15 April 2024

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

Attention: **Ms. ALEXANDRA D. TOM WONG**
Disclosure Department

THE PHILIPPINE DEALING & EXCHANGE CORPORATION
29/F BDO Equitable Tower
8751 Paseo de Roxas, Makati City

Attention: **Ms. SUZY CLAIRE R. SELLEZA**
Issuer Compliance and Disclosure Department

Ladies and Gentlemen:

In compliance with the Philippine Dealing & Exchange Corporation Issuer Disclosures Operating Guidelines, we furnish you a copy of the Bank's 2023 Annual Report (SEC Form 17-A).

For your information.

Truly yours,

PHILIPPINE BANK OF COMMUNICATIONS
By:

MICHAEL STEPHEN H. LAO
Corporate Secretary

SEC Number **PW-686**
Company TIN **000-263-340**

PHILIPPINE BANK OF COMMUNICATIONS
(Company's Full Name)

PBCOM Tower, 6795 Ayala Avenue corner V.A. Rufino Street, Makati City
(Company's Address: No. Street City/Town/Province)

8830-7000
(Company's Telephone Number)

December 31 (Fiscal Year Ending) (Month & Day)	3rd Tuesday of June Annual Meeting

SEC Form 17-A
(Annual Report Pursuant to Section 17 of the Securities Regulation Code
And Section 141 of the Corporation Code)
(FORM TYPE)

N/A
Amendment Designation (If Applicable)

None
(Secondary License Type, if any)

Atty. Michael Stephen H. Lao	212-167-776	June 16, 1983
(Company Representative)	(TIN)	(Birth Date)

--Do not fill below this line--

______________________ Cashier	______________________ File Number
______________________ Central Receiving Unit	______________________ Document ID
______________________ LCU	

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended . December 31, 2023 .

2. SEC Identification Number. PW-686 . 3. BIR Tax Identification No. 000-263-340

4. Exact name of issuer as specified in its charter. Philippine Bank of Communications .

5. Philippines
Province, country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

PBCOM Tower, 6795 Ayala Avenue cor. V.A. Rufino Street, Makati City 1226 .

7. Address of principal office Postal Code

. (632) 8830-7000 .

8. Issuer's telephone number, including area code

. N/A .

9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of 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	480,645,163 shares

.

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

Yes [X] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

. Philippine Stock Exchange . . Common Stock .

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

    Yes [/] No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days.

    Yes [/] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

Non-affiliated shares	-	152,917,224
Closing price as of February 7, 2024	-	₱17.46
Aggregate market value of voting stock	-	₱ 2,669,934,731

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. The Company

Philippine Bank of Communications ("PBCOM" or the "Bank") was incorporated as one of the earliest non-American foreign banks in the country on August 23, 1939. It received the authority to engage in commercial banking from the then Bureau of Banking of the Department of Finance under the Philippine Commonwealth, with a capitalization of Two Million Pesos. The Bank commenced operations on September 4, 1939. However, its operations were temporarily interrupted during World War II, but were immediately reconstituted in 1945 through the infusion of fresh funds. The Bank started under full Filipino ownership in 1974 when a group of industrialists led by Ralph Nubla Sr. bought majority of the Bank's outstanding shares.

The Bank is a registered government securities dealer, having been granted the license on December 14, 1981. It also has a Trust license which was approved on August 24, 1961.

PBCOM acquired a license to operate as an expanded commercial bank from the Bangko Sentral ng Pilipinas ("Bangko Sentral" or "BSP") on December 24, 1993 and operated as such until the year 2000. In order to focus on its core strengths and maximize utilization of available resources, the Bank applied for the conversion of its expanded commercial bank license into a regular commercial banking license which was approved by the Monetary Board of the BSP on March 31, 2000. PBCOM had since opted to capitalize on its core strength by focusing on and pursuing traditional commercial banking operations. In December 2000, the Bank acquired 100% of Consumer Savings Bank as part of its strategy to expand its consumer banking business.

On July 26, 2011, the major shareholders of the Bank, namely the Chung, Luy, and Nubla Groups, signed a Memorandum of Agreement (MOA) with a group of investors led by ISM Communications Corporation (the "ISM Group"), involving the sale of their entire stake in the Bank to the ISM Group and the commitment of the Chung and Nubla groups to reinvest the proceeds of the sale of their respective shares amounting to approximately ₽2.8 Billion in the Bank.

On October 13, 2011, the Monetary Board approved the acquisition of PBCOM by the ISM Group.

On December 23, 2011, the acquisition by the ISM Group of a controlling interest in the Bank was successfully transacted through the facilities of the Philippine Stock Exchange.

On December 27, 2011, the Chung and Nubla Groups reinvested ₱2.4 Billion as deposits for future subscription of PBCOM shares of stock. Another ₱0.4 Billion was deposited in March 2012 and additional 22 Million in April 2012 to complete their commitment of approximately ₱2.8 Billion.

On May 31, 2012, the LFM Properties Group deposited ₱0.72 Billion for future subscription to PBCOM shares of stock. Another ₽30 Million was deposited by the LFM Properties Group on October 24, 2012.

On February 8, 2013, BSP issued a Certificate of Authority to the Bank for it to register its Amended Articles of Incorporation and Amended By-Laws with the SEC.

On March 8, 2013, the Bank obtained approval from SEC for a quasi-reorganization and an increase in authorized capital stock. The Articles of Incorporation was amended to implement the following:
Reclassification of Bank's existing 120,000,000 preferred shares to common shares;

- Reclassification of Bank's existing 120,000,000 preferred shares to common shares;
- Reduction of the par value of all its common shares from ₽100 per share to ₽25 per share; and
- Increase in authorized capital stock to ₽19,000,000,000 divided into 760,000,000 common shares with a par value of ₽25 per share.

The reclassification of the said preferred shares to common shares took effect on March 19, 2013. On December 2013, the Bank received the approval of both the BSP and SEC to apply ₱3.94B in APIC to partially wipe out the bank's outstanding deficit.

On March 26, 2014, the Bank exited the 10-year Financial Assistance Agreement with PDIC by settling the loan of ₱7.6 Billion, representing financial assistance by the latter to the Bank in 2004.

The subscription by P.G. Holdings Inc. ("PGH") to the new shares of the Parent Company amounting to ₱5.98 billion was approved by the BSP on September 23, 2014. The first installment of ₱1.79 billion was paid by PGH on September 25, 2014. Subsequently, on October 1, 2014, VFC Land Resources Inc. ("VFC") bought 59.24 million shares at ₱ 33.00 per share from the ISM Group. PGH and VFC are beneficially owned by the family of Mr. Lucio Co, bringing his total stake in the Parent Company to 49.99%.

On September 22, 2015, June 29, 2016, and September 11, 2017, the Parent Company received the second, third, and final installment payments, respectively, each amounting to ₱1.39 billion for the subscribed shares of PGH.

In 2015, both PGH and VFC bought additional 2.4 million shares, and in the following year, an additional 0.49 million shares and 9.49 million shares were acquired by PGH and VFC, respectively. In 2018, PGH bought an additional 2.27 million shares, and VFC acquired 0.49 million additional shares in 2019. The Co Family's total stake in the Parent Company is 53.65% as of December 31, 2020.

On July 29, 2019, PBCOM sold its stake in PBCOM Rural Bank, Inc. as it consolidates its efforts and resources at the parent level.

On January 20, 2022, the Monetary Board of Bangko Sentral ng Pilipinas approved PBCOM's application to upgrade its license to a Universal Bank subject to the completion of requisite regulatory requirements.

PBCOM's Board of Directors, in its Special Stockholder's Meeting held last March 15, 2022, approved the amendment of the Bank's Articles of Incorporation to (a) Change the Bank's primary purpose to a Universal Bank from a Commercial Bank and (b) Changed the Bank's Corporate term to Perpetual from 50 years.

On October 18, 2022, the bank entered into an exclusive insurance distribution agreement with Etiqa Life and General Assurance Philippines, Inc. (ETIQA Philippines), distribution activities will commence upon obtention of regulatory approvals.

On December 1, 2022, the BSP issued the Bank with its Certificate of Authority to operate as a Universal bank, after all regulatory conditions were complied with.

VFC acquired from Langford Universal Finance Ltd. an additional 15.2 million shares via a special block sale executed last March 29, 2023. This acquisition by VFC brings the total shareholdings of the Co Family to 57.24% in the Parent Company.

Business of Registrant

PBCOM offers a wide range of products and services to clients. These includes basic universal banking services such as deposit products, credit and loan facilities, trade-related services, treasury and foreign exchange trading, cash management services and Trust and Investment Management services.

Deposit products and services include peso, dollar and third currency savings, checking and time deposit accounts, ATM accounts, foreign and domestic remittance services, cash management services namely deposit pick-up and cash delivery, payroll and check-writing services. Ancillary services such as safety deposit boxes and manager's checks, demand drafts, acceptance of tax and SSS payments are also available, these products and services are offered to both individuals and corporate clients.

Credit and loan facilities include working capital financing, post-dated check discounting, specialized lending programs such as contract-to-sell financing, and Micro-Finance. Other credit-related products include home, auto, and personal loans, as well as trade financing,

Trade-related services include import LCs, standby LCs, credit bank guaranty, and shipside bond, export LC advising, export packing credits & export bills negotiation and collections, trade financing of receivables and payables, domestic LCs, and trust receipt financing. These services are financing facilities offered to importers and exporters.

Treasury products include dealerships and brokering of government securities and commercial papers, both domestic and international, deposit substitutes like promissory notes and repurchase agreements, foreign exchange proprietary trading, and commercial client servicing.

Trust services include investment management services, personal trust funds, escrow agency services, employee benefit trust services, and estate planning.

Contribution to Operating Income

As of December 31, 2023, the contribution to Operating Income is broken down as follows (1) 78.85% is derived from net interest income, which includes interest income from lending, investment securities, and other receivables less interest expense and finance charges (2) 21.15% is from non-interest income consisting of trading gains, service charges, fees and commissions, income from trust operations, profit/loss from asset sold, foreign exchange gain/loss, rental income and miscellaneous income.

The Bank does not maintain any branch or sales office abroad. Hence, all revenues are generated domestically.

Distribution Methods of Products and Services

As of December 31, 2023, the Parent Bank's liability and ancillary products and services are distributed primarily through its 95 branches, 4 of which are in Pop-Up formats situated in selected Puregold stores.

PBCOM clients may also conduct their transaction in various channels such as the 163 automated teller machines deployed in strategic branch sites and in 68 off-site locations. In addition, the Bank has also deployed 78 Cash Deposit Machines across various sites to help service the deposit transactions of its clients.

The Bank has existing Internet and Mobile Banking facilities launched last June 21, 2017 and September 28, 2018, respectively.

Competition

As of end of 2023, the Philippine commercial banking industry is composed of 45 Universal and Commercial Banks) of which 16 are Private Domestic Banks, 3 are Government Banks and 26 are Foreign Banks with either established subsidiaries or foreign branch licenses.

Patents, Trademarks, Licenses, Franchises, Concessions, and Royalty

PBCOM have registered the trademarks of the following: PBCOM, Philippine Bank of Communications, PBCOM Together we Grow, PBCOM Pop-up Branch, PBCOMobile and PBCOM eRegalo.

Customers

PBCOM has multi-segment client base with growth seen across Individuals, Commercial and Corporate accounts. This result stems from the bank's focus on expanding its market through the ecosystem of its principals.

Subsidiaries and Affiliates

PBCOM Insurance Services Agency, Inc. (PISAI)

PBCOM Insurance Services Agency, Inc. (PISAI) was incorporated and registered with the Securities and Exchange Commission on May 9, 2014 to primarily engage in the business of soliciting and promoting insurance products. The company offers a range of insurance agency services specific to life and investment-linked products to meet customers' wealth management and risk protection needs.

On January 11, 2021, the Board of Directors of PBCOM approved the dissolution and liquidation of PISAI as it has been inactive since the pre-termination of its general agency agreement with Pru Life UK in September 2017. On March 4, 2021, PISAI Board of Directors approved the shortening of the corporate term to June 30, 2021.

To give time to PISAI to obtain all necessary regulatory approvals, the Board of Directors of PBCOM approved an extension, and the shortening of the corporate term of PISAI to be until April 2024, in order to comply with SEC issued Memorandum Circular No. 05 s. 2022. The Company submitted its application for amendment of the Articles of Incorporation last November 15, 2023, and has received notification that the dissolution has been approved for payment.

PBCOM Finance Corporation

PBCOM Finance Corporation was incorporated and registered with the SEC on January 9, 1980 to provide, grant, and/or extend credit facilities to any person, business, juridical or otherwise. It is 40% owned by the Bank while the remaining 60% is owned by various individual shareholders. Its principal place of business is located at 7th floor, PBCOM Building, 214-216 Juan Luna St. Binondo, Manila.

Transaction with and/or Dependence on Related Parties

The Bank's related parties include key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members, associates and post-employment benefits for the benefit of the Bank's employee.

As required by BSP, the Bank discloses loan transactions with its associates, affiliates and with certain directors, officers, stockholders and related interests (DOSRI). As of December 31, 2023 the Bank is compliant with DOSRI rules and regulations.

The Bank's related party transactions are presented and discussed in Note 30 of the Audited Financial Statements.

Effect of Existing or Probable Government Regulations

Bangko Sentral ng Pilipinas

The Bank fully complies with the required capitalization for universal banks with expanded FCDU license as prescribed by the BSP. The Bank's consolidated qualifying capital as of end-December 31, 2023, stood at ₱19.10 Billion. As reported to BSP, its capital-to-risk assets ratio under the BASEL III reporting standards covering credit, market, and operational risks remained well above the 10% prescribed cap at 16.55%.

Bureau of Internal Revenue

RA No. 9337, An Act Amending the National Internal Revenue Code, provides that starting January 1, 2009, the regular corporate income tax rate (RCIT) shall be 30% while interest expense allowed as a deductible expense is reduced to 33% of interest income subject to final tax.

A Minimum Corporate Income Tax (MCIT) of 2% on modified gross income is computed and compared with the RCIT. Any excess MCIT over RCIT is deferred and can be used as a tax credit against the future income tax liability for the next three years. In addition, NOLCO is allowed as a deduction from taxable income in the next three years from the year of inception.

FCDU offshore income (income from non-residents) is tax-exempt, while gross onshore income (interest income from loans to residents) is subject to a 10% income tax. Income from FCDU transactions, other than offshore and onshore, is subject to the 30% RCIT or 2% MCIT, whichever is applicable.

On January 1, 2018, Republic Act No. 10963, known as the TRAIN Law, took effect. The law increased Documentary Stamp Tax (DST) rates by 100%, except for the DST on debt instruments, which increased by 50%. Among the other taxes whose rates were increased is Fringe Benefits Tax from 32% to 35%, Excise Tax on Petroleum Products up to 8php per liter/kilo, and Final Withholding Tax on the interest income from the deposit under the expanded foreign currency deposit system from 7.5% to 15%.

Corporate Recovery and Tax Incentives for Enterprises Act, or "CREATE" was signed into law on March 26, 2021. Under the law, the corporate income tax shall be reduced to 25%, and the corresponding deductible interest expense shall be reduced by 20% of interest income subject to final tax. At the same time, the minimum corporate income tax shall be reduced to 1% of modified gross income, effective until June 30, 2023. Further, the BIR clarified on Revenue Memorandum Circular No. 36-2024 dated March 11, 2024 that the MCIT rate shall be 1.5% to those corporations with calendar year ended December 31, 2023 as a result of MCIT rate increasing to 2%. There are no changes for FCDU.

Research and Development Activities

The Bank offers basic commercial banking products and services that require no significant amount to be spent on product research & development.

Employees

As of December 31, 2023, the Parent Bank has 1,091 employees with 875 officers and 216 rank-and-file. All of the Parent Company's rank-and-file employees are covered by a CBA covering the period 2023 to 2025. There had been neither dispute nor occurrence of employee strikes for the past years.

Risk Management

The Enterprise Risk Management Framework of PBCOM provides the essential foundation and organizational arrangements for managing risk across the Bank. It delineates how PBCOM ensures that it manages risks effectively and efficiently. ERM, as an integral part of the Bank's corporate good governance, advocates fairness, accountability and transparency as reflected in its risk governance structure.

The ERM Framework illustrates how risk management is embedded in PBCOM's corporate systems to ensure it is integrated at all levels, work environments and workflows. It describes the key philosophies, principles, structures, elements, policies and processes to guide all employees in effectively managing risk, making it part of our day-to-day decision-making and business practices.

PBCOM applies risk management across the entire organization — from the Board of Directors, Senior Management, Business Groups, Business Centers, support units, its subsidiaries and affiliates, and to individual employees as well as in specific functions, programs, projects, and activities. Implementation of the framework contributes to strengthening management practices, decision-making, and resource allocation and increasing shareholder value while protecting the interest of its clients, maintaining trust and confidence, and ensuring compliance with regulations.

ERM Vision, Mission, Philosophy and Objectives

Vision Statement

- To protect and optimize PBCOM's enterprise value through effective risk management.

Mission Statement

- To develop risk awareness and a risk/return consciousness in the Bank in order to protect deposits, preserve capital, and ensure adequate return on capital.

Philosophy

- PBCOM recognizes that enterprise risk management is fundamental for its safe and sound operation and sustainable growth. It ensures business success through balanced risk and reward, operational excellence, and conformance to the highest ethical standards and regulatory requirements.

- Enterprise Risk Management in PBCOM is aligned with its business objectives and strategies. It operates at all levels and in all units of PBCOM that continually manage risk in an environment fostered by an appropriate governance structure, a strong "control culture," and a proactive process of identification, understanding, assessment, and mitigation of all its material risks.

Objectives

- To identify, measure, manage, and control risks inherent in PBCOM's activities or embedded in its portfolio;
- Define and disseminate risk management philosophy and policies;
- Assist risk-taking business and operating units in understanding and measuring risk/return profiles;
- Develop a risk management infrastructure that includes policies and procedures, organization, limits and approval authorities, MIS and reporting, systems and risk models and;
- Promote a risk awareness and strong "control culture" in PBCOM.

PBCOM Enterprise Risk Governance

The **Board of Directors (BOD)** is responsible for establishing and maintaining a sound risk management system and is ultimately accountable for identifying and controlling risks; Nevertheless, separate independent bodies are responsible for managing and monitoring risks.

The **Risk Oversight Committee (ROC)** has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. Its primary responsibilities are to:

1. *Oversee the risk management framework.* The committee shall oversee the enterprise risk management framework and ensure that there is periodic review of the effectiveness of the risk management systems and recovery plans. It shall ensure that corrective actions are promptly implemented to address risk management concerns.
2. *Oversee the adherence to risk appetite.* The committee shall ensure that the current and emerging risk exposures are consistent with the Bank's strategic direction and overall risk appetite. It shall assess the overall status of adherence to the risk appetite based on the quality of compliance with the limits structure, policies and procedures relating to risk management and control, and performance of management, among others.
3. *Oversee the risk management function.* The committee shall be responsible for the appointment/selection, remuneration, and dismissal of the Chief Risk Officer (CRO). It shall also ensure that the risk management function has adequate resources and effectively oversees the risk taking activities of the Bank.

The **Enterprise Risk Management Group (ERMG)** is the ROC's implementing arm in carrying out its functions. It assists the Bank's Board of Directors and Management in accomplishing its objectives by bringing a systematic and disciplined approach to promoting risk management practices consistent with the type and complexity of operation of the Bank and its subsidiaries. It assists in the management of risk that is a direct responsibility of the business and support units.

Capital Management

PBCOM's capital management framework involves providing shareholders optimal returns within the ability of the capital to protect the interests of all the Bank's stakeholders. The framework involves monitoring both capital requirements and capital resources to ensure:

- Qualifying capital remains above minimum regulatory requirement of ten (10) percent of risk weighted assets;
- Quality of capital resources aligns with the risks present or to be taken to achieve growth & return and;
- Prudent balance between the growth and return required of strategic plans and the continuing institutional strength of the Bank.

PBCOM consistently maintains a ratio of qualifying capital to risk weighted assets that are in excess of the ten (10) percent minimum requirement of Philippine banking regulations.

The Bank, in addition, conducts an Internal Capital Adequacy Assessment Process (ICAAP), along with its strategic planning exercise. The ICAAP provides the Bank the opportunity to:

- Articulate its risk appetite, strategic growth, and return targets;
- Identify the businesses, products, and services the Bank will pursue or use to achieve the targets;
- Define and measure the risks each business, product, or service will create;
- Consider how the Bank will mitigate and manage the identified risks;
- Determine the amount and the quality of the capital resources necessary to sustain financial strength through a risk event;
- Conduct stress tests to aid in identifying break points and vulnerabilities; and
- Develop capital build-up and contingency plans.

The ICAAP is a collaborative effort of the Management and the Board of Directors. PBCOM submits the documentation of the results of its ICAAP to the supervisory review and examination of the Bangko Sentral ng Pilipinas.

The regulatory qualifying capital of the Bank consists of Common Equity Tier 1 and Additional Tier 1 and is comprised of paid-up common stock, retained earnings including current year's profit, and surplus reserves, less required deductions such as unsecured credit accommodations to DOSRI, and goodwill. The other component of regulatory capital is Gone-Concern Capital (Tier 2), which includes appraisal increment reserves (as authorized by the Monetary Board) and general loan loss provision.

The Bank's capital charge for Pillar 1 risks (Credit, Market, Operational) are computed using the standardized approach or 10% of the risk weighted assets as specified in the MORB. The Bank compares the calculated value with an internally assessed capital requirement using the Bank's internal models to see if there is a need to add capital charges.

Market, Liquidity and Interest Rate Risk Management

Market risk arises from adverse fluctuations in the market value of financial instruments in both on- and off-balance sheet items. The Bank employs the Value-at-Risk (VaR) at 99% confidence level to measure market risk and performs back testing (using both hypothetical and actual back testing approaches) to ensure an accurate and robust VaR model. Stress Testing is also employed to determine the earnings impact of extreme market movements not captured by VaR calculations. A system of risk limits that reflect the Bank's level of capital, expected returns, and the overall risk appetite, is used to manage market risk. These limits include the VAR limit, Nominal Position limit, Off-Market Tolerance limit, Management Action Trigger, and Stop-loss limit. The Bank also uses Market Risk Assessment Matrix to assess the overall market risk profile of the Bank.

Liquidity risk refers to the possibility that the Bank will be unable to meet its financial obligations in any currency. To ensure compliance, the Bank requires daily monitoring of regulatory ratios such as the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The Bank also monitors liquidity risk exposures using the following limits: liquidity indicators, liquidity funding concentration, and Maximum Cumulative Outflow (MCO). Liquidity stress testing is also performed to measure the impact of stressful scenarios to the Bank's MCO profile. The Bank also applies Liquidity Risk Assessment Matrix to assess its overall liquidity risk profile. In managing liquidity risk, the Bank also maintains substantial holdings of High Quality Liquid Assets (HQLA) which can easily be converted to cash.

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. The Bank uses Earnings-at-Risk (EaR) and Economic Value of Equity (EVE) based on its Interest Rate Repricing Gap profile to measure the possible impact to net interest income and net worth of the Bank under normal and stressed interest rate movements. Likewise, risk limits are also employed by the Bank to manage interest rate risk in the banking book. The Bank follows a prudent policy in managing its assets and liabilities to ensure that the exposure to fluctuations in interest rates is kept within acceptable limits.

Credit Risk Management

Credit risk is the primary financial risk in the banking system and exists in all revenue-generating activities. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The risk arises when the Bank's funds are extended, committed, invested, or exposed through actual or implied contractual agreements. Capital depletion through loan losses has been the ultimate cause of most institutions' failures. The Bank's credit risk arises from its lending and trading of securities and foreign exchange activities.

The Bank, in recognition of the importance of identifying and rating credit risk as the initial step towards its effective management, has put in place a comprehensive set of policies and established underwriting processes, as approved by the Board of Directors. Regular analysis of the ability of potential and existing borrowers to meet interest and capital repayment obligations is made, including amendment of lending limits when appropriate. The Bank is thus able to continually manage credit-related risks in its risk asset portfolio through objective assessments/evaluations of credit proposals prior to presentation to the appropriate approval authority, ensuring the highest standards of credit due diligence and independence. The Bank's approval matrix begins at carefully reviewed and selected individual limit delegations, working its way up to the Executive Committee (EXCOM) and the Board of Directors as appropriate.

The Bank also employs and implements an Internal Credit Risk Rating System (ICRRS) that is consistent with global rating standards, compliant with Basel II requirements, and appropriate to the Bank's nature, complexity, and scale of activities. Resulting ratings/scores, together with experienced credit judgment, serve as basis in proactively setting-up of loan loss provisions in compliance with PFRS 9.

Credit Exposure Limits

The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual borrowers and groups of borrowers as well as thresholds on large exposures to industries/economic activities, including real estate loan ceilings, and limits on past due and non-performing ratios per product type. Such risks are monitored on a regular basis and subjected to annual or more frequent reviews when considered necessary. These tolerance limits are approved by the Board of Directors. The exposure to any one borrower is further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures against limits are monitored regularly.

Other Credit Enhancements
Exposure to credit risk is also managed in part by obtaining collateral, suretyships, or guarantees. The amount and type of security required depends on an assessment of the credit risk of the borrower or counterparty. In order to minimize credit loss, additional security is sought from the borrower when impairment indicators are observed for the relevant individual loans and advances. The Bank implements guidelines on the acceptability and valuation parameters of specific classes of collateral for credit risk mitigation. The main types of collateral obtained are as follows:

- for securities lending and reverse repurchase transactions: cash or securities;
- for commercial lending: mortgages over real estate properties, machineries, inventories, and trade receivables; and
- for retail lending: mortgages over residential properties and vehicles. It is the Bank's policy to dispose of repossessed properties in an orderly and timely fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

The Bank also has in place an independent post-credit review process on the loan portfolio that allows the Bank to continually identify and assess the risks on credit exposures and take corrective actions. The management of the credit portfolio is subject to internal and regulatory limits, which serve to control the magnitude of credit risk exposures and preserve the quality of the portfolio. ERMG also monitors large exposures and credit risk concentrations in accordance with BSP regulations.

Operational Risk Management
Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. It includes legal risk, but excludes strategic and reputational risk. Operational risk is inherent in all activities, products, and services, and cuts across multiple activities and business lines within the Bank and across its subsidiaries and affiliates. The primary tool in controlling operational risk is an effective system of internal controls, which is approved by the Board and participated by each and every employee of the Bank.

The PBCOM's Operational Risk Management (ORM) Framework, which provides for a strengthened foundation and guidance on how PBCOM should effectively manage its operational risks, is regularly reviewed by the BOD to ensure that ORM policies, processes, and systems are implemented effectively at all decision levels.

The Bank's ORM tools include the Risk Control Self-Assessment (RCSA), Key Risk Indicators (KRI), and the Internal Operational Loss Database, results of which are regularly reported by the ORM Team to the ROC. Operational risk reports such as Profile of Complaints, Legal Case Profile, Bank Security Assessments, and Vendor Performance Evaluation Results are likewise regularly reported by the respective line management to the ROC. A system for reporting of operational crimes and losses, and policies, whistle-blowing and handling of administrative cases are also in place.

Aside from securing adequate insurance coverage over bank assets, putting up of reserve for self-insurance, and setting up allowances for probable losses, operational risk is mitigated through preventive and detective controls, which are embedded in operating policies and procedures, approval limits, and authorities to govern day-to-day operations.

To instill a culture of risk awareness and a strong operational risk control environment, the Bank's ERMG, Compliance Management Group (CMG), and subject-matter experts (e.g. Chief Information Security Officer, Data Privacy Officer) from line management conduct regular in-house seminars and trainings, such as orientation for newly hired employees and computer-based training (CBT) for all employees, with due focus on risk management and regulatory compliance. The groups continuously develop and implement risk management and compliance policies while holding interactive meetings with operating units to address risk issues and implement process enhancements.

The Bank's Technology Risk Management Framework continues to provide strengthened foundation and guidance on how the Bank should effectively manage emerging technology risks. It incorporates the requirements under existing BSP regulations and which takes into account that strategic, operational, compliance, and reputational risks are periodically reviewed and updated to ensure that all risks in the Bank's technology-enabled products, services, delivery channels, and processes are effectively managed and that any gaps are being regularly monitored and addressed.

A comprehensive risk assessment and profiling methodologies for both IT functions and application systems are in place. Risk identification and assessments over project management are enhanced from project initiation to implementation. Control validation process is incorporated in technology risk assessments to ensure effectiveness of established risk mitigation strategy. Corrective action plans are periodically monitored and reported to ensure risk issues are timely addressed and managed proactively. The Bank's risk management team continues to play an active role in providing risk insights and assessments during launch of new products, technology and services, development of risk management policies, and imbibing a culture of a risk aware organization through the conduct of trainings and seminars to Bank employees.

The Bank has in place a Business Continuity Management Framework that provides guidance for continuous operations in the event of any disruptions and proactive mechanisms designed to prevent interruptions to critical business functions and improve the Bank's resiliency. It follows a robust business continuity planning process that involves the conduct of a business impact analysis/risk assessment, periodic review and updating of business continuity plans, and conduct of BCP tests and tests evaluation. Bankwide Business Continuity Plan, Crisis Management and Emergency Preparedness Plan, Pandemic, and Cyber Resiliency Plans are established. These documents detail the step by step procedures to be taken to respond to the threat or impact of a crisis, and how the Bank will respond to emergencies to protect life, property and environment, addressed in timely manner.

Legal risk is the risk of financial loss due to non-existent, incomplete, incorrect, and unenforceable documentation used by the Bank to protect and enforce its rights under contracts and obligations. It includes the kind of conduct that can lead to unspecified erosion in the Bank's value as an institution. Closely related to legal risk are fiduciary and reputational risk.

Legal Risk Management is the process of establishing and maintaining procedures for identifying and avoiding the consequences of legal risks. The Bank believes that failure to manage legal risks effectively can result in litigation, civil, and/or criminal sanctions that impact its reputation. To ensure consistent management of legal risk, the Bank's Legal Services Group (LSG) maintains and regularly updates the Bank's Legal Risk Management Manual, which applies to all employees and all branches and units of the Bank. LSG also covers regular review of the status of cases, assessing potential outcomes, and reports the same to the Risk Oversight Committee on a periodic basis.

Information and Cyber Security Management

Information security is a key element to maintain a resilient business. As the Bank continues to expand its business and respond to the evolving threat landscape, PBCOM has adopted a risk-centric approach to information security and is committed to continuously enhance its efforts through:

- Continuing education and awareness of people – PBCOM recognizes the importance of its people as a human firewall and act as the first line of defense to maintain good security posture
- Security governance and compliance – We have established strong internal processes, which serve as the solid foundation of the Bank
- Proactive security measures – PBCOM uses multiple layers (defense-in-depth) of security measures and controls to protect Bank's information assets and resources. This improves the Bank's visibility

and establishing further transparency into cyber threats through maturing security monitoring capabilities and existing toolsets.

PBCOM continually secure and maintain a cyber-resilient environment where it delivers an on-going structured protection to information and system resources. Putting the Bank's and customers' information protection first, we have adopted the four main components to cyber readiness and resiliency:

- Manage and Protect – The ability of the Bank to identify, assess, manage risks. The extent to which the Bank have implemented and deployed technologies, processes and controls designed to protect systems, networks and data from cyber-attacks.
- Identity and Detect – The ability of the Bank to timely identify and detect anomalies and potential cyber security incidents before they can cause any significant damage. The extent to which the Bank have implemented continuous security monitoring and active detection controls.
- Respond and Recover – The ability of the Bank to mitigate attacks, eject intruders, analyze attacker actions, operate even if hit by a cyber-attack, and get back to business as usual as quickly and efficiently as possible. The extent to which the Bank has demonstrated its agility in incident response and recovery.
- Govern and Assure – Information security programs, initiatives and activities aligned with the Bank's business objectives and is overseen from the top of the organization and built into business as usual. The extent to which the Bank takes action to achieve cyber security governance and oversight.

Trust Risk Management

The Trust and Wealth Management Group (TWMG) is exposed to fiduciary risks in managing funds and assets entrusted under its care and custody. Failure of the Group to fulfill its fiduciary responsibilities to the trustor/principal may result to a loss, damage liability, or any undesirable event that can have adverse impact on the Bank. The major risks associated with the fiduciary activities of TWMG are market, credit, liquidity, operational, legal, compliance, strategic, and reputation risks. Having account management, portfolio and trading, trust credit, and operations functions within TWMG, the Bank has also designated personnel performing independent risk management function on fiduciary activities who directly report to the Enterprise Risk Management Group (ERMG). The fiduciary risk exposure exists in both discretionary and non-discretionary trust arrangements.

Risks arising in the performance of trust duties and obligations are addressed through the Trust Committee and Risk Oversight Committee (ROC). The Trust Committee performs oversight function on wealth, trust, and other fiduciary services including the implementation of the risk management framework ensuring that internal controls are in place relative to the fiduciary activities of the Group. The ROC has the overall responsibility for the development of the risk strategy and implementing principles, risk framework, policies, and limits of the Bank, including its Trust business. ERMG spearheads the effective implementation of the risk management process through the following risk tools and controls:

a. Monthly and Quarterly reporting to ROC and TCOM, respectively
b. Periodic stress testing of Trust and Wealth TWMG portfolio
c. Risk Control Self-Assessments (RCSA)
d. Trust risk management policies

Item 2. Properties

PBCOM's Head Office is located at PBCOM Tower, 6795 Ayala Avenue, corner V.A. Rufino Street, Makati City. The Bank owns 50% of PBCOM Tower, which was constructed under a Joint Development Agreement with Filinvest Asia Corporation. The Bank has 95 branches and 4 branch-lites as of December 31, 2023. Most of these are located in the metropolitan areas of Luzon, Visayas, and Mindanao.

PBCOM's branches are owned and/or leased. The list of branches is attached herewith marked as Annex "A". All properties owned by the bank are unencumbered. To date, the Bank has not identified properties to acquire in the next 12 months.

Item 3. Legal Proceedings

PBCOM has pending cases, covering credit-related suits and claims and also non-credit-related cases, that remain unsettled. It is not practicable to estimate the potential financial statement impact of these contingencies. However, in the opinion of management, the suits and claims, if decided adversely, will not involve sums that would have a material effect on the financial statements.

The Bank is a defendant in legal actions arising from its normal business activities, including the management of the PBCOM Tower. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the Bank's financial position.

Item 4. Submission of Matters to a Vote of Security Holders

Nothing was submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

Market Information
Common shares of the Bank are traded in the Philippine Stock Exchange.

Stock prices:

	2023		2022		2021	
	High	Low	High	Low	High	Low
First Quarter	16.20	13.60	18.98	17.40	23.45	20.10
Second Quarter	19.20	14.90	18.70	15.84	23.40	19.58
Third Quarter	16.00	14.50	17.96	13.02	19.98	17.70
Fourth Quarter	14.30	14.10	15.90	12.72	19.00	17.20

As of February 7, 2024 , the closing price of the Bank's common share was ₱17.46.

Holders
As of December 31, 2023, there were 396 shareholders of the Bank's 480,645,163 issued and outstanding common shares.

The top 20 registered stockholders of the Bank as of December 31, 2023 are as follows:

	Name of Shareholder	Nationality	No. of Shares	%
1	P.G. Holdings, Inc.	Filipino	186,241,408	38.75%
2	VFC Land Resources, Inc.	Filipino	88,883,602	18.49%

3	PCD Nominee Corporation:		51,052,717	10.62%
		Filipino	49,058,856	
		Non-Filipino	1,993,861	
4	Eric O. Recto	Filipino	49,835,776	10.37%
5	Ralph C. Nubla, Jr.	Filipino	46,519,036	9.68%
6	Telengtan Brothers & Sons, Inc.	Filipino	31,859,844	6.63%
7	La Suerte Workmen's Compensation Fund	Filipino	7,687,833	1.60%
8	TTC Development Corporation	Filipino	4,181,665	0.87%
9	Roxas-Chua, Ray Anthony Go	Filipino	3,070,724	0.64%
10	Cham, Edison Siy	Filipino	1,790,853	0.37%
11	KLG International, Inc.	Filipino	1,790,853	0.37%
12	Yu, Gregorio T.	Filipino	1,432,692	0.30%
13	Chungunco, Raymond N.	Filipino	604,011	0.13%
14	TFC Holdings, Inc.	Filipino	562,588	0.12%
15	Chung, Bunsit G. (a.k.a. Carlos G. Chung)	Filipino	550,716	0.11%
16	Chung, Patricia Regine K.	Filipino	261,294	0.05%
17	Chung, Philippe Ryan K.	Filipino	261,294	0.05%
18	Ching, Winnifred	Filipino	187,798	0.04%
19	Ching, Jeffrey	Filipino	175,505	0.04%
20	Chung, Dexter Noel	Filipino	174,196	0.04%
	Chung, Sidney T.	Filipino	174,196	0.04%
	Chung, Zachary	Filipino	174,196	0.04%

Dividends History:

There were no dividends declared for the years ended December 31, 2023, 2022, and 2021.

The Bank strictly complies with the BSP regulatory requirements under Section 124 of the Manual of Regulations for Banks, which states that before any declaration of dividends, banks shall have complied with the following:

a. Clearing account with the Bangko Sentral is not overdrawn;
b. Liquidity floor requirement for government funds;
c. Minimum capitalization requirement and risk-based capital ratio;
d. The combined requirement for capital conservation buffer and countercyclical capital buffer;
e. Higher loss absorbency requirement for UB/KBs and their subsidiary banks and QBs that are identified as Domestic Systemically Important Banks; and
f. Has not committed any unsafe or unsound banking as defined under existing regulations.

Recent Sale of Unregistered Securities

There were no sales of unregistered securities within the calendar year covered by this report.

The Bank has no registered debt securities. There are no existing or planned stock options. There are no registered securities subject to redemption or call. There are no existing or planned stock warrant offerings.

Item 6. Management's Discussion and Analysis or Plan of Operation

(1) Management's Discussion & Analysis

Financial Condition & Results of Operations: 2023 (Consolidated)

The Group registered a net income of ₽1.90 Billion for 2023. This is ₽265.88 Million or 16.3% improvement from 2022's net income of ₽1.63 Billion. This is mainly attributable to ₽400.86 Million (7.2%) higher operating income largely from ₽495.1 Million better trading performance.

Interest income expanded by 41.6% or ₽2.3 Billion due to higher asset yields and growth in both loan and securities portfolios. Interest expense, however, also increased on the account of higher cost of funds due to current high interest rates environment and caused ₽2.4 Billion decline in net interest income. Total operating expenses slightly went up by ₽18.4 Million (0.54%) primarily because of volume-driven costs such as GRT, DST and PDIC insurance, and higher manpower costs, offset by lower provision for impairment losses, management and professional fees, and depreciation and amortization. Income taxes also increased by ₽117.9 Million, mainly from higher final taxes on interest income on peso government securities and onshore income and lower DTA recognized.

Total Assets of the Group increased by ₽22.6 Billion (18.1%) from ₽124.9 Billion as of December 2022 to ₽147.5 Billion at the end of December 2023. This is primarily due to growth in loan volume by ₽14.9 Billion (19.3%), increases in inventories of debt securities carried at HTC and FVOCI by ₽6.1 Billion and ₽3.4 Billion, respectively, offset by decline in interbank receivables and SPURA by ₽ 2.1 Billion.

