 2023, the parties mutually agreed to modify the terms of the contract and fully settle the outstanding obligation in relation to such sale. As of December 31, 2023 and 2022, the outstanding balance of the loan is nil and ₱413.98 million, respectively.

Key Management Personnel Compensation
The compensation of key management personnel for the Group and Parent Bank follows:

	Group		
	2023	2022	2021
Short-term benefits	**₱3,948,441**	₱2,565,550	₱2,298,705
Post-employment benefits	**178,917**	197,044	91,915
Other long-term benefits	**135,204**	211,238	69,681
	₱4,262,562	₱2,973,832	₱2,460,301

	Parent Bank		
	2023	2022	2021
Short-term benefits	**₱3,074,645**	₱2,126,299	₱1,885,566
Post-employment benefits	**161,847**	182,200	74,477
Other long-term benefits	**128,555**	205,565	63,703
	₱3,365,047	₱2,514,064	₱2,023,746

The Group incurred directors' fees amounting to ₱159,594, ₱130,788, and ₱141,415 in 2023, 2022 and 2021, respectively. The Parent Bank incurred fees amounting to ₱105,409, ₱100,687, and ₱118,039 in 2023, 2022 and 2021, respectively.

Loans and Other Transactions
In the ordinary course of business, the Group has loans, deposits and other transactions with its related parties and with certain DOSRI. Under the Group's existing policies, these transactions are made substantially on the same terms and conditions as transactions with other individuals and businesses of comparable risks. The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of the deposit and book value of their investment in the Group. In the aggregate, loans to DOSRI generally should not exceed the total equity or 15% of the total loan portfolio of the Group, whichever is lower.

The following additional information is presented relative to DOSRI loans:

	Group		Parent Bank	
	2023	2022	**2023**	2022
Total DOSRI loans	**₱830,157**	₱640,544	**₱690,843**	₱616,127
Unsecured DOSRI loans	**418,582**	272,992	**292,880**	263,012
% of DOSRI loans to total loan portfolio	**0.16%**	0.13%	**0.17%**	0.16%
% of unsecured DOSRI loans to total DOSRI loans	**0.05%**	–%	**0.06%**	–%
% of unsecured DOSRI loans inclusive of fringe benefits to total DOSRI loans	**50.42%**	42.62%	**42.39%**	42.69%
% of past due DOSRI loans to total DOSRI loans	**0.05%**	–%	**0.06%**	–%
% of non-accruing DOSRI accounts to total DOSRI loans	**–%**	–%	**–%**	–%

The total unsecured DOSRI loans above include loans extended to employees treated as fringe benefits that are excluded in determining the compliance with the individual ceiling under subsection X330.1 of the MORB. The percentage of unsecured DOSRI loans to total DOSRI loans as presented above is nil.

On January 31, 2007, BSP issued Circular No. 560 which provides the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said circular, the total outstanding exposures to each of the Parent Bank's subsidiaries and affiliates shall not exceed 10% of bank's net worth, the unsecured portion of which shall not exceed 5% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20% of the net worth of the lending bank.

Transactions with the Retirement Plan

The retirement fund of the Group covered under defined benefit post-employment plan maintained for qualified employees is administered by the Retirement Committee. The members of the Retirement Committee are Senior Executives and officers of the Parent Bank as approved by the Chairman/Chief Executive Officer. Through its Retirement Committee, it has appointed TISG as one of its trustees for the retirement fund which is covered by trust agreements.

The composition of the retirement plan assets in the actuarial valuation reports of the Parent Bank and its subsidiaries as of December 31, 2023 and 2022 are disclosed in Note 29. As of December 31, 2023 and 2022, total assets of the retirement plan managed by the TISG of the Parent Bank as contained in the actuarial valuation reports amounted to ₱6.31 billion and ₱4.03 billion, respectively.

As of December 31, 2023 and 2022, the carrying value of the fund is equivalent to its fair value.

The Parent Bank and its subsidiaries' retirement plans have transactions directly and indirectly with the Parent Bank as of December 31, 2023 and 2022 as follows:

	Group			
	2023		2022	
	Amount of Transaction	**Outstanding Balance**	Amount of Transaction	Outstanding Balance
Investment in Parent Bank shares	**₱126,190**	**₱478,398**	₱75,094	₱352,208
Investments in Parent Bank notes payable:				
Outstanding balance	**–**	**311,861**	–	354,516
Net movements	**(42,655)**	**–**	(125,375)	–
Interest income	**17,255**	**–**	17,093	–
Accrued interest income	**–**	**4,562**	–	6,486
Deposit liabilities:				
Outstanding balance	**–**	**241,771**	–	348,462
Net movements	**(106,691)**	**–**	(45,819)	–
Interest income on deposits	**1,692**	**–**	11,397	–
Dividend income	**9,307**	**–**	9,064	–

	Parent Bank			
	2023		2022	
	Amount of Transaction	**Outstanding Balance**	Amount of Transaction	Outstanding Balance
Investment in Parent Bank shares	**₱126,136**	**₱461,852**	₱71,028	₱332,716
Investments in Parent Bank notes payable:				
Outstanding balance	**–**	**271,083**	–	310,972
Net movements	**(39,889)**	**–**	(117,515)	–
Interest income	**15,067**	**–**	14,906	–
Accrued interest income	**–**	**3,185**	–	5,958
Deposit liabilities:				
Outstanding balance	**–**	**235,176**	–	329,851
Net movements	**(94,675)**	**–**	(42,555)	–
Interest income on deposits	**1,684**	**–**	11,397	–
Dividend income	**8,751**	**–**	8,560	–

The investment in Parent Bank shares are primarily held for re-sale and the Group's retirement fund does not intend to exercise its voting rights over those shares. The terms of the investment in notes payable are discussed in Note 23.

Group Health Insurance from a Related Party
The Parent Bank entered into a contract with Insular Life for its group health insurance. The group health insurance package amounted to ₱354,989 and ₱166,093, covering October 2022 to September 2023 and October 2021 to September 2022, respectively.

Receivable from Kingswood Project
UIC acts as the project and fund manager of Kingswood Project. As fund manager, UIC is responsible for the treasury and money management as well as arranging the necessary facilities and accounting for the development of the project. UIC also receives a certain percentage of the sales price related to Kingswood Project as sales commission and to compensate for the marketing expenses incurred. As of December 31, 2023 and 2022, the receivable of UIC from Kingswood Project amounted to ₱32.0 million and ₱33.2 million, respectively.

33. Earnings Per Share

In 2023, 2022 and 2021, the Group and the Parent Bank have no outstanding potentially dilutive securities, hence, basic earnings per share are equal to diluted earnings per share.

As a result of the stock dividends declared by the Parent Bank on April 28, 2023 to stockholders of record as of December 22, 2023 and issued on January 4, 2024 (see Notes 25 and 36), the weighted average number of outstanding common shares have been adjusted retrospectively for the effect of the stock dividends as required under PFRS.

The basic and diluted earnings per share were computed as follows:

	Group		
	2023	2022 (As restated)	2021
Net profit attributable to Parent Bank's stockholders	**₱9,072,217**	₱12,600,745	₱12,525,376
Divided by:			
Weighted average number of outstanding common shares	**2,332,962**	1,911,431	1,219,289
Adjustment related to stock dividends	**635,519**	635,519	940,358
Weighted average number of outstanding common shares, after adjustment for stock dividends	**2,968,481**	2,546,950	2,159,647
Basic and diluted earnings per share	**₱3.06**	₱4.95	₱5.80

	Parent Bank		
	2023	2022 (As restated)	2021
Net profit	**₱8,828,457**	₱12,600,745	₱12,525,376
Divided by:			
Weighted average number of outstanding common shares	**2,332,962**	1,911,431	1,219,289
Adjustment related to stock dividend	**635,519**	635,519	940,358
Weighted average number of outstanding common shares, after adjustment for stock dividends	**2,968,481**	2,546,950	2,159,647
Basic and diluted earnings per share	**₱2.97**	₱4.95	₱5.80

34. Commitments and Contingent Liabilities

Leases

Group as Lessee

The Group leases various branch premises for an average period of seven years. The lease contracts are cancellable upon mutual agreement of the parties or renewable at the Parent Bank's option under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase ranging from 5% to 10%. Some leases include a clause to enable adjustment of the rental charge on an annual basis based on prevailing market rates. As of December 31, 2023 and 2022, the Parent Bank has neither a contingent rent payable nor an asset restoration obligation in relation with these lease agreements.

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2023 and 2022:

	Group		Parent Bank	
	2023	2022	**2023**	2022
1 year or less	**₱597,214**	₱532,912	**₱453,932**	₱419,854
more than 1 years to 2 years	**450,676**	391,940	**352,348**	307,215
more than 2 years to 3 years	**303,813**	237,140	**235,500**	199,287
more than 3 years to 4 years	**217,275**	89,969	**157,865**	78,118
more than 5 years	**64,374**	22,077	**35,301**	16,331

The following are the amounts recognized in profit or loss for the years ended December 31, 2023 and 2022:

	Group		Parent Bank	
	2023	2022	**2023**	2022
Amortization expense of ROU assets (Note 16)	**₱611,475**	₱620,499	**₱468,679**	₱464,534
Interest expense on lease liabilities (Note 24)	**75,007**	67,851	**59,580**	56,240
Expenses relating to short term – leases	**268,345**	171,523	**214,309**	132,394
Total amount recognized in profit or loss	**₱954,827**	₱859,873	**₱742,568**	₱653,168

Group as Lessor

The Group has entered into commercial property leases on the Group's surplus offices. These non-cancellable leases have remaining non-cancellable lease terms of one to four years.