The Group's gross NPL ratio for the year ended at 2.40%, 0.83 % points lower than the 3.23% ratio at the end of 2022. PBCOM's liquidity position continued to remain stable as the Bank comfortably met all its financial obligations and loan commitments, and likewise has fully complied with the regulatory reserve requirements on continuing basis at an optimum funding mix during the course of the year.

Total Liabilities increased by ₽20.5 Billion, 18.8% higher than last year's end level of ₽109.3 Billion. This resulted mostly from ₽17.3 Billion increase in deposit liabilities, mainly from higher time deposits partially offset by lower demand deposits, and ₽2.1 Billion increase in bills payable. Total Capital is now at ₽17.7 Billion from ₽15.6 Billion last December 2022. This 13.4% increase in Capital was mainly contributed by the earnings of the Bank during the year. The Bank's Risk Based Capital Adequacy Ratio of 16.55% under BASEL III reporting standards covering credit, market and operational risk as of report date is well above the 10% minimum requirement

Financial Condition & Results of Operations: 2022 (Consolidated)

The Group registered a net income of ₽1.63 Billion for 2022. This is ₽58.62 Million or 3.7% improvement from 2021's net income of ₽1.57 Billion. This is mainly attributable to ₽477.75 Million (9.4%) higher operating income largely due to ₽565.72 Million or 13.3% growth in net interest income, ₽58.38 Million higher fees & commission mainly from penalty fees in corporate loans, ₽40.82 higher foreign exchange gains, mostly realized, and ₽47.48 Million higher net gains from ROPA sales. These increases were partially offset by ₽124.73 Million higher net trading losses, reflecting the adverse effects of a rising interest rate environment on the Bank's Peso and USD bond portfolios, and ₽85.23 Million reduction in rental income due to pre-terminations & re-negotiated contracts of tenants as a result of the COVID-19 crisis. ₽269.02 Million higher income taxes and ₽150.19 Million higher operating expenses further offset the increase in operating income.

Growth in net interest income is attributable to ₽485.29 Million increase in interest income from loans due to higher average loan volume, mainly from the growth in corporate loan portfolio, ₽393.74 Million increase in interest income from investments due to higher yields and higher average volume, partially offset by from ₽294.33 Million increase in interest expense mainly due to rise in cost of funds and higher average volume of Time Deposits & Repos. Income taxes increased by
₽269.02 Million or 104.8% as a result of lower deferred tax assets recognized, higher final taxes, and higher taxable income from growth in interest income from loans during the current year. Total operating expenses went up by ₽150.19 Million or 4.6%, mainly because of higher manpower costs, higher accruals for professional fees and higher taxes & licenses from rise in GRT and DST, partly offset by ₽34.61 Million lower provision requirements for credit and impairment losses in the current period.

Total Assets of the Group grew by ₽15.65 Billion (14.3%) from ₽109.24 Billion as of December 2021 to ₽124.89 Billion as of the end of December 2022. This is primarily due to ₽13.43 Billion increase in Loans and Other Receivables, mostly from expansion of corporate loans, and ₽6.14 Billion increase in Held to Collect Securities, partially offset by ₽1.60 Billion lower Interbank loans receivable and ₽1.48 Billion decline in Financial assets at Fair Value through Other Comprehensive Income.

The Group's gross NPL ratio is at 3.23%, 1.06 % points lower than the 4.89% ratio at the end of 2021. PBCOM's liquidity position continued to remain stable as the Bank comfortably met all its financial obligations and loan commitments, and likewise has fully complied with the regulatory reserve requirements on continuing basis at an optimum funding mix during the course of the year.

Total Liabilities increased by ₽14.26 Billion, 15.0% higher from last year's end level of ₽95.06 Billion. This resulted mostly from ₽12.50 Billion increase in deposit liabilities mainly from ₽6.85 Billion & ₽4.33 Billion growths in time and demand deposit volume, respectively.

Total Capital is now at ₽15.57 Billion from ₽14.18 Billion last December 2021. This 9.8% improvement in capital was mainly contributed by the earnings of the Bank during the year. The Bank's Risk Based Capital Adequacy Ratio of 17.07% under BASEL III reporting standards covering credit, market and operational risk as of report date is well above the 10% minimum requirement.

Financial Condition & Results of Operations: 2021 (Consolidated)

The Bank registered a net income of ₽1.57 Billion for 2021. This is ₽404.15M or 35% improvement from 2020's net income of ₽1.17 Billion. This is mainly attributable to ₽1.24 Billion decline in total operating expenses (28%) as a result of ₽1.10 Billion lower provision requirements for credit and impairment losses in the current period.

Total operating income declined by **P**807.60 Million (14%) mainly due to net trading losses as the Bank recognized ₽241.60 Million in losses, lower rent income due to vacancies of leased floors, pre-terminations, and re-negotiated contracts of tenants brought about by the COVID 19 pandemic, and lower fees & commission earned during the year due to decline in penalty fees in corporate loans, partly offset by ₽319.29 Million (8%) improvement in net interest income primarily due to decline in interest expense from lower cost of funds. Due to lower interest rates, interest income also fell by ₽255.21 Million (5%) despite the growth in loan and investments average volume during the year.

Total assets of the Group reached ₽109.23 Billion in December 2021, up by ₽8.0 Billion from the ₽101.23 Billion as of December 2020. This is primarily due to ₽13.26 Billion increase in Investment Securities at Amortized Cost, ₽5.87 Billion increase in Loans and Other Receivables, mostly from corporate loans, and ₽1.35 Billion increase in Financial assets at Fair Value through Other Comprehensive Income, partially offset by ₽10.3 Billion decline in Due from BSP due to lower investment in Overnight Deposit Facility (ODF) and lower reserve requirement.

The Group's gross NPL ratio is at 4.89%, 0.82% points lower than the 5.71% ratio at the end of 2020. PBCOM's liquidity position continued to remain stable as the Bank comfortably met all its financial obligations and loan commitments, and likewise has fully complied with the regulatory reserve requirements on continuing basis at an optimum funding mix during the course of the year.

Total Liabilities increased by ₽6.35 Billion, 7.16% higher from last year's level of ₽ 88.70 Billion. This resulted mostly from ₽3.83 Billion increase in bills payable, and ₽3.16 Billion growth in deposit liabilities. Low-cost deposit ratio improved as the Bank's demand and savings deposit average volume increased by ₽12.0 Billion, 30%.

Total Capital is now at ₽14.18 Billion from ₽12.53 Billion last December 2020. This 13% improvement in capital was mainly contributed by the earnings of the Bank during the year. The Bank's Risk Based Capital Adequacy Ratio of 18.18% under BASEL III reporting standards covering credit, market and operational risk as of report date is well above the 10% minimum requirement.

(2) Discussion of various key indicators:

A. Key Performance Indicators

Ratio	December 2023 (Consolidated)	December 2022 (Consolidated)	Remarks
Profit Margin *(Net income divided by Gross income)*	31.82%	29.33%	Increased by 2.49 % pts due to impact of net trading gains (net trading loss in 2022) and lower provision for impairment losses, reduced by impact of higher interest expenses this year due to higher cost of funds
Return on Average Asset *(Net income divided by Average assets)*	1.39%	1.39%	Ratio maintained at a consistent level as the impact of higher volume-driven expenses and employee compensation & benefits was offset by lower provision for impairment
Return on Average Equity *Net income divided by Average equity)*	11.42%	10.97%	Return on average equity increased by 45 bps from higher net income driven by net trading gains and lower provision for impairment losses.
Capital Adequacy Ratio *Qualifying capital divided by total of risk-weighted assets that include credit, market and operational risk)*	16.55%	17.07%	The capital ratio decreased by 52 bps due to higher total credit risk-weighted assets offset by higher total qualifying capital
Basic Earnings per share *Net income divided by average no. of common shares)*	3.95	3.39	Increase in basic earnings per share by ₽0.55 from higher net income for the current period

Ratio	December 2022 (Consolidated)	December 2021 (Consolidated)	Remarks
Profit Margin *(Net income divided by Gross income)*	29.33%	30.94%	Net profit margin decreased by 1.6 % pts mainly due to higher provision for income tax from lower recognition of DTA, higher final taxes, and higher taxable income in 2022
Return on Average Asset *(Net income divided by Average assets)*	1.39%	1.49%	Decreased by 10 bps as the impact of increase in average assets exceeded the impact of growth in net income
Return on Average Equity *Net income divided by Average equity)*	10.97%	11.78%	Return on average equity decreased by 81 bps from higher provision for income taxes and total operating expense from the results of the current operations
Capital Adequacy Ratio *Qualifying capital divided by*	17.07%	18.18%	The capital ratio decreased by 1.11% due to higher total credit risk-weighted assets

total of risk-weighted assets that include credit, market and operational risk)			
Basic Earnings per share *Net income divided by average no. of common shares)*	3.39	3.27	Increase in basic earnings per share by ₱0.12 from higher net income during the current period

Ratio	December 2021 (Consolidated)	December 2020 (Consolidated)	Remarks
Profit Margin *(Net income divided by Gross income)*	30.94%	19.84%	Increase in ratio by 11.10 % pts. primarily due to decline in operating expenses from lower provision for credit and impairment losses in 2021
Return on Average Asset *(Net income divided by Average assets)*	1.49%	1.15%	Higher by 35 bps due to increase in net income primarily due to lower provision for credit and impairment losses, offset by impact of higher average assets.
Return on Average Equity *Net income divided by Average equity)*	11.78%	9.79%	Return on average equity increased by 1.99 % pts from higher net income mainly driven by lower operating expenses
Capital Adequacy Ratio *Qualifying capital divided by total of risk-weighted assets that include credit, market and operational risk)*	18.18%	18.87%	Decrease by 69bps due to increase in credit risk-weighted assets arising from higher loans and receivables in 2021
Basic Earnings per share *Net income divided by average no. of common shares)*	3.27	2.43	Increase in basic earnings per share by ₱0.84 from higher net income

B. Financial Soundness

Ratio	December 2023 (Consolidated)	December 2022 (Consolidated)	Remarks
Liquidity Ratio (Liquid Assets to Total Deposits) *Liquid Assets include cash, due from banks, interbank loans, and trading and inv. Securities. Total deposit refers to the total of peso and foreign currency deposits.*	19.69%	21.41%	Ratio decreased by 1.72 % pts as the increase in total deposits, mainly time deposits, has outweighed the increase in liquid assets (from higher financial assets, particularly FVOCI offset by lower Interbank loans)
Debt Ratio (Total Liability to Total Asset) *Debt refers to the total liabilities while assets is the total assets*	88.03%	87.54%	Increased by 49 bps due to increase in total liabilities, mainly in deposit liabilities and bills payable, to fund the increase in loans and receivables and investment securities at amortized cost and FVOCI.
Asset to Equity Ratio (Total Asset to Total Equity	8.35	8.02	Ratio is higher by 33 bps mainly as result of higher growth in assets in relation to the increase in equity
Interest Rate Coverage Ratio (Earnings before interest & taxes to Interest Expense)	179%	374%	Bank's interest rate coverage decreased by 194.8 % pts. due to impact of increase in interest expense from rising cost of funds
Net Interest Margin Net interest income over Average Earning assets	3.96%	4.80%	Ratio is slightly lower as increase in average COF rates outweighed the increase in average asset yields

Ratio	December 2022 (Consolidated)	December 2021 (Consolidated)	Remarks
Liquidity Ratio (Liquid Assets to Total Deposits) *Liquid Assets include cash, due from banks, interbank loans, and trading and inv. Securities. Total deposit refers*	21.41%	28.96%	Ratio decreased by 7.55 % pts due to lower liquid assets (from lower Interbank loans & financial assets, particularly FVOCI) in relation to higher total deposits, mainly time and demand deposits

to the total of peso and foreign currency deposits.			
Debt Ratio (Total Liability to Total Asset) *Debt refers to the total liabilities while assets is the total assets*	87.54%	87.02%	Decreased by 1 bp as the increase in total assets slightly exceeded the increase in total liabilities. Increase in assets is mostly from investment securities at amortized cost and loans and other receivables, mostly from corporate loans
Asset to Equity Ratio (Total Asset to Total Equity	8.02	7.71	Ratio is higher by 31 bps mainly as result of higher growth in assets in relation to the increase in equity
Interest Rate Coverage Ratio (Earnings before interest & taxes to Interest Expense)	374%	470%	Bank's interest rate coverage decreased by 96.72 % pts. due to impact of increase in interest expense from rising cost of funds & higher time deposit volume, partially offset by impact of higher earnings before interest & taxes
Net Interest Margin Net interest income over Average Earning assets	4.80%	4.83%	Ratio is slightly lower as the impact of increase in average total yields is offset by increase in average COF rates

Ratio	December 2021 (Consolidated)	December 2020 (Consolidated)	Remarks
Liquidity Ratio (Liquid Assets to Total Deposits) *Liquid Assets include cash, due from banks, interbank loans, and trading and inv. Securities. Total deposit refers to the total of peso and foreign currency deposits.*	28.96%	43.40%	Decreased by 14.44 % pts due to lower liquid assets from lower placement in ODFs
Debt Ratio (Total Liability to Total Asset) *Debt refers to the total liabilities while assets is the total assets*	87.02%	87.62%	Decline by 60 bps as the increase in total assets exceeded the increase in total liabilities. Increase in assets is mostly from investment securities at amortized cost and loans and other receivables, mostly from corporate loans
Asset to Equity Ratio (Total Asset to Total Equity	7.71	8.08	Ratio is lower by 37 bps mainly as result of lower growth in assets in relation to the increase in equity
Interest Rate Coverage Ratio (Earnings before interest & taxes to Interest Expense)	470%	231%	Increased by 239 % pts. primarily due to lower interest expense mainly from lower cost of funds and drop in ave. volume, mostly TDs
Net Interest Margin Net interest income over Average Earning assets	4.83%	4.64%	Ratio went up by 20 bps primarily from lower interest expense due to drop in cost of funds

Statement of Condition: December 2023 vs. December 2022 (consolidated)

(in thousands)	Increase/(Decrease)	Percentage Change	Explanation
Cash and Other Cash Items	158,533	11.29%	Higher cash on hand, higher cash on atm, & higher cash on cash center
Due from Bangko Sentral ng Pilipinas	868,509	7.66%	Higher mainly from regular deposits under statutory reserve requirements
Due from Other Banks	(603,660)	-55.42%	Lower funds mainly with foreign banks
Interbank Loans Receivable	(2,108,226)	-81.07%	Lower mainly from lower GS Repo offset by higher interbank call loans
Financial Assets at Fair Value through Profit or Loss	-	-	

Financial Assets at Fair Value through Other Comprehensive Income	3,406,963	68.02%	Purchase of Peso debt investments in FVOCI
Investment Securities at Amortized Cost	6,114,566	28.23%	Purchase of securities at amortized cost
Loans and Receivables	14,850,435	19.31%	Increase in outstanding receivables, mainly in corporate loans and import bills
Property and Equipment	10,652	1.33%	Increase due to reclassification of Investment Property to Bank Premises, higher leasehold rights and improvements, and additional right of use assets for the period, offset by depreciation recognized for the period
Investment Properties			
Condominium Units for Lease	(88,564)	-5.23%	Decrease due to reclassification of Investment Property to Bank Premises and depreciation recognized for the period
Foreclosed properties	13,756	1.42%	Higher ROPA foreclosures offset by ROPA sales and depreciation recognized for the period
Office units for lease	(350)	-14.97%	Decline due to depreciation recognized for the period
Deferred Tax Assets	13,756	3.52%	Increase mainly due to higher RBU loan allowance and ROPA accumulated depreciation, offset by lower lease liability, advance rental, right of use assets & Unamortized past service cost
Other Assets	(38,312)	-8.28%	Decline mainly due to lower retirement assets, lower prepaid expenses, lower DST, and lower tax credits, and offset by higher prepaid taxes on deposits
Deposit Liabilities			
Demand	(4,103,734)	-9.02%	Lower volume of demand deposits
Savings	646,800	5.11%	Higher volume of savings deposits
Time	20,706,830	53.95%	Higher volume of time deposits
Bills Payable	2,092,736	27.56%	Increase in bills payable - REPO
Outstanding Acceptances	55,192	109.90%	Increase due to higher bills of exchange accepted by the Bank
Manager's Checks	410,523	185.31%	Higher un-negotiated MC's as of report date
Accrued Interest, Taxes and Other Expenses	684,739	79.22%	Increase mainly due to Deposits & Bills payable interest accrual, other operating expense and GRT accruals
Income Tax Payable	(18,229)	-15.34%	Lower income tax payable for the period
Other Liabilities	28,510	2.80%	Higher due to increase in payables to Bancnet bills payment & IBFT, offset by decrease in advance rentals, and finance lease payables
Surplus reserves	241,445	113.44%	Increase mainly due to additional RE appropriation to cover deficiency on 1% minimum GLLP requirement
Retained Earnings	1,656,126	113.46%	Increase is from net income for the period partially offset by RE appropriation to cover deficiency on 1% minimum GLLP requirement
Unrealized gain/(loss) on equity securities carried at fair value	276,431	87.87%	Lower net MTM losses from FCDU debt investments in FVOCI

through other comprehensive income			
Cumulative translation adjustment	1,419	1.34%	Higher downward CTA mainly due to exchange rate differential
Remeasurement gains (losses) on retirement liability	(82,878)	-232.06%	Higher actuarial loss recognized on retirement fund

Statement of Condition: December 2022 vs. December 2021 (consolidated)

(in thousands)	Increase/(Decrease)	Percentage Change	Explanation
Cash and Other Cash Items	(111,700)	-7.37%	Lower cash on hand
Due from Bangko Sentral ng Pilipinas	1,064,985	10.37%	Higher mainly from ODF
Due from Other Banks	430,597	65.38%	Higher funds with foreign banks
Interbank Loans Receivable	(1,595,267)	-38.02%	Lower GS Repo and foreign interbank loans
Financial Assets at Fair Value through Profit or Loss	(886,291)	-100.00%	Sale of investments in FVTPL
Financial Assets at Fair Value through Other Comprehensive Income	(1,480,691)	-22.82%	Sale of investments in FVOCI
Investment Securities at Amortized Cost	6,141,545	39.57%	Increase due to purchase of securities at amortized cost
Loans and Receivables	12,138,486	18.74%	Increase in outstanding receivables, mainly in corporate loans
Property and Equipment	(78,380)	-8.88%	Decline due to depreciation recognized for the period
Investment Properties			
Foreclosed properties	127,809	15.32%	Higher ROPA foreclosures, offset by depreciation recognized for the period
Office units for lease	(351)	-13.05%	Decline due to depreciation recognized for the period
Deferred Tax Assets	64,953	19.95%	Increase mainly due to set-up of tax assets on additional provision for credit losses
Other Assets	(116,652)	-20.17%	Lower largely due to decline in tax credits and CWT carry-over
Deposit Liabilities			
Demand	4,333,580	10.53%	Higher volume of demand deposits
Savings	1,308,795	11.52%	Higher volume of savings deposits
Time	6,851,167	21.73%	Higher volume of time deposits
Bills Payable	1,583,031	26.34%	Increase in bills payable - REPO
Outstanding Acceptances	(21,391)	-29.87%	Decrease due to lower bills of exchange accepted by the Bank
Manager’s Checks	49,288	28.61%	Higher un-negotiated MC's as of report date
Accrued Interest, Taxes and Other Expenses	183,666	26.98%	Increase in expense and interest payable accruals as of the period
Income Tax Payable	51,990	77.80%	Higher income tax payable for the period
Other Liabilities	(85,957)	-7.79%	Lower mainly from lower advance rentals and rental security deposit
Surplus reserves	105,916	99.06%	Increase mainly due to additional RE appropriation to cover deficiency on 1% minimum GLLP requirement

Retained Earnings	1,525,772	-2309.62%	Increase mostly from net income for the period
Unrealized gain/(loss) on equity securities carried at fair value through other comprehensive income	(368,094)	-687.91%	Higher net MTM losses
Cumulative translation adjustment	131,663	55.40%	Lower downward CTA mainly due to exchange rate differential
Remeasurement gains (losses) on retirement liability	(5,027)	-12.34%	Cumulative amount of actuarial loss in 2022

Statement of Condition: December 2021 vs. December 2020 (consolidated)

(in thousands)	Increase/(Decrease)	Percentage Change	Explanation
Cash and Other Cash Items	126,419	9.10%	Higher cash on hand
Due from Bangko Sentral ng Pilipinas	(10,326,382)	-50.13%	Lower placement in ODF
Due from Other Banks	(837,892)	-55.96%	Lower funds with foreign banks
Interbank Loans Receivable	(1,858,608)	-30.70%	Lower foreign interbank loans and GS Repo
Financial Assets at Fair Value through Profit or Loss	167,997	23.39%	Higher investments in FVTPL
Financial Assets at Fair Value through Other Comprehensive Income	1,351,471	26.30%	Purchase of investments in FVOCI
Investment Securities at Amortized Cost	13,256,923	585.72%	Higher due to additional inventory purchase in 2021
Loans and Receivables	6,083,795	10.36%	Increase in outstanding loans and receivables, mainly in corporate loans/import bills/CTS
Property and Equipment	(12,400)	-1.39%	Decline mainly due to depreciation recognized for the period
Investment Properties			
Foreclosed properties	224,228	36.75%	ROPA foreclosures in 2021 partially offset by depreciation recognized for the period
Office units for lease	(234)	-8.01%	Decline due to depreciation recognized for the period
Intangible Assets	(86,023)	-14.02%	Lower mostly due to amortization of software during the period, partially offset by acquisitions
Deferred Tax Assets - net	155,006	90.86%	Increase in allowance probable loss
Other Assets	(198,103)	-25.48%	Lower primarily from creditable withholding taxes
Deposit Liabilities			
Demand	10,300,825	33.37%	Higher volume of demand deposits
Savings	1,694,167	17.53%	Higher volume of savings deposits
Time	(8,835,947)	-21.89%	Lower volume of time deposits
Bills Payable	3,828,144	175.37	Higher due to higher bills payable - REPO, partly offset by lower BP- deposit substitute
Outstanding Acceptances	(426,204)	-85.62%	Lower bills of exchange accepted by the Bank
Manager's Checks	(15,853)	-8.43%	Lower un-negotiated MC's as of report date

Accrued Interest, Taxes and Other Expenses	(122,051)	-15.20	Lower mainly from lower retirement obligation (net retirement asset in 2021) and lower accrued interest for deposits due to decline in cost of funds
Income Tax Payable	(80,043)	-54.50%	Lower due to change from MCIT to RCIT in Q4 2020.
Retained Earnings	1,572,560	95.97%	Net income for the period
Unrealized gain on equity securities carried at fair value through other comprehensive income	(46,584)	-46.54%	Lower unrealized gain on FVOCI
Cumulative translation adjustment	(26,204)	12.39%	Lower CTA
Remeasurement gains (losses) on retirement liability	145,864	-138.76	Cumulative amount of actuarial gains in 2021

Statement of Income and Expenses: Jan-Dec 2023 vs Jan-Dec 2022 (consolidated)

(in thousands)	Increase (Decrease)	Percentage	Remarks
INTEREST INCOME			
Loans and receivables	1,521,905	33.12%	Higher interest income is primarily derived from increased yields and the growth in average volume, driven by new loan availments, mainly from corporate loans
Investment securities	742,543	81.87%	Higher interest income is attributed to increased yields, primarily from HTC and FVOCI, as well as from a higher average volume, primarily in HTC
Interbank loans receivable and securities purchased under resale agreements	62,697	93.38%	Higher interest income from higher yields
Deposits with other banks	(785)	-2.65%	Lower interest income is primarily attributed to a decrease in average volume, mainly in ODF with BSP, offset by higher yields
INTEREST AND FINANCE CHARGES			
Deposit liabilities	1,916,276	319.73%	The increase is primarily due to a higher cost of funds and an increase in the volume of high-cost deposits
Bills payable, borrowings and others	518,340	274.28%	The increase is mainly attributed to higher cost of funds and average volume, driven by new repos during the year
OTHER INCOME			
Rent income	(24,239)	-5.77%	Lower due to the impact of lease terminations, offset by lease commencements from new tenants
Trading and securities gain (loss) – net	495,103	135.15%	Higher net trading gain, mostly realized, compared to the net trading loss in the same period last year
Service charges, fees and commissions	37,368	9.58%	Higher primarily due to higher trade finance receivables charges, insurance fees income, and loan booking fees (mainly from corporate loans and home loans). This increase is partially offset by lower corporate loan penalty fees and processing fees.

Profit (loss) from assets sold	(38,783)	-63.53%	Lower ROPA gain on sale in 2023
Foreign exchange gain - net	3,322	3.40%	Higher realized foreign exchange gains were partially offset by unrealized foreign exchange losses
Income from trust operations	5,593	17.61%	Increase is mainly due to impact of higher ADB of assets under management
Gain (loss) on assets exchange – net	15,300	440.16%	Net gain on asset exchange compared to net loss in prior year
Miscellaneous	15,453	12.76%	Higher mainly from other income from loans and higher recovery on written-off accounts, partially offset by the impact of income from the forfeiture of security deposits of lessees resulting from the pre-termination of lease contracts in the prior year
OPERATING EXPENSE			
Provision for credit and impairment losses - net	(312,095)	-108.48%	Lower loan provision requirements during the period
Compensation and fringe benefits	92,596	8.30%	Increase is mainly due to salary adjustments and higher contributions
Insurance	18,527	10.08%	Higher PDIC insurance from higher volume of deposits
Occupancy and other equipment-related costs	23,368	17.17%	Higher mainly from repairs & maintenance and electricity costs, partially offset by lower rent expense
Management and professional fees	(63,743)	-38.33%	Decrease is primarily due to lower professional fees
Security, clerical, messengerial and janitorial services	24,800	23.55%	Higher security and janitorial costs primarily due to increase in minimum wage
Entertainment, amusement and recreation	3,710	4.74%	Higher expenses incurred in 2023
Communications	(7,634)	-13.36%	Decrease in commercial leased lines
Miscellaneous	34,208	8.79%	Increase is primarily due to higher employee and travel expense reimbursements, IT relate expenses, and brokerage fees
Share In Net Income Of An Associate	1,315	420.13%	Net income from PBCOM Finance
Provision For Income Tax	117,859	22.43%	Increase mainly due to higher final taxes on interest income on peso government securities and onshore income and lower DTA recognized, partly offset by lower taxable income as of Dec23

Statement of Income and Expenses: Jan-Dec 2022 vs Jan-Dec 2021 (consolidated)

(in thousands)	Increase (Decrease)	Percentage	Remarks
INTEREST INCOME			
Loans and receivables	485,232	11.81%	Higher interest income from growth in average volume (from impact of new loan availments, mainly from corporate loans), partially offset by drop in yields

Investment securities	405,262	85.72%	Higher interest income due to higher yields (mainly from HTC & FVOCI, and from higher average volume, mainly HTC)
Interbank loans receivable and securities purchased under resale agreements	(7,073)	-11.77%	Lower interest income from lower volume
Financial Assets at Fair Value through Profit or Loss	(11,469)	-28.43%	Decrease from lower volume, partially offset by higher yields
Deposits with other banks	(26,052)	-46.78%	Lower interest income mainly from decrease in average volume mainly in ODF
INTEREST AND FINANCE CHARGES			
Deposit liabilities	164,444	37.81%	Increase is primarily from higher cost of funds and from higher CASA volume
Bills payable, borrowings and others	129,886	219.78%	Increase is mainly from higher cost and average volume due to new repos during the year
OTHER INCOME			
Rent income	(85,234)	-16.87%	Lower mainly due to downward impact of pre-terminations and re-negotiated contracts of tenants as a result of the COVID-19 crisis
Trading and securities gain (loss) – net	(124,729)	51.63%	Higher net trading loss, mostly realized
Service charges, fees and commissions	58,381	17.60%	Increase is mainly from higher penalty on corporate loans
Profit (loss) from assets sold	47,476	349.94%	Higher gain on sale of foreclosed ROPA assets
Foreign exchange gain - net	40,821	71.83%	Higher foreign exchange gain, mostly realized
Income from trust operations	2,525	8.64%	Increase is mainly due to impact of higher ADB of assets under management
Gain (loss) on assets exchange – net	(10,936)	-146.60%	Net loss on asset exchange compared to net gain in prior year
Miscellaneous	(16,275)	-11.85%	Decrease primarily due to lower recovery on charged-off asset
OPERATING EXPENSE			
Provision for credit and impairment losses - net	(34,615)	-10.74%	Lower loan provision requirements during the period
Compensation and fringe benefits	98,909	9.73%	Higher manpower costs for the period due to higher headcount and salary adjustments
Insurance	20,984	12.89%	Higher PDIC insurance from higher volume of deposits
Occupancy and other equipment-related costs	17,614	14.86%	Higher mainly from increase in electricity costs
Management and professional fees	66,772	67.08%	Increase is primarily due to higher professional fees
Security, clerical, messengerial and janitorial services	16,445	18.51%	Higher security and janitorial costs primarily due to increase in minimum wage
Entertainment, amusement and recreation	(42,151)	-35.02%	Lower expenses incurred in 2022
Communications	7,463	15.02%	Increase in commercial leased lines
Miscellaneous	(22,172)	-5.39%	Decrease is primarily due to lower ROPA related expenses

Share In Net Income Of An Associate	26	9.06%	Net income from PBCOM Finance
Provision For Income Tax	269,020	104.83%	Increase is mainly due to lower DTA recognized, from higher final taxes, and due to higher taxable income for the period

Statement of Income and Expenses: Jan-Dec 2021 vs Jan-Dec 2020 (consolidated)

(in thousands)	Increase (Decrease)	Percentage	Remarks
INTEREST INCOME			
Loans and receivables	(215,326)	-4.98%	Lower interest income primarily from drop in yields, partially offset by higher ADB volume
Investment securities	109,178	30.03%	Higher due to volume, mainly due to HTC & FVOCI
Interbank loans receivable and securities purchased under resale agreements	(32,677)	-35.23%	Lower volume of GS with repurchase agreement
Financial Assets at Fair Value through Profit or Loss	(39,662)	-49.57%	Decrease from lower volume and lower yields
Deposits with other banks	(76,722)	-57.94%	Lower income from decrease in average volume mainly in ODF, and lower yields
INTEREST AND FINANCE CHARGES			
Deposit liabilities	(486,560)	-52.80%	Decline from lower cost of funds and lower volume, mostly TDs
Bills payable, borrowings and others	(87,935)	-59.81%	Lower cost of funds ,and lower volume mainly in Repo
OTHER INCOME			
Rent income	(168,173)	-24.97%	Lower mainly due to downward impact of pre-terminations and re-negotiated contracts of tenants as a result of the COVID-19 crisis
Service charges, fees and commissions	(57,367)	-14.74	Lower mostly due to decrease in penalties on corporate loans
Trading and securities gain (loss) - net	(896,329)	-136.90%	Higher trading loss, mostly realized
Profit (loss) from assets sold	6,788	100.13%	Higher gain on sale of ROPA
Income from trust operations	3,542	13.79%	Increase due to higher average volume of assets under management
Gain (loss) on assets exchange - net	10,617	-336.30%	Higher due to net gain on ROPA foreclosures for the year
Gain on sale of investment securities at amortized cost	(2,552)	-100.00%	Gain on sale of HTC for the period
Miscellaneous	(21,056)	-13.29%	Decrease primarily due to lower pre-termination penalty income from lease contracts
OPERATING EXPENSE			
Provision for credit and impairment losses - net	(1,095,927)	-77.27%	Lower provision requirement in 2021
Taxes and licenses	(162,618)	-25.41%	Lower GRT and business taxes

Insurance	9,058	5.89%	Higher PDIC insurance from higher volume of deposits
Occupancy and other equipment-related costs	17,185	16.96%	Higher electricity and water costs
Management and professional fees	(40,458)	-28.90	Lower professional fees
Security, clerical, messengerial and janitorial services	5,424	6.5%	Higher security and janitorial costs
Share In Net Income Of An Associate	21	7.89%	Net income from PBCOM Finance offset by net loss from PISAI
Provision For Income Tax	26,503	11.52	Higher taxable income

Interest income on non-discounted loans is recognized based on the accrual method of accounting, while unearned discounts are amortized to income over the terms of the loans. As such, there are no seasonal aspects that materially impact the Bank's interest revenues.

(3) Other material events and/or uncertainties:

- The Bank does not anticipate any cash flow or liquidity problems in the next 12 months after year-end 2023.
- The Bank does not foresee any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- There are no material commitments for capital expenditures.
- The Bank remain cautious in expanding its loan portfolio given the on-going effect of the pandemic on the economy while the Executive Committee (EXCOM) stays vigilant with its loan approvals.
- There are no significant elements of the Bank's income in 2023 that did not arise from continuing operations.
- There are no seasonal aspects that have a material effect on the financial condition or results of operations.

Item 7. Financial Statements

Attached hereto are the audited financial statements for the year ended December 31, 2023.

The accounting firm of Sycip, Gorres, Velayo and Co. ("SGV"), with address at SGV Building, 6760 Ayala Avenue, Makati City, has been the Bank's independent public accountants for the past years. The same accounting firm will likely be recommended for re-election at the scheduled annual meeting this year. Mr. Ray Francis C. Balagtas was assigned partner starting in 2019 in compliance with SRC 68(3)(b)(ix).

SGV is expected to be represented in the coming Annual Stockholders' Meeting with an opportunity to make statements, if they so desire, and will be available to respond to appropriate questions.

There is no disagreement with the Bank's accountants on matters of accounting and financial disclosure.
The aggregate external audit fees billed for each of the last three (3) fiscal years for the audit of the registrant's annual financial statements or services that are normally provided by the external auditors are as follows:

Fiscal Year	Audit Fees	All other fees
2023	₱4,495	-
2022	₱5,256	-
2021	₱4,721	-

The above audit fees are inclusive of the following: (a) Other assurance related services by the External Auditor that are reasonably related to the performance of the audit or review of the Bank's financial statements and (b) All Other Fees. Fees paid to professional partnerships like SGV are not subject to withholding tax.

The Audit Committee is directly responsible for selecting and appointing the independent public accountants. Annually, the Committee recommends that the Board request shareholder ratification of the appointment of the independent public accountants. The Committee is also responsible for setting the compensation of the independent public accountants and periodically reviews the fees charged for all permitted audit-related expenses and other services. It is also their responsibility to evaluate and, when appropriate, to remove the independent public accountants.

As of December 2023, the Audit Committee consists of Emmanuel Y. Mendoza as Chairperson until December 19, 2023, with Gilda E. Pico and Teresita J. Herbosa serving as members. Following the designation of Dir. Emmanuel Y. Mendoza as Board Adviser effective December 20, 2023, Teresita J. Herbosa was designated as Chairperson, and Paolo Benigno A. Aquino IV was appointed as a member effective February 01, 2024.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes or disagreements with accountants on matters of accounting and financial disclosure.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

(1) Directors and Executive Officers

NAME	OFFICE	AGE	CITIZENSHIP	YEAR OF ASSUMPTION OF OFFICE
Eric O. Recto	Chairman of the Board/Director	60	Filipino	2011
Leonardo B. Dayao	Vice Chairman / Director	80	Filipino	2014
Lucio L. Co	Director/Chairman of the Executive Committee	69	Filipino	2014
Patricia May T. Siy	President & CEO / Director	63	Filipino	2015
Bunsit Carlos G. Chung	Director	73	Filipino	1997
Susan P. Co	Director	66	Filipino	2014
Levi B. Labra	Director	65	Filipino	2014/2017
Hans Brinker M. Sicat	Director	63	Filipino	2023
Gregorio T. Yu	Director	65	Filipino	2011
Jack Ekian T. Huang	Director	69	Filipino	2019
Stephen Anthony T. CuUnjieng	Independent Director	64		2022
Conrado A. Gloria, Jr.	Independent Director	64	Filipino	2019
Teresita J. Herbosa	Independent Director	73	Filipino	2022
Emmanuel Y. Mendoza	Independent Director	59	Filipino	2014
Gilda E. Pico	Independent Director	77	Filipino	2017
John Howard D. Medina	Executive Vice President-COO	54	Filipino	2017
Alan E. Atienza	Executive Vice President-Treasurer	53	Filipino	2015
Victor O. Martinez	Executive Vice President – Corporate and Commercial Banking Group Head	58	Filipino	2020
Erico C. Indita	Senior Vice President – Branch Banking Group	55	Filipino	2020
Arlene M. Datu	Senior Vice President – Comptroller	65	Filipino	2013
Expedito G. Garcia	Senior Vice President – Transaction Banking Group	56	Filipino	2015
Jane Lim-Laragan	Senior Vice President – General Services Group	56	Filipino	2016
Mina F. Martinez	Senior Vice President – Human Resources Group Head	61	Filipino	2015
Greg L. Romero	Senior Vice President –Information Technology Group	55	Filipino	2023
Dreda Teresa D. Mendoza	First Vice President – Trust and Wealth Management Group	51	Filipino	2021
Mailene V. Mungcal	First Vice President and Chief Audit Executive	43	Filipino	2024
Ronald Paul D. San Diego	First Vice President and Chief Risk Officer	37	Filipino	2023

Jo-Anne R. Legaspi	First Vice President - Legal Services Group	44	Filipino	2020
Angelita U. Egalin	Vice President and Chief Compliance Officer	58	Filipino	1988

Board of Directors

ERIC O. RECTO, *Chairman of the Board and Director*

Eric Recto, Filipino, 60 years old, was elected Director and Vice Chairman of the Board on July 26, 2011, appointed Co-Chairman of the Board on January 18, 2012 and Chairman of the Board on May 23, 2012.

He is presently Chairman and President of Bedfordbury Development Corporation; Chairman of the Board and Chief Executive Officer of Alphaland Corporation; Chairman of the Board and Chief Executive Officer of Atok-Big Wedge Co., Inc.; He is Lead Independent Director of Aboitiz Power Corporation; Independent Director of Manila Water Company, Inc.; and holds board positions in a few other publicly-listed companies. He was recently appointed Senior Advisor of Stonepeak Infrastructure Partners in the US and Director of Miescor Infrastracture Development Corporation.

Prior to his current roles, he was President of Petron Corporation, the largest oil refining and marketing company in the Philippines. He also previously served as Undersecretary of Finance of the Republic of the Philippines from 2002 to 2005.

Mr. Recto has an undergraduate degree in Industrial Engineering from the University of the Philippines and has an MBA from Cornell University's Johnson Graduate School of Management.

LEONARDO B. DAYAO, *Vice Chairman and Director*

Mr. Dayao, Filipino, 80 years old, was elected Director on September 29, 2014 and Co-Vice Chairman on October 24, 2014. Mr. Dayao currently holds the following positions in publicly listed companies: President of Cosco Capital, Inc. and Director of Puregold Price Club, Inc.

He also holds various positions in the following privately-owned companies: Chairman and President of Fertuna Holdings Corp., Chairman of Catuiran Hydropower Corporation, Grass Gold Renewable Energy (G2REC) Corporation, Karayan Hydropower Corporation, League One Finance and Leasing Corporation, Pamana Water Corporation, PSMT Philippines, Inc., S&R Pizza (Harbor Point), Inc., S&R Pizza, Inc.; Vice-Chairman of Ayagold Retailers, Inc.; President of Alcorn Petroleum Minerals Corporation, K4 Water Resources Corporation, NE Pacific Shopping Centers Corporation, Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., San Jose City I Power Corp., Southern Utility Management Services, Incorporated (SUMSI), Union Energy Corporation; Vice-President of Alerce Holdings Corp., Bellagio Holdings, Inc., KMC Realty Corporation, Puregold Properties, Inc., Union Equities, Inc.; and Director of Canaria Holdings Corporation, Entenso Equities Incorporated, Kareila Management Corporation and Puregold Realty Leasing & Management, Inc.