Total rent income earned included under Miscellaneous income account in the statements of income (see Note 28) by the Group and the Parent Bank for the years ended December 31, 2023, 2022 and 2021 are as follows:

	2023	2022	2021
Group	**₱127,739**	₱218,019	₱116,450
Parent Bank	**180,273**	154,907	132,734

The estimated minimum future annual rentals receivable under non-cancellable operating leases follows:

	Group	
	2023	2022
Within one year	**₱119,487**	₱142,891
Beyond one year but within five years	**123,370**	257,160
	₱242,469	₱400,051

	Parent Bank	
	2023	2022
Within one year	**₱102,643**	₱133,423
Beyond one year but within five years	**110,043**	246,878
	₱212,686	₱380,301

Others
In the normal course of the Group's operations, there are various outstanding commitments and contingent liabilities such as guarantees, commitments to extend credit, which are not reflected in the accompanying financial statements. The Group recognizes in its books any losses and liabilities incurred in the course of its operations as soon as these become determinable and quantifiable. Management believes that, as of December 31, 2023, no additional material losses or liabilities are required to be recognized in the accompanying financial statements as a result of the above commitments and transactions.

There are several suits, assessments or notices and claims that remain unsettled. Management believes, based on the opinion of its legal counsels, that the ultimate outcome of such suits, assessments and claims will not have a material effect on the Group's and the Parent Bank's financial position and results of operations.

35. Notes to the Statements of Cash Flows

Presented below is the supplemental information on the Group's and the Parent Bank's liabilities arising from financing activities:

	Group				
	LTNCD	**Bills Payable**	**Notes and Bonds Payable**	**Lease Liabilities***	**Total**
Balances at January 1, 2023	**₱3,000,000**	**₱132,846,789**	**₱51,644,325**	**₱1,424,530**	**₱188,915,644**
Cash flows from financing activities:					
Additions	–	**1,313,421,732**	**20,500,543**	–	**1,333,922,275**
Repayment of borrowings	**(3,000,000)**	**(1,291,332,050)**	**(21,616,552)**	**(633,871)**	**(1,316,582,473)**
Non-cash financing activities:					
Effects of foreign exchange rate changes	–	**350,441**	**(65,136)**	–	**285,305**
New lease arrangements	–	–	–	**685,477**	**685,477**
Amortization of debt issue costs and accretion of interest	–	**1,017**	**30,447**	**75,007**	**106,471**
Balances as of December 31, 2023	**₱–**	**₱155,287,929**	**₱50,493,627**	**₱1,551,143**	**₱207,332,699**

**additions to lease liabilities arising from initial recognition of ROU assets are considered non-cash financing activities*

	Group				
	LTNCD	Bills Payable	Notes and Bonds Payable	Lease Liabilities*	Total
Balances at January 1, 2022	₱3,000,000	₱51,168,138	₱69,853,986	₱1,382,880	₱125,405,004
Cash flows from financing activities:					
Additions	–	306,504,535	13,904,476	–	320,409,011
Repayment of borrowings	–	(225,725,630)	(38,183,199)	(659,030)	(264,567,859)
Non-cash financing activities:					
Effects of foreign exchange rate changes	–	899,746	5,982,985	–	6,882,731
New lease arrangements	–	–	–	567,389	567,389
Amortization of debt issue costs and accretion of interest	–	–	–	65,440	65,440
Balances as of December 31, 2022	–	–	86,077	67,851	153,928
	₱3,000,000	₱132,846,789	₱51,644,325	₱1,424,530	₱188,915,644

**additions to lease liabilities arising from initial recognition of ROU assets are considered non-cash financing activities*

	Parent Bank				
	LTNCD	**Bills Payable**	**Notes and Bonds Payable**	**Lease Liabilities***	**Total**
Balances at January 1, 2023	**₱3,000,000**	**₱99,309,124**	**₱51,644,325**	**₱1,177,555**	**₱155,131,004**
Cash flows from financing activities:					
Additions	**–**	**1,289,600,128**	**18,005,196**	**–**	**1,307,605,324**
Repayment of borrowings	**(3,000,000)**	**(1,268,901,574)**	**(19,115,000)**	**(524,291)**	**(1,291,540,865)**
Non-cash financing activities:					
Effects of foreign exchange rate changes	**–**	**350,441**	**(71,341)**	**–**	**279,100**
New lease arrangements	**–**	**–**	**–**	**468,129**	**468,129**
Amortization of debt issue costs and accretion of interest	**–**	**1,017**	**30,447**	**59,580**	**91,044**
Balances as of December 31, 2023	**₱–**	**₱120,359,136**	**₱50,493,627**	**₱1,180,973**	**₱172,033,736**

**additions to lease liabilities arising from initial recognition of ROU assets are considered non-cash financing activities*

	Parent Bank				
	LTNCD	Bills Payable	Notes and Bonds Payable	Lease Liabilities*	Total
Balances at January 1, 2022	₱3,000,000	₱28,577,774	₱69,789,836	₱1,043,850	₱102,411,460
Cash flows from financing activities:					
Additions	–	247,352,242	10,932,289	–	258,284,531
Repayment of borrowings	–	(177,520,637)	(35,112,500)	(496,312)	(213,129,449)
Non-cash financing activities:					
Effects of foreign exchange rate changes	–	899,745	5,948,623	–	6,848,368
New lease arrangements	–	–	–	514,000	514,000
Amortization of debt issue costs and accretion of interest	–	–	–	59,777	59,777
Balances as of December 31, 2022	–	–	86,077	56,240	142,317
	₱3,000,000	₱99,309,124	₱51,644,325	₱1,177,555	₱155,131,004