Mr. Dayao received a Bachelor of Science Degree in Commerce from Far Eastern University. He is a Certified Public Accountant and has completed Basic Management Program at Asian Institute of Management and earned units in MBA from University of the Philippines-Cebu.

LUCIO L. CO, *Chairman of the Executive Committee and Director*

Mr. Co, Filipino, 69 years old was elected Director on September 29, 2014. Mr. Co currently holds the following positions in other publicly listed companies: Director and Chairman of Puregold Price Club, Inc., Chairman of Cosco Capital, Inc. and Chairman of The Keepers Holdings, Inc. (formally Da Vinci Capital Holdings, Inc.).

He is also the Chairman of the following privately-owned companies: Alcorn Petroleum & Minerals Corporation, Bellagio Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Inc., Entenso Equities Incorporated, Invescap Incorporated, Makabayan Holdings Incorporated, NE Pacific Shopping Centers Corporation, P.G. Holdings, Inc., Pajusco Holdings Corporation, Puregold Duty Free (Subic), Inc., Puregold Duty Free, Inc., Puregold Finance, Inc., Puregold Properties, Inc., Puregold Realty Leasing & Management, Inc., San Jose City I Power Corp., Union Energy Corporation, and Union Equities, Inc., Mr. Co is also a Director of the following privately-owned companies: Catuiran Hydropower Corporation, Cleangreen Energy Corporation, Forbes Corporation, Grass Gold Renewable Energy (G2REC) Corporation, Karayan Hydropower Corporation, Kareila Management Corp., LCCK & Sons Realty Corporation, League One Finance and Leasing Corporation, Meritus Prime Distributions, Inc., Montosco, Inc., Pamana Water Corporation, PPCI Subic Inc., Patagonia Holdings Corp., Premier Wine & Spirits, Inc., S&R Pizza (Harbor Point), Inc., and S&R Pizza, Inc., Tower 6789 Corporation and VS Gripal Power Corporation. He is a member of the Board of Trustees of Adamson University and Luis Co Chi Kiat Foundation, Inc.

Mr. Co has been an entrepreneur for the past 40 years.

PATRICIA MAY T. SIY, *President & CEO and Director*

Ms. Siy, Filipino, 63 years old, was elected Director, President and Chief Executive Officer on June 1, 2015. She is also a Director of PBCOM Finance Corporation and Chairman of PBCOM Insurance Services Agency, Inc.

Immediately before joining PBCOM, she served as Chief Corporate Planning Officer of Travellers International Hotel Group from 2012 and as Chief Finance Officer of Rustan's Supercenter Inc. from 2011 to 2012. Her banking experience spanned 39 years. She was with Security Bank Corporation where she held various positions from 2000 to 2011 in Middle Market Lending and Corporate Lending leading to the Executive Vice President post for the Commercial and Retail Banking Segment. She held senior positions in Standard Chartered Bank from 1994 to 2000 in the fields of Regional and Philippine Consumer Credit, Group Special Asset Management, and Corporate Banking in Cebu and Head Office. Her first Bank was Private Development Corporation of the Philippines where she stayed from 1983 to 1994 as Project Analyst, Cebu Lending Head, Visayas Lending Head, and then Branch Lending Head.

Ms. Siy graduated from De La Salle University with a Bachelor of Science degree in Industrial Management Engineering minor in Chemical Engineering.

BUNSIT CARLOS G. CHUNG, *Director*

Mr. Chung, Filipino, 73 years old, was elected Director on June 17, 1997. He is Chairman & President of Supima Holdings, Inc., and Director of La Suerte Cigar & Cigarette Factory, Century Container Corporation, Bicutan Container Corporation, Tosen Foods Corporation, PBCom Finance Corporation, State Investment House, Inc. and State Properties, Inc. He is an Advisory member of the Board of Trustees of Xavier School Inc., and a member of the Board of Trustees of Immaculate Conception Academy (Greenhills) Scholarship Foundation, Seng Guan Temple, Angelo King Foundation Inc. and Kim Siu Ching Family Association, Vice-Chairman & President of Tiong Se Academy.

Mr. Chung has a degree in AB (Economics) & Business Administration from De La Salle University as well as an MBA from the University of Southern California.

SUSAN P. CO, *Director*

Mrs. Co, Filipino, 66 years old was elected Director on September 29, 2014. She currently holds the positions of Vice-Chairman of Puregold Price Club, Inc. and Vice-Chairman and Treasurer of Cosco Capital, Inc., both publicly listed companies.

Mrs. Co is the Chairman and President of Cosco Price, Inc., Chairman of Kareila Management Corporation and Tower 6789 Corporation, President of Makabayan Holdings Incorporated and Director of the following privately-owned companies: Bellagio Holdings, Inc., Blue Ocean Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Inc., KMC Realty Corp., Meritus Prime Distributions, Inc., Montosco, Inc., NE Pacific Shopping Center Corporation, P.G. Holdings, Inc., Patagonia Holdings Corp., PPCI Subic Inc., Premier Wines and Spirits, Inc., Puregold Duty Free (Subic), Inc., Puregold Duty Free, Inc., Puregold Finance, Inc., Puregold Properties, Inc., Puregold Realty Leasing & Management, Inc., S&R Pizza (Harbor Point), Inc., S&R Pizza, Inc., San Jose City I Power Corp., Union Energy Corporation and Union Equities, Inc. and Treasurer of Forbes Corporation.

Mrs. Co received a Bachelor of Science Degree in Commerce from the University of Santo Tomas.

JACK EKIAN T. HUANG, *Director*

Mr. Huang, Filipino, 69 years old, was elected Director on June 4, 2019. He currently holds the positions of Director of Puregold Price Club Inc. and Cebu Business Continuous Forms, Vice President of Abacus Securities Corporation and Director and Treasurer of Richmedia Network Inc. Mr. Huang also serves as Member of the Board of Trustees and Member of the Finance Committee of Sacred Heart School (Ateneo de Cebu).

In the past, he was Assistant Vice President of the Bank of the Philippine Islands, Branch Manager of Ayala Investment & Development Corporation and Director.

Mr. Huang obtained his Bachelor of Arts in Economics at the Ateneo de Manila University.

LEVI B. LABRA, *Director*

Mr. Labra, Filipino, 65 years old, served as an Independent Director from October 24, 2014 until his election as a regular member of the Board of Directors on February 22, 2017. Mr. Labra is also a Director of Cosco Capital, Inc., a publicly listed company.

He obtained his Bachelor of Science in Business Administration (Cum Laude) at the University of San Carlos, Cebu City.

HANS BRINKER M. SICAT, *Director*

Mr. Sicat, Filipino, 63 years old, was elected Director on June 13, 2023. He is the former Country Manager and Head of Clients of ING Bank N.V. Manila, Philippines. He is also President of the Investment House Association of the Philippines.

A trained mathematician and economist, Mr. Sicat has been involved with the global capital market for about three decades. He was a member of the PSE Board of Directors from 2018-2019; he was also the Chairman of the Risk Management Committee of the Bankers Association of the Philippines, during the period he was a Board Director from March 2018 to March 2019. Mr. Sicat was the PSE CEO since 2011, making him the longest-serving CEO of the Exchange. He also served as PSE Chairman & Independent Director for about 18 months since 2009 while concurrently President and CEO of the Securities Clearing Corporation of the Philippines, a subsidiary of the PSE.

For over two decades, he was an investment banker with Citigroup and its predecessor firms (Salomon Brothers & Citicorp Securities) in various roles in New York, Hong Kong, and the Philippines.

Mr. Sicat finished his coursework for a PhD in Economics at the University of Pennsylvania, and earned his Master of Arts in Economics and Bachelor of Science in Mathematics at the University of the Philippines. He was conferred an Honorary Doctorate Degree in Business Administration by the Western University of Thailand.

GREGORIO T. YU, *Director*

Mr. Yu, Filipino, 65 years old, was elected Director on July 26, 2011 and is presently the Chairman of Auto Nation Group, Inc., Cats Automobile Corp and Nexus Technologies, Inc. Mr. Yu also sits as Director in various companies, among which are CATS Asian Cars, Inc., American Motorcycles, Inc., Unistar Credit and Finance Corporation, Glyph Studios, Inc., Prople BPO Inc., WSI Corporation, and Jupiter Systems Corporation.

He is concurrently an Independent Director of Alphaland Corporation, Glacier Megafridge, EEI Corporation, APO Agua Infrastructura Inc., Philequity Management Inc., Vantage Financial Corporation (formerly E-business Services, Inc. and Vantage Equities Inc.. He also serves as Board Member of The Manila Symphony Orchestra since 2009.

He received his MBA from the Wharton School of the University of Pennsylvania in 1983 and his Bachelor of Arts in Economics (Honors Program) Summa Cum Laude from De La Salle University in 1978**.**

STEPHEN ANTHONY T. CUUNJIENG, *Independent Director*

Mr. CuUnjieng, Filipino, 64 years old, was elected Independent Director on July 1, 2022. He concurrently serves as an Independent Director of First Philippine Holdings Corporation since 2018. Mr. Cuunjieng is also an Independent Director at Century Properties Group, Century Pacific Food Inc., Greenenergy Holdings Inc. and Micare Health Tech Holdings (Singapore). He is part of the Executive Advisory Board for Asia of the Wharton School of Business and the International Advisory Board of the New York Philharmonic.

He was a Senior Managing Director at Evercore and Chairman at Evercore Asia Limited from 2009 to 2022. He was previously an Independent Director of Aboitiz Equity Ventures (2010 to 2018), an Adviser to the Board of SM Investments Corporation (2008-2017) and Director of Manila North Tollways Corporation (2008-2013). He was Vice Chairman, ASEAN of Macquarie (Hong Kong) Limited from 2007 to 2009.

Mr. CuUnjieng holds a degree in Bachelor of Arts (1980) and also has a Bachelor’s Degree in Law (with honors) (1984) from the Ateneo de Manila University and the Ateneo Law School. He also has a Master’s Degree in Business Administration (Finance) from Wharton School of Business (1986).

CONRADO A. GLORIA, JR., *Independent Director*

Mr. Gloria, Filipino, 64 years old, was elected Independent Director on June 4, 2019. He currently holds the positions of President & CEO of GIV Capital Holdings Corporation and Corporate Secretary of Miguel and Maria Group of Restaurants, Inc. Mr. Gloria is an Independent Director of PBCOM Insurance Services Agency, Inc. and Scheirman Construction Consolidated Inc.

In the past, he served as President & COO of Investment & Capital Corporation of the Philippines, Executive Vice President and Managing Director of SB Capital Investment Corporation, President of SB Equities, Inc., Senior Vice President of Southeast Asia Cement Holdings Inc. and Senior Finance Officer of International Finance Corporation.

Mr. Gloria obtained his Bachelor of Arts in Economics at the University of the Philippines and his Master’s in

Business Administration at the Asian Institute of Management.

TERESITA J. HERBOSA, *Independent Director*

Ms. Herbosa, Filipino, 73 years old, was elected as Independent Director on November 2, 2022. She currently serves as a Director of the Board of Telecommunications Connectivity, Inc., and also sits as an Independent Director of mutual fund companies under the Sunlife Group: Sunlife of Canada Prosperity Bond Fund, Inc., Sunlife Prosperity Peso Starter Fund, Inc., Sunlife Prosperity Dollar Starter Fund, Inc., Sunlife Prosperity Peso Voyager Feeder Fund Inc., Sunlife Prosperity World Income Fund, Inc., Sunlife Prosperity Achiever Fund 2028, Inc., and Sunlife Prosperity Achiever Fund 2038, Inc.

Ms. Herbosa is likewise a law professor at the DLSU College of Law (Rufino Campus) and Lyceum Makati. She is the former Chairperson of the Philippine Securities and Exchange Commission or SEC from April 2011 up to June 2018.

Prior to government service, Ms. Herbosa was with Angara Abello Concepcion Regala & Cruz Law Offices ("ACCRALAW") where she headed its prestigious Litigation and Dispute Resolution Department for more than 10 years during which it was consistently recognized as the best in that area of practice. She retired from ACCRALAW in 2011 as a Senior Partner/Co-Managing Partner.

Ms. Herbosa finished AB Political Science cum laude at the University of the Philippines (UP) Diliman, and Bachelor of Laws cum laude and class salutatorian from the UP College of Law. She has a master's degree from the University of Michigan.

EMMANUEL Y. MENDOZA, *Independent Director*

Mr. Mendoza, Filipino, 59 years old, was elected Independent Director on December 19, 2014, and served as such until the conclusion of his 9-year term on December 19, 2023.

He is currently the Managing Partner of Mendoza Querido & Co., and President of MQ Agri Unlimited Inc. He is also an Independent Director of Medicard Philippines, Inc.

He obtained his Bachelor in Business Administration in Accountancy at the University of the Philippines and a Master in Management at the Asian Institute of Management. Mr. Mendoza is a Certified Public Accountant.

GILDA E. PICO, *Independent Director*

Ms. Pico, Filipino, 77 years old, was elected Independent Director on February 22, 2017. She is currently Chairman of the Board of Producers Savings Bank Corporation. Ms. Pico is also connected with Marinor Development Corporation as Director/Treasurer, Gilart Holdings Corporation as President and PayMaya Philippines as Independent Director.

In the past, Ms. Pico was President and CEO of Land Bank of the Philippines from November 2006 to July 2016. She was Land Bank's Acting President from July 2005 to November 2006 and Trustee of Land Bank Countryside Development Fund from 2005 to 2015. She also served as Chairman/Director in various government and private institutions engaged in leasing, realty, insurance, guarantees, microfinancing, rural and development banking from 1985 to 2016 such as LBP Insurance Brokerage, Inc., LBP Leasing and Finance Corporation, Landbank Realty Corp., Masaganang Sakahan, Inc., National Livelihood Development Corporation, Peoples Credit and Finance Corporation, Philippine Crop Insurance Corporation, among others.

Ms. Pico obtained her Bachelor of Science Degree in Commerce in 1966 from the College of the Holy Spirit where she graduated Magna Cum Laude and earned units in Masters in Business Administration from the

University of the East. Ms. Pico is a Certified Public Accountant.

MICHAEL STEPHEN H. LAO, *Corporate Secretary*

Mr. Lao, Filipino, 40 years old, was elected Corporate Secretary on June 4, 2019. He was the Bank's Assistant Corporate Secretary from November 30, 2014 up to his election as Corporate Secretary. He is currently a Partner at Zambrano Gruba Caganda and Advincula Law Offices.

Atty. Lao received his Bachelor of Science degree in Business Administration from College of Saint Benilde and his Juris Doctor degree from Ateneo de Manila School of Law in 2012. He was admitted to the Philippine Bar in 2013.

Executive Officers

JOHN HOWARD D. MEDINA, *Executive Vice President and Chief Operations Officer*

Mr. Medina, Filipino, 54 years old, joined PBCOM in 2017 and has over 26 years of experience in the banking industry as a senior executive in the Philippines and as an adviser to large banks in the United States. Mr. Medina obtained his Bachelor of Science in Industrial Engineering degree from the University of the Philippines, Diliman and Master of Business Administration degree from the Shidler College of Business at the University of Hawai'i at Manoa. He was also awarded Graduate Certificates in Leadership from The East–West Center, International Management from the Pacific Asian Management Institute, and European Management from the European Summer School for Advanced Management held in Marseilles, France.

ALAN E. ATIENZA, *Executive Vice President – Treasurer*

Mr. Atienza, Filipino, 53 years old, joined PBCOM in 2015 and has over 26 years of banking experience in Trading and Treasury Operations. He has been a recipient of numerous industry awards for Fixed Income Trading and has been a board member of Money Market Association of the Philippines (MART). Mr. Atienza obtained his Bachelor of Arts in Economics and holds a Master of Business Administration degree, both from San Sebastian College.

VICTOR O. MARTINEZ, *Executive Vice President – Corporate and Commercial Banking Group Head*

Mr. Martinez, Filipino, 58 years old, joined PBCOM in 2020 and has 31 years of experience in Corporate Lending, Loan Syndication and Project Finance across major industries gained from local and foreign banks. Mr. Martinez obtained his Bachelor of Science in Commerce major in Management of Financial Institutions from De La Salle University and holds a Master of Management degree from Willamette University, Salem Oregon.

ARLENE M. DATU, *Senior Vice President and Comptroller*

Ms. Datu, Filipino, 65 years old, joined PBCOM in 2013 and has over 43 years of banking experience gained from Local and Foreign Banks as well as a Credit Card Company. She has extensive exposure on Financial Accounting, Management Profitability Reporting and Analysis, Regulatory Compliance, Operations, Risk and Audit. Ms. Datu obtained her Bachelor of Science major in Accounting from Polytechnic University of the Philippines.

ERICO C. INDITA, *Executive Vice President – Branch Banking Group*

Mr. Indita, Filipino, 55 years old, joined PBCOM in 2020 and has over 30 years of extensive management and banking experience in Branch and Retail Banking. Mr. Indita, obtained his Bachelor of Science Degree in Commerce major in Management from San Beda College and holds a Master in Business Administration Degree from Ateneo De Manila University Graduate School of Business. He also has a Diploma in Strategic Negotiations from Asian Institute of Management.

EXPEDITO G. GARCIA, *Senior Vice President – Transaction Banking Group*

SVP Mr. Garcia, Filipino, 56 years old, joined PBCOM in 2015 with over 33 years of extensive Management and Banking experience, with the last 19 years spent in a senior supervisory role. He has strong background in Corporate Cash Management and Managing and Developing Electronic Banking Channels with exposure to both Corporate and Retail Markets. Mr. Garcia obtained both his Bachelor of Science in Industrial Management Engineering minor in Mechanical Engineering and Master's Degree in Business Administration from De La Salle University. He also holds a Certificate in International Cash Management from the Association of Corporate Treasurers, United Kingdom.

JANE LIM-LARAGAN, *Senior Vice President – General Services Group*

Atty. Laragan, Filipino, 56 years old, joined PBCOM in 2016 and has 21 years of experience in various departments: Legal, Human Resources, General Services, Compliance and Risk. Atty. Laragan obtained both her Bachelors Degree in Commerce Major in Economics, and Bachelors Degree in Law from the University of Santo Tomas.

MINA F. MARTINEZ, *Senior Vice President – Human Resources Group Head*

Ms. Martinez, Filipino, 61 years old, joined PBCOM in 2015 with 40 years of Human Resource Management experience gained from the Construction, Manufacturing, Banking and Retail industries. She specializes in Policy Development and Documentation, Employee and Labor Relations, Workforce Planning, Performance Management, Training and Development. Ms. Martinez obtained her Bachelor of Arts in Mass Communications from Far Eastern University and completed all academic units for her Master of Business Administration from Colegio de San Juan de Letran, Manila.

GREG L. ROMERO, *Senior Vice President - Information Technology Group*

Mr. Romero, Filipino, 55 years old, joined PBCOM in 2023 and has over 37 years of Information and Communications Technology experience gained from Banking, Telecommunications, and Credit Card industries. He obtained his Bachelor of Science Degree in Mathematics major in Computer Science from Ateneo De Manila University.

DREDA TERESA D. MENDOZA*, First Vice President - Trust and Wealth Management Group*

Ms. Mendoza, Filipino, 51 years old, joined PBCOM in February, 2021. She brings with her 29 years of experience in Trust banking in the areas of operations, portfolio management and sales and marketing gained from her stints in both local and foreignowned Trust institutions. She is currently serving as Director in the Trust Officers Association of the Philippines (TOAP) and as Board of Trustee in the Trust Institute Foundation of the Philippines (TIFP). Ms. Mendoza obtained her Bachelor of Science in Business Administration major in Accounting, Cum Laude, at the Mindanao State University, Marawi City.

MAILENE V. MUNGCAL, *First Vice President* and Chief Audit Executive

Ms. Mungcal, Filipino, 43 years old, joined the Bank on the first working day of 2024, with more than 22 years of banking experience in auditing/internal audit. She obtained her Bachelorof Science in Accountancy from the University of Santo Tomas. She is a Certified Public Accountant.

RONALD PAUL D. SAN DIEGO, *First Vice President and Chief Risk Officer*

Mr. San Diego, Filipino, 37 years old, joined PBCOM in July of 2023 and has 12 years of experience in Credit and Operational Risk Management. Mr. San Diego obtained his Bachelor of Science in Statistics minor in Sociology from the University of the Philippines, Los Banos, Laguna. He has MBA Units from SMC-Ateneo Leadership and Management Development Program. He is also a a Certified Risk Analyst (CRA).

JO-ANNE R. LEGASPI*, First Vice President - Legal Services Group*

Atty. Legaspi, Filipino, 44 years old, joined PBCOM in 2020 and has over 19 years of Legal experience in Banking, Retail, Service, Real Estate, and Manufacturing industries. Atty. Legaspi obtained her Bachelor of Arts Degree in Political Science from the Ateneo de Manila University, and Juris Doctor Degree from the Ateneo de Manila University School of Law.

ANGELITA U. EGALIN, *Vice President and Chief Compliance Officer*

Ms. Egalin, Filipino, 58 years old, joined PBCOM in 1988 with over 31 years' experience in banking. Fields of specialization include Compliance, Governance, AML, Branch Banking and Loan Operations. Ms. Egalin obtained her Bachelor of Science in Business Administration major in Accounting from the University of East. She is also a Certified Public Accountant (CPA).

The directors of the bank are elected at the annual stockholder's meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified.

Directorship in Other Reporting Companies

- Mr. Eric O. Recto is also a Director of Atok-Big Wedge Co. Inc., Aboitiz Power Corporation and Manila Water Company, Inc.
- Mr. Leonardo B. Dayao is also a Director of Puregold Price Club, Inc. and Cosco Capital, Inc.
- Mr. Lucio L. Co is also a Director of Puregold Price Club, Inc., Cosco Capital, Inc., and The Keepers Holdings, Inc. (formerly Da Vinci Capital Holdings, Inc)
- Ms. Susan P. Co is also a Director of Puregold Price Club, Inc. and Cosco Capital, Inc.
- Mr. Levi B. Labra is also a Director of Cosco Capital, Inc.
- Mr. Gregorio T. Yu is also a Director of Vantage Equities, Inc.
- Mr. Jack Ekian T. Huang is also a Director of Puregold Price Club, Inc.
- Mr. Stephen Anthony T. CuUnjieng is also a Director of First Philippine Holdings Corporation, Century Properties Group, Century Pacific Food Inc., and Greenenergy Holdings Inc.

Shares of Atok-Big Wedge Co., Inc. (AB), Aboitiz Power Corporation (AP), Manila Water Company (MWC), Puregold Price Club, Inc. (PGOLD), Cosco Capital, Inc. (COSCO), Keepers Holdings, Inc. (KEEPR) (formerly Da Vinci Capital Holdings, Inc.), Vantage Equities, Inc. (V), First Philippine Holdings Corporation (FPH), Century Properties Group (CPG), Century Pacific Food Inc. (CNPF) and Greenenergy Holdings, Inc..(Green) are all listed in the Philippine Stock Exchange, Inc.

(2) Significant Employees

There is none to disclose. The Bank currently does not employ any person who is not an executive officer but makes a significant contribution to the business.

(3) Family Relationships

Mr. Lucio L. Co and Ms. Susan P. Co are husband and wife. Ms. Katrina Marie Co-Go, Assistant to the Excom Chairman, is the daughter of Mr. and Mrs. Lucio Co, while Atty. Michael Stephen H. Lao, Corporate Secretary, is the son-in-law of Mr. and Mrs. Lucio Co. Other than the foregoing, the persons nominated or chosen by the

Bank to become directors or executive officers are not related to each other up to the fourth civil degree either by consanguinity or affinity.

(4) Involvement in Legal Proceedings

To the best of the knowledge of management, the Bank is not aware of:

- any bankruptcy petition filed by or against any business of which they are incumbent directors or senior officers was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- any conviction by final judgment in a criminal proceeding, domestic or foreign, pending against any of the incumbent directors or executive officers;
- any order, judgment, or decree, not subsequently reversed, suspended, or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting the involvement of the incumbent directors or executive officers in any type of business, securities, commodities or banking activities; and
- any finding by a domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or said regulatory organization that any of the incumbent directors or executive officers has violated a securities or commodities law, and the judgment has not been reversed, suspended or vacated, which may have a material effect in the operations and deter, bar or impede the fulfillment of his/ her duties as a director or executive officer of the Bank.

Item 10. Executive Compensation

Compensation of Directors and Executive Officers

Since the Bank obtained an exemption from the SEC to disclose the required detailed compensation information, disclosure of aggregate compensation paid or accrued during the last three fiscal years 2021 to 2023 of the Bank's Chief Executive Officer and four other most highly compensated executive officers are as follows:

	2023	2022	2021
CEO and four most highly compensated Executive officers	Patricia May T. Siy President & CEO	Patricia May T. Siy President & CEO	Patricia May T. Siy President & CEO
	John Howard D. Medina Executive Vice President	John Howard D. Medina Executive Vice President	John Howard D. Medina Executive Vice President
	Alan E. Atienza Executive Vice President	Alan E. Atienza Executive Vice President	Alan E. Atienza Executive Vice President
	Victor O. Martinez Executive Vice President	Victor O. Martinez Executive Vice President	Victor O. Martinez Executive Vice President
	Erico C. Indita Senior Vice President	Erico C. Indita Senior Vice President	Arlene M. Datu Senior Vice President
Salary	₱66,475	₱64,465	₱60,175
Bonus	22,158	21,488	20,258
Other Annual Compensation			
TOTAL	₱88,633	₱85,953	₱80,433

All officers and directors as Group Unnamed			
Salary Bonus Other Annual Compensation	₱824,971 274,990 -	₱648,154 216,051 -	₱ 624,600 193,915 -
TOTAL	₱1,099,961	₱864,205	₱818,515

The following is the estimated annual compensation for year 2023:

	Salary	Bonus	Other Annual Compensation	Total
Total of CEO and Four most highly compensated Executive Officers	₱69,799	21,918	none	₱91,717
All officers as a group unnamed	₱866,220	220,372	none	₱1,086,592

The director's per diem paid amounted to ₱12.26 Million, ₱12.91 Million, and ₱13.6 Million, as of December 31, 2023, 2022, and 2021, respectively.

The five (5) Independent and four (4) other regular Directors are entitled to a Director's fee for attending Board meetings. The remaining six (6) Directors have waived their right to receive Director's fees. As stipulated in the By-laws, Directors are also entitled to share in the net profits to be distributed in such manner as the Board may provide but not exceeding four (4) percent.

There are no other terms and conditions with regard to the employment contract between PBCOM and named Executive Officers or any other more compensatory plans or arrangements except those disclosed above.

There are no Outstanding Warrants or Options held by the Directors and Officers as of December 31, 2023.

The Bank has no record of adjusting or amending the exercise price of stock warrants previously awarded to any of the officers and directors.

Item 11. Security Ownership of Certain Beneficial Owners and Management

A. Security Ownership of Certain Record and Beneficial Owners of more than 5 percent of the Bank's capital stock as of December 31, 2023:

Title of Class	Name and Address of Record Owner and relationship with Issuer	Name of Beneficial Ownership and relationship with Record Owner	Citizenship	No. of Shares	% Held
Common	P.G. Holdings, Inc. 900 Romualdez St., Paco, Manila Stockholder	Lucio L. Co-Chairman Susan P. Co-Director	Filipino	186,241,408	38.75%
Common	VFC Land Resources, Inc. 1379 San Gregorio St., Paco, Manila Stockholder	Various stockholders Lucio L. Co – Authorized to vote the shares	Filipino	88,883,602	18.49%
Common	Ralph C. Nubla, Jr. 2 Sanso Street, Corinthian Gardens, Quezon City Stockholder	Ralph C. Nubla, Jr. – same as record owner	Filipino	51,779,374*	10.77%
Common	PCD Nominee Corporation 29th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati City	Various stockholders	Filipino Non-Filipino	49,058,856 1,993,861 51,052,717	10.62%

	Stockholder				
Common	Eric O. Recto 5/F PBCOM Tower 6795 Ayala Ave. cor. V.A. Rufino St., Makati City Stockholder	Eric O. Recto – same as record owner	Filipino	50,159,424**	10.44%
Common	Telengtan Brothers & Sons, Inc. Km. 14, South Superhighway, Paranaque City Stockholder	Various stockholders Authorized to vote the shares-any one the ff: Bunsit Carlos G. Chung/Felix Chung/Ching Tiong Keng	Filipino	31,859,844	6.63%

**5,260,338 shares of the 51,779,374 shares of Ralph C. Nubla, Jr. are under PCD Nominee Corporation*
***323,648 shares of the 50,159,424 shares of Eric O. Recto are under PCD Nominee Corporation*

B. Security Ownership of Management as of December 31, 2023:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	Percent
Common	Eric O. Recto	Direct	50,159,424	Filipino	10.44%
Common	Leonardo B. Dayao	Direct	10,001	Filipino	0.00%
Common	Patricia May T. Siy	Direct	100	Filipino	0.00%
Common	Bunsit Carlos G. Chung	Direct	550,716	Filipino	0.11%
		Indirect	449,294		0.09%
Common	Lucio L. Co	Direct	1	Filipino	0.00%
		Indirect	93,120,704		19.37%
Common	Susan P. Co	Direct	1	Filipino	0.00%
		Indirect	93,027,584		19.35%
Common	Levi B. Labra	Direct	100	Filipino	0.00%
Common	Gregorio T. Yu	Direct	1,432,692	Filipino	0.30%
Common	Jack E. Huang	Direct	100	Filipino	0.00%
Common	Stephen Anthony T. CuUnjieng	Direct	100	Filipino	0.00%
Common	Conrado A. Gloria, Jr.	Direct	100	Filipino	0.00%
Common	Teresita J. Herbosa	Direct	100	Filipino	0.00%
Common	Emmanuel Y. Mendoza	Direct	100	Filipino	0.00%
Common	Gilda E. Pico	Direct	100	Filipino	0.00%
Common	Hans Brinker M. Sicat	Direct	100	Filipino	0.00%

C. Voting Trust Holders of 5% or more

There are no voting trust agreements or any other agreements/arrangements that may result in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Bank's transactions with related parties include key management personnel, affiliates (i.e. entities which are controlled), significantly influenced by or for which significant voting power is held by the Bank or key management personnel or their close family members and retirement plan for the benefit of the Bank's employee). These transactions are made in the ordinary course of business and on substantially same terms as that of other parties.

The Bank's related party transactions below are also presented and discussed in detail in the Audited Financial Statements.

Related Party	Transaction with the Bank
Post-retirement Plan	The Bank's Retirement Board approves the investment made in the retirement plan. Trust fee income from such service and total deposits maintained with the Bank in 2023 amounted to ₱2.75 Million and ₱18.85 Million, respectively, while interest expenses paid by the Bank to the deposits was ₱1.77 Million.
Provident Fund	Outstanding deposit and interest paid by the Bank as of year-end were ₱ 18.85 Million and ₱1.56 Million, respectively, while trust fees earned from such service amounted to ₱2.25 Million.
Key Management Personnel	Senior Management Team constitutes key management personnel for purposes of PAS 24. Short-term benefits and post-employment benefits given to SMT in 2023 amounted to ₱151.67 Million and ₱5.60 Million, respectively. The year-end balance of deposits and interest expenses paid by the Bank amounted to ₱55.4 Million and ₱0.33 Million, respectively.
Affiliate	The year-end balance of deposits and interest expenses incurred by the Bank amounted to ₱23.38 Million and ₱0.5 Million, respectively. Rental income earned for the year is ₱0.18 Million.
Subsidiary	The year-end balance of deposits with the the Bank amounted to ₱8.9 Million.
Significant Investors	The year-end balance of deposits and interest expenses incurred by the Bank amounted to ₱8.93 Billion and ₱14.70 Million, respectively. Rental income during the year amounted to ₱1 Million, and rent-related depreciation and interest expense were ₱25.73 Million and ₱3.08 Million, respectively. Outstanding balance on loans and receivables is ₱349.92 Million.

As required by BSP, the Bank discloses loans transactions with certain directors, officers, shareholders and their related interests ("DOSRI") in the ordinary course of business, under commercial terms and on an arm's length basis observing at all times the legal limits prescribed under current BSP regulations on DOSRI loans. The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Bank. In the aggregate, loans to DOSRI generally should not exceed the lower of the Bank's total unimpaired capital or 15% of the total loan portfolio. These limits do not apply to loans secured by assets considered as non-risk as defined in the regulations. As of December 31, 2023 the Bank is in compliance with such regulations.

PART IV - CORPORATE GOVERNANCE

Item 13. Corporate Governance

PBCOM Board of Directors and Management, employees and shareholders, believe that Corporate Governance is a necessary component of what constitutes sound strategic business management. Thus, the Bank has undertaken every effort necessary to create awareness for this within the organization. All Directors and Senior Management are required to attend its annual continuing education program on Corporate Governance and Risk Awareness. The Board, Senior Management and all employees conduct themselves with utmost honesty and integrity in the discharge of their duties, functions and responsibilities, thus nurturing the continuing success of the Bank and securing its competitiveness in the best interest of the Bank, its shareholders and other stakeholders. Bank Officers promote the good governance practices within the Bank by ensuring that policies on governance are consistently adopted across the organization, with measurable standards, initiatives and specific responsibilities and accountabilities for each personnel.

Consistent with the global practices of good Corporate Governance, the Bank's overriding commitment to a culture of good governance is seen through the following underlying principles:

1. It is the Bank's objective to enhance shareholders' value by making the most efficient use of resources. Its human capital strategy is one of its vital focus areas, as it is a principal indicator for the company's success.
2. The Board of Directors constitutes Board Committee namely Governance, Audit, Risk Oversight and Related Party Transactions Committees which are all chaired by Independent Directors and composed of majority of Independent Directors, all of whom have a good understanding of the business.
3. The Governance Committee is responsible for ensuring the Board's effectiveness and due observance of Corporate Governance principles and guidelines. They assist the Board of Directors in fulfilling its corporate governance responsibilities.
4. The Governance Committee, through its Nominations Sub-Committee, ensures the quality of its leadership, consistent with its "fit and proper" rule when selecting its Directors and Senior Management Team, while the Performance Evaluation Sub-Committee, recommends and oversees the implementation of a Performance Management Process for Senior Management and the Members of the Board, review performance vis-a-vis agreed upon objectives, evaluate progress made with respect to Senior Management Directors Development plans, monitor changes in professional affiliations, personal status even health, which could have qualifications, resignation and succession implications.
5. Transparency in its Annual Reports is ensured and reflects true and fair accounting information prepared in accordance with applicable standards; disclose and discuss all material risks; and disclose and explain the rationale for all material estimates. Disclosures are all completed in a timely manner.
6. To ensure that all act in the best interest of the Bank, full disclosure by its Directors, Officers and Employees on any actual or expected conflict of interest is required
7. The Bank's Corporate Governance Manual, Code of Ethics and Code of Conduct clearly states Management's philosophy and compliance standards.

Annually, the Bank through the Governance Committee reviews the Corporate Governance Manual and recommends changes/amendments/revisions for the approval of the Board of Directors when and where necessary.

In addition, to promote a strong governance culture and transparency, the Bank's compliance with the Code of Corporate Governance are disclosed in the Integrated Annual Corporate Governance Report.

PART V - EXHIBITS AND SCHEDULES

Item14. Exhibits and Reports on SEC Form 17-C

1. Exhibits – None

2. Reports on SEC Form 17 – C (2023)

Date	Particulars
December 20, 2023	Appointment of Mr. Emmanuel Y. Mendoza as Board Adviser Conclusion of Mr. Emmanuel Y. Mendoza' tenure as Independent Director
December 04, 2023	Appointment of Ms. Mailene V. Mungcal as Chief Audit Executive and Head of Internal Audit Group
November 14, 2023	Statement of Condition as of September 30, 2023
August 30, 2023	Statement of Condition as of June 30, 2023
June 13, 2023	Results of 2023 Annual Stockholders Meeting

June 13, 2023	Election of Mr. Hans Brinker M. Sicat as Director
June 13, 2023	Proposed Amendments to By-Laws
May 31, 2023	Appointment of Mr. Ronald Paul D. San Diego as First Vice President and Chief Risk Officer under the Enterprise Risk Management Group
May 31, 2023	Resignation of Mr. Jeruel N. Lobien as Senior Vice President and Chief Audit Executive
May 12, 2023	Statement of Condition as of March 31, 2023
April 27, 2023	Retirement of Ms. Lorellei Paula B. Arjonillo as Chief Risk Officer
April 27, 2023	Amendment to By-Laws
April 18, 2023	PBCOM Press Release – PBCOM registered a modest income growth despite challenging economic conditions.
March 29, 2023	Notice of Annual Stockholders' Meeting
February 23, 2023	Appointment of Mr. Greg L. Romero as Chief Information Officer and Head of Information Technology Group
February 02, 2023	Statement of Condition as of December 31, 2022
January 05, 2023	Directors' Attendance to Board Meetings for Year 2022

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on ____________.