**additions to lease liabilities arising from initial recognition of ROU assets are considered non-cash financing activities*

Non-cash investing activities of the Group for the years ended December 31, 2023 and 2022 include (1) additions to investment properties in settlement of loans and receivables amounting to ₱984.12 million and ₱376.49 million, respectively, (2) disposals of properties with carrying values of ₱638.52 million and ₱1,482.10 million, respectively, through sales contract receivables, and (3) addition to right of use assets amounting to ₱675.99 million and ₱523.81 million, respectively, for the Group and amounting to ₱468.13 million and ₱514.00 million, respectively for the Parent Bank.

36. Events After the End of the Reporting Period

Stock Dividend Distribution
On January 4, 2024, the Bank issued 635.5 million common shares at par value of ₱10 for whole shares and paid ₱0.22 million for 2,550.79 fractional shares in relation to the 27% stock dividends approved by the Bank's BOD and stockholders on February 24, 2023 and April 28, 2023, respectively.

Dividend Declaration
On January 26, 2024, the Parent Bank's BOD approved the declaration of cash dividends at ₱0.80 per share for a total of ₱2,391,408 in favor of all stockholders of the Bank, payable from the unrestricted retained earnings of the Bank as of December 31, 2023. Record date for stockholders entitled to the cash dividend was set on February 13, 2024 and payment was made on February 20, 2024.

Stock Rights Offering
On January 26, 2024, the Parent Bank's BOD approved the capital raising of up to ₱10.0 billion via stock rights offering to all stockholders, subject to regulatory approvals. Net proceeds will be used to fund capital infusion to UnionDigital, projected retail loan availments and for general corporate purposes.

Capital Infusion in Union Digital
On November 24, 2023, the BOD of the Parent Bank approved the infusion of additional capital of up to ₱1.8 billion to UnionDigital to support business growth. Subsequently on January 30, 2024, the Parent Bank infused ₱600.00 million out of the approved amount to UnionDigital to support its business growth.

37. Supplementary Information Required Under BSP Circular 1074

Presented below is the supplementary information required by the BSP under BSP Circular 1074.

Basic quantitative indicators of financial performance

Group	2023	2022 (As restated)	2021
Return on average capital funds:			
Net profit / Average total capital funds*	**5.6%**	9.7%	11.5%
Return on average resources:			
Net profit / Average total resources*	**0.8%**	1.3%	1.6%
Net interest margin:			
Net interest income / Average interest-earning resources*	**5.5%**	4.8%	4.6%
Liquidity ratio:			
Current Assets / Current Liabilities	**43.5%**	49.6%	53.9%
Debt-to-equity ratio:			
Liabilities / Equity	**5.5:1**	6.4:1	6.4:1
Asset-to-equity ratio:			
Asset / Equity	**6.5:1**	7.4:1	7.4:1
Interest rate coverage ratio:			
Earnings before interests and taxes / Interest expense	**1.4:1**	2.4:1	3.3:1

**Average amount is calculated based on current year-end and previous year-end balances*

Parent Bank	**2023**	2022 (As restated)	2021
Return on average capital funds:			
Net profit / Average total capital funds*	**5.5%**	9.7%	11.6%
Return on average resources:			
Net profit / Average total resources*	**0.9%**	1.5%	1.6%
Net interest margin:			
Net interest income / Average interest-earning resources*	**4.8%**	4.1%	3.9%
Liquidity ratio:			
Current Assets / Current Liabilities	**40.0%**	48.5%	50.6%
Debt-to-equity ratio:			
Liabilities / Equity	**4.7:1**	5.6:1	5.5:1
Asset-to-equity ratio:			
Asset / Equity	**5.7:1**	6.6:1	6.5:1
Interest rate coverage ratio:			
Earnings before interests and taxes / Interest expense	**1.6:1**	2.9:1	4.3:1

**Average amount is calculated based on current year-end and previous year-end balances*

<u>Capital instruments issued</u>

The Parent Bank's capital instruments consist of the following:

Capital stock

As of December 31, 2023 and 2022, the Parent Bank has outstanding capital stock shown below (peso amounts in thousands):

	Shares		**Amount**	
	2023	2022	**2023**	2022
Common – ₱10 par value				
Authorized	**5,030,785,238**	2,530,785,238	**₱50,307,852**	₱25,307,852
Issued	**2,353,774,567**	2,142,106,764	**23,537,466**	21,421,068
Treasury stock	**(27,977)**	–	**(2,097)**	–
Issued and outstanding	**2,353,746,590**	2,142,106,764	**23,535,369**	21,421,068
Preferred – ₱100 par value, non-voting				
Authorized	**100,000,000**	100,000,000	**₱10,000,000**	₱10,000,000
Issued and outstanding	–	–	–	–

Unsecured Subordinated Tier 2 Notes Due 2030 Callable in 2025

The Basel III-compliant Unsecured Subordinated Tier 2 Notes were issued by the Parent Bank under its BSP-approved issuance of ₱20.0 Billion Unsecured Subordinated Notes Qualifying as Tier 2 Capital.

Unless the Notes are previously redeemed, the Initial Interest Rate will be reset at the equivalent of the Initial Spread per annum plus the Benchmark as of Reset Date as defined in the Terms and Conditions of the Notes. Subject to certain conditions, the BSP Guidelines, and the Terms and Conditions, the Parent Bank may redeem the Notes in whole and not only in part on the Redemption Option Date at 100% of the face value of the Notes, plus accrued and unpaid interest as of but excluding the Redemption Option Date.

The Notes have a loss absorption feature which means the Notes are subject to a Non-Viability Write-Down in case of a Non- Viability Trigger Event. A Non-Viability Trigger Event is deemed to have occurred when the Issuer is considered non-viable as determined by the BSP.

The Tier II Notes constitute a direct, unconditional, fixed, unsecured and subordinated obligation of the Bank. Claims in respect of the Tier II Notes will rank: (a) junior to the claims of holders of all deposits and general creditors of the Bank; (b) *pari passu* with obligations of the Bank that are, expressly or by applicable laws, subordinated so as to rank *pari passu* with claims in respect of securities constituting "Tier 2" capital of the Bank; and (c) senior to (i) the claims for payment of any obligation that, expressly or by applicable law, is subordinated to the Tier II Notes, (ii) the claims in respect of securities constituting "Tier 1" capital of the Bank, and (iii) the rights and claims of holders of equity shares of the Bank.

Stock Dividend Distributable

On January 4, 2024, the Bank issued 635.5 million common shares at par value of 10 in relation to the 27% stock dividends declaration approved by the Bank's BOD and stocholders on February 24, 2023 and April 28, 2023, respectively.

Concentration of credit exposures

An analysis of concentrations of credit risk for loans and other receivables and investment securities (grossed up for any allowance for credit losses and unearned discounts) of the Group and the Parent Bank by industry and by geographic location as of December 31, 2023 and 2022 is shown below (amounts in thousands):

	Group			
	2023			
	Loans and Other Receivables		Trading and Investment	
	Amount	%	Securities	Total
Concentration by industry				
Financial and insurance activities	**₱51,103,435**	**9.38**	**₱446,923,047**	**₱498,026,482**
Other consumption	**112,628,257**	**20.68**	**–**	**112,628,257**
Real estate activities	**95,950,982**	**17.61**	**6,772,418**	**102,723,400**
Electricity, gas steam and air conditioning supply	**12,777,457**	**2.35**	**25,922,919**	**38,700,376**
Wholesale and retail trade, repair of motor vehicles	**30,793,295**	**5.65**	**–**	**30,793,295**
Information and communication	**30,272,891**	**5.56**	**–**	**30,272,891**
Transportation and storage	**22,391,674**	**4.11**	**2,381,427**	**24,773,101**
Manufacturing	**18,042,908**	**3.31**	**2,772,368**	**20,815,276**
Arts, entertainment and recreation	**13,396,218**	**2.46**	**–**	**13,396,218**
Other service activities	**7,613,267**	**1.40**	**–**	**7,613,267**
Construction	**5,558,126**	**1.02**	**–**	**5,558,126**
Activities of households as employers and undifferentiated goods and services	**2,522,318**	**0.46**	**–**	**2,522,318**
Agriculture, forestry and fishing	**2,913,770**	**0.53**	**–**	**2,913,770**
Accommodation and food service activities	**1,280,636**	**0.24**	**–**	**1,280,636**
Professional, scientific and technical activities	**522,663**	**0.10**	**–**	**522,663**
Others	**136,948,323**	**25.14**	**6,335,850**	**143,284,173**
	₱544,716,220	**100.00**	**₱491,108,029**	**₱1,035,824,249**
Concentration by location				
Philippines	**₱544,716,220**	**100.00**	**₱436,081,182**	**₱980,797,402**
Others - Asia	–	–	**26,951,292**	**26,951,292**
South America	–	–	**13,095,789**	**13,095,789**
United States	–	–	**14,979,766**	**14,979,766**
	₱544,716,220	**100.00**	**₱491,108,029**	**₱1,035,824,249**