By:

Pati May T. Siy

PATRICIA MAY T. SIY
President and Chief Executive Officer
(Principal Executive Officer)

ARLENE M. DATU
SVP and Comptroller
(Comptroller & Principal Accounting Officer)

ALAN E. ATIENZA
EVP and Treasurer

MICHAEL STEPHEN H. LAO
Corporate Secretary

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

SUBSCRIBED AND SWORN to before me this APR 12 2024, affiants exhibiting to me their SSS and Passport Number, as follows:

Name	
Patricia May T. Siy	SSS # 03-7309995-5
Alan E. Atienza	SSS # 33-3597567-4
Arlene M. Datu	SSS # 03-5663345-1
Michael Stephen H. Lao	Philippine Passport No. P2038491B

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2024
IBP No. 05729- Lifetime Member
MCLE Compliance No. VII-0022734
valid until April 14, 2025
Appointment No. M-39 (2023-2024)
PTR No. 10073909 Jan. 2, 2024 / Makati
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy.Pio Del Pilar, Makati City

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Series of 2024

PHILIPPINE BANK OF COMMUNICATIONS
BRANCHES' SITES - OWNED AND LEASED
AS OF DECEMBER 31, 2023

ANNEX A

No.	BRANCH	ADDRESS	CONDITION OF PREMISES	OWNED / LEASED	LEASE TERMS: MONTHLY RENTAL (OFFICE + PARKING + OTHER CHARGES) AS OF DECEMBER 2022	LEASE TERMS: EXPIRY DATE
A. BANK-OWNED PROPERTIES UTILIZED AS BRANCHES						
1	BINONDO BANKING CENTER	7th Floor, PBCOM Bldg 214-216 Juan Luna St. Binondo Manila	good	owned	0.00	
2	CAGAYAN DE ORO	2/F PBCOM Bldg. Hayes St. cor. Tiano Bros. St. Cagayan De Oro City	good	owned	0.00	
		3/F PBCOM Bldg. Hayes St. cor. Tiano Bros. St. Cagayan De Oro City	good	owned	0.00	
3	CEBU	Magallanes near corner Manalili Streets, Cebu City	good	owned	0.00	
4	DAVAO	41 Monteverde St., Davao City	good	owned	0.00	
5	GENERAL SANTOS	2/F Santiago Blvd., General Santos City	good	owned	0.00	
		G/F Santiago Blvd., General Santos City	good	owned	0.00	
6	ILOILO	Ledesma corner Valeria Sts, Iloilo City	good	owned	0.00	
7	KORONADAL	Gen. Santos Drive, Koronadal, South Cotabato	good	owned	0.00	
8	MAKATI BANKING CENTER	PBCOM Tower, 6795 Ayala Avenue corner V.A. Rufino, Makati City	good	owned	0.00	
9	MANDAUE	National Highway corner Jayme Street, Mandaue City	good	owned	0.00	
10	MANGO	General Maxillom (Mango) Ave., Cebu City	good	owned	0.00	
11	MARIKINA	34 J.P. Rizal St., Calumpang, Marikina	good	owned	0.00	
12	MERALCO AVE	C-1 Horizo Condominium, Meralco Avenue, Pasig City	good	owned	0.00	
13	QUIRINO-DAVAO	111 E. Quirino Avenue, Davao City	good	owned	0.00	
14	TAGUM	Pioneer Avenue, Tagum, Davao del Norte	good	owned	0.00	
15	U.N. AVENUE	U101 & 102, Don Alfonso Cond. 1108 MH del Pilar cor. UN Ave. & Guerreo Sts., Ermita, Manila	good	owned	0.00	
B. LEASED PROPERTIES UTILIZED AS BRANCHES						
1	ANGELES	Ground Floor, MLT Centre Building, Lot 28, Block 2, McArthur Highway, Brgy. Ninoy Aquino, Angeles City	good	leased	106,376.99	08/15/2025
2	ANNAPOLIS	Unit 101 Victoria Plaza Condominium 41 Annapolis St., Greenhills, San Juan	good	leased	272,356.35	04/15/2024
3	AYALA-ALABANG	ALPAP II Building, Investment Drive cor. Trade St., Madrigal Busines Park, Ayala Alabang, Muntinlupa City	good	leased	279,482.82	01/31/2026
4	BACOLOD	Units A-E, Ground Floor, Sorrento	good	leased	167,402.30	02/29/2024
5	BAGUIO	Ground Floor Level, Unit Nos. 105, 106 & 106-B, Baguio Holiday Villas, No. 10 Legarda Road, Baguio City	good	leased	212,334.25	11/30/2025
6	BALIUAG	NE Super Bodega, Dona Remedios Trinidad Highway, Baliuag, Bulacan	good	leased	42,444.00	09/22/2024
7	BANAWE	G/F 2 Benby Building, Banawe Street, Quezon City	good	leased	113,448.72	11/22/2024
8	BATANGAS	Diego Silang St., Batangas City	good	leased	100,000.00	01/31/2025
9	BMA	Web-Jet Building, Quezon Ave., Q.C.	good	leased	109,689.37	11/30/2028
10	CABANATUAN	Ground Floor, SAM Building along Maharlika Highway, Cabanatuan City	good	leased	63,000.00	01/31/2024
11	CAINTA	LG/F 04 & LG/F 05, CK Square Building, Ortigas Avenue Extension corner Sunset Drive, Cainta, Rizal	good	leased	79,856.56	10/17/2026
12	CALAMBA	Ground Floor Walter Mart, National Highway corner Real Street, Calamba, Laguna	good	leased	75,264.00	12/31/2026
13	CALOOCAN	298-C2 6th Avenue Ext. Caloocan City	good	leased	94,623.41	09/14/2025
14	CAUAYAN	Mateo-Patricia Bldg., Rizal Avenue Extension, Cauayan, Isabela	good	leased	86,821.88	05/31/2025
15	CEBU BUSINESS PARK	Unit 1, G/F, Creativo 2 Building, Mindanao Avenue, Cebu Business Park, Cebu City	good	leased	140,315.53	06/20/2026
16	CONGRESSIONAL	No. 8 Congressional Ave., Brgy. Bahay Toro, Quezon City	good	leased	108,007.84	04/30/2028
17	CORINTHIAN GARDENS	Sanso Street, Corinthian Gardens, Q.C.			Leasehold Rights of P12 Millio	09/30/2031
18	CUBAO	2nd Floor SPARK Place, P. Tuazon cor. 10th Avenue, Quezon City	good	leased	177,373.33	08/31/2025
19	DAGUPAN	Ground Floor, Balingit Building, Arellano Street, Dagupan City	good	leased	103,697.88	05/15/2024
20	DASMARINAS	EVY Building Salawag-Paliparan Road Dasmariñas, Cavite	good	leased	101,516.80	10/31/2025
21	DAVAO BUHANGIN	G/F Pacific Plaza, Lot 3, Block 18, Buhangin Road, Davao	good	leased	64,680.00	04/30/2026
22	DIVISORIA MALL	Stalls No. 3N-01, 03 and 05 located at Third Floor (3rd) Old Divisoria Market, bounded by Tabora, Comercio, M. De Santos and Sto. Cristo, Manila	good	leased	129,531.72	07/02/2026
23	ELCANO	SHC Tower, Elcano St., San Nicolas, Manila	good	leased	182,676.91	02/28/2024
24	GREENHILLS	Quadstar Building, 80 Ortigas Avenue, San Juan, Metro Manila	good	leased	247,087.18	03/31/2026
25	ILIGAN	Roxas Avenue, Poblacion, Iligan City, Lanao del Norte.	good	leased	100,088.67	07/18/2024
26	IMUS	Luis Gaerlan St., and Imus Boulevard, Imus, Cavite	good	leased	89,600.00	06/30/2026
27	INOZA TOWER	Ground Floor Unit D, 40th St., Bonifacio Global City, Taguig City	good	leased	368,757.46	07/06/2027
28	INTRAMUROS	AVR Building, Beaterio Intramuros Manila	good	leased	104,720.00	03/31/2026
29	J.P. RIZAL	Ground Floor, Santini Corp. Building, 519 J.P. Rizal Ave., Brgy. Olympia, Makati City	good	leased	173,136.60	08/31/2024
30	LA UNION	Quezon Avenue, San Fernando City, La Union	good	leased	101,494.44	01/31/2025
31	LAPU-LAPU	G/F Unit 11 Alpha Arcade Bldg., M.L. Quezon Ave. National Highway, Lapu Lapu City	good	leased	30,261.23	07/31/2025
32	LAS PINAS	2012 Marcos Alvarez, Brgy. Talon Singko, Las Pinas City	good	leased	61,016.40	01/07/2027
33	LEGASPI VILLAGE	Unit 1-A, Vernida I 120 Amorsolo St., Legaspi Vill., Makati City	good	leased	85,911.21	07/31/2026

No.	BRANCH	ADDRESS	CONDITION OF PREMISES	OWNED / LEASED	LEASE TERMS	
					MONTHLY RENTAL (OFFICE + PARKING + OTHER CHARGES) AS OF DECEMBER 2022	EXPIRY DATE
34	LEGAZPI CITY	Ground Floor De Los Santos , Commercial Building, Landco , Business Park, Legazpi City	good	leased	180,042.64	08/09/2024
35	S&R LIBIS	of Ground Floor Commercial Spaces at Nuvo City - Aspire Tower, 150 E. Rodriguez Jr. Avenue cor. Calle Industria, Bagumbayan, Quezon City	good	leased	95,631.90	09/05/2025
36	LIPA	ATDRMAM Building Ayala Highway Mataas na Kahoy, Lipa	good	leased	117,928.98	01/31/2024
37	LUCENA	VCCI Building Merchan cor. San Fernando, Lucena City	good	leased	107,749.43	11/15/2028
38	M. DE SANTOS	553-561 M. De Santos St., Divisoria, Tondo, Manila	good	leased	292,676.89	03/31/2025
39	MAKATI PLACE	Ground Floor Unit C-15, Alphaland Makati Place, Ayala Ave. cor. Malugay St. Makati City.	good	leased	167,346.58	11/30/2025
40	MALABON	Building L, #34 Gov. Pascual Avenue corner Ibarra Street, Brgy Acacia, Malabon City.	good	leased	96,878.88	06/24/2024
41	MALOLOS	Malolos Shopping Arcade Paseo Del Congreso, Malolos City	good	leased	77,045.10	08/15/2026
42	MASANGKAY	1004-1006 Masangkay St. Binondo, Manila	good	leased	175,000.00	09/30/2024
43	MENARCO TOWER	Menarco Tower, 32nd Aven, BGC, Taguig	good	leased	245,636.25	02/29/2028
44	MEYCAUAYAN	Mancon Building McArthur Highway, Calvario, Meycauyan City	good	leased	92,726.56	04/15/2026
45	NAGA	Ground Floor, Rodriguez Building, 956 Panganiban St., corner Balintawak St., Naga City	good	leased	98,494.90	02/28/2026
46	OLONGAPO	Grd. Flr. YBC Centre Mall, Rizal , Avenue Extension, Olongapo City	good	leased	152,945.60	09/30/2025
47	ONGPIN	Strata Gold Condominium, 738 Ongpin St., Binondo,	good	leased	169,078.65	01/14/2026
48	ORMOC	Unit 1 Market Mall, Real St., District 6, Ormoc, Leyte	good	leased	64,928.50	07/25/2028
49	PADRE RADA	951 Juan Luna Street, Tondo, Manila	good	leased	142,191.20	07/14/2025
50	PARANAQUE	Unit 3-4, Kingsland Building Dr. A. Santos Avenue, P'que. City	good	leased	160,980.21	05/31/2027
51	PASAY	2492 Taft Avenue, Pasay City	good	leased	136,122.00	10/31/2026
52	PIONEER	RFM Corporate Center Pioneer cor. Sheridan Sts., Mandaluyong City	good	leased	205,164.08	05/13/2026
53	PUREGOLD SAN PEDRO	Puregold San Pedro, Old National Highway cor. Magsaysay St., San Pedro, Laguna	good	leased	55,932.69	01/31/2025
54	QUEZON AVE	APC Building, 1186 Quezon Avenue, Quezon City	good	leased	272,249.60	09/30/2026
55	S&R COMMONWEALTH	Ground Floor Unit 4 of S & R Membership Shopping – Commonwealth, Brgy. Kaligayahan, Quirino Highway, Novaliches, Quezon City	good	leased	145,068.93	12/15/2024
56	S&R DAU	Ground Floor Unit 2 of S&R Membership Shopping Dau, NLEX Access Road, Barangay Dau, Mabalacat City, Pampanga	good	leased	108,631.53	03/15/2025
57	S&R NEW Manila	G/F S&R Membership Shopping New Manila E. Rodriguez Sr. Avenue, Brgy. Kalusugan, New Manila, Quezon City	good	leased	119,637.00	02/04/2025
58	SAN FERNANDO	McArthur Highway Dolores, San Fernando, Pampanga	good	leased	161,936.05	03/31/2024
59	SAN MIGUEL AVE.	Unit G101OMM-CITRA Condominium, San Miguel Avenue, Ortigas Center, Pasig City	good	leased	183,693.97	07/31/2025
60	SAN PABLO	Rizal Avenue, San Pablo City, Laguna	good	leased	55,594.90	04/30/2026
61	SEN. GIL PUYAT	Unit 101-C, Oppen Building, 349 Sen. Gil Puyat Avenue, Makati City	good	leased	250,744.86	07/14/2025
62	SHAW BLVD	146 Shaw Boulevard cor. San Roque St., Pasig City	good	leased	83,641.95	11/15/2027
63	SOLER	No. 943 Soler St., of R & S Tower, Inc., Binondo, Manila	good	leased	129,670.40	05/31/2025
64	SOUTHGATE MALL	Ground Floor, Alphaland Southgate Mall, 2258 Chino Roces Avenue corner EDSA, Makati City, Metro Manila	good	leased	159,406.20	12/18/2025
65	STA. MESA	G. Araneta Avenue, Sta. Mesa, Q.C.	good	leased	94,315.78	07/31/2024
66	STA. ROSA	Unit No. 2, Paseo 5, Phase 2, Paseo de Sta. Rosa	good	leased	219,786.07	03/31/2024
67	STO. CRISTO	563 Sto. Cristo Street, Divisoria, Manila	good	leased	99,225.00	09/16/2027
68	T. ALONZO	T. Alonzo Street, Sta. Cruz, Manila	good	leased	316,957.73	09/10/2024
69	TACLOBAN	Imelda Veteranos St. Brgy. 23, Tacloban City	good	leased	80,647.88	03/05/2025
70	TAGBILARAN	Ground Floor, LTS Building, Carlos, P. Garcia Avenue, Tagbilaran City	good	leased	67,200.00	07/30/2025
71	TIMOG	75 Timog Avenue, Quezon City	good	leased	170,372.49	07/15/2024
72	TUTUBAN	Prime Block Building, Tutuban Center, C.M. Recto Avenue, Manila			Leasehold Rights of P9.92 Million	08/22/2039
73	VALENZUELA	246 McArthur Highway, Karuhatan, Valenzuela	good	leased	53,760.00	04/16/2027
74	WILSON	Ground Floor Unit of ONE86 at Wilson, San Juan, Metro Manila	good	leased	75,643.20	10/14/2025
75	ZAMBOANGA VALDEROSA	LKG Building, Valderosa Street, Zamboanga City	good	leased	136,399.10	04/30/2024
76	ZAMBOANGA VETERANS	BSC Tower (formerly Zamsulu Bldg.) Ground Floor, Door 5-7, Veterans Ave., Zamboanga City	good	leased	123,824.84	09/30/2024

LIST OF BRANCHES LITES/ POP-UPS

1	BL- PG TAGUIG	G/F Puregold Taguig, Gen. A. Luna St. cor. Col. P. Cruz., Barangay Tuktukan, Taguig City	good	leased	41,065.71	10/31/2024
2	BL- PG VALENZUELA	G/F Puregold Valenzuela, 419 Manila North Road (Mc Arthur Highway) Dalandanan, Valenzuela City	good	leased	20,000.00	10/31/2025
3	BL- PG PASO DE BLAS	2/F VFC Mall, Puregold Paso de Blas, Paso de Blas cor. Gen. Luis St., Malinta Exit,Valenzuela City	good	leased	32,812.00	06/30/2024
4	NE PACIFIC MALL - CABANATUAN	2/F VFC MalG/F NE Pacific Mall, Km.11, Maharlika Hi-way, Cabanatuan Ci	good	leased	63,388.27	01/22/2026

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of Philippine Bank of Communications (the Group) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2023, 2022 and 2021, in accordance with prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Sycip, Gorres, Velayo and Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

ERIC O. RECTO
Chairman of the Board

PATRICIA MAY T. SIY
President and Chief Executive Officer

ALAN E. ATIENZA
Treasurer

ARLENE M. DATU
Comptroller

April 12, 2024

REPUBLIC OF THE PHILIPPINES)
CITY OF CITY OF MAKATI) SS.

SUBSCRIBED AND SWORN TO before me this APR 1 2 2024 at CITY OF MAKATI, affiants, Eric O. Recto, Patricia May T. Siy, Alan E. Atienza and Arlene M. Datu, exhibiting to me their TIN 108-730-891, SSS#0373099955, SSS# 3335975674 and SSS # 0356633451, respectively.

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ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2024
IBP No. 05729- Lifetime Member
MCLE Compliance No. VII-0022734
valid until April 14, 2025
Appointment No. M-39 (2023-2024)
PTR No. 10073909 Jan. 2, 2024 / Makati
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy.Pio Del Pilar, Makati City

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

SEC Registration Number

P	W	-	0	0	0	0	6	8	6	

COMPANY NAME

PHILIPPINE BANK OF COMMUNICATIONS

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

PBCom Tower, 6795 Ayala Avenue corner V. A. Rufino Street, Makati City

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
customercare@pbcom.com.ph	(02)8777-2266	n/a

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
397	6/11	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Michael Stephen H. Lao	mshlao@pbcom.com.ph	(02) 8830-7000	n/a

CONTACT PERSON's ADDRESS

5th Floor, PBCOM Tower 6795 Ayala Ave., Cor. V.A. Rufino St., Makati City

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Philippine Bank of Communications
PBCom Tower, 6795 Ayala Avenue
Corner V. A. Rufino Street, Makati City

Report on the Consolidated and Parent Company Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matter

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

SGV
Building a better working world

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

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Philippine Bank of Communications
PBCom Tower, 6795 Ayala Avenue
Corner V. A. Rufino Street, Makati City

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
RECEIVED
APR 15 2024
BY: ROSE MARCIANO
DOCUMENT PROCESSING AND QUALITY ASSURANCE DIVISION

Report on the Consolidated and Parent Company Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matter

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

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

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

Recognition of expected credit losses (ECL) on loans and receivables

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

Allowance for credit losses for loans and receivables as of December 31, 2023 for the Group and the Parent Company amounted to ₱2.88 billion. Reversal of credit losses of the Group and the Parent Company in 2023 amounted to ₱27.76 million.

Refer to Notes 3 and 16 of the financial statements for the details of the allowance for credit losses using the ECL model.

Audit response

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

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

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Further, we compared the data used in the ECL models by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems.

To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Reports on the Supplementary Information Required Under Section 174 of the Manual of Regulations for Banks (MORB) and Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Section 174 of MORB in Note 36 and Revenue Regulations No. 15-2010 in Note 37 to the financial statements is presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of Philippine Bank of Communications. 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
Ray Francis C. Balagtas.

SYCIP GORRES VELAYO & CO.

Ray Francis C. Balagtas

Ray Francis C. Balagtas
Partner
CPA Certificate No. 108795
Tax Identification No. 216-950-288
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-107-2023, September 12, 2023, valid until September 11, 2026
PTR No. 10079900, January 5, 2024, Makati City

April 12, 2024

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
STATEMENTS OF FINANCIAL POSITION

	Consolidated		Parent Company	
	December 31			
	2023	2022	2023	2022
	(Amounts in Thousands)			
ASSETS				
Cash and Other Cash Items	**₱1,562,747**	₱1,404,214	**₱1,562,747**	₱1,404,214
Due from Bangko Sentral ng Pilipinas (Notes 17 and 18)	**12,204,980**	11,336,471	**12,204,980**	11,336,471
Due from Other Banks	**485,530**	1,089,190	**485,530**	1,089,190
Interbank Loans Receivable and Securities Purchased under Resale Agreements (Note 8)	**492,353**	2,600,579	**492,353**	2,600,579
Financial Assets at Fair Value through Other Comprehensive Income (Note 9)	**8,415,559**	5,008,596	**8,415,559**	5,008,596
Investment Securities at Amortized Cost (Note 10)	**27,776,391**	21,661,825	**27,776,391**	21,661,825
Loans and Receivables (Note 11)	**91,774,314**	76,923,878	**91,777,147**	76,926,711
Investments in Subsidiary and an Associate (Note 7)	**16,343**	14,715	**22,416**	20,788
Property and Equipment (Note 12)	**814,490**	803,837	**814,490**	803,837
Investment Properties (Note 13)				
Condominium units for lease	**1,603,231**	1,691,796	**1,603,231**	1,691,796
Foreclosed properties	**975,759**	962,112	**975,759**	962,112
Office units for lease	**1,988**	2,338	**1,988**	2,338
Intangible Assets (Note 14)	**525,218**	525,605	**525,218**	525,605
Deferred Tax Assets - Net (Note 29)	**404,323**	390,567	**404,323**	390,567
Other Assets (Note 15)	**424,464**	462,776	**423,158**	461,470
TOTAL ASSETS	**₱147,477,690**	₱124,878,499	**₱147,485,290**	₱124,886,099
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 17 and 30)				
Demand	**₱41,395,954**	₱45,499,687	**₱41,404,856**	₱45,508,590
Savings	**13,314,707**	12,667,907	**13,314,707**	12,667,907
Time	**59,089,567**	38,382,737	**59,089,567**	38,382,737
Long-term negotiable certificates of deposits	**2,900,016**	2,893,897	**2,900,016**	2,893,897
	116,700,244	99,444,228	**116,709,146**	99,453,131
Bills Payable (Note 18)	**9,686,755**	7,594,019	**9,686,755**	7,594,019
Outstanding Acceptances	**105,410**	50,218	**105,410**	50,218
Manager's Checks	**632,058**	221,535	**632,058**	221,535
Accrued Interest, Taxes and Other Expenses (Note 19)	**1,549,139**	864,400	**1,549,053**	864,314
Income Tax Payable	**100,584**	118,813	**100,584**	118,813
Other Liabilities (Note 20)	**1,047,749**	1,019,239	**1,046,533**	1,018,022
TOTAL LIABILITIES	**129,821,939**	109,312,452	**129,829,539**	109,320,052
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Common stock (Note 22)	**12,016,129**	12,016,129	**12,016,129**	12,016,129
Additional paid-in capital	**2,262,246**	2,262,246	**2,262,246**	2,262,246
Surplus reserves (Note 22)	**454,283**	212,838	**454,283**	212,838
Surplus (Notes 2 and 22)	**3,115,836**	1,459,710	**3,115,836**	1,459,710
Unrealized losses on financial assets carried at fair value through other comprehensive income (Note 9)	**(38,155)**	(314,585)	**(38,155)**	(314,585)
Cumulative translation adjustment	**(107,424)**	(106,005)	**(107,424)**	(106,005)
Remeasurement gains (losses) on retirement liability (Note 26)	**(47,164)**	35,714	**(47,164)**	35,714
TOTAL EQUITY	**17,655,751**	15,566,047	**17,655,751**	15,566,047
TOTAL LIABILITIES AND EQUITY	**₱147,477,690**	₱124,878,499	**₱ 147,485,290**	₱124,886,099

See accompanying Notes to Financial Statements.

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
STATEMENTS OF INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
	(Amounts in Thousands, Except Earnings per Share)					
INTEREST INCOME						
Loans and receivables (Note 11)	**₱6,117,020**	₱4,595,114	₱4,109,882	**₱6,117,020**	₱4,595,114	₱4,109,882
Investment securities (Note 25)	**1,608,524**	878,058	472,796	**1,608,524**	878,058	472,796
Interbank loans receivable and securities purchased under resale agreements (Note 8)	**129,839**	67,142	60,069	**129,839**	67,142	60,069
Financial assets at fair value through profit or loss (Note 25)	**40,953**	28,876	40,345	**40,953**	28,876	40,345
Deposits with other banks	**28,849**	29,634	55,686	**28,849**	29,634	55,686
	7,925,185	5,598,824	4,738,778	**7,925,185**	5,598,824	4,738,778
INTEREST AND FINANCE CHARGES						
Deposit liabilities (Notes 19 and 30)	**2,515,619**	599,343	434,899	**2,515,619**	599,343	434,899
Bills payable, borrowings and others (Notes 18 and 20)	**707,325**	188,985	59,099	**707,325**	188,985	59,099
	3,222,944	788,328	493,998	**3,222,944**	788,328	493,998
NET INTEREST INCOME	**4,702,241**	4,810,496	4,244,780	**4,702,241**	4,810,496	4,244,780
Rent income (Notes 13, 27 and 28)	**395,768**	420,007	505,241	**395,768**	420,007	505,241
Service charges, fees and commissions	**427,478**	390,110	331,729	**427,478**	390,110	331,729
Trading and securities gain (loss) – net (Note 25)	**128,776**	(366,327)	(241,598)	**128,776**	(366,327)	(241,598)
Foreign exchange gain – net	**100,974**	97,652	56,831	**100,974**	97,652	56,831
Income from trust operations (Note 24)	**37,349**	31,756	29,231	**37,349**	31,756	29,231
Profit from assets sold (Notes 12, 13 and 15)	**22,260**	61,043	13,567	**22,260**	61,043	13,567
Gain (loss) on assets exchange – net (Note 13)	**11,824**	(3,476)	7,460	**11,824**	(3,476)	7,460
Miscellaneous (Note 28)	**136,524**	121,071	137,346	**136,524**	121,071	137,346
TOTAL OPERATING INCOME	**5,963,194**	5,562,332	5,084,587	**5,963,194**	5,562,332	5,084,587

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
	(Amounts in Thousands, Except Earnings per Share)					
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 13, 26 and 30)	**₱1,208,064**	₱1,115,468	₱1,016,559	**₱1,208,064**	₱1,115,468	₱1,016,559
Taxes and licenses (Notes 15 and 29)	**748,172**	499,414	477,442	**748,172**	499,414	477,432
Depreciation and amortization (Notes 12, 14 and 15)	**342,465**	386,526	387,619	**342,465**	386,526	387,619
Provision for (reversal of) credit and impairment losses – net (Note 16)	**(24,409)**	287,686	322,301	**(24,409)**	287,686	322,301
Insurance	**202,331**	183,804	162,820	**202,331**	183,804	162,820
Entertainment, amusement and recreation	**81,934**	78,224	120,375	**81,934**	78,224	120,375
Occupancy and other equipment-related costs (Notes 13, 27 and 30)	**159,501**	136,133	118,519	**159,501**	136,133	118,519
Management and professional fees	**102,570**	166,313	99,541	**102,570**	166,313	99,497
Security, clerical, messengerial and janitorial services	**130,095**	105,295	88,850	**130,095**	105,295	88,850
Communications	**49,513**	57,147	49,684	**49,513**	57,147	49,684
Miscellaneous (Notes 13 and 28)	**423,510**	389,302	411,474	**423,510**	389,302	411,464
TOTAL OPERATING EXPENSES	**3,423,746**	3,405,312	3,255,184	**3,423,746**	3,405,312	3,255,120
INCOME BEFORE SHARE IN NET INCOME OF SUBSIDIARY AND AN ASSOCIATE	**2,539,448**	2,157,020	1,829,403	**2,539,448**	2,157,020	1,829,467
SHARE IN NET LOSS OF SUBSIDIARY (Note 7)	**-**	–	–	**-**	–	(64)
SHARE IN NET INCOME OF AN ASSOCIATE (Note 7)	**1,628**	313	287	**1,628**	313	287
INCOME BEFORE INCOME TAX	**2,541,076**	2,157,333	1,829,690	**2,541,076**	2,157,333	1,829,690
PROVISION FOR INCOME TAX (Note 29)	**643,505**	525,646	256,626	**643,505**	525,646	256,626
NET INCOME	**₱1,897,571**	₱1,631,687	₱1,573,064	**₱1,897,571**	₱1,631,687	₱1,573,064
Attributable to:						
Equity holders of the Parent Company	**1,897,571**	₱1,631,687	₱1,573,064	–	–	–
Non-controlling interests	**-**	–	–	–	–	–
	₱1,897,571	₱1,631,687	₱1,573,064	–	–	–
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)	**₱3.95**	₱3.39	₱3.27	–	–	–

See accompanying Notes to Financial Statements

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
STATEMENTS OF COMPREHENSIVE INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
	(Amounts in Thousands)					
NET INCOME FOR THE YEAR	**₱1,897,571**	₱1,631,687	₱1,573,064	**₱1,897,571**	₱1,631,687	₱1,573,064
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX						
Items that may be reclassified to profit or loss in subsequent periods:						
Net unrealized gains (losses) on debt securities at fair value through other comprehensive income (Note 9)	**242,678**	(388,577)	(62,055)	**242,678**	(388,577)	(62,055)
Net movement in cumulative translation adjustment	**(1,419)**	131,663	(26,204)	**(1,419)**	131,663	(26,204)
	241,259	(256,914)	(88,259)	**241,259**	(256,914)	(88,259)
Items that may not be reclassified to profit or loss in subsequent periods:						
Unrealized gains on equity securities carried at fair value through other comprehensive income (Note 9)	**33,752**	20,483	15,471	**33,752**	20,483	15,471
Change in remeasurement gains (losses) on retirement liability (Note 26)	**(110,504)**	(6,702)	204,497	**(110,504)**	(6,702)	204,497
Income tax relating to change in remeasurement gains/losses on retirement liability	**27,626**	1,675	(58,633)	**27,626**	1,675	(58,633)
	(49,126)	15,456	161,335	**(49,126)**	15,456	161,335
	192,133	(241,458)	73,076	**192,133**	(241,458)	73,076
TOTAL OTHER COMPREHENSIVE INCOME	**₱2,089,704**	₱1,390,229	₱1,646,140	**₱2,089,704**	₱1,390,229	₱1,646,140
Attributable to:						
Equity holders of the Parent Company	**₱2,089,704**	₱1,390,229	₱1,646,140			
Non-controlling interests	**–**	–	–			
TOTAL COMPREHENSIVE INCOME	**₱2,089,704**	₱1,390,229	₱1,646,140			

See accompanying Notes to Financial Statements.

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY

STATEMENTS OF CHANGES IN EQUITY

	Consolidated									
	Years Ended December 31, 2023, 2022 and 2021									
	Equity Attributable to Equity Holders of the Parent Company									
	Common Stock (Note 22)	Additional Paid-in Capital	Surplus Reserves (Note 22)	Surplus (Deficit) (Notes 2 and 22)	Unrealized Gains (Losses) on Financial Assets Carried at Fair Value Through Other Comprehensive Income (Note 9)	Cumulative Translation Adjustment	Remeasurement Gains (Losses) on Retirement Liability (Note 26)	Total	Non-Controlling Interests	Total Equity
	(Amounts in Thousands)									
Balances at January 1, 2023	**₱12,016,129**	**₱2,262,246**	**₱212,838**	**₱1,459,710**	**(₱314,585)**	**(₱106,005)**	**₱35,714**	**₱15,566,047**	**₱–**	**₱15,566,047**
Transfer to surplus reserves	–	–	**280**	**(280)**	-	-	-	-	–	-
Appropriation during the year	–	–	**241,165**	**(241,165)**				-	–	-
Total comprehensive income (loss) for the year	–	–	-	**1,897,571**	**276,430**	**(1,419)**	**(82,878)**	**2,089,704**	–	**2,089,704**
Balances at December 31, 2023	**₱12,016,129**	**₱2,262,246**	**₱454,283**	**₱3,115,836**	**(₱38,155)**	**(₱107,424)**	**(₱47,164)**	**₱17,655,751**	**₱–**	**₱17,655,751**
Balances at January 1, 2022	₱12,016,129	₱2,262,246	₱106,922	(₱66,061)	₱53,509	(₱237,668)	₱40,741	₱14,175,818	₱–	₱14,175,818
Transfer to surplus reserves	–	–	193	(193)	–	–	–	–	–	–
Appropriation during the year	–	–	105,723	(105,723)	–	–	–	–	–	–
Total comprehensive income (loss) for the year	–	–	–	1,631,687	(368,094)	131,663	(5,027)	1,390,229	–	1,390,229
Balances at December 31, 2022	₱12,016,129	₱2,262,246	₱212,838	₱1,459,710	(₱314,585)	(₱106,005)	₱35,714	₱15,566,047	₱–	₱15,566,047
Balances at January 1, 2021	₱12,016,129	₱2,262,246	₱106,418	(₱1,638,621)	₱100,093	(₱211,464)	(₱105,123)	₱12,529,678	₱–	₱12,529,678
Transfer to surplus reserves	–	–	504	(504)	–	–	–	–	–	–
Total comprehensive income (loss) for the year	–	–	–	1,573,064	(46,584)	(26,204)	145,864	1,646,140	–	1,646,140
Balances at December 31, 2021	₱12,016,129	₱2,262,246	₱106,922	(₱66,061)	₱53,509	(₱237,668)	₱40,741	₱14,175,818	₱–	₱14,175,818

Parent Company

Years Ended December 31, 2023, 2022 and 2021

	Common Stock (Note 22)	Additional Paid-in Capital	Surplus Reserves (Note 22)	Surplus (Deficit) (Notes 2 and 22)	Unrealized Gains (Losses) on Financial Assets Carried at Fair Value Through Other Comprehensive Income (Note 10)	Cumulative Translation Adjustment	Remeasurement Gains (Losses) on Retirement Liability (Note 26)	Total Equity
				(Amounts in Thousands)				
Balances at January 1, 2023	**₱12,016,129**	**₱2,262,246**	**₱212,838**	**₱1,459,710**	**(₱314,585)**	**(₱106,005)**	**₱35,714**	**₱15,566,047**
Transfer to surplus reserves	–	–	**280**	**(280)**	-	-	-	-
Appropriation during the year	–	–	**241,165**	**(241,165)**				-
Total comprehensive income (loss) for the year	–	–		**1,897,571**	**276,430**	**(1,419)**	**(82,878)**	**2,089,704**
Balances at December 31, 2023	**₱12,016,129**	**₱2,262,246**	**₱454,283**	**₱3,115,836**	**(₱38,155)**	**(₱107,424)**	**(₱47,164)**	**₱17,655,751**
Balances at January 1, 2022	₱12,016,129	₱2,262,246	₱106,922	(₱66,061)	₱53,509	(₱237,668)	₱40,741	₱14,175,818
Transfer to surplus reserves	–	–	193	(193)	–	–	–	–
Appropriation during the year	–	–	105,723	(105,723)	–	–	–	–
Total comprehensive income (loss) for the year	–	–	–	1,631,687	(368,094)	131,663	(5,027)	1,390,229
Balances at December 31, 2022	₱12,016,129	₱2,262,246	₱212,838	₱1,459,710	(₱314,585)	(₱106,005)	₱35,714	₱15,566,047
Balances at January 1, 2021	₱12,016,129	₱2,262,246	₱106,418	(₱1,638,621)	₱100,093	(₱211,464)	(₱105,123)	₱12,529,678
Transfer to surplus reserves	–	–	504	(504)	–	–	–	–
Total comprehensive income (loss) for the year	–	–	–	1,573,064	(46,584)	(26,204)	145,864	1,646,140
Balances at December 31, 2021	₱12,016,129	₱2,262,246	₱106,922	(₱66,061)	₱53,509	(₱237,668)	₱40,741	₱14,175,818

See accompanying Notes to Financial Statements.

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
STATEMENTS OF CASH FLOWS

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
	(Amounts in Thousands)					
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	**₱2,541,076**	₱2,157,333	₱1,829,690	**₱2,541,076**	₱2,157,333	₱1,829,690
Adjustments to reconcile income before income tax to net cash generated from (used for) operations:						
Depreciation and amortization (Note 12)	**342,465**	386,526	387,619	**342,465**	386,526	387,619
Provision for credit and impairment losses (Note 16)	**(24,409)**	287,686	322,301	**(24,409)**	287,686	322,301
Trading loss (gain) on financial assets at FVOCI (Note 25)	**(39,068)**	440,279	285,542	**(39,068)**	440,279	285,542
Profit from assets sold (Notes 12, 13 and 15)	**(22,260)**	(61,043)	(13,567)	**(22,260)**	(61,043)	(13,567)
Accretion of interest on unquoted debt securities (Note 11)	**(40,325)**	(57,928)	(66,038)	**(40,325)**	(57,928)	(66,038)
Amortization of premium (discount) on investment securities	**337,540**	262,715	(69,351)	**337,540**	262,715	(69,351)
Unrealized foreign exchange losses (gains) on investment securities, bills and acceptables payable	**25,076**	**(343,517)**	**82,759**	**25,076**	**(343,517)**	**82,759**
Accretion of interest on lease liability (Note 20)	**12,458**	12,256	14,528	**12,458**	12,256	14,528
Loss (gain) on assets exchange (Note 13)	**(11,824)**	3,476	(7,460)	**(11,824)**	3,476	(7,460)
Share in net income of subsidiary and an associate (Note 7)	**(1,628)**	(313)	(287)	**(1,628)**	(313)	(223)
Unrealized losses (gains) on financial assets at fair value through profit or loss	**–**	–	9,794	**–**	–	9,794
Changes in operating assets and liabilities:						
Decrease (increase) in the amounts of:						
Loans and receivables (Note 32)	**(14,872,267)**	(12,639,333)	(6,464,055)	**(14,872,267)**	(12,639,333)	(6,464,174)
Financial assets at fair value through profit or loss	**-**	886,291	(177,791)	**-**	886,291	(177,791)
Other assets	**(58,183)**	102,102	373,809	**(68,417)**	102,158	373,663
Increase (decrease) in the amounts of:						
Deposit liabilities	**17,256,016**	12,498,323	3,164,493	**17,256,015**	12,498,267	3,164,591
Manager's checks	**410,523**	49,288	(15,853)	**410,523**	49,288	(15,853)
Accrued interest, taxes and other expenses	**684,739**	183,666	(122,051)	**684,739**	183,666	(121,989)
Other liabilities	**16,177**	(47,651)	230,593	**16,178**	(47,651)	230,634
Net cash provided by (used in) operations	**6,556,106**	4,120,156	(235,325)	**6,545,872**	4,120,156	(235,325)
Income taxes paid	**(651,614)**	(539,759)	(551,454)	**(641,380)**	(539,759)	(551,454)
Net cash provided by (used in) operating activities	**5,904,492**	3,580,397	(786,779)	**5,904,492**	3,580,397	(786,779)
CASH FLOWS FROM INVESTING ACTIVITIES						
Decrease (increase) in interbank loans receivable	**2,565,680**	905,209	432,063	**2,565,680**	905,209	432,063
Acquisitions of:						
Financial assets at FVTOCI	**(85,997,169)**	(38,846,620)	(86,497,255)	**(85,997,169)**	(38,846,620)	(86,497,255)
Investment securities at amortized cost	**(6,633,315)**	(5,636,058)	(13,263,211)	**(6,633,315)**	(5,636,058)	(13,263,211)
Property and equipment (Note 12)	**(72,283)**	(52,149)	(195,531)	**(72,283)**	(52,149)	(195,531)
Software costs (Note 14)	**(39,012)**	(80,152)	(8,971)	**(39,012)**	(80,152)	(8,971)

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
	(Amounts in Thousands)					
Proceeds from disposals of:						
Financial assets at FVTOCI	**₱78,698,766**	₱39,309,597	₱84,804,597	**₱78,698,766**	₱39,309,597	₱84,804,597
Investment properties (Note 13)	**41,234**	124,324	62,581	**41,234**	124,324	62,581
Property and equipment (Note 12)	**6,264**	4,182	3,475	**6,264**	4,182	3,475
Chattel mortgage	**11,813**	22,544	24,118	**11,813**	22,544	24,118
Proceeds from maturity of investment securities	**4,470,812**	75,000	10,000	**4,470,812**	75,000	10,000
Net cash used in investing activities	**(6,947,210)**	(4,174,123)	(14,628,134)	**(6,947,210)**	(4,174,123)	(14,628,134)
CASH FLOWS FROM FINANCING ACTIVITIES						
Availments of:						
Bills payable	**326,755,150**	242,380,414	111,742,108	**326,755,150**	242,380,414	111,742,108
Outstanding acceptances	**2,644,361**	1,096,307	595,094	**2,644,361**	1,096,307	595,094
Marginal deposits	**9,855**	60,687	32,857	**9,855**	60,687	32,857
Settlements of:						
Bills payable	**(324,771,977)**	(241,070,236)	(107,981,483)	**(324,771,977)**	(241,070,236)	(107,981,483)
Outstanding acceptances	**(2,583,597)**	(1,132,364)	(1,036,538)	**(2,583,597)**	(1,132,364)	(1,036,538)
Marginal deposits	**-**	(60,687)	(39,630)	**-**	(60,687)	(39,630)
Lease liabilities (Note 20)	**(128,819)**	(118,234)	(124,868)	**(128,819)**	(118,234)	(124,868)
Net cash used in financing activities	**1,924,973**	1,155,887	3,187,540	**1,924,973**	1,155,887	3,187,540
EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENT	**(1,419)**	131,663	(26,204)	**(1,419)**	131,663	(26,204)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**880,836**	693,824	(12,253,577)	**880,836**	693,824	(12,253,577)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**1,404,214**	1,515,914	1,179,672	**1,404,214**	1,515,914	1,179,672
Due from Bangko Sentral ng Pilipinas	**11,336,471**	10,271,486	20,597,868	**11,336,471**	10,271,486	20,597,868
Due from other banks	**1,089,190**	658,593	1,495,485	**1,089,190**	658,593	1,495,485
Interbank loans receivable (Note 32)	**34,899**	724,957	2,151,502	**34,899**	724,957	2,151,502
	13,864,774	13,170,950	25,424,527	**13,864,774**	13,170,950	25,424,527
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**1,562,747**	1,404,214	1,515,914	**1,562,747**	1,404,214	1,515,914
Due from Bangko Sentral ng Pilipinas	**12,204,980**	11,336,471	10,271,486	**12,204,980**	11,336,471	10,271,486
Due from other banks	**485,530**	1,089,190	658,593	**485,530**	1,089,190	658,593
Interbank loans receivable (Note 32)	**492,353**	34,899	724,957	**492,353**	34,899	724,957
	₱14,745,610	₱13,864,774	₱13,170,950	**₱14,745,610**	₱13,864,774	₱13,170,950

OPERATIONAL CASH FLOWS FROM INTEREST

	Consolidated			Parent Company		
	Years Ended December 31					
	2023	2022	2021	**2023**	2022	2021
	(Amounts in Thousands)					
Interest paid	**₱2,654,298**	₱654,329	₱525,620	**₱2,654,298**	₱700,480	₱525,620
Interest received	**7,673,706**	5,455,107	4,581,514	**7,673,706**	5,455,107	4,581,514

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
RECEIVED
APR 15 2024
BY: ROSE MARCIANO
LT DOCUMENT PROCESSING AND QUALITY ASSURANCE DIVISION

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Philippine Bank of Communications (the Parent Company) is a publicly listed domestic universal bank organized in the Philippines, primarily to engage in commercial banking services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury, foreign exchange and trust services.