	Group			
	2022			
	Loans and Other Receivables		Trading and Investment Securities	Total
	Amount	%		
Concentration by industry				
Financial and insurance activities	₱34,819,473	7.07	₱451,417,807	₱486,237,280
Real estate activities	90,231,828	18.33	7,150,000	97,381,828
Information and communication	35,095,786	7.13	–	35,095,786
Wholesale and retail trade, repair of motor vehicles	32,282,632	6.56	–	32,282,632
Manufacturing	28,515,108	5.79	2,665,228	31,180,336
Transportation and storage	21,836,091	4.44	1,884,539	23,720,630
Arts, entertainment and recreation	12,627,793	2.57	–	12,627,793
Electricity, gas steam and air conditioning supply	13,090,565	2.66	24,106,204	37,196,769
Other service activities	15,924,128	3.24	2,845,681	18,769,809
Construction	6,110,416	1.24	–	6,110,416
Activities of households as employers and undifferentiated goods and services	4,320,351	0.88	–	4,320,351
Agriculture, forestry and fishing	2,284,137	0.46	–	2,284,137
Accommodation and food service activities	1,540,725	0.31	–	1,540,725
Professional, scientific and technical activities	472,896	0.10	–	472,896
Other consumption	97,556,795	19.82	–	97,556,795
Others	95,486,796	19.40	2,782,659	98,269,455
	₱492,195,520	100.00	₱492,852,118	₱985,047,638
Concentration by location				
Philippines	₱492,195,520	100.00	₱398,026,315	₱890,221,835
Others - Asia	–	–	23,944,279	23,944,279
South America	–	–	6,061,624	6,061,624
North America	–	–	7,441,164	7,441,164
United States	–	–	50,591,184	50,591,184
Europe	–	–	6,787,552	6,787,552
	₱492,195,520	100.00	₱492,852,118	₱985,047,638

	Parent Bank			
	2023			
	Loans and Other Receivables		**Trading and Investment Securities**	**Total**
	Amount	**%**		
Concentration by industry				
Financial and insurance activities	**₱64,419,599**	**15.27**	**₱392,513,892**	**₱456,933,491**
Other consumption	**112,628,257**	**26.70**	**–**	**112,628,257**
Real estate activities	**95,284,452**	**22.58**	**6,772,418**	**102,056,870**
Electricity, gas steam and air conditioning supply	**12,777,243**	**3.03**	**25,922,919**	**38,700,162**
Information and communication	**30,270,057**	**7.17**	**–**	**30,270,057**
Wholesale and retail trade, repair of motor vehicles	**29,870,815**	**7.08**	**–**	**29,870,815**
Transportation and storage	**22,049,095**	**5.23**	**2,381,427**	**24,430,522**
Manufacturing	**17,837,246**	**4.23**	**2,772,368**	**20,609,614**
Arts, entertainment and recreation	**13,395,446**	**3.17**	**–**	**13,395,446**
Other service activities	**7,402,806**	**1.75**	**–**	**7,402,806**
Construction	**5,443,813**	**1.29**	**–**	**5,443,813**
Activities of households as employers and undifferentiated goods and services	**2,433,674**	**0.58**	**–**	**2,433,674**
Accommodation and food service activities	**1,279,303**	**0.30**	**–**	**1,279,303**
Agriculture, forestry and fishing	**1,993,504**	**0.47**	**–**	**1,993,504**
Professional, scientific and technical activities	**521,783**	**0.12**	**–**	**521,783**
Others	**4,299,613**	**1.02**	**6,335,850**	**10,635,463**
	₱421,906,706	**100.00**	**₱436,698,874**	**₱858,605,580**
Concentration by location				
Philippines	**₱421,906,706**	**100.00**	**₱381,672,027**	**₱803,578,733**
Others - Asia	**–**	**–**	**26,951,292**	**26,951,292**
South America	**–**	**–**	**13,095,789**	**13,095,789**
United States	**–**	**–**	**14,979,766**	**14,979,766**
	₱421,906,706	**100.00**	**₱436,698,874**	**₱858,605,580**

	Parent Bank			
	2022			
	Loans and Other Receivables		Trading and Investment	
	Amount	%	Securities	Total
Concentration by industry				
Financial and insurance activities	₱40,015,301	10.01	₱401,020,548	₱441,035,849
Real estate activities	97,115,155	24.30	–	97,115,155
Information and communication	89,587,397	22.42	7,150,000	96,737,397
Wholesale and retail trade, repair of motor vehicles	35,091,072	8.78	–	35,091,072
Manufacturing	31,351,303	7.85	–	31,351,303
Transportation and storage	28,359,410	7.10	2,665,228	31,024,638
Arts, entertainment and recreation	21,735,910	5.44	1,884,539	23,620,449
Electricity, gas steam and air conditioning supply	15,761,449	3.94	2,845,681	18,607,130
Other service activities	13,090,425	3.28	24,106,204	37,196,629
Construction	12,626,780	3.16	–	12,626,780
Activities of households as employers and undifferentiated goods and services	5,993,159	1.50	–	5,993,159
Accommodation and food service activities	4,317,198	1.08	–	4,317,198
Professional, scientific and technical activities	1,347,158	0.34	–	1,347,158
Agriculture, forestry and fishing	1,193,414	0.30	–	1,193,414
Other consumption	465,180	0.11	–	465,180
Others	1,542,640	0.39	2,782,659	4,325,299
	₱399,592,951	100.00	₱442,454,859	₱842,047,810
Concentration by location				
Philippines	₱399,592,951	100.00	₱347,629,056	₱747,222,007
Others - Asia	–	–	23,944,279	23,944,279
South America	–	–	6,061,624	6,061,624
North America	–	–	7,441,164	7,441,164
United States	–	–	50,591,184	50,591,184
Europe	–	–	6,787,552	6,787,552
	₱399,592,951	100.00	₱442,454,859	₱842,047,810

The BSP considers significant credit exposures when the total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio or 10.00% of Tier 1 capital.

<u>Breakdown of total loans as to security and status</u>

As to security

The breakdown of total loans and other receivables (gross of allowance for credit losses, net of unearned discounts) as to secured, with corresponding collateral types, and unsecured loans follows (amounts in thousands):

	Group		**Parent Bank**	
	2023	2022	**2023**	2022
Secured:				
Real estate	**₱9,123,863**	₱12,265,747	**₱7,061,241**	₱10,408,920
Deposit hold-out	**388,958**	374,133	**314,379**	331,529
Chattel mortgage	**37,008**	84,735	**–**	–
Others	**70,712,231**	66,576,638	**70,593,577**	65,419,101
	80,262,060	79,301,253	**77,969,197**	76,159,550
Unsecured	**465,894,577**	414,840,945	**347,870,341**	327,199,747
	₱546,156,637	₱494,142,198	**₱425,839,538**	₱403,359,297

The breakdown as to secured and unsecured of non-accruing loans of the Group and the Parent Bank as of December 31 follows:

	Group		**Parent Bank**	
	2023	2022	**2023**	2022
Secured	**₱5,436,524**	₱6,590,346	**₱5,374,227**	₱6,426,779
Unsecured	**28,799,717**	15,289,340	**15,479,796**	7,293,894
	₱34,236,241	₱21,879,686	**₱20,854,023**	₱13,720,673

As to status
Non-performing loans (NPLs) of the Group and the Parent Bank as of December 31, 2023 and 2022 are presented below, net of the related allowance for credit losses in compliance with BSP Circular 855, respectively (amounts in thousands).

	Group		**Parent Bank**	
	2023	2022	**2023**	2022
Gross NPLs	**₱34,236,241**	₱21,879,686	**₱20,854,023**	₱13,720,673
Specific allowance for credit losses on NPLs	**(13,942,408)**	(10,791,956)	**(8,975,937)**	(6,951,092)
	₱20,293,833	₱11,087,730	**₱11,878,086**	₱6,769,581

Under BSP Circular 941, an account or exposure is considered non-performing, even without any missed contractual payments, when it is deemed impaired under existing applicable 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, in the case of secured accounts. All other accounts, even if not considered impaired, shall be considered non-performing if any contractual principal and/or interest are past due for more than ninety (90) days, 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 shall be considered non-performing after contractual due date or after it has become past due. Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

Non-performing loans, investment, receivables, or any financial asset (and/or any replacement loan) shall remain classified as such until (a) there is a 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.

Information on the amounts of performing and non-performing loans and receivables (gross of allowance for impairment and credit losses) per product line of the Group and Parent Bank are as follows:

	Group					
	2023			2022		
	Performing	**Non-Performing**	**Total**	Performing	Non-Performing	Total
Corporate loans	**₱132,566,330**	**₱110,495**	**₱132,676,825**	₱130,325,055	₱174,917	₱130,499,972
Consumer products*	**116,136,252**	**3,993,996**	**120,130,248**	95,958,602	3,243,884	99,202,486
Commercial loans	**65,656,618**	**9,389,312**	**75,045,930**	71,273,065	3,959,433	75,232,498
Home loans	**63,664,670**	**6,883,125**	**70,547,795**	59,923,287	5,736,182	65,659,469
CSB salary loans	**77,205,187**	**7,251,003**	**84,456,190**	58,843,468	5,185,814	64,029,282
Other receivables from customers**	**39,810,434**	**6,608,310**	**46,418,744**	42,292,399	3,579,456	45,871,855
Total receivables from customers	**₱495,039,491**	**₱34,236,241**	**₱529,275,732**	₱458,615,876	₱21,879,686	₱480,495,562

**Comprised of Small and Medium Enterprise (SME) Financial Products and Consumer Loans*
***Comprised of HR loans, quick loans and Home Credit receivables*

	Parent Bank					
	2023			2022		
	Performing	**Non-Performing**	**Total**	Performing	Non-Performing	Total
Corporate loans	**₱132,566,330**	**₱110,495**	**₱132,676,825**	₱130,325,055	₱174,917	₱130,499,972
Consumer products*	**116,136,252**	**3,993,996**	**120,130,248**	95,958,602	3,243,884	99,202,486
Commercial loans	**65,656,618**	**9,389,312**	**75,045,930**	71,273,065	3,959,433	75,232,498
Home loans	**63,664,670**	**6,883,125**	**70,547,795**	59,923,287	5,736,182	65,659,469
Other receivables from customers**	**11,383,805**	**477,094**	**11,860,899**	19,395,834	606,257	20,002,091
Total receivables from customers	**₱389,407,674**	**₱20,854,023**	**₱410,261,697**	₱376,875,843	₱13,720,673	₱390,596,516