The Parent Company's principal place of business is at the PBCOM Tower, 6795 Ayala Avenue corner V. A. Rufino Street, Makati City. It has a network of 91 regular branches and 4 branch-lite units, to serve its customers, as at December 31, 2023 and 2022.

The Parent Company's original Certificate of Incorporation was issued by the Securities and Exchange Commission (SEC) on August 23, 1939.

The Parent Company acquired a license to operate as an expanded commercial bank from the Bangko Sentral ng Pilipinas (BSP) on December 24, 1993. On March 31, 2000, the BSP's Monetary Board approved the amendment of the Parent Company's license to a regular commercial banking.

The Monetary Board, in its Resolution No. 96 dated 20 January 2022, approved the grant of a universal banking license to Parent Company, subject to compliance with certain regulatory requirements including the amendment of the Bank's charter documents. On March 15, 2022, the Bank held a special stockholders' meeting to approve the changes to the Bank's Articles of Incorporation to reflect the upgrade of its banking license.

On December 1, 2022, the BSP issued the Bank with its Certificate of Authority to operate as a universal bank, after all regulatory conditions were complied with. The Bank capitalized the cost of its universal bank license amounting to ₱25.00 million as intangible asset (Note 14).

The Parent Company's subsidiary and associate (collectively referred to as the Group) are engaged in the following businesses:

	Effective Percentage of Ownership		Principal Place of Business and Country	
Entity	**2023**	2022	of Incorporation	Line of Business
Subsidiary				
PBCom Insurance Services Agency, Inc. (PISAI)	**100.00%**	100.00%	Philippines	Insurance Agent
Associate				
PBCom Finance Corporation (PBCom Finance)	**40.00%**	40.00%	Philippines	Financing Company

Retirement of Business Operations of PISAI
On January 11, 2021, the BOD of the Parent Company approved the dissolution and retirement of business of PISAI. PISAI, which has been inactive for the past three years, has continuously remained inactive but continued to incur operating expenses. The Parent Company does not see any need for the subsidiary and has decided to retire the business operations.

PISAI has received clearances from the Insurance Commission and Business permit from the Makati Local Government last May 26, 2021, and September 30, 2021, respectively. On July 2022, the Board approved the extension of the effectivity of the retirement of business of the company until March 31, 2023. On February 22, 2023, the board further extended the period until December 31, 2024. On April 19, 2023, the Certificate of No outstanding tax liability was issued by the Bureau of Internal Revenue. On September 27, 2023, the board approved the new effectivity of the date of dissolution until April 2024 amending the previous resolution. As of December 31, 2023, the Company is preparing the requirements to secure the approval from Securities and Exchange Commission.

2. Material Accounting Policy Information

Basis of Presentation
The financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVTOCI) and derivatives that are measured at fair value. The financial statements are presented in Philippine peso (PHP or ₱) and all values are rounded to the nearest thousand, unless otherwise stated.

The financial statements of the Parent Company include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of the RBU and the FCDU is the 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, which is the Parent Company's presentation currency (see accounting policy on Foreign Currency Translation). The financial statements individually prepared for these units are combined after eliminating inter-unit accounts and transactions.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the Parent Company's subsidiary is the PHP.

Statement of Compliance
The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Presentation of Financial Statements
The Group and the Parent Company present its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 21.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary. The consolidated financial statements of the Group are prepared for the same reporting year as the Parent Company using consistent accounting policies. The subsidiary is consolidated from the date on which control is transferred to the Parent Company. The Parent Company controls an investee if, and only if, the Parent Company has:
- Power over the investee (that is, existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual agreements; and
- The Parent Company's voting rights and potential voting rights.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income, expenses and other comprehensive income (OCI) of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiary to align their accounting policies with the Parent Company's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities in the Group are eliminated in full on consolidation.

New Standards, Interpretations and Amendments
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

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

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

The amendments to the Practice Statement provide non-mandatory guidance.

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

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

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

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

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

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

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

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

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

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

<u>Foreign Currency Translation</u>

RBU

As of the statement of financial position date, foreign currency-denominated monetary assets and monetary liabilities of the RBU are translated into PHP based on the Bankers Association of the Philippines (BAP) closing rate prevailing at the statement of financial position date and foreign currency-denominated income and expenses, based on the spot rate at date of transactions. Foreign exchange differences arising from the restatement of foreign currency-denominated monetary assets and liabilities in the RBU are credited to or charged against the statement of income in the year in which the rates change. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

FCDU
As of the statement of financial position date, the FCDU's assets and liabilities are translated into PHP, the Parent Company's presentation currency, at the BAP closing rate prevailing at the statement of financial position date, and income and expenses are translated at BAP weighted average rate. Exchange differences arising on translation are taken directly to the statement of comprehensive income as 'Cumulative translation adjustment'. Upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in the statement of comprehensive income is recognized in the statement of income.

Fair Value Measurement
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 by 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.

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

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

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

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

External and internal valuers are involved for the valuation of investment properties. Selection criteria include market knowledge, reputation, independence, relevant accreditation, and whether professional standards are maintained.

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

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amounts due from BSP and other banks, and interbank loans receivable and securities purchased under resale agreements (SPURA) with original maturities of three months or less from dates of placements and that are subject to insignificant risks of changes in value. Due from BSP includes the statutory reserves required by the BSP which the Group considers as cash equivalents since withdrawals can be made to meet the Group's cash requirements as allowed by the BSP. The components of cash and cash equivalents are shown in the statement of cash flows. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

SPURA

The Group enters into short-term purchases of securities under resale agreements of identical securities with the BSP. Resale agreements are contracts under which a party purchases securities and resells such securities to the same selling party at a specified future date at a fixed price. The amounts advanced under resale agreements are carried as SPURA in the statement of financial position. SPURA are carried at cost. Interest earned on resale agreements is reported as 'Interest income' in the statement of income.

Financial Instruments - Date of Recognition

The Group recognizes financial instruments when, and only when, it becomes a party to the contractual terms of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Settlement date accounting refers to:

a. The recognition of an asset on the day it is received by the Group; and
b. The derecognition of an asset and recognition of any gain or loss on disposal on the day that such asset is delivered by the Group.

Any change in fair value of unrecognized financial asset is recognized in the statement of income or in equity, depending on the classification of the financial asset. Loans and receivables are recognized when cash is advanced to the borrowers while financial liabilities are recognized when cash is received by the Group.

Classification, Measurement and Reclassification of Financial Assets

Classification and measurement of financial assets

For purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under PAS 32, *Financial Instruments: Presentation*). All other non-derivative financial instruments are 'debt instruments'.

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVTOCI, and FVTPL. The classification depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

In order for a financial asset to be classified and measured at amortized cost or FVTOCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Business model test
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 Group'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.

SPPI test
As a second step of its classification process, the Group assesses the contractual terms of financial instruments 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 (for example, if there are repayments of principal or amortization of the premium/discount).

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

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

a. 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 a business model with the objective to hold 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. These are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for credit losses, with the interest calculated recognized as 'Interest income' in the statement of income. Gains and losses are recognized in the statement of income when the financial assets are derecognized and impaired, as well as through the amortization process. The expected credit losses (ECL) are recognized in the statement of income under Provision for impairment and credit losses - net. The effects of revaluation of foreign currency denominated investments are recognized in statement of income. Gains or losses arising from disposals of these instruments are included in Gain on sale of financial assets at amortized cost in the statement of income.

The Group classified 'Cash and other cash items', 'Due from BSP', 'Due from other banks', 'Interbank loans receivable and SPURA', 'Loans and receivables', 'Investment securities at amortized cost' and certain financial assets under 'Other assets' as financial assets at amortized cost.

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. As of December 31, 2023 and 2022, the Group has not made such designation.

b. Financial Assets at FVTOCI
Financial assets at FVTOCI include debt and equity securities.

Debt Instruments at FVTOCI
The Group applies the category of debt instruments measured at FVTOCI when both 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.

The initial measurement of these financial instruments includes transaction costs. Subsequently, these are measured at fair value with gains or losses arising due to changes in fair value recognized in OCI under 'Unrealized gain on financial assets carried at FVTOCI'. 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. When the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. On derecognition, cumulative gains or losses recognized in OCI are reclassified from OCI to the statement of income.

Equity Instruments at FVTOCI
At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity instruments at FVTOCI. Designation at FVTOCI is not permitted if the investment in equity instrument is held for trading.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, these are measured at fair value, with no deduction for sale or disposal costs. Gains and losses arising from changes in fair value are recognized in OCI and accumulated in 'Unrealized gain on financial assets carried at FVTOCI' in the statement of financial position. When the asset is disposed of, the cumulative gain or loss previously recognized in 'Unrealized gain on financial assets carried at fair value through other comprehensive income' is not reclassified to the statement of income, but is reclassified to 'Surplus (Deficit)'.

Dividends earned on these investments in equity instruments are recognized in the statement of income when the Group's right to receive the dividends is established in accordance with PFRS 9, unless the dividends clearly represent recovery of a part of the cost of the investment. Dividends earned are recognized in the statement of income, under 'Miscellaneous income'.

c. Financial Assets at FVTPL
Debt instruments that do not meet the amortized cost or FVTOCI criteria, or that meet the criteria but the Group has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL.

Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity instrument that is not held for trading as at FVTOCI at initial recognition.

The Group's financial assets at FVTPL include government securities held for trading purposes.

As of December 31, 2023 and 2022, the Group has not designated any debt instrument that meets the amortized cost or FVTOCI criteria as at FVTPL.

Financial assets at FVTPL are carried at fair value, with net changes in fair value recognized as 'Trading and securities gain (loss) - net' in the statement of income. Interest earned on these investments is reported as 'Interest income' in the statement of income.

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the BAP closing rate prevailing at the statement of financial position date. The foreign exchange component forms part of its fair value gain or loss.

d. Derivative Instruments
Derivative instruments are initially recorded at fair value and carried as financial assets when their fair value is positive and as financial liabilities when their fair value is negative.

Any gains or losses arising from changes in fair value of derivative instruments that do not qualify for hedge accounting are taken directly to the statement of income.

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument. The Group assesses the existence of an embedded derivative on the date it first becomes a party to the contract, and performs re-assessment only when there is a change to the contract that significantly modifies the contractual cash flows.

Reclassification of financial assets
The Group can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Group is required to reclassify as follows:
- From amortized cost or FVTOCI to FVTPL, if the objective of the business model changes so that the amortized cost or FVTOCI criteria are no longer met;

- From FVTPL to amortized cost or FVTOCI, if the objective of the business model changes so that the amortized cost or FVTOCI criteria start to be met and the characteristics of the instrument's contractual cash flows are SPPI; and
- From amortized cost to FVTOCI if the business model changes so that the objective becomes both to collect contractual cash flows and to sell or from FVTOCI to amortized cost if the business model becomes solely for the collection of contractual cash flows.

Reclassification of financial assets designated as at FVTPL or equity financial assets at FVTOCI at initial recognition is not permitted.

A change in the objective of the Group's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

Impairment of Financial Assets

ECL represent credit losses that reflect an unbiased and probability-weighted amount which is based on reasonable and supportable information about past events, current conditions and forecasts of future economic conditions, and the time value of money. The objective is to record lifetime losses on all financial instruments which have experienced a significant increase in credit risk (SICR) since their initial recognition. As a result, 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 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 next 12 months after the reporting date. Lifetime ECLs are credit losses that result from all possible default events over the expected life of a financial instrument.

Both the 12-month ECL and lifetime ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

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 instrument. Based on this process, the Group categorizes its credit exposures into Stage 1, Stage 2 and Stage 3, as described below:

- Stage 1: When loans are first recognized, the Group recognizes an allowance based on the 12-month ECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a SICR since origination, the Group records an allowance for lifetime ECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered as credit-impaired or non-performing. The Group records an allowance for lifetime ECL.

The major portfolios of financial assets identified upon initial analysis of the Group's credit exposures are loan receivables and treasury accounts. Loan receivables are availed by corporations or specific individuals. Hence, this portfolio is further segmented to corporate and consumer portfolios.

Write-offs

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery.

Classification and Measurement of Financial Liabilities
Financial liabilities are classified, at initial recognition, either as financial liabilities at FVTPL or other financial liabilities at amortized cost.

Financial liabilities at amortized cost
These liabilities are classified as such when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

These financial liabilities are measured initially at fair value, net of directly attributable transaction costs. After initial measurement, these liabilities are subsequently measured at amortized cost using the effective interest method.

Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

This accounting policy relates to the statement of financial position captions 'Deposit liabilities', 'Bills payable', 'Outstanding acceptances', 'Manager's checks', and certain financial liabilities under 'Accrued interest, taxes and other expenses' and 'Other liabilities' which are not designated at FVTPL.

Financial Guarantees, Letters of Credit and Undrawn Loan Commitments
The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognized in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the statement of income, and an ECL provision.

The premium received is recognized in the statement of income in 'Service charges, fees andtot commissions' on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

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

Derecognition of Financial Assets and Financial Liabilities

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

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

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

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 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.

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).

Derecognition other than substantial modification

Financial Asset

A financial asset (or, when applicable, a part of a financial asset or part of a group of financial assets) is derecognized (that is, removed from the statement of financial position) when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement, and either the Group:
  a. Has transferred substantially all the risks and rewards of the asset; or
  b. Has neither transferred nor retained the risks and rewards of the asset, but has transferred the control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

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

Exchange or modification of financial liabilities
The Group considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered 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 liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

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

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a

future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Investments in Subsidiary and an Associate in the Parent Company Financial Statements
Subsidiary
A subsidiary is an entity in which the Parent Company holds more than half of the issued share capital or controls more than 50% of the voting power, or exercises control over the operations and management of the subsidiary.

Associate
An associate is an entity in which the Parent Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but does not have control or joint control over those policies.

The Parent Company's investments in its subsidiary and an associate and the Group's investment in an associate are accounted for using the equity method. Under the equity method, the investments in subsidiary and an associate are initially recognized at cost. The carrying amount of the investments in subsidiary and an associate are adjusted to recognize changes in the Parent Company's share in the net assets of the subsidiary and an associate since the acquisition date. Goodwill relating to the subsidiary and an associate are included in the carrying value of the investments and is not amortized.

The statement of income reflects the Group's and the Parent Company's share of the results of operations of the subsidiary and an associate. Any change in OCI of the investee is presented as part of the Group's and the Parent Company's OCI. In addition, when there has been a change recognized directly in the equity of the subsidiary or associate, the Group and the Parent Company recognize their share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the subsidiaries and associate are eliminated to the extent of the interest in the subsidiaries and associate. The aggregate of the Group's share in net income (loss) of subsidiary and associate is shown in the statement of income and represents profit or loss after tax and non-controlling interests in the subsidiary and associate.

If the Parent Company's share of losses in a subsidiary or an associate equals or exceeds its interest in the subsidiary or associate, the Parent Company discontinues recognizing its share in further losses.

The financial statements of the subsidiary and an associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Dividends received are treated as a reduction to the carrying amount of the investments.

Post-acquisition changes in the share of net assets of the subsidiaries include the share in the:
a. Income or losses; and
b. Remeasurement losses or gains on retirement liability.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value, except land, which is carried at cost less impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are charged against the statement of income in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation on property and equipment is computed using the straight-line method based on the estimated useful life (EUL) of the depreciable assets.

	EUL
Condominium properties	50 years
Buildings and improvements	25 years
Furniture, fixtures and equipment	5
Leasehold improvements	Shorter of 10 years or related lease terms

The residual values, EULs and methods of depreciation and amortization of property and equipment are reviewed at each reporting date and adjusted prospectively, if appropriate.

Fully depreciated property and equipment are retained in the accounts until these are no longer used and no further depreciation and amortization is charged to the statement of income.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Upon derecognition, the cost and the related accumulated depreciation and amortization and any impairment in value of the asset are removed from the accounts, and any resulting gain or loss (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is reflected as income or loss in the statement of income.

<u>Investment Properties</u>
Investment properties include condominium and office units for lease and foreclosed properties in settlement of loan receivables.

Condominium and office units for lease
Condominium and office units for lease are carried at cost, less accumulated depreciation and impairment in value. All costs that are directly attributable to the acquisition and development of property are capitalized, including borrowing costs incurred to finance the property development. Depreciation is computed on a straight-line basis over 25 to 50 years.

Foreclosed properties
Foreclosed properties consist of land, building and improvements.

Land is carried at cost less impairment in value. Building and improvements are carried at cost, which is the fair value at acquisition date, less accumulated depreciation and accumulated impairment losses. Transaction costs, which include nonrefundable capital gains tax and documentary stamp tax, incurred in connection with foreclosure are capitalized as part of the carrying values of the foreclosed properties.

Foreclosed properties are recorded as ‘Investment properties’ upon:
a. Entry of judgment in case of judicial foreclosure;
b. Execution of the Sheriff’s Certificate of Sale in case of extra-judicial foreclosure; or
c. Notarization of the Deed of Dacion in case of dation in payment (dacion en pago).

The Group applies the cost model in accounting for foreclosed properties. Depreciation is computed on a straight-line basis over the EUL of 10 years for buildings and improvements.

The EUL of investment properties and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

The carrying values of the investment properties are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the investment property or cash-generating units (CGUs) it is related to are written down to their recoverable amounts.

Transfers are made to investment property 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 property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

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

<u>Intangible Assets</u>
Intangible assets consist of branch and bank licenses and software costs.

Branch and bank licenses
The cost of branch and bank licenses acquired in a business combination is its fair value at the date of acquisition.

Following initial recognition, branch and bank licenses are measured at cost less any accumulated impairment losses.

Branch and bank licenses have an indefinite useful life as there is no foreseeable limit to the period over which these assets are expected to generate net cash inflows. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Software costs
Software costs, which are purchased by the Group separately for use in its operations, are measured on initial recognition at cost. Following initial recognition, software costs are carried at cost less accumulated amortization and any accumulated impairment losses.

Software costs are amortized over the economic useful life of 2 to 5 years. The amortization period and method for software costs are reviewed at least at each statement of financial position date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in this asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on software costs is recognized in the statement of income.

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

Impairment of Non-financial Assets

Investments in subsidiary and an associate, property and equipment (including right-of-use assets) and software costs

At each statement of financial position date, the Group assesses whether there is any indication that its non-financial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of the recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use (VIU) and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent from those other assets or groups of assets, in which case, the recoverable amount is assessed as part of the CGU to which it belongs.

When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged against the statement of income in the period in which it arises.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation and amortization) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to the current statement of income.

Branch and bank licenses

Branch and bank licenses are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for branch and bank licenses by assessing the recoverable amount of the CGU (or group of CGUs) to which the branch and bank licenses relate. When the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which branch and bank licenses have been allocated, an impairment loss is recognized immediately in the statement of income. For branch and bank licenses, a previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of this asset, but not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized for this asset in prior years.

Common Stock and Additional Paid-in Capital

Common stocks are recorded at par. Proceeds in excess of par value are recognized under equity as 'Additional-paid-in capital' in the statement of financial position. Incremental costs incurred which are directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Revenue Recognition
Under PFRS 15, revenue from contracts with customers is recognized when control of the services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. The Group exercises judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the five-step model to contracts with customers.

The following specific recognition criteria must be met before revenue is recognized:

Revenue within the scope of PFRS 15

a. Service Charges and Penalties
Service charges and penalties are recognized only upon collection or accrued when there is reasonable degree of certainty as to its collectability.

b. Gains (Loss) on Sale of Assets
Gain (loss) from sale of assets such as
properties and property and equipment is recognized when the control over the properties has been transferred to the buyer and collection of proceeds from sale is probable.

Revenue outside the scope of PFRS 15

a. Interest Income
Interest on interest-bearing financial assets at FVTPL are recognized based on contractual rate. Interest on financial instruments measured at amortized cost and debt instruments classified as FVTOCI is recognized based on the EIR method.

The EIR method is a method of calculating the amortized cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period.

The EIR 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 a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3 (as discussed under 'Impairment of financial assets' above), the Group calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

b. Trading and Securities Gain (Loss) - Net
Trading and securities gain (loss) - net represents results arising from trading activities, including gains and losses from changes in fair value of financial assets and liabilities at FVTPL. This also represents results arising from sale of debt financial assets at FVOCI.

c. Fees and Commissions
Loan fees that are directly related to the acquisition and origination of loans are included in the initial carrying amount of the loan and are amortized using the effective interest method over the term of the loan. Loan commitment fees are recognized as earned over the term of the credit lines granted to each borrower. Loan syndication fees are recognized upon completion of all syndication activities and where the Group does not have further obligation to perform under the syndication agreement.

d. Dividends
Dividends are recognized when the Group's right to receive the payments is established.

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

Expense Recognition
Expenses are recognized at the same time as the initial recognition of a liability, or an increase in the carrying amount of a liability, or the derecognition of an asset, or a decrease in the carrying amount of an asset. Expenses are recognized in the statement of income:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when the expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify for recognition in the statement of financial position as an asset.

Expenses in the statement of income are presented using the nature of expense method. General and administrative expenses are costs attributable to administrative and other business activities of the Group.

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

Retirement Benefits
Defined benefit plans
The Parent Company maintains defined benefit plans covering all of their respective officers and regular employees.

The net retirement liability is the aggregate of the present value of defined benefit obligation at the statement of financial position date reduced by the fair value of plan assets and adjusted for any effect of limiting a net retirement asset to the asset ceiling. The defined benefit obligation is calculated annually by an independent actuary. The present value of defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on government bonds that have terms to maturity approximating the terms of the related net retirement. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Retirement costs comprise of service costs and net interest on the net retirement liability.

Service costs, which include current service costs, past service costs and gains or losses on non-routine settlements, are recognized as expense in the statement of income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net retirement liability is the change during the period in the net retirement liability that arises from the passage of time, which is determined by applying the discount rate based on government bonds to the net retirement liability. Net interest on the net retirement liability is recognized as expense or income in the statement of income.

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

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

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

Defined contribution plans
The Parent Company also contributes to its contributory, defined-contribution type staff provident plan based on a fixed percentage of the employees' salaries as defined in the plan.

Payments to the defined contribution plans are recognized as expenses when employees have rendered service in exchange for these contributions.

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

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

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

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

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Impairment of Nonfinancial Assets.

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

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

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

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

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

Deferred tax assets are recognized for all deductible temporary differences and carryforward of unused tax credits from the excess of Minimum Corporate Income Tax (MCIT) over the Regular Corporate Income Tax (RCIT), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits from excess MCIT over RCIT can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions.

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

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

Provisions

Provisions are recognized when an obligation (legal or constructive) is incurred as a result of a past event and when it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an ‘Interest expense’ in the statement of income.

Contingent Assets and Contingent Liabilities

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

Earnings Per Share (EPS)

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

Diluted EPS is calculated by dividing the net income attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of any dilutive potential common shares.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from equity when approved by the BOD of the Parent Company. Dividends for the year that are approved after the statement of financial position date are dealt with as an event after the statement of financial position date.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6. No geographical segment information is presented as all of the Group's operations are in the Philippines.

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

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

3. **Summary of Accounting Judgments and Estimates**

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

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

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

Fair value of financial instruments
Where the fair values of financial instruments cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these valuation models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

The carrying values and corresponding fair values of financial instruments, as well as the manner in which fair values were determined, are discussed in more detail in Note 4.

Contingencies
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsels handling the Group's defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on its financial position. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 23).

Classification of Condominium units between Property and Equipment and Investment properties
The Group determines the portion of the Conduminium units that are used for operations as an office space and are presented under 'Property and equipment' and the portion that are for lease and are presented under 'Investment properties'. The allocation is determined by estimating the usable area that is held for lease and that is used for operations. In 2023, the Bank reclassified certain units of the PBCom Tower from investment property to property and equipment. The reclassification effects the change in use of the certain condominium units from leased out assets to owned used properties (see Note 13).

The carrying values of Condiminium units presented under 'Property and equipment' and under 'Investment properties' are disclosed in Notes 12 and 13, respectively.

Estimates and Assumptions
ECLs on loans and other receivables
The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

Elements of the ECL models that are considered significant accounting judgments and estimates include:
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- The definition of default;
- The Group's internal grading model, which impacts the PDs assigned to the exposures;
- The Group's criteria for assessing if there has been a SICR and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and economic inputs, such as GDP growth rates, inflation rates, unemployment rates, import growth rates, export growth rates, and bank average lending rates, and the effect on PDs;
- Selection of forward-looking macroeconomic scenario variables; and
- Calculation of expected recoveries from defaulted accounts.

In 2021, as a response to the COVID-19 pandemic, the Group conducted a re-assessment of all corporate accounts by re-scoring the Borrower Risk Ratings (BRR) using a stressed scenario in order to account for the ongoing and future effects of the pandemic on the borrowers' operations and earnings. Specific impairment was likewise assessed for corporate borrowers with large exposures especially those that were severely affected by the pandemic.

On the other hand, for consumer loans, expert judgment was incorporated by the Group to determine the possible deterioration in the flow rates from one bucket to the next (i.e. current to 1-30 days past due, 1-30 days past due to 31-60 days past due, etc. up to more than 90 days past due bucket). Forecasted figures were assessed with the required additional allowance for credit loss.

The Group also revisited weight distribution on Macroeconomic Variables (MEVs) to reflect management's view of the overall business environment. The Group also revisited stages of borrowers that were affected by the pandemic and are expected to remain unable to pay regular amortization.

These exercises and calibrations, considering current and future outlook, resulted to changes in account staging and loan loss provisioning.

The carrying value of loans and receivables and allowance for credit losses on loans and receivables are disclosed in Notes 11 and 16, respectively.

Realizability of deferred tax assets
Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on assumptions that are affected by expected future market or economic conditions and the expected performance of the Group. These assumptions include management's expectations on growth of the Group's loans and deposit portfolios and future operating costs and expenses.

The recognized and unrecognized deferred tax assets are disclosed in Note 29.

Impairment of branch licenses
The Group determines whether branch licenses are impaired at least on an annual basis. Branch licenses are written down for impairment where the net present value of the forecasted future cash flows from the relevant CGU is insufficient to support its carrying value.

The recoverable amount of the CGU has been determined based on a VIU calculation using the CGU's cash flow projections from the five-year plan approved by the Board. Key assumptions in the VIU calculations are most sensitive to the following assumptions:
- Discount rate, which is based on the cost of equity by reference to comparable entities using the capital asset pricing model;
- Loan and deposit portfolios growth rates; and
- Growth rate to project cash flows beyond the budget period.

The carrying values of branch licenses and details of the VIU calculations are disclosed in Note 14.

Present value of defined benefit obligation
The cost of defined benefit plans, as well as the present value of defined benefit obligation, is determined using an actuarial valuation. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, salary increase rates, mortality rates and employee turnover rates. Due to the complexity of the actuarial valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each statement of financial position date.

In determining the appropriate discount rate, the Group considers the interest rates of Philippine government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

Salary increase rates are based on historical annual merit, market and promotional increase and future inflation rates.

Other assumptions, such as mortality rates and employee turnover rates, are based on publicly available mortality tables and the Group's historical experience.

The present value of defined benefit obligation as of December 31, 2023 and 2022 are disclosed in Note 26.

Classification of Condominium units between Property and Equipment and Investment properties
The Group determines the portion of the Conduminium units that are used for operations as an office space and are presented under 'Property and equipment' and the portion that are for lease and are presented under 'Investment properties'. The allocation is determined by estimating the usable area that is held for lease and that is used for operations. In 2023, the Bank reclassified certain units of the PBCom Tower from investment property to property and equipment. The reclassification effects the change in use of the certain condominium units from lease out assets to owned used properties (see Note 13).

The carrying values of Condiminium units presented under 'Property and equipment' and under 'Investment properties' are disclosed in Notes 12 and 13, respectively.

4. Fair Value Measurement

The following tables provide the fair value hierarchy of the Group's and the Parent Company's assets and liabilities measured at fair value and those for which fair values should be disclosed:

	Consolidated and Parent Company				
	2023				
		Fair Value			
	Carrying Value	Total	Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value					
Currency Forwards *	**₱125**	**₱125**	**₱–**	**₱125**	**₱–**
Financial assets at FVTOCI:					
Debt securities:					
Government securities	**7,298,910**	**7,298,910**	**7,298,910**	**–**	**–**
Private bonds	**928,952**	**928,952**	**928,952**	**–**	**–**
Equity securities	**187,697**	**187,697**	**–**	**153,667**	**34,030**
	8,415,684	**8,415,684**	**8,227,862**	**153,792**	**34,030**
Assets for which fair values are disclosed					
Investment securities at amortized cost:					
Government securities	**27,205,670**	**27,212,447**	**27,212,447**	**–**	**–**
Sovereign bonds	**570,721**	**595,848**	**595,848**	**–**	**–**
Loans and receivables:					
Receivables from customers:					
Corporate loans	**85,840,916**	**84,761,313**	**–**	**–**	**84,761,313**
Auto loans	**436,850**	**434,745**	**–**	**–**	**434,745**
Home loans	**2,788,280**	**2,262,220**	**–**	**–**	**2,262,220**
Personal loans	**28,483**	**39,747**	**–**	**–**	**39,747**
Unquoted debt securities	**366,737**	**379,442**	**–**	**–**	**379,442**
	117,237,657	**115,685,762**	**27,808,295**	**–**	**87,877,467**
Investment properties:					
Condominium units for lease	**1,603,231**	**8,064,781**	**–**	**–**	**8,064,781**
Foreclosed properties	**975,759**	**4,269,282**	**–**	**–**	**4,269,282**
Office units for lease	**1,988**	**29,123**	**–**	**–**	**29,123**
	2,580,978	**12,363,186**	**–**	**–**	**12,363,186**
	₱128,234,319	**₱136,464,632**	**₱36,036,157**	**₱153,792**	**₱100,274,683**

(Forward)

	Consolidated and Parent Company				
	2023				
		Fair Value			
	Carrying Value	**Total**	**Quoted Prices in Active Market (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Liabilities for which fair value is disclosed					
Financial liabilities at amortized cost:					
Time deposits	**₱59,089,567**	**₱59,160,967**	**₱–**	**₱–**	**59,160,967**
LTNCD	**2,900,016**	**2,905,860**	**–**	**2,905,860**	**–**
Bills payable	**9,686,755**	**9,687,278**	**–**	**–**	**9,687,278**
	₱71,676,338	**₱71,754,105**	**₱–**	**₱2,905,860**	**₱68,848,245**

** Included in 'Other assets'*

	Consolidated and Parent Company				
	2022				
		Fair Value			
	Carrying Value	Total	Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value					
Financial assets at FVTOCI:					
Debt securities:					
Government securities	₱4,161,400	₱4,161,400	₱4,161,400	₱–	₱–
Private bonds	311,799	311,799	311,799	–	–
Sovereign bonds	385,203	385,203	385,203	–	–
Equity securities	150,194	150,194	–	123,146	27,048
	5,008,596	5,008,596	4,858,402	123,146	27,048
Assets for which fair values are disclosed					
Investment securities at amortized cost:					
Government securities	21,434,865	19,647,983	19,647,983	–	–
Sovereign bonds	236,959	234,763	234,763	–	–
Loans and receivables:					
Receivables from customers:					
Corporate loans	71,060,966	70,213,953	–	–	70,213,953
Auto loans	405,142	400,806	–	–	400,806
Home loans	3,074,755	2,648,326	–	–	2,648,326
Personal loans	38,316	34,877	–	–	34,877
Unquoted debt securities	649,370	642,616	–	–	642,616
	96,900,373	93,823,324	19,882,746	–	73,940,578
Investment properties:					
Condominium units for lease	1,691,796	7,310,658	–	–	7,310,658
Foreclosed properties	962,112	3,813,942	–	–	3,813,942
Office units for lease	2,338	151,956	–	–	151,956
	2,656,246	11,276,556	–	–	11,276,556
	₱104,565,215	₱110,108,476	₱24,741,148	₱123,146	₱85,244,182
Liability measured at fair value					
Currency forwards *	₱2,911	₱2,911	₱–	₱2,911	₱–
Liabilities for which fair value is disclosed					
Financial liabilities at amortized cost:					
Time deposits	38,382,737	38,331,804	–	–	38,331,804
LTNCD	2,893,897	2,869,322	–	2,869,322	–
Bills payable	7,594,019	7,593,027	–	–	7,593,027
	₱48,873,564	₱48,797,064	₱–	₱2,872,233	₱45,924,831

* *Included in 'Other liabilities'*

Movements in the fair value measurement of 'Financial assets at FVTOCI' categorized within Level 3 pertain only to the changes in fair value of unquoted equity securities. No additions and disposals were made in 2023 and 2022.

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers out of Level 3 fair value measurements in 2023 and 2022.

The methods and assumptions used by the Group in estimating the fair value of its assets and liabilities are as follows:

Investment Securities

Debt securities

Fair values are generally based on quoted market prices. If the market prices are not readily available, fair values are estimated using consensus prices obtained from Bloomberg.

Equity securities - club shares

Fair values of club shares are based on prices published in GG&A Club Shares and G&W Club Shares. GG&A Club Shares and G&W Club Shares are involved in trading and leasing proprietary and non-proprietary club shares.

Unquoted equity securities

Fair values of unquoted equity securities are estimated using the guideline publicly-traded company method, which utilizes publicly available information from publicly-traded comparable companies that are the same or similar to the unlisted company being valued. Unquoted equity security holdings of the Group are not significant to the financial statements.

Loans and Receivables

Cash and other cash items, amounts due from BSP and other banks, interbank loans receivable and SPURA

Carrying amounts approximate fair values considering that these accounts consist mostly of overnight deposits.

Receivables from customers

Fair values of receivables from customers are estimated using the discounted cash flow methodology that makes use of the Group's current incremental lending rates for similar types of loans and receivables.

Unquoted debt securities

Fair values are estimated based on the discounted cash flow methodology that makes use of interpolated risk-free rates plus spread.

Accrued interest receivable and returned checks and other cash items (RCOCI)

Carrying amounts approximate fair values due to the short-term nature of the accounts, with some items that are due and demandable.

Accounts receivable, sales contracts receivable and refundable security deposits

Quoted market prices are not available for these assets. These are not reported at fair value and are not significant in relation to the Group's total portfolio of financial instruments.

Derivative Assets/Liabilities

Currency forwards under Other Assets/Liabilities

Fair values are calculated by reference to the prevailing interest differential and spot exchange rate as of the statement of financial position date, taking into account the remaining term to maturity of the derivative assets/liabilities.

Financial Liabilities at Amortized Cost

Deposit liabilities (excluding LTNCD)

Fair values of time deposits are estimated based on the discounted cash flow methodology that makes use of the current incremental borrowing rates for similar types of borrowings. The carrying amount of demand and savings deposit liabilities approximate fair value considering that these are due and demandable.

LTNCD

Fair values of LTNCD are determined based on the market yield rate of the Parent Company's LTNCD as provided by the Philippine Dealing and Exchange Corporation (PDEx).

Bills payable

The fair value is estimated using the discounted cash flow methodology that makes use of the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. Where the instrument has a relatively short maturity, carrying amounts approximate fair values.

Outstanding acceptances, manager's checks, accrued interest payable, accrued other expenses, accounts payable, refundable security deposits and due to the Treasurer of the Philippines

Carrying amounts approximate fair values due to the short-term nature of these accounts, with some items that are due and demandable.

Investment Properties

Fair values of investment properties are determined based on valuations made by professionally qualified appraisers accredited by the BSP and SEC and internal appraisers. The fair values of foreclosed assets were derived based on market sales comparison approach. Under this approach, recent transactions for similar properties in the same areas as the investment properties were considered, taking into account the economic conditions prevailing at the time the valuations were made. Prices of recent transactions are adjusted to account for differences in a property's size, shape, location, marketability and bargaining allowances. For depreciable properties, other inputs considered in the valuations are the age and remaining life of the buildings.

On the other hand, the fair values of the condominium and office units for lease were determined using the income capitalization approach model. The income capitalization approach model is used since the properties generate revenue from rental income. Income capitalization approach is a method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step – either by dividing the income estimate by an appropriate income rate or by multiplying the income estimate by an appropriate income factor. The rate of interest calculated represents the relationship between income and value observed in the market and is derived through comparable sales analysis. The income from a property, usually the annual net operating income or pre-tax cash flow, is divided by its sale or equity price to obtain the income rate.

The valuation, therefore, is based on the following critical assumptions:

- Rental rates;
- Capitalization rate (income rate), which is based on market rent for similar properties;
- Vacancy rates, which are based on vacancy rates for comparable properties within the area where the Group's properties are located; and
- The floor areas, which are based on the total leasable area.

Significant Unobservable Inputs
Quantitative information about the Group’s and the Parent Company’s fair value measurements using significant unobservable inputs (Level 3) on unquoted equity securities follows:

Year	**Fair Value at December 31**	**Valuation Technique(s)**	**Unobservable Input(s)**	**Range**	**Reasonably Possible Alternative Assumption**	**Sensitivity of the Fair Value to the Input**
2023	**₱34,030**	**Guideline publicly-traded company method**	**Price to book ratio**	**0.68:1 -0.86:1**	**0.1**	**₱58**
					-0.1	**(58)**
			Discount for lack of marketability	**30%**	**+0.1**	**39**
					-0.1	**(39)**

Year	Fair Value at December 31	Valuation Technique(s)	Unobservable Input(s)	Range	Reasonably Possible Alternative Assumption	Sensitivity of the Fair Value to the Input
2022	₱27,048	Guideline publicly-traded company method	Price to book ratio	0.60:1 -0.66:1	0.1	₱115
					-0.1	(115)
			Discount for lack of marketability	30%	+0.10	72
					-0.10	(72)

The Parent Company estimates the fair value of the unquoted equity securities using the ‘benchmark multiples’ of comparable publicly-traded companies. The identification of comparable companies considers the similarities between the subject company being valued and the guideline companies in terms of industry, market, product line or service type, growth, etc. The Parent Company also determines an appropriate discount adjustment for the lack of marketability of these unquoted equity securities based on empirical evidence gathered from available public market research.

The use of reasonably possible alternative assumptions in the significant unobservable inputs will affect the fair value of the unquoted equity securities and the OCI (before tax) as presented above.

There has been no change in the valuation techniques used from 2022 to 2023.

Description of Significant Unobservable Input to Valuation
The significant unobservable input used in the fair value measurement of financial instruments carried at amortized cost that are categorized within Level 3 of the fair value hierarchy:

Loans and receivables at amortized cost
Fair values of loans and receivables are estimated using the discounted cash flow methodology, using the Group’s current incremental lending rates for similar types of loans. The significant increase (decrease) in the current increment lending rate would result to a lower (higher) fair value measurement.

Liabilities
The carrying amount of liabilities approximates fair value in view of their relatively short-term maturity except for time deposits whose fair values are estimated using the discounted cash flow methodology using the Bank’s incremental borrowing rates for similar borrowings with maturities consistent with those for the liability being valued.

5. Financial Risk Management Objectives and Policies

Introduction
Risk is inherent in the Group's activities but is managed through a continuing and pro-active process of identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The Group is significantly exposed to the following risks from its financial instruments:
a. Credit risk
b. Liquidity risk
c. Market risk
    i. Interest rate risk
    ii. Foreign currency risk

Risk management structure
The Group's risk management environment is characterized by a well-defined risk organizational structure, flow of risk information, risk-based audit coverage, and an established compliance system.

BOD
The BOD of the Parent Company is responsible for establishing and maintaining a sound risk management system and is ultimately accountable for identifying and controlling risks; there are, however, separate independent bodies responsible for managing and monitoring risks.

Risk Oversight Committee (ROC)
The ROC has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits.

Enterprise Risk Management Group (ERMG)
The ERMG is an independent unit within the Parent Company that directly reports to the ROC. It is the responsibility of the ERMG to identify, analyze and measure risks from the Parent Company's trading, lending, borrowing and other transactional activities. It also recommends control policies and procedures to mitigate risk in identified risk areas in Treasury, Credit, Trust and other areas of operations.

Together with other risk control functions such as Operations Group, it performs the important day-to-day monitoring of risk exposures of the Parent Company against approved limits and reporting of such exposures, and implementation of policies and control procedures.

Treasury segment
The Treasury Segment is responsible for managing the Parent Company's assets and liabilities. It is also primarily responsible for the management of the funding and liquidity risks of the Parent Company.

Compliance Group
Through the Group's Compliance Group, relevant Philippine laws and regulations, as well as pertinent BSP circulars governing the operations of rural banks, are continuously identified for guidelines on implementation. The Compliance Group is also responsible for the systematic and effective communications systems to keep management always conscious of their obligations and legal responsibility as trustee of public funds. It ensures the Group's adherence to the rules and regulations and the provisions of the Manual of Regulations for Banks (MORB) prescribed by the BSP.

Internal Audit Group (IAG)
Risk management processes throughout the Group are audited by the IAG which examines both the adequacy of the procedures and the Group's compliance thereto. The IAG discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Risk measurement and reporting systems
The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Group adjusted existing models to take into account the probable effects of the COVID 19 pandemic. This resulted in increased loan provisions anticipated because of the pandemic.

The Group also performed worst case scenarios that would arise in the event that extreme events which are unlikely to occur, happen.

Monitoring and controlling risks are primarily performed based on limits established by the Group. These limits reflect both the business strategy and market environment of the Group, as well as the level of risk that the Group is willing to accept. In addition, the Group monitors and measures the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities. In response to the pandemic, the Group implemented stricter approval policies particularly for consumer loans. All consumer loans need to go through a pre-clearance process from the Executive Committee Chair and minimum approval required is from the President & CEO.

Information gathered from all the businesses is evaluated and processed in order to analyze, identify and control and identify risks early. All significant information is presented to the BOD, the ROC, and the head of each business division. The report includes credit exposure to groups and industries, Value-at-Risk (VaR), liquidity ratios and risk profile changes. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis for prudential and financial reporting.

Credit Risk and Concentration of Assets and Liabilities and Off-Balance Sheet Items
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit risk arises from its lending and trading of and investments in securities and foreign exchange activities. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual borrowers and groups of borrowers, as well as limits on large lines and industry concentrations. The ERMG monitors exposures in relation to these limits.

The Group obtains security where appropriate, enters into collateral arrangements with counterparties, and limits the duration of exposures. The Group's credit risk management process is guided by policies and procedures established by Corporate & Commercial Banking Group (CCBG), Consumer Finance Group and ERMG and approved by the BOD.

For the corporate loan portfolio, the Group has an internal credit risk rating system (ICRRS) for the purpose of measuring credit risk for every exposure in a consistent manner that is as accurate as possible and uses the risk information for business and financial decision making. The ICRRS shall cover all companies regardless of asset size, except those whose facilities are purely 1:1 which will be given a default Borrower Risk Rating of 1. The system has two components, namely: (a) Borrower Risk Rating (BRR) System, which provides an assessment of creditworthiness of a borrower risk without considering the type of facility or its security arrangements, and (b) Composite Risk Rating

(CRR), which is an account rating taking into account the collateral and other credit risk mitigants and the credit facility granted to the borrower. The Borrower Risk Rating consists of 14 grades, ten of which fall under unclassified accounts and the remaining four are classified accounts according to regulatory provisioning guidelines.

For consumer loans, the Bank uses Minimum Risk Acceptance Criteria (MRAC) as basis for approval of loan application. The MRAC is based on the basic characteristics of a loan borrower to make a sound credit decision and prudent judgment. Risks are mitigated by focusing on the accounts with a low PD while exercising prudent judgment on accounts whose risks are higher than normal but remains within the Group's risk appetite.

The Group also has a post approval loan portfolio quality and credit process review in place that allows the Group to continuously identify and assess the risks on credit exposures and take corrective actions. This function is carried out by the Group's Credit Policy and Review Division.

Impairment of Financial Assets
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 instrument.

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

b. Definition of 'default' and 'cure'

Loan receivables
The Group defines a financial instrument as in default based on the following:
- Loans and receivables which are past due for more than 90 days;
- There is a breach of any key covenants/agreements that will adversely affect the borrower's capacity to pay;
- Weak financial condition and results of operations that leads to the borrower's inability to generate sufficient cash flow for debt servicing; or
- Restructuring of principal and interest or any concession granted by the Group relating to the borrower's difficulty.

A financial instrument is considered to be no longer in default (that is, to have cured) when it no longer meets any of the default criteria and has exhibited a satisfactory track record.

Treasury exposures
Treasury exposures are considered in default upon occurrence of a credit event, such as but not limited to bankruptcy, failure of meeting its obligations to depositors and non-deposit obligations, becoming critically undercapitalized, restructuring of obligations, or request for moratorium.

c. SICR
The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a 30-day 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 risk assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit

weaknesses. For exposures without internal grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition. 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. Due dates are determined without considering any grace period that might be available to the borrower.

For other credit risk exposures such as cash in banks, interbank loans and receivables, and debt securities at amortized cost and at FVTOCI, the Group applies the low credit risk simplification. The Group considers a debt financial asset to have low risk when its credit rating is equivalent to the definition of investment grade. The Group evaluates whether the debt financial asset, on an individual basis, is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort.

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:

- For corporate loans, an account under Stage 3 may be reverted back to Stage 2 if it shows collection history of at least six consecutive payments. If an account continuous to shows collection history of another 6 consecutive payments, and other qualitative indicators representing substantial increase in credit risk has abated, the account will be further reverted back to Stage 1.
- For consumer loans, an account under Stage 3 may be reverted back to Stage 2 if at least six consecutive payments are received and days past due bucket improves to 31 to 90. If the status of an account further improves to current, it will be reverted back to Stage 1.
- For treasury exposures, the transfer from Stage 3 to Stage 2 must be evident with payments of interest and/or principal for at least six months. The Group shall transfer credit exposures from Stage 2 to Stage 1 if the rating upgrades and the resulting rating falls under investment grade rating bands.

d. Restructuring

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. Distressed restructuring with indications of unlikeliness to pay are categorized as impaired accounts and are moved to Stage 3.

e. ECL parameters and methodologies

ECL is a function of the probability of default (PD), exposure at default (EAD) and loss given default (LGD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit 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 type of 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 loan-related credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each loan 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. On the other hand, PD for cash and cash equivalents, interbank loans receivables and SPURA, debt securities at amortized cost and debt securities at FVTOCI are assessed on an individual basis using publicly available information.

EAD is modelled on historical data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. Two modelling approaches were employed during EAD estimation. A Balance-Based model for on-balance sheet accounts and a Credit Conversion Factor (CCF)-Based model for off-balance sheet accounts.

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. During LGD estimation, the discounted amounts of potential payments and expected recoveries from sale of the collateral are compared to the discounted amounts of corresponding direct expenses related with obtaining and selling of assets.

f. Economic overlays

The Group incorporates economic overlays into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of economic overlays is considered as economic inputs, such as gross domestic product (GDP) growth rates, inflation rates, unemployment rates, import growth rates, export growth rates and bank average lending rates. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect these, quantitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

g. Debt instruments measured at FVTOCI

The ECLs for debt instruments measured at FVTOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to the statement of income. The accumulated loss recognized in OCI is recycled to the statement of income upon derecognition of the assets.

h. Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, if possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements. Collateral, unless repossessed, is not recorded on the Group’s statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at the inception and re-assessed annually.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on the data provided by internal and external appraisers.

i. Undrawn loan commitments

Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. The nominal contractual value of undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position. These contracts are in the scope of the ECL requirements where the Group estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life.

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

	Consolidated and Parent Company					
	2023			2022		
	Gross Maximum Exposure*	**Net Exposure**	**Financial Effect of Collateral or Credit Enhancement**	Gross Maximum Exposure*	Net Exposure	Financial Effect of Collateral or Credit Enhancement
Receivables from customers:						
Corporate loans	**₱85,840,916**	**₱41,943,978**	**₱44,354,825**	₱71,060,966	₱37,160,345	₱34,221,645
Consumer loans	**3,253,613**	**351,561**	**2,912,800**	3,518,213	383,501	3,145,107
Credit exposure	**₱89,094,529**	**₱42,295,539**	**₱47,267,625**	₱74,579,179	₱37,543,846	₱37,366,752

***** *Net of allowance for credit losses and unearned discount*

For sales contracts receivable, the fair value of collaterals and their corresponding financial effect on credit exposure are no longer disclosed since the system does not regularly monitor such information. The carrying value of these sales contracts receivable are disclosed in Note 11.

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

Group exposures and risk concentrations to industries are monitored and reported in accordance with the Group's policies on group lending/inter-corporate earmarking and managing large exposure and credit risk concentrations.

Credit-related commitment risks
The Parent Company makes available to its customers guarantees that may require the Parent Company to make payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Parent Company to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Parent Company to similar risks to loans and are mitigated by the same control processes and policies.

The industry sector analysis of the maximum exposure of the Group to credit risk concentration follows (amounts in millions):

	Consolidated									
	2023					2022				
	Loans and Receivables	**Loans and Advances to Banks***	**Debt Investment Securities**	**Others****	**Total**	Loans and Receivables	Loans and Advances to Banks*	Debt Investment Securities	Others**	Total
Government	**₱852**	**₱12,205**	**₱35,088**	**₱1**	**₱48,146**	₱1,017	₱13,902	₱26,223	₱1	₱41,143
Construction and real estate	**23,148**	–	–	**240**	**23,388**	22,474	–	–	88	22,562
Wholesale and retail trade	**21,107**	–	–	**812**	**21,919**	19,748	–	–	1,049	20,797
Manufacturing	**13,988**	–	–	**1,926**	**15,914**	14,352	–	–	1,982	16,334
Banks and financial institutions	**4,532**	**978**	–	**17**	**5,527**	3,913	1,124	–	–	5,037
Electricity, gas and water supply	**4,635**	–	–	**6**	**4,641**	4,226	–	–	460	4,686
Transportation, storage, communication	**5,458**	–	–	**5**	**5,463**	3,110	–	–	35	3,145
Agriculture, hunting and forestry	**1,318**	–	–	**1**	**1,319**	1,379	–	–	1	1,380
Mining and quarrying	**108**	–	–	–	**108**	120	–	–	–	120
Others	**19,507**	–	**929**	**18**	**20,454**	9,532	–	304	19	9,855
	94,653	**13,183**	**36,017**	**3,026**	**146,879**	79,871	15,026	26,527	3,635	125,059
Less allowance for ECL	**2,879**	–	**13**	**8**	**2,900**	2,947	–	14	–	2,961
	₱91,774	**₱13,183**	**₱36,004**	**₱3,018**	**₱143,979**	₱76,924	₱15,026	₱26,513	₱3,635	₱122,098

* *Consist of due from BSP, due from other banks, and interbank loans receivable and SPURA*
** *Consist of RCOCI, refundable deposits, and credit-related commitments(i.e., standby LC, usance LC outstanding, outstanding shipping guarantees, sight LC outstanding)*

	Parent Company									
	2023					2022				
	Loans and Receivables	**Loans and Advances to Banks***	**Debt Investment Securities**	**Others****	**Total**	Loans and Receivables	Loans and Advances to Banks*	Debt Investment Securities	Others**	Total
Government	**₱852**	**₱12,205**	**₱35,088**	**₱1**	**₱48,146**	₱1,017	₱13,902	₱26,223	₱1	₱41,143
Construction and real estate	**23,148**	–	–	**240**	**23,388**	22,474	–	–	88	22,562
Wholesale and retail trade	**21,107**	–	–	**812**	**21,919**	19,748	–	–	1,049	20,797
Manufacturing	**13,988**	–	–	**1,926**	**15,914**	14,352	–	–	1,982	16,334
Banks and financial institutions	**4,532**	**978**	–	**17**	**5,527**	3,913	1,124	–	–	5,037
Electricity, gas and water supply	**4,635**	–	–	**6**	**4,641**	4,226	–	–	460	4,686
Transportation, storage, communication	**5,458**	–	–	**5**	**5,463**	3,110	–	–	35	3,145
Agriculture, hunting and forestry	**1,318**	–	–	**1**	**1,319**	1,379	–	–	1	1,380
Mining and quarrying	**108**	–	–	**-**	**108**	120	–	–	–	120
Others	**19,510**	–	**929**	**18**	**20,457**	9,535	–	304	19	9,858
	94,656	**13,183**	**36,017**	**3,026**	**146,882**	79,874	15,026	26,527	3,635	125,062
Less allowance for ECL	**2,879**	**-**	**13**	**8**	**2,900**	2,947	–	14	–	2,961
	₱91,777	**₱13,183**	**₱36,004**	**₱3,018**	**₱143,982**	₱76,927	₱15,026	₱26,513	₱3,635	₱122,101

* *Consist of due from BSP, due from other banks, and interbank loans receivable and SPURA*
** *Consist of RCOCI, refundable deposits, and credit-related commitments(i.e., standby LC, usance LC outstanding, outstanding shipping guarantees, sight LC outstanding)*

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

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions: cash or securities
- For commercial lending: deposit hold-out, mortgages over real estate properties, machineries, inventories and trade receivables
- For retail lending: mortgages over residential properties and motor vehicles

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

Collaterals obtained by the Group and the Parent Company from settlement of loans and receivables which remain outstanding as of December 31, 2023 and 2022 amounted to ₱98.03 million and ₱261.62 million, respectively (see Notes 13 and 15).

The Group does not hold collateral on financial assets which it may sell or repledge in the absence of default by the owner of the collateral.

Credit quality per class of financial assets
In compliance with MORB Sec. 143, the Group has developed and continuously reviews and calibrates its internal risk rating system for credit exposures aimed at uniformly assessing its credit portfolio in terms of risk profile. Where appropriate, it obtains security, enters into master netting agreements, and limits the duration of exposures to maintain and even further enhance the quality of the Group's credit exposures.

The credit quality of financial assets is monitored and managed using internal ratings and where available, external ratings.

a. Loans and Receivables

<u>*Receivables from customers*</u>
The Parent Company employs specific scorecards for each segment of the portfolio and uses specific scorecards for different classes of financial intermediaries.

The description and definition of the loan grades or ICRRS used by the Group for corporate loans follow:

BRR Grade	Description	Definition
1	Excellent	Excellent capacity to meet its financial commitments with minimal credit risk
2	Strong	Strong capacity to meet its financial commitments with very low credit risk
3	Good	Good capacity to meet its financial commitments with low credit risk.

BRR Grade	Description	Definition
4	Fairly Good	An obligor rated 4 differs from rated 3 obligor only to a small degree and has a fairly good capacity to meet its financial commitments with low credit risk.
5	Satisfactory	Satisfactory capacity to meet its financial commitments with moderate credit risk
6	Fairly Satisfactory	Fairly satisfactory capacity to meet its financial commitments with moderate credit risk
7	Acceptable	Acceptable capacity to meet its financial commitments with substantial credit risk
8	Acceptable with Care	A credit, though acceptable, needs care in granting facilities. However, the borrower is still creditworthy.
9	Acceptable with Caution	A credit, though acceptable, needs significant caution to be exercised while granting facilities to the borrower. The borrower is still creditworthy but has problems that need to be addressed.
10	Watch List	An obligor rated 10 is judged to be of poor credit standing and is subject to high default risk.
11	Especially Mentioned	These are loans that have potential weaknesses that deserve management's close attention. If left uncorrected, said weaknesses may affect the repayment of the loan.
12	Substandard	Loans that have well-defined weaknesses that may jeopardize repayment/liquidation in full, either in respect of the business, cash flow, or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower.
13	Doubtful	Loans that exhibit more sever weaknesses than those under "Substandard", whose characteristics on the basis of currently known facts, conditions, and values make collection or liquidation highly improbable, however, the exact amount remains undeterminable as yet.
14	Loss	Loans which are considered uncollectible or worthless and of such little value that their continuance as bankable assets is not warranted.

The credit quality of the Group's corporate loans under receivables from customers, which is based on the BRR grade, is grouped as follows:

<u>High Grade (BRR 1 to 7)</u>
Under this category, the borrower has the apparent ability to satisfy its obligations in full and therefore, no loss in ultimate collection is anticipated. These loans or portions thereof are secured by hold-outs on deposits/deposit substitute, margin deposits or government-supported securities, other readily marketable collateral or are supported by sufficient credit and financial information of favorable nature to assure repayment as agreed.

Standard Grade (BRR 8 to 10)
Under this category are accounts not considered adversely classified but require close supervision/monitoring due to some warning signals such as start-up business, substantial changes in the business affecting operation or management, three continuous years of substantial decline in income (exclusive of extraordinary income/losses).

Substandard Grade or Past-Due (BRR 11 to 14)
Under this category are loans which exhibit unfavorable record or unsatisfactory characteristics, or where existing facts, conditions and values, make collection or liquidation in full improbable.

The credit quality of the Group's consumer loans under receivables from customers, which is based on the age and status of delinquency of receivables and the credit standing of the counterparties, is grouped as follows:

High Grade
This category is comprised of current receivables with no history of defaults and delayed payments and other financial assets with counterparties that have the apparent ability to satisfy their obligations in full. This rating includes amounts due from the BSP and due from other banks.

Standard Grade
This category is comprised of receivables that are technically past due, with period of default of 1 to 30 days, but are still regarded as good credit quality since the counterparties have the apparent ability to satisfy their obligations in full.

Past Due but not Impaired
These are accounts which are classified as delinquent, with period of default of 31 to 90 days.

Past Due and Impaired
This comprised of receivables and other financial assets which are classified as non-performing, with period of default of more than 90 days.

Positive and vigorous management action is required to avert or minimize loss.

As of December 31, 2023, the credit quality of receivables from customers, net of unearned discount and capitalized interest of the Group and Parent Company follows:

Consolidated and Parent Company		**2023**		
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Corporate loans:				
High grade	**₱78,269,820**	**₱–**	**₱–**	**₱78,269,820**
Standard grade	**–**	**2,789,509**	**–**	**2,789,509**
Substandard grade	**–**	**–**	**–**	**–**
Past due but not impaired	**–**	**6,077**	**–**	**6,077**
Past due and impaired	**–**	**–**	**7,402,295**	**7,402,295**
	78,269,820	**2,795,586**	**7,402,295**	**88,467,701**
Consumer loans:				
Auto loans:				
High grade	**432,429**	**–**	**–**	**432,429**
Standard grade	–	–	–	–
Past due but not impaired	–	–	**2,665**	**2,665**
Past due and impaired	–	–	**19,044**	**19,044**
	432,429	**–**	**21,709**	**454,138**

(Forward)

Consolidated and Parent Company	**2023**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Home loans:				
High grade	**₱2,504,711**	**₱–**	**₱–**	**₱2,504,711**
Standard grade	**–**	**–**	–	**–**
Past due but not impaired	**–**	**72,291**	**50,780**	**123,071**
Past due and impaired	**–**	–	**299,238**	**299,238**
	2,504,711	**72,291**	**350,018**	**2,927,020**
Personal loans:				
High grade	**28,961**	**–**	**–**	**28,961**
Standard grade	**–**	**15**	**–**	**15**
Past due but not impaired	**–**	**–**	**360**	**360**
Past due and impaired	**–**	**–**	**11,476**	**11,476**
	28,961	**15**	**11,836**	**40,812**
Total consumer loans:				
High grade	**2,966,101**	**–**	**–**	**2,966,101**
Standard grade	**–**	**15**	**–**	**15**
Past due but not impaired	**–**	**72,291**	**53,805**	**126,096**
Past due and impaired	**–**	**–**	**329,758**	**329,758**
	2,966,101	**72,306**	**383,563**	**3,421,970**
Total receivables from customers:				
High grade	**81,235,921**	**–**	**–**	**81,235,921**
Standard grade	**–**	**2,789,524**	**–**	**2,789,524**
Substandard grade	**–**	**–**	**–**	**–**
Past due but not impaired	**–**	**78,368**	**53,805**	**132,173**
Past due and impaired	**–**	**–**	**7,732,053**	**7,732,053**
	₱81,235,921	**₱2,867,892**	**₱7,785,858**	**₱91,889,671**

Consolidated and Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans:				
High grade	₱60,813,497	₱–	₱–	₱60,813,497
Standard grade	–	10,375,931	–	10,375,931
Substandard grade	–	234,764	–	234,764
Past due but not impaired	–	137,368	–	137,368
Past due and impaired	–	–	2,109,855	2,109,855
	60,813,497	10,748,063	2,109,855	73,671,415
Consumer loans:				
Auto loans:				
High grade	392,624	–	–	392,624
Standard grade	–	1,964	–	1,964
Past due but not impaired	–	3,303	–	3,303
Past due and impaired	–	–	62,526	62,526
	392,624	5,267	62,526	460,417
Home loans:				
High grade	2,784,776	–	–	2,784,776
Standard grade		44,441	–	44,441
Past due but not impaired	–	23,250	–	23,250
Past due and impaired	–	–	391,965	391,965
	2,784,776	67,691	391,965	3,244,432
Personal loans:				
High grade	38,618	–	–	38,618
Standard grade	–	1,991	–	1,991
Past due but not impaired	–	587	–	587
Past due and impaired	–	–	26,206	26,206
	38,618	2,578	26,206	67,402

(Forward)

Consolidated and Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
Total consumer loans:				
High grade	₱3,216,018	₱–	₱–	₱3,216,018
Standard grade	–	48,396	–	48,396
Past due but not impaired	–	27,140	–	27,140
Past due and impaired	–	–	480,697	480,697
	3,216,018	75,536	480,697	3,772,251
Total receivables from customers:				
High grade	64,029,515	–	–	64,029,515
Standard grade	–	10,424,327	–	10,424,327
Substandard grade	–	234,764	–	234,764
Past due but not impaired	–	164,508	–	164,508
Past due and impaired	–	–	2,590,552	2,590,552
	₱64,029,515	₱10,823,599	₱2,590,552	₱77,443,666

Movements during 2023 and 2022 for receivables from customers follows:

Consolidated and Parent Company	**2023**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Corporate loans:				
Balance at January 1, 2023	**₱60,813,498**	**₱10,748,062**	**₱2,109,855**	**₱73,671,415**
New assets originated or purchased	**23,165,581**	**-**	**-**	**23,165,581**
Assets derecognized or repaid	**(6,996,993)**	**(1,339,789)**	**(32,513)**	**(8,369,295)**
Transfers to Stage 1	**3,714,637**	**(3,674,530)**	**(40,107)**	**–**
Transfers to Stage 2	**(2,310,624)**	**2,310,624**	**–**	**–**
Transfers to Stage 3	**(116,279)**	**(5,248,781)**	**5,365,060**	**–**
Balance at December 31, 2023	**78,269,820**	**2,795,586**	**7,402,295**	**88,467,701**
Consumer loans:				
Auto loans:				
Balance at January 1, 2023	**392,624**	**5,267**	**62,526**	**460,417**
New assets originated or purchased	**179,990**	**-**	**-**	**179,990**
Assets derecognized or repaid	**(140,202)**	**(2,786)**	**(18,416)**	**(161,404)**
Transfers to Stage 1	**679**	**(644)**	**(35)**	**-**
Transfers to Stage 2	**-**	**-**	**-**	**-**
Transfers to Stage 3	**(662)**	**(1,837)**	**2,499**	**-**
Accounts written-off	**–**	**–**	**(24,865)**	**(24,865)**
Balance at December 31, 2023	**432,429**	**–**	**21,709**	**454,138**
Home loans:				
Balance at January 1, 2023	**2,784,776**	**67,691**	**391,965**	**3,244,432**
New assets originated or purchased	**207,409**	**–**	**–**	**207,409**
Assets derecognized or repaid	**(443,447)**	**(6,769)**	**(74,605)**	**(524,821)**
Transfers to Stage 1	**41,324**	**(35,798)**	**(5,526)**	**-**
Transfers to Stage 2	**(35,008)**	**67,944**	**(32,936)**	**-**
Transfers to Stage 3	**(50,343)**	**(20,777)**	**71,120**	**-**
Balance at December 31, 2023	**2,504,711**	**72,291**	**350,018**	**2,927,020**
Personal loans:				
Balance at January 1, 2023	**38,618**	**2,578**	**26,206**	**67,402**
New assets originated or purchased	**1,463**	**–**	**–**	**1,463**
Assets derecognized or repaid	**(10,504)**	**(1,145)**	**(3,548)**	**(15,197)**
Transfers to Stage 1	**480**	**(427)**	**(53)**	**-**
Transfers to Stage 2		**15**	**(15)**	**-**
Transfers to Stage 3	**(1,096)**	**(1,006)**	**2,102**	**-**
Accounts written-off	**–**	**–**	**(12,856)**	**(12,856)**
Balance at December 31, 2023	**28,961**	**15**	**11,836**	**40,812**

(Forward)

Consolidated and Parent Company	**2023**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Total consumer loans:				
Balance at January 1, 2023	**₱3,216,018**	**₱75,536**	**₱480,697**	**₱3,772,251**
New assets originated or purchased	**388,862**	**-**	**-**	**388,862**
Assets derecognized or repaid	**(594,153)**	**(10,700)**	**(96,569)**	**(701,422)**
Transfers to Stage 1	**42,483**	**(36,869)**	**(5,614)**	**-**
Transfers to Stage 2	**(35,008)**	**67,959**	**(32,951)**	**-**
Transfers to Stage 3	**(52,101)**	**(23,620)**	**75,721**	**-**
Accounts written-off	**-**	**-**	**(37,721)**	**(37,721)**
Balance at December 31, 2023	**2,966,101**	**72,306**	**383,563**	**3,421,970**
Total receivables from customers:				
Balance at January 1, 2023	**64,029,516**	**10,823,598**	**2,590,552**	**77,443,666**
New assets originated or purchased	**23,554,443**	**-**	**-**	**23,554,443**
Assets derecognized or repaid	**(7,591,146)**	**(1,350,489)**	**(129,082)**	**(9,070,717)**
Transfers to Stage 1	**3,757,120**	**(3,711,399)**	**(45,721)**	**-**
Transfers to Stage 2	**(2,345,632)**	**2,378,583**	**(32,951)**	**-**
Transfers to Stage 3	**(168,380)**	**(5,272,401)**	**5,440,781**	**-**
Accounts written-off	**-**	**-**	**(37,721)**	**(37,721)**
	₱81,235,921	**₱2,867,892**	**₱7,785,858**	**₱91,889,671**

Consolidated and Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans:				
Balance at January 1, 2022	₱49,723,948	₱7,897,571	₱2,611,532	₱60,233,051
New assets originated or purchased	26,992,686	–	–	26,992,686
Assets derecognized or repaid	(11,532,982)	(1,365,045)	(656,295)	(13,554,322)
Transfers to Stage 1	1,861,233	(1,861,233)	–	–
Transfers to Stage 2	(6,124,925)	6,171,833	(46,908)	–
Transfers to Stage 3	(106,463)	(95,063)	201,526	–
Balance at December 31, 2022	60,813,497	10,748,063	2,109,855	73,671,415
Consumer loans:				
Auto loans:				
Balance at January 1, 2022	452,291	18,702	127,113	598,106
New assets originated or purchased	146,221	–	–	146,221
Assets derecognized or repaid	(194,516)	(14,934)	(65,546)	(274,996)
Transfers to Stage 1	2,262	(2,262)	–-	–-
Transfers to Stage 2	(6,736)	8,624	(1,888)	–-
Transfers to Stage 3	(6,898)	(4,863)	11,761	–-
Accounts written-off	—	—	(8,914)	(8,914)
Balance at December 31, 2022	392,624	5,267	62,526	460,417
Home loans:				
Balance at January 1, 2022	2,995,384	82,052	559,166	3,636,602
New assets originated or Purchased	299,248	–	–	299,248
Assets derecognized or repaid	(528,238)	(9,021)	(154,159)	(691,418)
Transfers to Stage 1	98,886	(36,458)	(62,428)	–
Transfers to Stage 2	(15,959)	58,878	(42,919)	–
Transfers to Stage 3	(64,545)	(27,760)	92,305	–
Balance at December 31, 2022	2,784,776	67,691	391,965	3,244,432
Personal loans:				
Balance at January 1, 2022	109,400	5,579	98,172	213,151
New assets originated or Purchased	26,155	–	–	26,155
Assets derecognized or repaid	(92,062)	(3,679)	(10,893)	(106,634)
Transfers to Stage 1	3,935	(421)	(3,514)	–
Transfers to Stage 2	(2,204)	4,130	(1,926)	–
Transfers to Stage 3	(6,606)	(3,031)	9,637	–
Accounts written-off	–	–	(65,270)	(65,270)
Balance at December 31, 2022	38,618	2,578	26,206	67,402

(Forward)

Consolidated and Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
Total consumer loans:				
Balance at January 1, 2022	₱3,557,075	₱106,333	₱784,451	₱4,447,859
New assets originated or Purchased	471,624	–	–	471,624
Assets derecognized or repaid	(814,816)	(27,634)	(230,598)	(1,073,048)
Transfers to Stage 1	105,083	(39,141)	(65,942)	–
Transfers to Stage 2	(24,899)	71,632	(46,733)	–
Transfers to Stage 3	(78049)	(35,654)	113,703	–
Accounts written-off	–	–	(74,184)	(74,184)
Balance at December 31, 2022	3,216,018	75,536	480,697	3,772,251
Total receivables from customers:				
Balance at January 1, 2023	53,281,023	8,003,904	3,395,983	64,680,910
New assets originated or purchased	27,464,310	–	–	27,464,310
Assets derecognized or repaid	(12,347,798)	(1,392,679)	(886,893)	(14,627,370)
Transfers to Stage 1	1,966,316	(1,900,374)	(65,942)	–
Transfers to Stage 2	(6,149,824)	6,243,465	(93,641)	–
Transfers to Stage 3	(184,512)	(130,717)	315,229	–
Accounts written-off	–	–	(74,184)	(74,184)
	₱64,029,515	₱10,823,599	₱2,590,552	₱77,443,666

As of December 31, 2023 and the credit quality of other receivables, gross of allowance for credit losses follows:

Consolidated	**2023**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Unquoted debt securities:				
High grade	**₱366,900**	**₱–**	**₱–**	**₱366,900**
Accrued interest receivable:				
High grade	**885,294**	**–**	**–**	**885,294**
Standard grade	**-**	**15,782**	**–**	**15,782**
Substandard grade	**-**	**–**	**–**	**–**
Past due but not impaired	**-**	**258**	**229**	**487**
Past due and impaired	**-**	**-**	**70,641**	**70,641**
	885,294	**16,040**	**70,870**	**972,204**
Accounts receivable:				
High grade	**1,290,523**	**–**	**–**	**1,290,523**
Standard grade	**8,602**	**–**	**–**	**8,602**
Substandard grade	**–**	**4,999**	**–**	**4,999**
Past due but not impaired	**–**	**6,940**	**–**	**6,940**
Past due and impaired	**–**	**–**	**49,640**	**49,640**
	1,299,125	**11,939**	**49,640**	**1,360,704**
Sales contracts receivable:				
High grade	**45,711**	**–**	**–**	**45,711**
Standard grade	**–**	**–**	**–**	**–**
Past due but not impaired	**–**	**–**	**–**	**–**
Past due and impaired	**–**	**–**	**17,856**	**17,856**
	45,711	**–**	**17,856**	**63,567**
Total other receivables:				
High grade	**2,588,428**	**-**	**-**	**2,588,428**
Standard grade	**8,602**	**15,782**	**-**	**24,384**
Substandard grade	**–**	**4,999**	**-**	**4,999**
Past due but not impaired	**–**	**7,198**	**229**	**7,427**
Past due and impaired	**–**	**-**	**138,137**	**138,137**
	₱2,597,030	**₱27,979**	**₱138,366**	**₱2,763,375**

Parent Company	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Unquoted debt securities:				
High grade	**₱366,900**	**₱ -**	**₱ -**	**₱366,900**
Accrued interest receivable:				
High grade	**885,294**	**-**	**-**	**885,294**
Standard grade	**-**	**15,782**	**-**	**15,782**
Substandard grade	**-**	**-**	**-**	**-**
Past due but not impaired	**-**	**258**	**229**	**487**
Past due and impaired	**-**	**-**	**70,641**	**70,641**
	885,294	**16,040**	**70,870**	**972,204**
Accounts receivable:				
High grade	**1,293,356**	**-**	**-**	**1,293,356**
Standard grade	**8,602**	**-**	**-**	**8,602**
Substandard grade	**-**	**4,999**	**-**	**4,999**
Past due but not impaired	**-**	**6,940**	**-**	**6,940**
Past due and impaired	**-**	**-**	**49,640**	**49,640**
	1,301,958	**11,939**	**49,640**	**1,363,537**
Sales contracts receivable:				
High grade	**45,711**	**-**	**-**	**45,711**
Standard grade	**-**	**-**	**-**	**-**
Past due but not impaired	**-**	**-**	**-**	**-**
Past due and impaired	**-**	**-**	**17,856**	**17,856**
	45,711	**-**	**17,856**	**63,567**
Total other receivables:				
High grade	**2,591,261**	**-**	**-**	**2,591,261**
Standard grade	**8,602**	**15,782**	**-**	**24,384**
Substandard grade	**-**	**4,999**	**-**	**4,999**
Past due but not impaired	**-**	**7,198**	**229**	**7,427**
Past due and impaired	**-**	**-**	**138,137**	**138,137**
	₱2,599,863	**₱27,979**	**₱138,366**	**₱2,766,208**

	2022			
Unquoted debt securities:				
High grade	₱649,995	₱–	₱–	₱649,995
Accrued interest receivable:				
High grade	604,181	–	–	604,181
Standard grade	–	97,589	–	97,589
Substandard grade	–	1,215	–	1,215
Past due but not impaired	–	125	–	125
Past due and impaired	–	–	9,798	9,798
	604,181	98,929	9,798	712,908
Accounts receivable:				
High grade	924,020	–	–	924,020
Standard grade	11,719	–	–	11,719
Substandard grade	–	6,583	–	6,583
Past due but not impaired	–	6,700	–	6,700
Past due and impaired	–	–	51,535	51,535
	935,739	13,283	51,535	1,000,557
Sales contracts receivable:				
High grade	42,165	–	–	42,165
Standard grade	–	19,025	–	19,025
Past due but not impaired	–	–	–	-
Past due and impaired	–	–	2,525	2,525
	42,165	19,025	2,525	63,715
Total other receivables:				
High grade	2,220,362	–	–	2,220,362
Standard grade	11,719	116,614	–	128,333
Substandard grade	–	7,798	–	7,798
Past due but not impaired	–	6,825	–	6,825
Past due and impaired	–	–	63,858	63,857
	₱2,232,081	₱131,237	₱63,858	₱2,427,175

Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
Unquoted debt securities:				
High grade	₱649,995	₱–	₱–	₱649,995
Accrued interest receivable:				
High grade	604,181	–	–	604,181
Standard grade	–	97,589	–	97,589
Substandard grade	–	1,215	–	1,215
Past due but not impaired	–	125	–	125
Past due and impaired	–	–	9,798	9,798
	604,181	98,929	9,798	712,908
Accounts receivable:				
High grade	924,020		–	924,020
Standard grade	14,552	–	–	14,552
Substandard grade	–	6,583	–	6,583
Past due but not impaired	–	6,700	–	6,700
Past due and impaired	–	–	51,535	51,535
	938,572	13,283	51,535	1,003,390
Sales contracts receivable:				
High grade	42,165	–	–	42,165
Standard grade	–	19,025	–	19,025
Past due but not impaired	–	–	–	-
Past due and impaired	–	–	2,525	2,525
	42,165	19,025	2,525	63,715
Total other receivables:				
High grade	2,220,362	–	–	2,220,362
Standard grade	14,552	116,614	–	131,166
Substandard grade	–	7,798	–	7,798
Past due but not impaired	–	6,825	–	6,825
Past due and impaired	–	–	63,858	63,858
	₱2,234,914	₱131,237	₱63,858	₱2,430,009

Movements during 2023 and 2022 for other receivables follows:

Consolidated	**2023**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Unquoted debt securities:				
Balance at January 1, 2023	**₱649,995**	**₱–**	**₱–**	**₱649,995**
Assets derecognized or repaid	**(283,095)**	**–**	**–**	**(283,095)**
Balance at December 31, 2023	**366,900**	**–**	**–**	**366,900**
Accrued interest receivable:				
Balance at January 1, 2023	**604,181**	**98,929**	**9,798**	**712,908**
New assets originated or purchased	**374,211**	**–**	**–**	**374,211**
Assets derecognized or repaid	**(93,112)**	**(20,062)**	**(1,310)**	**(114,484)**
Transfers to Stage 1	**17,127**	**(16,915)**	**(212)**	**–**
Transfers to Stage 2	**(11,640)**	**11,779**	**(139)**	**–**
Transfers to Stage 3	**(5,473)**	**(57,691)**	**63,164**	**–**
Accounts written-off	**-**	**-**	**(431)**	**(431)**
Balance at December 31, 2023	**885,294**	**16,040**	**70,870**	**972,204**
Accounts receivable:				
Balance at January 1, 2023	**935,739**	**13,283**	**51,535**	**1,000,557**
New assets originated or Purchased	**6,095,640**	**–**	**–**	**6,095,640**
Assets derecognized or repaid	**(5,727,268)**	**(1,035)**	**(6,913)**	**(5,735,216)**
Transfers to Stage 1	**(4,986)**	**(309)**	**5,295**	**–**
Transfers to Stage 2	**–**	**–**	**–**	**–**
Transfers to Stage 3	**–**	**–**	**–**	**–**
Accounts written-off	**–**	**–**	**(277)**	**(277)**
Balance at December 31, 2023	**1,299,125**	**11,939**	**49,640**	**1,360,704**