**Comprised of Small and Medium Enterprise (SME) Financial Products and Consumer Loans*
***Comprised of HR loans, quick loans and Home Credit receivables*

Related party loans

As of December 31, 2023 and 2022, the Group's and the Parent Bank's related party loans solely consist of DOSRI loans, as shown below (peso amounts in thousands):

	Group		Parent Bank	
	2023	2022	**2023**	2022
Total DOSRI loans	**₱830,157**	₱640,544	**₱690,843**	₱616,127
Unsecured DOSRI loans	**418,582**	272,992	**292,880**	263,012
Total related party loans (including DOSRI loans)	**830,157**	640,544	**690,843**	616,127
Unsecured related party loans (including DOSRI loans)	**418,582**	272,992	**292,880**	263,012
% of DOSRI/related party loans to total loan portfolio	**0.16%**	0.13%	**0.17%**	0.16%
% of unsecured DOSRI/related party loans to total DOSRI loans	**0.05%**	–%	**0.06%**	–%
% of unsecured DOSRI loans inclusive of fringe benefit loans to total DOSRI loans	**50.42%**	42.62%	**42.39%**	42.69%
% of past due DOSRI/related party loans to total DOSRI loans	**0.05%**	–%	**0.06%**	–%
% of non-accruing DOSRI/related party accounts to total DOSRI loans	**–%**	–%	**–%**	–%

The total unsecured DOSRI loans above include loans extended to employees treated as fringe benefits that are excluded in determining the compliance with the individual ceiling under subsection X330.1 of the MORB.

Secured liability and assets pledged as security

The Group's and the Parent Bank's bills payable under repurchase agreements amounted to ₱98.17 billion and ₱78.23 billion as of December 31, 2023 and 2022, respectively.

Investment securities of both the Group and the Parent Bank with carrying values of ₱123.27 billion and ₱106.71 billion as of December 31, 2023 and 2022, respectively, were pledged against bills payable under repurchase agreement.

Commitments and contingencies
Following is a summary of the Group and Parent Bank's commitments and contingent accounts (amounts in thousands):

	Group		**Parent Bank**	
	2023	2022	**2023**	2022
Commitments	**₱345,361,959**	₱50,820,675	**₱345,294,119**	₱50,773,475
Trust department accounts	**93,967,963**	91,649,087	**93,967,963**	91,649,087
Forward exchange bought	**67,830,319**	74,853,141	**67,830,319**	74,853,141
Forward exchange sold	**15,469,007**	25,708,489	**15,469,007**	25,708,489
Other derivatives	**24,458,518**	13,801,894	**24,458,518**	13,801,894
Inward bills for collections	**24,452,478**	17,307,197	**24,452,478**	17,307,197
Unused standby letters of credit	**7,226,237**	8,986,154	**7,226,237**	8,986,154
Spot exchange sold	**2,544,518**	3,530,275	**2,544,518**	3,530,275
Spot exchange bought	**2,215,761**	3,378,510	**2,215,761**	3,378,510
Outstanding guarantees issued	**1,100,445**	1,426,923	**1,100,445**	1,426,685
Other commitment and contingent accounts	**27,567**	111,295	**27,552**	48,960

38. Supplementary Information Required Under Revenue Regulations 15-2010

Presented below is the supplementary information required by the Bureau of Internal Revenue (BIR) under RR 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

Gross Receipts Tax
In lieu of the value-added tax (VAT), the Parent Bank is subject to the GRT imposed on all banks and non-bank financial intermediaries pursuant to Section 121 of the Tax Code.

The Parent Bank reported total GRT amounting to ₱2.79 billion in 2023 as shown under Taxes and Licenses account. Total GRT payable as of December 31, 2023 amounted to ₱0.71 billion and is included as part of Accrued taxes and other expenses under Other liabilities account in the 2023 statement of financial position.

Documentary Stamp Tax
The Bank is enrolled under the Electronic DST System. In general, the Parent Bank's DST transactions arise from the execution of debt instruments, security documents, and bills of exchange.

For the year ended December 31, 2023, DST affixed amounted to ₱2.63 billion.

Withholding Taxes
The details of total withholding taxes for the year ended December 31, 2023 are shown below (amounts in thousands):

Final	₱2,558,593
Expanded	376,500
Compensation and benefits	1,451,187
	₱4,386,280

Taxes and Licenses
The details of taxes and licenses in 2023 of the Parent Bank are as follows (amounts in thousands):

GRT	₱2,792,497
DST	1,143,080
Real property tax	43,915
Fringe benefit tax (FBT)	65,929
Local and business permits	44,866
Miscellaneous	21,058
Less:	
FBT charged to employee benefits	(65,929)
	₱4,045,416

Excise Taxes
The Parent Bank does not have excise taxes accrued since it did not have any transactions subject to excise tax.

Other Required Tax Information
The Parent Bank has not paid or accrued any excise taxes or customs' duties and tariff fees as it had no importation for the year ended December 31, 2023.

The Parent Bank has no pending tax assessment and case in courts or other regulatory bodies outside of the BIR as at December 31, 2023.