(Forward)

Consolidated	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Sales contract receivable:				
Balance at January 1, 2023	**₱42,166**	**₱19,025**	**₱2,524**	**₱63,715**
New assets originated or Purchased	**21,226**	**-**	**236**	**21,462**
Assets derecognized or repaid	**(10,879)**	**(8,495)**	**(2,236)**	**(21,610)**
Transfers to Stage 1	**1,405**	**(1,402)**	**(3)**	**–**
Transfers to Stage 2	**–**	**–**	**–**	**–**
Transfers to Stage 3	**(8,207)**	**(9,128)**	**17,335**	**–**
Balance at December 31, 2023	**45,711**	**–**	**17,856**	**63,567**
Total other receivables:				
Balance at January 1, 2023	**2,232,081**	**131,237**	**63,857**	**2,427,175**
New assets originated or purchased	**6,491,077**	**–**	**236**	**6,491,313**
Assets derecognized or repaid	**(6,114,354)**	**(29,592)**	**(10,459)**	**(6,154,405)**
Transfers to Stage 1	**13,546**	**(18,626)**	**5,080**	**-**
Transfers to Stage 2	**(11,640)**	**11,779**	**(139)**	**-**
Transfers to Stage 3	**(13,680)**	**(66,819)**	**80,499**	**-**
Accounts written-off	**–**	**–**	**(708)**	**(708)**
	₱2,597,030	**₱ 27,979**	**₱138,366**	**₱ 2,763,375**

Parent Company	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Unquoted debt securities:				
Balance at January 1, 2023	**₱649,995**	**₱–**	**₱–**	**649,995**
Assets derecognized or repaid	**(283,095)**	**–**	**–**	**(283,095)**
Balance at December 31, 2023	**366,900**	**–**	**–**	**366,900**
Accrued interest receivable:				
Balance at January 1, 2023	**603,075**	**98,928**	**9,798**	**711,801**
New assets originated or Purchased	**398,791**	**–**	**–**	**398,791**
Assets derecognized or repaid	**(116,586)**	**(20,061)**	**(1,310)**	**(137,957)**
Transfers to Stage 1	**17,127**	**(16,915)**	**(212)**	**–**
Transfers to Stage 2	**(11,640)**	**11,779**	**(139)**	**–**
Transfers to Stage 3	**(5,473)**	**(57,691)**	**63,164**	**–**
Accounts written-off	**-**	**-**	**(431)**	**(431)**
Balance at December 31, 2023	**885,294**	**16,040**	**70,870**	**972,204**
Accounts receivable:				
Balance at January 1, 2023	**938,572**	**13,283**	**51,535**	**1,003,390**
New assets originated or Purchased	**6,095,640**	**–**	**–**	**6,095,640**
Assets derecognized or repaid	**(5,727,268)**	**(1,035)**	**(6,913)**	**(5,735,216)**
Transfers to Stage 1	**(4,986)**	**(309)**	**5,295**	**–**
Transfers to Stage 2	**–**	**–**	**–**	**–**
Transfers to Stage 3	**–**	**–**	**–**	**–**
Accounts written-off	**–**	**–**	**(277)**	**(277)**
Balance at December 31, 2023	**1,301,958**	**11,939**	**49,640**	**1,363,537**
Sales contract receivable:				
Balance at January 1, 2023	**42,166**	**19,025**	**2,524**	**63,715**
New assets originated or Purchased	**21,226**	**-**	**236**	**21,462**
Assets derecognized or repaid	**(10,879)**	**(8,495)**	**(2,236)**	**(21,610)**
Transfers to Stage 1	**1,405**	**(1,402)**	**(3)**	**–**
Transfers to Stage 2	**–**	**–**	**–**	**–**
Transfers to Stage 3	**(8,207)**	**(9,128)**	**17,335**	**–**
Balance at December 31, 2023	**45,711**	**–**	**17,856**	**63,567**
Total other receivables:				
Balance at January 1, 2023	**2,233,808**	**131,236**	**63,857**	**2,428,901**
New assets originated or Purchased	**6,515,656**	**–**	**236**	**6,515,892**
Assets derecognized or repaid	**(6,137,827)**	**(29,591)**	**(10,459)**	**(6,177,877)**
Transfers to Stage 1	**13,546**	**(18,626)**	**5,080**	
Transfers to Stage 2	**(11,640)**	**11,779**	**(139)**	**–**
Transfers to Stage 3	**(13,680)**	**(66,819)**	**80,499**	**–**
Accounts written-off	**-**	**-**	**(708)**	**(708)**
	₱2,599,863	**₱27,979**	**₱138,366**	**₱2,766,208**

Consolidated	2022			
	Stage 1	Stage 2	Stage 3	Total
Unquoted debt securities:				
Balance at January 1, 2022	₱678,557	₱–	₱–	₱678,557
Assets derecognized or repaid	(28,562)	–	–	(28,562)
Balance at December 31, 2022	649,995	–	–	649,995
Accrued interest receivable:				
Balance at January 1, 2022	436,241	109,066	14,463	559,770
New assets originated or purchased	314,082	-	-	314,082
Assets derecognized or repaid	(113,991)	(40,661)	(4,436)	(159,088)
Transfers to Stage 1	4,556	(4,250)	(306)	-
Transfers to Stage 2	(34,453)	34,484	(31)	-
Transfers to Stage 3	(2,254)	290	1,964	-
Accounts written-off	-	-	(1,856)	(1,856)
Balance at December 31, 2022	604,181	98,929	9,798	712,908
Accounts receivable:				
Balance at January 1, 2022	1,488,250	35,119	29,844	1,553,213
New assets originated or Purchased	4,408,787	–	–	4,408,787
Assets derecognized or repaid	(4,958,956)	(5,997)	5,602	(4,959,351)
Transfers to Stage 1	(2,342)	(15,839)	18,181	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Accounts written-off	–	–	(2,092)	(2,092)
Balance at December 31, 2022	935,739	13,283	51,535	1,000,557
Sales contract receivable:				
Balance at January 1, 2022	37,562	126	7,467	45,155
New assets originated or Purchased	31,021	–	–	31,021
Assets derecognized or repaid	(5,306)	(6,586)	(569)	(12,461)
Transfers to Stage 1	3,647	(63)	(3,584)	–
Transfers to Stage 2	(24,694)	25,548	(854)	–
Transfers to Stage 3	(64)	–	64	–
Balance at December 31, 2022	42,166	19,025	2,524	63,715
Total other receivables:				
Balance at January 1, 2022	2,640,610	144,311	51,774	2,836,695
New assets originated or purchased	4,753,890	-	-	4,753,890
Assets derecognized or repaid	(5,106,815)	(53,244)	597	(5,159,462)
Transfers to Stage 1	5,861	(20,152)	14,291	-
Transfers to Stage 2	(59,147)	60,032	(885)	-
Transfers to Stage 3	(2,318)	290	2,028	-
Accounts written-off	-	-	(3,948)	(3,948)
	2,232,081	131,237	63,857	2,427,175

Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
Unquoted debt securities:				
Balance at January 1, 2022	678,557	–	–	678,557
Assets derecognized or repaid	(28,562)	–	–	(28,562)
Balance at December 31, 2022	649,995	–	–	649,995
Accrued interest receivable:				
Balance at January 1, 2022	436,241	109,066	14,463	559,770
New assets originated or Purchased	314,082	-	-	314,082
Assets derecognized or repaid	(113,991)	(40,661)	(4,436)	(159,088)
Transfers to Stage 1	4,556	(4,250)	(306)	-
Transfers to Stage 2	(34,453)	34,484	(31)	-
Transfers to Stage 3	(2,254)	290	1,964	-
Accounts written-off	-	-	(1,856)	(1,856)
Balance at December 31, 2022	604,181	98,929	9,798	712,908

(Forward)

Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
Accounts receivable:				
Balance at January 1, 2022	₱1,491,083	₱35,119	₱29,844	₱1,556,046
New assets originated or Purchased	4,408,787	-	-	4,408,787
Assets derecognized or repaid	(4,958,956)	(5,997)	5,602	(4,959,351)
Transfers to Stage 1	(2,342)	(15,839)	18,181	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Accounts written-off	-	-	(2,092)	(2,092)
Balance at December 31, 2022	938,572	13,283	51,535	1,003,390
Sales contract receivable:				
Balance at January 1, 2022	37,562	126	7,467	45,155
New assets originated or Purchased	31,021	–	–	31,021
Assets derecognized or repaid	(5,306)	(6,586)	(569)	(12,461)
Transfers to Stage 1	3,647	(63)	(3,584)	–
Transfers to Stage 2	(24,694)	25,548	(854)	–
Transfers to Stage 3	(64)	-	64	–
Balance at December 31, 2022	42,166	19,025	2,524	63,715
Total other receivables:				
Balance at January 1, 2022	2,643,443	144,311	51,774	2,839,528
New assets originated or Purchased	4,753,890	–	–	4,753,890
Assets derecognized or repaid	(5,106,815)	(53,244)	597	(5,159,462)
Transfers to Stage 1	5,861	(20,152)	14,291	–
Transfers to Stage 2	(59,147)	60,032	(885)	–
Transfers to Stage 3	(2,318)	290	2,028	–
Accounts written-off	–	–	(3,948)	(3,948)
	₱2,234,914	₱131,237	₱63,857	₱2,430,008

As of December 31, 2023 and 2022, the credit quality of other financial assets (RCOCI and refundable security deposits) are as follows:

Consolidated and Parent Company	**2023**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
High grade	**₱41,463**	**₱–**	**₱–**	**₱41,463**
Standard grade	**1,311**	**–**	**–**	**1,311**
Past due and impaired	**–**	**–**	**1,564**	**1,564**
	₱42,774	**₱–**	**₱1,564**	**₱44,338**

Consolidated and Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
High grade	₱35,561	₱–	₱–	₱35,561
Standard grade	44	–	–	44
Past due and impaired	–	–	1,564	1,564
	₱35,605	₱–	₱1,564	₱37,169

Movements during 2023 and 2022 for other financial assets follows:

Consolidated and Parent Company	**2023**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at January 1	**₱35,605**	**₱–**	**₱1,564**	**₱37,169**
New assets originated or purchased	**7,169**	**–**	**–**	**7,169**
Assets derecognized or repaid	**–**	**–**	**–**	**–**
Balance at December 31	**₱42,774**	**₱–**	**₱1,564**	**₱44,338**

Consolidated and Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
Balance at January 1	₱33,969	₱–	₱1,564	₱35,533
New assets originated or purchased	8,664	–	–	8,664
Assets derecognized or repaid	(7,028)	–	–	(7,028)
Balance at December 31	₱35,605	₱–	₱1,564	₱37,169

As of December 31, 2023 and 2022, the credit quality of the Group's and the Parent Company's financial guarantees, letters of credit and loan commitments follows:

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
High grade	**₱2,981,611**	**₱–**	**₱–**	**₱2,981,611**
Standard grade	–	–	–	–
	₱2,981,611	**₱–**	**₱**	**₱2,981,611**

	2022			
	Stage 1	Stage 2	Stage 3	Total
High grade	₱3,557,039	₱–	₱–	₱3,557,039
Standard grade	–	40,903	–	40,903
	₱3,557,039	₱40,903	₱	₱3,597,942

Movements during 2023 and 2022 for the Group's and the Parent Company's financial guarantees, letters of credit and loan commitments follows:

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at January 1	**₱3,557,039**	**₱40,903**	**₱-**	**₱3,597,942**
New assets originated or purchased	**1,286,883**	**-**	**-**	**1,286,883**
Assets derecognized or repaid	**(1,862,311)**	**(40,903)**		**(1,903,214)**
Balance at December 31	**₱2,981,611**	**₱-**	**₱-**	**₱2,981,611**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Balance at January 1	₱2,437,869	₱237,928	₱–	₱2,675,797
New assets originated or purchased	2,198,227	-	–	2,198,227
Transfers	(39,903)	39,903	–	-
Assets derecognized or repaid	(1,039,154)	(236,928)	–	(1,276,082)
Balance at December 31	₱3,557,039	₱40,903	₱–	₱3,597,942

As of December 31, 2023 and 2022, restructured loans by the Group and the Parent Company which are neither past due nor impaired are as follow:

	2023	2022
Receivables from customers:		
Corporate	**₱515,473**	₱852,809
Consumer	**145,557**	148,668

a. Due from Banks, Interbank Loans Receivables, Government Securities and Corporate Investments

The Group follows an internally developed risk rating system for local banks and external risk ratings [that is, Standard and Poor's (S&P)] for foreign banks, government securities and corporate investments.

A description of the rating systems for local banks follows:

High Grade (Tier 1)
Tier 1 - Banks categorized under this tier are capable of withstanding very difficult market conditions for 2-3 years without deteriorating to a substandard credit classification by virtue of their size, reputation and ranking in the industry.

Standard Grade (Tier 2 to Tier 3)
These are accounts that have potential weaknesses that deserve management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the financial instrument, thus, increase credit risk to the Group.A

Tier 2 - Banks categorized under this tier may deteriorate to substandard within 1-2 years under very difficult market conditions.

Tier 3 - Banks categorized under this tier may deteriorate to substandard within one year under very difficult market conditions. These are banks, which fall short relative to size, in view of perceived concern of uncertainty about their portfolio, earnings, or market condition. Banks with total net worth of ₱3.00 billion to less than ₱4.50 billion and net income of ₱200.00 million to less than ₱400.00 million are included in this category.

Substandard Grade (Tier 4)
Tier 4 - These are banks, which fall short relative to size, in view of perceived concern of uncertainty about their portfolio, earnings, or market condition. Banks with total net worth of ₱1.50 billion to less than ₱3.00 billion and net income of ₱70.00 million to less than ₱200.00 million are included in this category.

The following is the credit rating scale applicable for foreign banks, government securities, and corporate investment outlets (aligned with S&P ratings):

AAA - Obligor's capacity to meet its financial commitment is extremely strong.

AA - Obligor's capacity to meet its financial commitment is very strong. It differs from the highest-rated obligors at a minimal degree.

A - Obligor has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors rated in higher-rated categories.

BBB and below:

BBB - Obligation rated 'BBB' has adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

BB - Obligation is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

B - Obligation rated ‘B’ is more vulnerable to nonpayment than obligations rated ‘BB’, but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor’s capacity or willingness to meet its financial commitment on the obligation.

CCC - Obligation is currently vulnerable to nonpayment, and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation.

CC - Obligation is currently highly vulnerable to nonpayment.

C - Obligation is currently highly vulnerable to nonpayment, payment arrearages allowed by the terms of the documents, and subject of a bankruptcy petition or similar action which have not experienced a payment default.

Among others, the ‘C’ rating may be assigned to subordinated debt, preferred stock or other obligations on which cash payments have been suspended in accordance with the instrument’s terms or when preferred stock is the subject of a distressed exchange offer, whereby some or all of the issue is either repurchased for an amount of cash or replaced by other instruments having a total value that is less than par.

D - Obligation is in payment default. Payments on an obligation are not made on the due date even if the applicable grace period has not expired. The ‘D’ rating also will be used upon the filing of a bankruptcy petition or the taking of similar action if payments on an obligation are jeopardized. An obligation’s rating is lowered to ‘D’ upon completion of a distressed exchange offer, whereby some or all of the issue is either repurchased for an amount of cash or replaced by other instruments having a total value that is less than par.

As of December 31, 2023 and 2022, the credit quality of loans and advances to banks and investment securities, gross of allowance for ECL follows:

Consolidated and Parent Company	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Due from BSP:				
High grade	**₱12,204,980**	**₱-**	**₱-**	**₱12,204,980**
Due from other banks:				
High grade	**172,147**	**-**	**-**	**172,147**
Standard grade	**312,655**	**-**	**-**	**312,655**
Unrated	**728**	**-**	**-**	**728**
	485,530	**-**	**-**	**485,530**
Interbank loans receivable and SPURA:				
High grade	**492,353**	**-**	**-**	**492,353**
Total loans and advances to banks:				
High grade	**12,869,480**	**-**	**-**	**12,869,480**
Standard grade	**312,655**	**-**	**-**	**312,655**
Unrated	**728**	**-**	**-**	**728**
	₱13,182,863	**₱-**	**₱-**	**₱13,182,863**

(Forward)

Consolidated and Parent Company	**2023**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Debt securities at FVTOCI:				
High grade	**₱8,227,862**	**₱–**	**₱–**	**₱8,227,862**
Investment securities at amortized cost:				
High grade	**27,789,193**	**-**	**-**	**27,789,193**
Total debt investment securities				
High grade	**36,017,055**	**-**	**-**	**36,017,055**
Standard grade	**–**	**–**	**–**	**-**
	₱36,017,055	**₱–**	**₱–**	**₱36,017,055**

Consolidated and Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
Due from BSP:				
High grade	₱11,336,471	₱–	₱–	₱11,336,471
Due from other banks:				
High grade	1,038,193	–	–	1,038,193
Standard grade	50,997	–	–	50,997
Unrated	–	–	–	–
	1,089,190	–	–	1,089,190
Interbank loans receivable and SPURA:				
High grade	2,600,579	–	–	2,600,579
Total loans and advances to banks:				
High grade	14,975,243	–	–	14,975,243
Standard grade	50,997	–	–	50,997
Unrated	–	–	–	–
	₱15,026,240	₱–	₱–	₱15,026,240
Debt securities at FVTOCI:				
High grade	₱4,858,402	₱–	₱–	₱4,858,402
Investment securities at amortized cost:				
High grade	21,676,147	–	–	21,676,147
Total debt investment securities				
High grade	26,534,549	–	–	26,534,549
Standard grade	–	–	–	–
	₱26,534,549	₱–	₱–	₱26,534,549

Total credit risk exposure

The tables below show the different credit risk exposures of the Group and of the Parent Company by risk weight applied in accordance with MORB Section 125 and Appendix 59 as reported to the BSP:

Consolidated and Parent Company	**2023**						
	Net Exposures[a]	**Risk Weights[b]**					
		0%	**20%**	**50%**	**75%**	**100%**	**150%**
On-balance sheet assets[c]	**₱148,634**	**₱38,736**	**₱6**	**₱14,249**	**₱–**	**₱94,171**	**₱1,471**
Credit risk weighted on-balance sheet assets (d = b x c)	**103,504**	**–**	**1**	**7,125**	**–**	**94,171**	**2,207**
Off-balance sheet assets[e]	**18.381**	**15,400**	**2,040**	**–**	**–**	**942**	**–**
Credit risk weighted off-balance sheet assets (f = b x e)	**1,350**	**–**	**408**	**–**	**–**	**942**	**–**
Banking Book[g]							
Counter party risk-weighted assets in Banking Books (h = b x g)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total Credit Risk Weighted Assets[d + f + h]	**₱104,854**	**₱–**	**₱409**	**₱7,125**	**₱–**	**₱95,113**	**₱2,207**

(a) *Net of specific provisions*

Consolidated and Parent Company	2022						
	Net Exposures[a]	Risk Weights[b]					
		0%	20%	50%	75%	100%	150%
On-balance sheet assets[c]	₱124,487	₱31,095	₱66	₱13,506	₱–	₱78,281	₱1,539
Credit risk weighted on-balance sheet assets (d = b x c)	87,355	–	13	6,753	–	78,281	2,308
Off-balance sheet assets[e]	15,572	11,973	2,628	–	–	971	–
Credit risk weighted off-balance sheet assets (f = b x e)	1,497	–	526	–	–	971	–
Banking Book[g]							
Counter party risk-weighted assets in Banking Books (h = b x g)	–	–	–	–	–	–	–
Total Credit Risk Weighted Assets[d + f + h]	₱88,852	₱–	₱539	₱6,753	₱–	₱79,252	₱2,308

Liquidity Risk and Funding Management

Liquidity risk is the risk that the Parent Company will be unable to meet its payment obligations when they fall due under normal and stressful conditions. To mitigate this risk, management diversifies its funding while it strengthens its core deposit base and actively, monitors future cash flows and liquidity position on a daily basis.

This incorporates an assessment of expected cash flows and the amount of secured funding that can be tapped from its holdings of high quality securities as well as unsecured funding. The Parent Company measures liquidity risk using the Maximum Cumulative Outflow (MCO) metric. Utilization against the Board-approved MCO limit is monitored on a monthly basis and is reported to the ALCO and ROC. The ALCO meets weekly to discuss, among others, the liquidity state of the Parent Company.

The Parent Company maintains a portfolio of highly marketable securities that can be easily monetized in the event of an unforeseen interruption of cash flows. The Parent Company also ensures that it complies with LCR and NSFR regulatory liquidity risk limits. This includes an assessment of the liquidity characteristics of its portfolio of assets that will provide necessary liquidity support during periods of liquidity stress as required by MORB Section 145.

In managing Intraday liquidity, the Parent Company performs its Intraday Liquidity Monitoring in accordance with MORB Section 145. It monitors the levels and trends of intraday liquidity risk exposures vis-a-vis the ability of the Parent Company to meet immediate payment and settlement obligations on a timely basis. Apart from monitoring compliance with regulatory ratios, the Parent Company also utilizes internal Liquidity Ratios that allows the it to easily gauge its readily available liquidity based on its holdings of high quality liquid assets as well as estimated unsecured funding, against deposit liabilities on a daily basis. These ratios also aid in the management of substantial liability outflows and funding for new loans.

Collectively, these allow the Parent Company to readily support its new business strategies and direction and management of liquidity risk.

Analysis of financial instruments by remaining contractual maturities
The tables below summarize the maturity profile of the Group's and the Parent Company's financial instruments as of December 31, 2023 and 2022, based on undiscounted contractual payments, except for financial assets at FVTPL. Repayments which are subject to notice are treated as if notices are to be given immediately. However, the Group and the Parent Company expect that many customers will not request repayment on the earliest date the Group and the Parent Company could be required to pay and the tables do not reflect the expected cash flows indicated by the Group's and the Parent Company's deposit retention history (amounts in millions):

Consolidated and Parent Company			2023			
	On Demand	Less than 3 Months	3-12 Months	1-2 Years	Beyond 2 Years*	Total
Financial assets						
Financial assets at FVTOCI	**₱-**	**₱180**	**₱236**	**₱434**	**₱7,989**	**₱8,839**
Investment securities at amortized cost:						
Government securities	**-**	**416**	**799**	**1,135**	**25,640**	**27,990**
Sovereign bonds	**-**	**211**	**211**	**423**	**381**	**1,226**
Loans and receivables:						
Due from BSP	**12,205**	**-**	**-**	**-**	**-**	**12,205**
Due from other banks	**-**	**486**	**-**	**-**	**-**	**486**
Interbank loans receivable	**-**	**492**	**-**	**-**	**-**	**492**
Receivables from customers:						
Corporate	**2,711**	**33,022**	**13,748**	**7,412**	**43,325**	**100,218**
Consumer	**393**	**71**	**257**	**372**	**4,439**	**5,532**
Unquoted debt securities	**-**	**-**	**-**	**367**		**367**
Accrued interest receivable	**-**	**602**	**370**	**-**	**-**	**972**
Accounts receivable	**1,300**	**2**	**7**	**-**	**55**	**1,364**
Sales contracts receivable	**-**	**19**	**1**	**-**	**44**	**64**
Refundable deposit	**-**	**-**	**-**	**-**	**43**	**43**
RCOCI	**1**	**-**	**-**	**-**	**-**	**1**
	16,610	**35,501**	**15,629**	**10,143**	**81,916**	**159,799**

(Forward)

Consolidated and Parent Company	2023					
	On Demand	**Less than 3 Months**	**3-12 Months**	**1-2 Years**	**Beyond 2 Years***	**Total**
Financial liabilities						
Deposit liabilities:						
Demand	**₱41,396**	**₱–**	**₱–**	**₱–**	**₱–**	**41,396**
Savings	**13,315**	**–**	**–**	**–**	**–**	**13,315**
Time	**-**	**47,240**	**10,854**	**878**	**890**	**59,862**
LTNCD	**-**	**41**	**2,865**		**-**	**2,906**
Bills payable:						**-**
Private firms and individuals	**-**	**7,862**	**818**		**-**	**8,680**
Banks and other financial institutions	**-**	**1,159**	**-**	**-**	**-**	**1,159**
Outstanding acceptances	**105**	**-**	**-**	**-**	**-**	**105**
Manager's checks	**632**	**-**	**-**	**-**	**-**	**632**
Accrued interest payable	**-**	**710**	**52**	**-**	**-**	**762**
Accrued other expenses	**-**	**646**	**-**	**-**	**-**	**646**
Other liabilities:						**-**
Accounts payable	**315**	**-**	**-**	**-**	**-**	**315**
Refundable security deposits	**-**	**15**	**44**	**44**	**7**	**110**
Miscelllaneous liabilities	**31**	**-**	**-**	**-**	**-**	**31**
	₱55,794	**₱57,673**	**₱14,633**	**₱922**	**₱897**	**₱129,919**

**Including non-performing loans and receivables*

Consolidated and Parent Company	2022					
	On Demand	Less than 3 Months	3-12 Months	1-2 Years	Beyond 2 Years*	Total
Financial assets						
Financial assets at FVTOCI	₱–	₱66	₱190	₱267	₱5,708	₱6,231
Investment securities at amortized cost:						
Government securities	–	393	653	1,049	21,433	23,528
Sovereign bonds	–	–	238		–	238
Loans and receivables:						
Due from BSP	11,336	–	–	–	–	11,336
Due from other banks	–	1,089	–	–	–	1,089
Interbank loans receivable	–	2,601	–	–	–	2,601
Receivables from customers:						
Corporate	1,765	1,247	3,519	42,864	40,363	89,758
Consumer	533	66	180	383	5,117	6,279
Unquoted debt securities	–	–	–	–	650	650
Accrued interest receivable	–	472	32	22	187	713
Accounts receivable	875	69	4	3	52	1,003
Sales contracts receivable	–	12	4	4	44	64
Refundable deposit	–	–	–	–	37	37
RCOCI	–	–	–	–	–	–
	₱14,509	₱6,015	₱4,820	₱44,592	₱73,591	₱143,527
Financial liabilities						
Deposit liabilities:						
Demand	₱45,500	₱–	₱–	₱–	₱–	45,500
Savings	12,668	–	–	–	–	12,668
Time	–	28,482	7,583	1,293	1,477	38,835
LTNCD	–	41	122	2,947	–	3,110
Bills payable:						
Private firms and individuals	–	3,571	1,469	–	–	5,040
Banks and other financial institutions	–	2,395	217	–	–	2,612
Outstanding acceptances	50	–	–	–	–	50
Manager's checks	221	–	–	–	–	221
Accrued interest payable	–	151	42	–	–	193
Accrued other expenses	–	589	–	–	–	589
Other liabilities:						
Accounts payable	277	–	–	–	–	277
Refundable security deposits	–	44	18	56	14	132
Miscellaneous Liabilities	31	–	–	–	–	31
	₱58,747	₱35,273	₱9,451	₱4,296	₱1,491	₱109,258

**Including non-performing loans and receivables*

The tables below show the contractual expiry of the Group's and the Parent Company's commitments and contingent liabilities as of December 31, 2023 and 2022 (amounts in millions):

	2023				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**Beyond 1 Year**	**Total**
Unused Commercial LC:					
Standby LC	**₱65**	**₱133**	**₱697**	**₱47**	**₱942**
Sight LC outstanding	**–**	**121**	**473**	**–**	**594**
Usance LC outstanding	**–**	**3**	**–**	**–**	**3**
Outstanding shipping guarantees	**1,316**	**–**	**127**	**-**	**1,443**
Spot exchange:					
Sold	**2,175**	**–**	**–**	**–**	**2,175**
Bought	**594**	**–**	**–**	**–**	**594**
Currency forwards:					
Sold	**–**	**50**	**–**	**–**	**50**
Bought	**–**	**1**	**–**	**–**	**1**
	₱4,150	**₱308**	**₱1,297**	**₱47**	**₱5,802**

	2022				
	On Demand	Less than 3 Months	3 to 12 Months	Beyond 1 Year	Total
Unused Commercial LC:					
Standby LC	₱81	₱130	₱707	₱52	₱970
Sight LC outstanding	14	18	315	–	347
Usance LC outstanding	5	-	591	–	596
Outstanding shipping guarantees	445	123	1,116	–	1,684
Spot exchange:					
Sold	561	–	–	–	561
Bought	252	–	–	–	252
Currency forwards:					
Sold	–	75	–	–	75
Bought	–	1	–	–	1
	₱1,358	₱347	₱2,729	₱52	₱4,486

Liquidity Position and Leverage

Liquidity Coverage Ratio

Pursuant to MORB Section 145 which aims to promote short-term resilience of banks' liquidity risk profile to withstand significant liquidity shocks that may last over 30 calendar days, the Group is required to hold and maintain an adequate level of unencumbered high-quality liquid assets (HQLA) that are sufficient to meet its estimated total cash outflows over a 30-calendar day horizon of liquidity stress. The LCR is the ratio of HQLAs to total net cash outflows which should be no lower than 100% on a daily basis. HQLA represents the Group's stock of liquid assets that qualify for inclusion in the LCR which consists mainly of cash, regulatory reserves and unencumbered high-quality liquid securities. HQLAs therefore, serve as defense against potential stress events.

As of December 31, 2023 and 2022, LCR of the Parent Company is shown in the table below (amounts, except ratios, are expressed in millions):

	2023	2022
Total Stock of High-Quality Liquid Assets	**₱38,867**	₱32,014
Total Net Cash Outflows	**23,507**	15,150
LCR	**165.34%**	211.31%

Net Stable Funding Ratio
Pursuant to MORB Section 145, the Group is required to compute its Net Stable Funding Ratio (NSFR). The NSFR is aimed at strengthening the Group's long-term resilience by maintaining a stable funding in relation to its assets and off-balance sheet items. The NSFR is expressed as the ratio of available stable funding and the required stable funding and complements the LCR as it takes a longer view of the Group's liquidity risk profile.

As of December 31, 2023 and 2022, NSFR of the Parent Company is shown in the table below (amounts, except ratios, are expressed in millions):

	2023	2022
Available stable funding	**₱100,231**	₱87,749
Required stable funding	**76,597**	65,584
NSFR	**130.85%**	133.80%

Both LCR and NSFR should be maintained no lower than 100.00% on a daily basis under normal situations.

Market Risk Management
Market risk is the risk of loss to future earnings, fair values or future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes. The Parent Company's market risk originates from the Parent Company's holdings of foreign exchange instruments, debt securities, equity securities and derivatives.

Value-at-Risk (VaR)
VaR is a statistical estimate of potential loss given prevailing market price trends, correlations and volatilities. VaR estimates the potential decline in the value of a portfolio, under normal market conditions, a given "confidence level" over a specified time horizon. VaR is used to alert senior management whenever the potential for losses in the Parent Company's portfolios exceeds the VaR limit. This allows management to react quickly and adjust its portfolio strategies in different market conditions in accordance with the Parent Company's risk philosophy and appetite.

In 2023 and 2022, Parent Company uses Historical VaR Model using 99% confidence level, and a 1-day defeasance period.

The Market & Asset-Liability Risk Management Team runs VaR on a daily basis, monitors the VaR against the BOD approved VaR limit and submits Daily VaR Reports to concerned division/group/segment heads.

To verify the validity of the VaR model used, the Treasury Operations Division performs quarterly back testing to examine how frequently actual daily losses exceeds the daily VaR. Backtesting results are reviewed by the head of Treasury Operations Division. Exceptions, if any, are reported to the ROC and the BOD.

A summary of the VaR position of USD fixed income exposures of the Parent Company to changes in market conditions is as follows:

	Market Price and Interest Rate	
	USD Bonds from January to December 2023 (in ₱ millions)	USD Bonds from January to December 2022 (in ₱ millions)
31 December	**22**	41
Average Daily	**77**	43
Highest	**144**	68
Lowest	**19**	32

A summary of the VaR position of PHP fixed income exposures of the Parent Company to changes in market conditions is as follows:

	Interest Rate	
	Peso Bonds 2023 (in ₱ millions)	Peso Bonds 2022 (in ₱ millions)
31 December	**44**	19
Average Daily	**32**	19
Highest	**72**	37
Lowest	**2**	8

A summary of the VaR position of FX exposures of the Parent Company to changes in market conditions is as follows

	Foreign Exchange	
	FX Open position 2023 (in ₱ millions)	FX Open position 2022 (in ₱ millions)
31 December	1.93	4.00
Average Daily	3.99	3.10
Highest	11.35	6.69
Lowest	0.13	0.07

Stress testing
Since VaR is designed to describe risk in normal market conditions (that is, 99.00% of the time), it may not capture potential losses in the extreme that occur following movements outside the prevailing market trend. Stress testing is done to address extreme market conditions.

The Parent Company performs stress testing on its foreign currency trading position and on its outstanding investment portfolios. Stress testing is a technique used to determine the impact on earnings of above position/portfolios from conditions or scenarios deemed “extreme” but plausible. Stress testing is used to inform senior management as to where vulnerabilities in the Parent Company’s portfolio actually lie.

This helps the Parent Company to evaluate its tolerance for risks and understand the combinations of risks that can produce large losses.

Unlike VaR, which reflects price behavior in everyday markets, stress tests simulate portfolio performance during abnormal market periods. Accordingly, these provide information about risks falling outside those typically captured by the VaR framework. Hence, losses resulting from stress tests are larger than the losses predicted by the VaR model.

The Parent Company performs the stress testing of its Bond portfolios and open FX position using internally developed stress test assumptions as well as the uniform set of market stress shocks as prescribed by the BSP under their Uniform Stress Testing Program for Banks. The stress testing using internal assumptions are conducted monthly while BSP uniform stress testing are conducted semiannually. Results of the stress tests are reported to the ALCO, ROC and BOD.

Interest Rate Risk Management

Interest rate risk arises from the possibility that changes in the interest rates will affect future cash flows or the fair value of financial instruments. The Parent Company follows a prudent policy on managing its assets and liabilities so as to ensure that the exposure to fluctuations in interest rates is kept within acceptable limits.

As of December 31, 2023 and 2022, 85.03% and 81.78%, respectively, of the Bank's total loan portfolio comprised floating rate loans which are repriced periodically by reference to the transfer pool rate that reflects the Bank's internal cost of funds. As a result of these factors, the Bank's exposure to interest rate fluctuations, and other market risks, is significantly reduced.

The Bank, in keeping with banking industry practice, aims to achieve stability and lengthen the term structure of its deposit base, while providing adequate liquidity to cover transactional banking requirements of customers. Interest is paid on substantial portion of demand accounts which constituted 35.47% and 45.76% respectively, of total deposits of the Parent Company as of December 31, 2023 and 2022, respectively, and pays a variable interest rate of 0.10% to 0.11%. Rates on savings accounts and time deposit accounts, which constituted 11.41% and 53.12%, respectively, of total deposits as of December 31, 2023 and 12.74% and 41.50%, respectively, of total deposits as of December 31, 2022, are set by different criteria. Savings account rates are set by reference to prevailing market rates, while rates on time deposits and special savings accounts are usually priced by reference to rates applicable to prevailing rates on Philippine Treasury Bills and other money market instruments or, in the case of foreign currency deposits, Singapore Interbank Offer Rate and other benchmark dollar deposit rates in the Asian and international money markets with similar maturities.

The following tables provide for the average EIR by period of maturity or repricing of the Group and the Parent Company as of December 31, 2023 and 2022:

	Consolidated and Parent Company					
	2023			2022		
	Less than 3 Months	**3 Months to 1 Year**	**Greater than 1 Year**	Less than 3 Months	3 Months to 1 Year	Greater than 1 Year
Peso-denominated assets						
Due from banks	**0.05%**	–	–	0.04%	–	–
Interbank loans	–	–	–	–	–	–
Loans and receivables	**7.92%**	**8.02%**	**8.28%**	6.72%	6.92%	7.47%
Peso-denominated liabilities						
Deposit liabilities	**0.58%**	**5.60%**	**4.80%**	0.61%	3.32%	2.48%
Bills payable	**6.13%**	**6.23%**	**-**	3.02%	4.10%	-
Foreign currency-denominated assets						
Due from banks	**0.12%**	–	–	0.60%	–	–
Interbank loans	–	–	–	–	–	–
Loans and receivables	**6.24%**	**7.02%**	**6.85%**	4.36%	5.78%	4.90%
Foreign currency-denominated liability						
Deposit liabilities	**0.43%**	**4.98%**	**4.35%**	0.61%	3.80%	3.43%
Bills payable	**5.87%**	–	–	4.93%	4.13%	–

The Parent Company also monitors its exposure to fluctuations in interest rates by measuring the impact of interest rate movements on its interest income. This is done by modeling the impact of various changes in interest rates to the Parent Company's interest-related income and expenses.

The method by which the Parent Company measures the sensitivity of its assets and liabilities to interest rate fluctuations is by way of interest rate analysis. This analysis provides the Parent Company with a measure of the impact of changes in interest rates on the actual portfolio, that is, the risk exposure of future accounting income. The repricing gap is calculated by distributing the financial assets and financial liabilities into tenor buckets according to the time remaining to maturity or next repricing date and then obtaining the difference between the total of the repricing (interest rate sensitive) assets and repricing (interest rate sensitive) liabilities.

A gap is considered negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities. Accordingly, during a period of rising interest rates, a bank with a positive gap would be better positioned than one with a negative gap to invest in or hold higher yielding assets more quickly than it would need to refinance its interest-bearing liabilities. During a period of falling interest rates, a bank with a positive gap would tend to see its assets repricing at a faster rate than one with a negative gap, which may restrain the growth of its net income or result in a decline in net interest income.

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

	Consolidated					
	2023					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 to 12 Months	More than 1 Year but less than 2 Years	Beyond 2 Years	Total
Assets						
Due from other banks	**₱486**	**₱–**	**₱–**	**₱–**	**₱–**	**₱486**
Interbank loans receivable	**492**	**–**	**–**	**–**	**–**	**492**
Financial assets at FVTPL	**-**	**–**	**–**	**–**	**–**	**-**
Financial assets at FVTOCI	**552**	**–**	**–**	**–**	**7,676**	**8,228**
Investment securities at amortized cost	**443**	**4,997**	**461**	**788**	**21,087**	**27,776**
Loans and receivables	**3,243**	**31,246**	**16,148**	**4,900**	**36,237**	**91,774**
	5,216	**36,243**	**16,609**	**5,688**	**65,000**	**128,756**
Liabilities						
Deposit liabilities	**19,494**	**27,243**	**13,545**	**865**	**843**	**61,990**
Bills payable	**7,041**	**1,848**	**798**	**-**	**-**	**9,687**
	26,535	**29,091**	**14,343**	**865**	**843**	**71,677**
Asset-liability gap	**(₱21,319)**	**₱7,152**	**₱2,266**	**₱4,823**	**₱64,157**	**₱57,079**

	Consolidated					
	2022					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 to 12 Months	More than 1 Year but less than 2 Years	Beyond 2 Years	Total
Assets						
Due from other banks	₱1,089	₱–	₱–	₱–	₱–	₱1,089
Interbank loans receivable	2,601	–	–	–	–	2,601
Financial assets at FVTOCI	–	–	–	-	4,859	4,859
Investment securities at amortized cost	–	–	242	5,931	15,489	21,662
Loans and receivables	2,196	26,493	12,937	4,977	30,321	76,924
	5,886	26,493	13,179	10,908	50,669	107,135
Liabilities						
Deposit liabilities	13,301	14,958	7,452	4,157	1,409	41,277
Bills payable	5,923	1,671	-	-	-	7,594
	19,224	16,629	7,452	4,157	1,409	48,871
Asset-liability gap	(₱13,338)	₱9,864	₱5,727	₱6,751	₱49,260	₱58,264

	Parent Company					
	2023					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 to 12 Months**	**More than 1 Year but less than 2 Years**	**Beyond 2 Years**	**Total**
Assets						
Due from other banks	**₱486**	**₱–**	**₱–**	**₱–**	**₱–**	**₱486**
Interbank loans receivable	**492**	**–**	**–**	**–**	**–**	**492**
Financial assets at FVTPL	**–**	**–**	**–**	**–**	**–**	**-**
Financial assets at FVTOCI	**552**	**–**	**–**	**–**	**7,676**	**8,228**
Investment securities at amortized cost	**443**	**4,997**	**461**	**788**	**21,087**	**27,776**
Loans and receivables	**3,246**	**31,246**	**16,148**	**4,900**	**36,237**	**91,777**
	5,219	**36,243**	**16,609**	**5,688**	**65,000**	**128,759**
Liabilities						
Deposit liabilities	**19,494**	**27,243**	**13,545**	**865**	**843**	**61,990**
Bills payable	**7,041**	**1,848**	**798**	**-**	**-**	**9,687**
	26,535	**29,091**	**14,343**	**865**	**843**	**71,677**
Asset-liability gap	**(₱21,316)**	**₱7,152**	**₱2,266**	**₱4,823**	**₱64,157**	**₱57,082**

	Parent Company					
	2022					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 to 12 Months	More than 1 Year but less than 2 Years	Beyond 2 Years	Total
Assets						
Due from other banks	₱1,089	₱–	₱–	₱–	₱–	₱1,089
Interbank loans receivable	2,601	–	–	–	–	2,601
Financial assets at FVTPL	–	–	–	–	–	–
Financial assets at FVTOCI	–	–	–	–	4,859	4,859
Investment securities at amortized cost	–	–	242	5,931	15,489	21,662
Loans and receivables	2,199	26,493	12,937	4,977	30,321	76,927
	5,889	26,493	13,179	10,908	50,669	107,138
Liabilities						
Deposit liabilities	13,301	14,958	7,452	4,157	1,409	41,277
Bills payable	5,923	1,671	–	–	–	7,594
	19,224	16,629	7,452	4,157	1,409	48,871
Asset-liability gap	(₱13,335)	₱9,864	₱5,727	₱6,751	₱49,260	₱58,267

The following tables demonstrate the sensitivity of the cumulative net position of risk-sensitive assets and risk-sensitive liabilities to a reasonable change in interest rates, with all other variables held constant (amounts in millions):

	2023			
	Changes in Interest Rates (in Basis Points)			
Changes in interest rates (in basis points)	**50**	**-50**	**100**	**-100**
Change in annualized net interest income	**₱171.35**	**(₱171.35)**	**₱342.70**	**(₱342.70)**

	2022			
	Changes in Interest Rates (in Basis Points)			
Changes in interest rates (in basis points)	+50	-50	+100	-100
Change in annualized net interest income	₱172.14	(₱172.14)	₱344.28	(₱344.28)

The table below shows the Group's and the Parent Company's different market risk-weighted assets, as reported to BSP, using the standardized approach in accordance with MORB Section 125 and Appendix 59:

Type of Market Risk Exposure	**2023**	2022
Interest rate exposures	**₱-**	₱-
Foreign exchange exposures	**152,745**	305,309
	₱152,745	₱305,309

<u>Foreign Currency Risk Management</u>
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency liabilities generally consist of foreign currency-deposits in the Parent Company's FCDU account made in the Philippines or which are generated from remittances to the Philippines by Filipino expatriates and overseas Filipino workers who retain for their own benefit or for the benefit of a third party, foreign currency deposit accounts with the Parent Company and foreign currency-denominated borrowings appearing in the regular books of the Parent Company.

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

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

The ERMG uses VaR, Foreign Exchange Sensitivity Testing, and Foreign Exchange Stress Testing to measure risk inherent to the Parent Company's foreign currency net exposures. In assessing the foreign currency risk, the Parent Company employs a pre-defined key risk indicator under Market Risk Assessment Matrix to determine the level of risk (for example, Low Risk, Moderate Risk, High Risk) the results of which are reported to the ROC on a quarterly basis.

The table summarizes the Group's and the Parent Company's exposure to foreign exchange risk as of December 31, 2023 and 2022. Included in the table are the Group's and the Parent Company's assets and liabilities at carrying amounts, categorized by currency (amounts in '000s):

	2023			2022		
	USD	**Others***	**Total**	USD	Others*	Total
Assets						
Cash on hand	**₱–**	**₱–**	**₱–**	₱288	₱89	₱377
Due from other banks	**5,792**	**117,997**	**123,789**	77,310	514,488	591,798
Interbank loans receivable	**202,255**	–	**202,255**	11,905	–	11,905
Financial assets at amortized cost	–	–	–	–	236,997	236,997
Loans and receivables:						
Corporate loans	**1,384,361**	–	**1,384,361**	71,147	–	71,147
Accrued interest receivable	**5,003**	–	**5,003**	78	3439	3,517
Other assets	**–**	**132**	**132**	-	128	128
	1,597,411	**118,129**	**1,715,540**	160,728	755,141	915,869
Liabilities						
Deposit liabilities	**₱–**	**₱114,905**	**₱114,905**	₱–	₱530,482	₱530,482
Bills payable	**–**	**–**	**–**	–	216,377	216,377
Outstanding acceptances	**105,410**	**–**	**105,410**	50,218	–	50,218
Other liabilities:						
Others	**57,475**	**52**	**57,527**	91,950	177	92,127
	162,885	**114,957**	**277,842**	142,168	747,036	889,204
Net exposure	**₱1,434,526**	**₱3,172**	**₱1,437,698**	₱18,559	₱8,105	₱26,664

**Includes Euro, Australian Dollar, Japanese Yen, Swiss Franc, Canadian Dollar, Singapore Dollar*

The tables below indicate the exposure of the Group (excluding the Parent Company's FCDU) to USD on its non-trading monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the base currency rate against the USD, with all other variables held constant, on the statement of income and statement of comprehensive income. A negative amount in the tables reflects a potential net reduction in income, while a positive amount reflects a potential net increase.

	2023			
	Changes in Foreign Exchange Rates			
Changes in foreign exchange rates	**+3.00%**	**-3.00%**	**+4.00%**	**-4.00%**
Change in annualized net income	₱4,582	(₱4,582)	₱6,110	(₱6,110)

	2022			
	Changes in Foreign Exchange Rates			
Changes in foreign exchange rates	+3.00%	-3.00%	+4.00%	-4.00%
Change in annualized net income	₱9,159	(₱9,159)	₱12,212	(₱12,212)

<u>Operational Risk</u>

The Parent Company uses the Basic Indicator Approach in computing Operational Risk in accordance with MORB Section 125 and Appendix 59 as reported to the BSP (amounts in millions):

	2023	2022
Average Gross Income (Previous 3 Years)	**₱5,553**	₱5,132
Capital Charge (Average Gross Income times 18.75%(a))	**1,041**	962
Risk Weighted Asset (Capital Charge times 10)	**₱10,411**	₱9,622

(a) Equivalent to adjusted capital charge of 15% of 125% to be consistent with required minimum Capital Adequacy Ratio of 10%

6. Segment Information

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

Branch Banking Group – handles the individual customers' deposits, and provides overdrafts and fund transfer facilities;

Corporate Banking Group – manages the relationship with the corporate and institutional clients of the Parent Company with loans and credit facilities as the primary product;

Treasury Segment – is responsible for the management of the Group's balance sheet and liquidity position. It also handles the Group's investments in securities, both local and abroad, as well as placements and acceptances with other banks;

Consumer Finance Segment – provides the retail client's credit requirements for the purchase of auto, home and personal loan requirements; and

Trust and Wealth Management Segment – is the segment that functions as the Trustee or Investment Manager for both individual and corporate accounts.

Segment's resources, both assets and liability are those operating resources that are employed by a segment in its operating activities and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Revenue is reported net of interest expense as management primarily relies on net interest revenue as a performance measure, not the gross interest income and expense. Revenue also includes trading gains from dealing of securities.

No revenue from transactions with a single external customer or counterparty amounted to 10.00% or more of the Group's total revenue for 2023, 2022 and 2021.

The Group's revenue-producing assets are located in one geographical location, which is the Philippines, therefore, geographical segment information is no longer presented. Revenue from third party includes trading gains.

The following tables present income and profit and certain asset and liability information regarding the Group's operating segments as of and for the years ended December 31, 2023, 2022 and 2021:

	Consolidated						
	2023						
	Branch Banking Group	Corporate Banking Group	Treasury Segment	Consumer Finance Segment	Trust and Wealth Management Segment	Head office and Rental	Total
Revenue							
Revenue, net of interest expense							
Third party	(2,549,990)	5,762,452	1,321,129	288,405	2,973	6,048	4,831,017
Intersegment	4,006,110	(3,340,902)	(1,184,451)	(150,985)	(6,541)	676,769	-
	1,456,120	2,421,550	136,678	137,420	(3,568)	682,817	4,831,017
Other operating income	122,897	342,129	78,718	52,851	37,349	498,233	1,132,177
Total operating income	1,579,017	2,763,679	215,396	190,271	33,781	1,181,050	5,963,194

(Forward)

	Consolidated						
	2023						
	Branch Banking Group	**Corporate Banking Group**	**Treasury Segment**	**Consumer Finance Segment**	**Trust and Wealth Management Segment**	**Head office and Rental**	**Total**
Compensation and fringe benefits	**₱684,274**	**₱261,350**	**₱87,455**	**₱75,075**	**₱37,376**	**₱62,534**	**₱1,208,064**
Taxes and licenses	**297,284**	**271,798**	**137,535**	**10,212**	**3,019**	**28,324**	**748,172**
Depreciation and amortization	**171,360**	**51,474**	**14,681**	**34,811**	**4,400**	**65,739**	**342,465**
Provision for (reversal of) credit and impairment losses	**-**	**5,394**	**-**	**(25,975)**	**-**	**(3,828)**	**(24,409)**
Occupancy and other equipment-related costs	**129,147**	**11,603**	**3,022**	**5,387**	**1,332**	**9,010**	**159,501**
Other operating expenses	**578,112**	**176,743**	**103,089**	**65,740**	**13,680**	**52,589**	**989,953**
Net operating income (loss) before income tax	**(281,160)**	**1,985,317**	**(130,386)**	**25,021**	**(26,026)**	**966,682**	**2,539,448**
Segment results							
Net interest income	**1,456,120**	**2,421,550**	**7,902**	**137,420**	**(3,568)**	**682,817**	**4,702,241**
Rent income	**-**	**-**	**-**	**-**	**-**	**395,768**	**395,768**
Service charges, fees, and commissions	**95,657**	**282,981**	**2,294**	**25,756**	**-**	**20,790**	**427,478**
Trading and securities gain (loss) - net	**-**	**-**	**128,776**	**-**	**-**	**-**	**128,776**
Foreign exchange gain - net	**18,185**	**7,267**	**75,522**	**-**	**-**	**-**	**100,974**
Profit (loss) from assets sold	**-**	**-**	**-**	**-**	**-**	**22,260**	**22,260**
Income from trust operations	**-**	**-**	**-**	**-**	**37,349**	**-**	**37,349**
Loss on assets exchange - net	**-**	**-**	**-**	**-**	**-**	**11,824**	**11,824**
Miscellaneous	**9,055**	**51,881**	**902**	**27,095**	**-**	**47,591**	**136,524**
Total operating income	**1,579,017**	**2,763,679**	**215,396**	**190,271**	**33,781**	**1,181,050**	**5,963,194**
Compensation and fringe benefits	**684,274**	**261,350**	**87,455**	**75,075**	**37,376**	**62,534**	**1,208,064**
Taxes and licenses	**297,284**	**271,798**	**137,535**	**10,212**	**3,019**	**28,324**	**748,172**
Depreciation and amortization	**171,360**	**51,474**	**14,681**	**34,811**	**4,400**	**65,739**	**342,465**
Provision for (reversal of) credit and impairment losses	**-**	**5,394**	**-**	**(25,975)**	**-**	**(3,828)**	**(24,409)**
Occupancy and other equipment-related costs	**129,147**	**11,603**	**3,022**	**5,387**	**1,332**	**9,010**	**159,501**
Other operating expenses	**578,112**	**176,743**	**103,089**	**65,740**	**13,680**	**52,589**	**989,953**
Total operating expenses	**1,860,177**	**778,362**	**345,782**	**165,250**	**59,807**	**214,368**	**3,423,746**
Segment profit (loss)	**(281,160)**	**1,985,317**	**(130,386)**	**25,021**	**(26,026)**	**966,682**	**2,539,448**
Provision for income tax	**-**	**(250,650)**	**(281,616)**	**-**	**-**	**(111,239)**	**(643,505)**
Share in net income of associate	**-**	**-**	**-**	**-**	**-**	**1,628**	**1,628**
Net income	**(₱281,160)**	**₱ 1,734,667**	**(₱412,002)**	**₱25,021**	**(₱26,026)**	**₱857,071**	**₱1,897,571**
Segment assets							
Property and equipment	**390,317**	**-**	**-**	**-**	**-**	**424,173**	**814,490**
Investment properties	**-**	**-**	**-**	**-**	**-**	**2,580,978**	**2,580,978**
Other allocated assets	**11,854,345**	**86,361,907**	**40,483,546**	**3,245,374**	**133,733**	**2,003,317**	**144,082,222**
Total segment assets	**₱12,244,662**	**₱86,361,907**	**₱40,483,546**	**₱3,245,374**	**₱133,733**	**₱5,008,468**	**₱147,477,690**
Total segment liabilities	**₱116,896,282**	**₱430,255**	**₱11,195,470**	**₱17,862**	**₱150**	**₱1,281,920**	**₱129,821,939**

	Consolidated						
	2022						
	Branch Banking Group	Corporate Banking Group	Treasury Segment	Consumer Finance Segment	Trust and Wealth Management Segment	Head office and Rental	Total
Revenue							
Revenue, net of interest expense							
Third party	(₱521,120)	₱4,151,978	₱457,283	₱346,563	₱2,605	₱6,860	₱4,444,169
Intersegment	2,550,041	(2,296,275)	(491,105)	(82,157)	(3,736)	323,232	–
	2,028,921	1,855,703	(33,822)	264,406	(1,131)	330,092	₱4,444,169
Other operating income	118,182	281,454	80,868	38,211	31,756	567,691	1,118,163
Total operating income	2,147,103	2,137,157	47,047	302,617	30,625	897,783	5,562,332
Compensation and fringe benefits	623,286	237,083	87,581	74,140	32,747	60,631	1,115,468
Taxes and licenses	186,719	199,568	50,652	13,948	2,598	45,929	499,414
Depreciation and amortization	219,361	44,492	15,521	25,456	5,344	76,352	386,526
Provision for credit and impairment losses	–	357,688	–	(75,103)	–	5,101	287,686
Occupancy and other equipment-related costs	106,698	8,952	2,997	4,930	1,037	11,519	136,133
Other operating expenses	543,131	189,603	93,570	64,131	15,822	73,828	980,085
Net operating income (loss) before income tax	₱467,908	₱1,099,771	(₱203,274)	₱195,115	(₱26,923)	₱624,423	₱2,157,020

(Forward)

	Consolidated 2022						
	Branch Banking Group	Corporate Banking Group	Treasury Segment	Consumer Finance Segment	Trust and Wealth Management Segment	Head office and Rental	Total
Segment results							
Net interest income	₱2,028,921	₱1,855,703	₱332,504	₱264,406	(₱1,131)	₱330,093	₱4,810,496
Rent income	–	–	–	–	–	420,007	420,007
Service charges, fees, and commissions	92,754	248,226	2,033	22,711	–	24,386	390,110
Trading and securities gain (loss) - net	–	–	(366,327)	–	–	–	(366,327)
Foreign exchange gain - net	14,862	6,632	76,158	–	–	–	97,652
Income from trust operations	–	–	–	–	31,756	–	31,756
Profit (loss) from assets sold	–	–	–	–	–	61,043	61,043
Loss on assets exchange - net	–	–	–	–	–	(3,476)	(3,476)
Miscellaneous	10,566	26,596	2,679	15,499	–	65,731	121,071
Total operating income	2,147,103	2,137,157	47,047	302,616	30,625	897,784	5,562,332
Compensation and fringe benefits	623,286	237,083	87,581	74,140	32,747	60,631	1,115,468
Taxes and licenses	186,719	199,568	50,652	13,948	2,598	45,929	499,414
Depreciation and amortization	219,361	44,492	15,521	25,456	5,344	76,352	386,526
Provision for credit and impairment losses	–	357,688	–	(75,103)	–	5,101	287,686
Occupancy and other equipment-related costs	106,698	8,952	2,997	4,930	1,037	11,519	136,133
Other operating expenses	543,131	189,603	93,570	64,131	15,822	73,828	980,085
Total operating expenses	1,679,195	1,037,386	250,321	107,502	57,548	273,360	3,405,312
Segment profit (loss)	467,908	1,099,771	(203,274)	195,114	(26,923)	624,424	2,157,020
Provision for income tax	(63,391)	(192,460)	(168,259)	(16,259)	–	(85,330)	(525,646)
Share in net income of associate	–	–	–	–	–	313	313
Net income (loss)	₱404,517	₱907,311	(₱371,533)	₱178,855	(₱26,923)	₱539,407	₱1,631,687
Segment assets							
Property and equipment	390,562	–	–	–	–	413,275	803,837
Investment properties	–	–	–	–	–	2,656,246	2,656,246
Other allocated assets	11,935,299	71,423,651	32,402,041	3,507,619	123,158	2,026,648	121,418,416
Total segment assets	₱12,325,861	₱71,423,651	₱32,402,041	₱3,507,619	₱123,158	₱5,096,169	₱124,878,499
Total segment liabilities	₱99,616,697	₱95,728	₱8,484,630	₱22,535	₱648	₱1,092,214	₱109,312,452

	Consolidated 2021						
	Branch Banking Group	Corporate Banking Group	Treasury Segment	Consumer Finance Segment	Trust and Wealth Management Segment	Head office and Rental	Total
Revenue							
Revenue, net of interest expense							
Third party	(₱299,081)	₱3,597,205	₱295,673	₱398,050	₱3,393	₱7,942	₱4,003,182
Intersegment	1,495,942	(1,278,380)	(362,503)	(74,865)	(3,244)	223,050	–
	1,196,861	2,318,825	(66,830)	323,185	149	230,992	4,003,182
Other operating income	107,595	241,522	48,234	6,700	29,230	648,124	1,081,405
Total operating income	1,304,456	2,560,347	(18,596)	329,885	29,379	879,116	5,084,587
Compensation and fringe benefits	595,498	194,653	68,926	109,400	21,779	26,303	1,016,559
Taxes and licenses	185,418	168,124	45,797	20,479	627	56,997	477,442
Depreciation and amortization	211,715	51,273	17,031	28,577	5,003	74,020	387,619
Provision for credit and impairment losses	–	282,124	6,135	28,279	–	5,763	322,301
Occupancy and other equipment-related costs	91,881	9,880	2,765	12,518	705	770	118,519
Other operating expenses	508,012	155,937	126,681	75,223	9,029	57,862	932,744
Net operating income (loss) before income tax	(₱288,068)	₱1,698,356	(₱285,931)	₱55,409	(₱7,764)	₱657,401	₱1,829,403
Segment results							
Net interest income (loss)	₱1,196,861	₱2,318,825	₱174,768	₱323,185	₱150	₱230,991	₱4,244,780
Rent income	–	–	–	–	–	505,241	505,241
Trading and securities gain (loss) - net	–	–	(241,598)	–	–	–	(241,598)
Service charges, fees, and commissions	88,604	212,836	–	6,752	–	23,537	331,729
Foreign exchange gain - net	9,009	7,314	40,508	–	–	–	56,831
Income from trust operations	2	–	–	–	29,229	–	29,231
Profit from assets sold	–	–	–		–	13,567	13,567
Gain on assets exchange - net	–	–	–	–	–	7,460	7,460
Miscellaneous	9,980	21,372	7,726	(52)	–	98,320	137,346
Total operating income	1,304,456	2,560,347	(18,596)	329,885	29,379	879,116	5,084,587
Compensation and fringe benefits	595,498	194,653	68,926	109,400	21,779	26,303	1,016,559
Taxes and licenses	185,418	168,124	45,797	20,479	627	56,997	477,442
Depreciation and amortization	211,715	51,273	17,031	28,577	5,003	74,020	387,619
Provision for credit and impairment losses	–	282,124	6,135	28,279	–	5,763	322,301
Occupancy and other equipment-related costs	91,881	9,880	2,765	12,518	705	770	118,519
Other operating expenses	508,012	155,937	126,681	75,223	9,029	57,862	932,744
Total operating expenses	1,592,524	861,991	267,335	274,476	37,143	221,715	3,255,184

(Forward)

	Consolidated						
	2021						
	Branch Banking Group	Corporate Banking Group	Treasury Segment	Consumer Finance Segment	Trust and Wealth Management Segment	Head office and Rental	Total
Segment profit (loss)	(₱288,068)	₱1,698,356	(₱285,931)	₱55,409	(₱7,764)	₱657,401	₱1,829,403
Provision for income tax	–	(2,139)	(106,660)	–	–	(147,827)	(256,626)
Share in net income of associate	–	–	–	–	–	287	287
Net income	(₱288,068)	₱1,696,217	(₱392,591)	₱55,409	(₱7,764)	₱509,861	₱1,573,064
Segment assets							
Property and equipment	₱218,683	₱–	₱–	₱–	₱–	₱663,534	₱882,217
Investment properties	–	–	–	–	–	2,577,169	2,577,169
Other allocated assets	10,087,192	58,301,076	29,726,452	4,031,789	109,365	3,514,060	105,769,934
Total segment assets	₱10,305,875	₱58,301,076	₱29,726,452	4,031,789	₱109,365	₱6,754,763	₱109,229,320
Total segment liabilities	₱87,223,697	₱111,302	₱6,236,132	₱20,832	₱498	₱1,461,041	₱95,053,502

7. Investments in Subsidiary and an Associate

This account consists of investments in:

	% of Ownership			**Consolidated**			**Parent Company**		
	2023	2022	2021	**2023**	2022	2021	**2023**	2022	2021
Subsidiary:									
Cost:									
PISAI	**100.00**	100.00	100.00	**₱–**	₱–	₱–	**₱10,000**	₱10,000	₱10,000
Accumulated share in net income									
Balance at January 1				**–**	–	–	**(3,927)**	(3,927)	(3,863)
Share in net income				**–**	–	–	**–**	–	(64)
Balance at December 31				**–**	–	–	**(3,927)**	(3,927)	(3,927)
				–	–	–	**6,073**	6,073	6,073
Associate - PBCom Finance									
Acquisition cost				**2,000**	2,000	2,000	**2,000**	2,000	2,000
Accumulated equity in net income									
Balance at January 1				**12,715**	12,402	12,114	**12,715**	12,402	12,115
Share in net income				**1,628**	313	287	**1,628**	313	287
Balance at December 31				**14,343**	12,715	12,401	**14,343**	12,715	12,402
				16,343	14,715	14,401	**16,343**	14,715	14,402
				₱16,343	₱14,715	₱14,401	**₱22,416**	₱20,788	₱20,475

PISAI

The investment cost of ₱10.00 million represents the initial equity investment as approved by the BSP on May 2, 2014.

On January 11, 2021, the BOD of the Parent Company approved the dissolution and retirement of business of PISAI. PISAI, which has been inactive for the past 3 years, has continuously remained inactive but continued to incur operating expenses. The Parent Company does not see any need for the subsidiary and has decided to retire the business operations.

The Company has received clearances from the Insurance Commission and Business permit from the Makati Local Government last May 26, 2021, and September 30, 2021, respectively. On July 2022, the Board approved the extension of the effectivity of the retirement of business of the company until March 31, 2023. On February 22, 2023, the board further extended the period until December 31, 2024. On April 19, 2023, the Certificate of No outstanding tax liability was issued by the Bureau of Internal Revenue. On September 27, 2023, the board approved the new effectivity of the date of dissolution until April 2024 amending the previous resolution. As of December 31, 2023, the Company is preparing the requirements to secure the approval from Securities and Exchange Commission.

The following table presents the financial information of PBCom Finance:

	PBCom Finance		
	2023	2022	2021
Total assets	**₱40,779**	₱35,764	₱35,367
Total liabilities	**1,882**	629	1,007
Equity	**38,897**	35,135	34,329
Gross income	**7,278**	3,525	3,492
Operating income (loss)	**4,217**	1,001	705
Profit (loss) after tax	**4,071**	806	513
Total comprehensive income (loss)	**4,071**	806	513

8. Interbank Loans Receivable and Securities Purchased under Resale Agreements (SPURA)

Interbank loans receivable of the Group and the Parent Company is comprised of USD-denominated loans of ₱492.35 million ($8.89 million) and ₱34.90 million ($0.63 million) as of December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, outstanding SPURA is nil and ₱2.57 billion, respectively.

Interest income on the Group's and the Parent Company's interbank loans receivable and SPURA follows:

	2023	2022	2021
SPURA	**₱115,451**	₱65,567	₱59,969
Interbank loans receivable	**14,388**	1,575	100
	₱129,839	₱67,142	₱60,069

Interbank loans receivable bears nominal annual interest rates ranging from 4.80% to 6.44% in 2023, 1.84% to 1.88% in 2022, and 0.07% to 0.25% in 2021, while SPURA bears nominal annual interest rates from 5.50% to 6.40% in 2023 and ranging from 2.00% to 5.5% in 2022, and 2.00% in 2021.

The Parent Company is not permitted to sell or repledge the related collateral on SPURA in the absence of default by the counterparty.

9. Financial Assets at Fair Value Through Other Comprehensive Income (FVTOCI)

As of December 31, 2023 and 2022, the Group's and the Parent Company's financial assets at FVTOCI consist of the following:

	2023	2022
Debt securities:		
Government	**₱7,298,910**	₱4,161,400
Corporate	**928,952**	311,799
Sovereign bonds	**–**	385,203
	8,227,862	4,858,402
Equity securities:		
Quoted	**153,667**	123,146
Unquoted	**34,030**	27,048
	187,697	150,194
	₱8,415,559	₱5,008,596

The Parent Company has designated the above equity investments as at FVTOCI as these are held for long-term strategic purpose rather than for trading. There were no dividends declared on these equity investments and no cumulative gain or loss was transferred within equity in 2023, 2022, and 2021.

The movements in net unrealized losses on debt and equity securities recognized in OCI follow:

	2023	2022
Balance at January 1	**(₱314,585)**	₱53,509
Items that may be reclassified to profit or loss in subsequent periods		
Fair value changes during the year on debt securities	**280,232**	(821,558)
Losses (gains) taken to profit or loss upon sale of FVTOCI debt securities (Note 25)	**(39,068)**	440,279
Provision for (reversal of) credit losses (Note 16)	**1,514**	(7,298)
Items that may not be reclassified to profit or loss in subsequent periods		
Fair value changes during the year on equity securities	**37,503**	23,308
Income tax effect	**(3,751)**	(2,825)
Balance at December 31	**(₱38,155)**	(₱314,585)

Reclassification of Financial Assets

On January 1, 2018, the Parent Company reclassified debt securities with aggregate face amount of ₱1,623.47 million from the hold-to-collect portfolio to the FVTOCI portfolio. The reclassification of these debt securities resulted in recognition of unrealized gain of ₱56.90 million.

10. **Investment Securities at Amortized Cost**

As of December 31, 2023 and 2022, the Group's and the Parent Company's investment securities at amortized cost consist of the following:

	2023	2022
Government securities (Notes 18 and 24)	**₱27,217,801**	₱21,441,394
Sovereign bonds	**571,392**	234,753
Less: Allowance for ECL (Note 16)	**(12,802)**	(14,322)
	₱27,776,391	₱21,661,825

As of December 31, 2023, investment securities at amortized cost are comprised of the Parent Company's investment in peso-denominated securities amounting to ₱18.57 billion and investment in foreign currency-denominated securities amounting to ₱9.22 billion ($166.51 million). Investments in Euro-denominated securities amounting to ₱237.80 million (€3.99 million) matured in 2023.

As of December 31, 2022, investment securities at amortized cost are comprised of the Parent Company's investment in peso-denominated securities amounting to ₱13.91 billion and investment in foreign currency-denominated securities amounting to ₱7.76 billion ($134.87 million and €3.99 million).

11. **Loans and Receivables**

This account consists of:

	Consolidated		Parent Company	
	December 31			
	2023	2022	**2023**	2022
Receivables from customers:				
Corporate loans	**₱88,529,696**	₱73,725,593	**₱88,529,696**	₱73,725,593
Consumer loans:				
Home loans	**2,927,020**	3,244,432	**2,927,020**	3,244,432
Auto loans	**454,138**	460,417	**454,138**	460,417
Personal loans	**40,812**	67,402	**40,812**	67,402
	91,951,666	77,497,844	**91,951,666**	77,497,844
Unearned discounts and capitalized interest	**(61,995)**	(54,178)	**(61,995)**	(54,178)
	91,889,671	77,443,666	**91,889,671**	77,443,666
Unquoted debt securities	**366,900**	649,995	**366,900**	649,995
Accrued interest receivable	**972,204**	712,908	**972,204**	712,908
Accounts receivable	**1,360,704**	1,000,557	**1,363,537**	1,003,391
Sales contracts receivable	**63,567**	63,715	**63,567**	63,715
	94,653,046	79,870,841	**94,655,879**	79,873,674
Less Allowance for ECL (Note 16)	**(2,878,732)**	(2,946,963)	**(2,878,732)**	(2,946,963)
	₱91,774,314	₱76,923,878	**₱91,777,147**	₱76,926,711

Unquoted Debt Securities

As of December 31, 2023 and 2022, unquoted debt securities of the Group and the Parent Company consist of Metro Rail Transit (MRT) bonds with the gross amount of ₱366.9 million and ₱650.0 million, respectively, and an allowance for credit losses amounting to ₱0.16 million and ₱0.62 million in 2023 and 2022, respectively.

The accretion of interest on unquoted debt securities amounted to ₱40.33 million, ₱57.93 million, and ₱66.04 million in 2023, 2022 and 2021, respectively, which is included under 'Interest income - Loans and receivables' in the statements of income.

Accounts receivable

As of December 31, 2023 and 2022, accounts receivables include cash amounting to ₱1.11 billion and ₱731.24 million, respectively, held under custody by cash security and armored transport service companies that will be delivered to the Parent Bank's cash center units by the next banking day.

Interest Income

Interest income on loans and receivables consists of interest income on:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Receivables from customers:						
Corporate	**₱5,705,185**	₱4,107,919	₱3,555,476	**₱5,705,185**	₱4,107,919	₱3,555,476
Consumer	**347,569**	394,785	443,857	**347,569**	394,785	443,857
Unquoted debt securities	**59,360**	88,138	104,306	**59,360**	88,138	104,306
Others	**4,906**	4,272	6,243	**4,906**	4,272	6,243
	₱6,117,020	₱4,595,114	₱4,109,882	**₱6,117,020**	₱4,595,114	₱4,109,882

Of the total receivables from customers of the Group as of December 31, 2023, 2022 and 2021, 85.03%, 81.78% and 56.72%, respectively, are subject to periodic interest repricing. The remaining peso-denominated receivables from customers earn annual fixed interest rates ranging from 3.00% to 44.36% in 2023, 1.50% to 42.00% in 2022, 1.50% to 42.00% in 2021 while foreign currency-denominated receivables from customers earn annual fixed interest rates ranging from 4.00% to 9.82% in 2023, 3.00% to 9.82%in 2022 and 3.00% to 7.25% in 2021.

Unquoted debt securities have EIRs of 11.90% in 2023 and 2022. Sales contracts receivable bears interest rates ranging from 7.00% to 12.00% in 2023 and 2022.

12. Property and Equipment

The composition of and movements in property and equipment of the Group and the Parent Company follow:

	Consolidated and Parent Company						
	2023						
	Land	**Condominium Properties**	**Buildings and Improvements**	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Right of Use Assets (Office Premises)** (Note 27)	**Total**
Cost							
Balance at January 1	**₱117,678**	**₱517,634**	**₱388,306**	**₱958,827**	**₱450,131**	**₱424,482**	**₱2,857,058**
Additions		**-**	**30,356**	**38,488**	**3,439**	**91,402**	**163,685**
Disposals	**-**	**-**	**-**	**(27,582)**	**-**	**(71,874)**	**(99,456)**
Transfers (Notes 13 and 15)	**-**	**75,931**	**(28,744)**	**9,821**	**16,249**	**-**	**73,257**
Balance at December 31	**117,678**	**593,565**	**389,918**	**979,554**	**469,819**	**444,010**	**2,994,544**
Accumulated depreciation and amortization							
Balance at January 1	**-**	**211,546**	**342,635**	**855,628**	**417,333**	**226,079**	**2,053,221**
Depreciation	**-**	**14,567**	**14,415**	**40,910**	**16,186**	**101,982**	**188,060**
Disposal	**-**	**-**	**-**	**(24,491)**	**-**	**(68,793)**	**(93,284)**
Transfers (Notes 13 and 15)	**-**	**23,030**	**-**	**9,027**		**-**	**32,057**
Balance at December 31		**249,143**	**357,050**	**881,074**	**433,519**	**259,268**	**2,180,054**
Net book value	**₱117,678**	**₱344,422**	**₱32,868**	**₱98,480**	**₱36,300**	**₱184,742**	**₱814,490**

	Consolidated and Parent Company						
	2022						
	Land	Condominium Properties	Buildings and Improvements	Furniture, Fixtures and Equipment	Leasehold Improvements	Right of Use Assets (Office Premises) (Note 27)	Total
Cost							
Balance at January 1	₱117,678	₱516,509	₱381,435	₱937,853	₱436,120	₱435,509	₱2,825,104
Additions	–	1,125	20,882	30,142	–	67,672	119,821
Disposals	–	–	–	(20,514)	–	(71,685)	(92,199)
Transfers (Notes 15)	–	–	(14,011)	11,346	14,011	(7,014)	4,332
Balance at December 31	117,678	517,634	388,306	958,827	450,131	424,482	2,857,058
Accumulated depreciation and amortization							
Balance at January 1	–	198,051	328,256	820,646	401,067	194,867	1,942,887
Depreciation	–	13,495	14,379	44,461	16,266	102,897	191,498
Disposal	–	–	–	(16,332)	–	(71,685)	(88,017)
Transfers	–	–	–	6,853	–	–	6,853
Balance at December 31		211,546	342,635	855,628	417,333	226,079	2,053,221
Net book value	₱117,678	₱306,088	₱45,671	₱103,199	₱32,798	₱198,403	₱803,837

The Group and Parent Company recognized gain (loss) on disposal of furniture, fixtures, and equipment, which is included under ‘Profit (loss) from assets sold’ in the statements of income, amounting to ₱0.09 million in 2023 and nil in 2022 and 2021.

Depreciation and Amortization
Details of this account are as follows:

	Consolidated and Parent Company		
	2023	2022	2021
Property and equipment	**₱86,078**	₱88,601	₱87,188
Right-of-use assets	**101,982**	102,897	99,444
Investment properties (Note 13)			
Foreclosed properties	**56,261**	47,883	42,079
Office units for lease	**350**	351	350
Condominium Units for Lease	**47,913**	48,381	48,382
Software costs (Note 14)	**39,399**	82,050	94,994
Chattel mortgage (Note 15)	**10,482**	16,363	15,182
	₱342,465	₱386,526	₱387,619

As of December 31, 2023 and 2022, the cost of fully depreciated furniture, fixtures and equipment still in use by the Group and Parent Company amounted to ₱775.56 million and ₱710.15 million, respectively.

13. Investment Properties

The composition of and movements in this account follow:

	Consolidated and Parent Company				
	2023				
	Foreclosed Properties				
	Land	**Building and Improvements**	**Total**	**Office Units for Lease**	**Condominium Units for Lease**
Cost					
Balance at January 1	**₱675,420**	**₱594,407**	**₱1,269,827**	**₱39,390**	**₱2,644,075**
Additions	**28,608**	**60,512**	**89,120**	–	–
Disposals	**(13,924)**	**(14,407)**	**(28,331)**	–	–
Transfer (Note 12)	–	–	–	–	**(63,681)**
Balance at December 31	**690,104**	**640,512**	**1,330,616**	**39,390**	**2,580,394**
Accumulated depreciation and amortization					
Balance at January 1	–	**251,949**	**251,949**	**37,052**	**952,279**
Depreciation	–	**56,261**	**56,261**	**350**	**47,913**
Disposals	–	**(6,748)**	**(6,748)**	–	–
Transfer (Note 12)	**–**	**–**	**–**	**–**	**(23,029)**
Balance at December 31	**–**	**301,462**	**301,462**	**37,402**	**977,163**
Accumulated impairment losses					
Balance at January 1	**26,039**	**29,727**	**55,766**	**–**	**–**
Reversal of impairment losses (Note 16)	**(1,303)**	**(1,068)**	**(2,371)**	**–**	**–**
Balance at December 31	**24,736**	**28,659**	**53,395**	**–**	**–**
Net book value	**₱665,368**	**₱310,391**	**₱975,759**	**₱1,988**	**₱1,603,231**

	Consolidated and Parent Company				
	2022				
	Foreclosed Properties				
	Land	Building and Improvements	Total	Office Units for Lease	Condominium Units for Lease
Cost					
Balance at January 1	₱610,512	₱500,842	₱1,111,354	₱39,390	₱2,644,075
Additions	120,498	111,041	231,539	–	–
Disposals	(55,590)	(17,476)	(73,066)	–	–
Balance at December 31	675,420	594,407	1,269,827	39,390	2,644,075
Accumulated depreciation and amortization					
Balance at January 1	–	211,817	211,817	36,701	903,898
Depreciation	–	47,883	47,883	351	48,381
Disposals	–	(7,751)	(7,751)	–	–
Balance at December 31	–	251,949	251,949	37,052	952,279

(Forward)

	Consolidated and Parent Company				
	2022				
	Foreclosed Properties				
	Land	Building and Improvements	Total	Office Units for Lease	Condominium Units for Lease
Accumulated impairment losses					
Balance at January 1	₱29,671	₱35,563	₱65,234	₱–	₱–
Reversal of impairment losses	(3,632)	(5,836)	(9,468)	–	–
Balance at December 31	26,039	29,727	55,766	–	–
Net book value	₱649,381	₱312,731	₱962,112	₱2,338	₱1,691,796

Condominium units for lease represents the contributed cost of developing the Parent Company's Ayala Avenue property, originally consisting of land and fully depreciated building, into a 52-storey building (the PBCom Tower) under a joint development agreement with Filinvest Asia Corporation (Filinvest Asia).

The agreement provided for equal sharing of the cost of the project and, correspondingly, of the net usable area of the building, which was converted into a condominium property. Under the agreement, the Parent Company's share in such cost included its land along Ayala Avenue, which was given an appraised value of ₱900.00 million in 1995. The related appraisal increment was closed to surplus, net of applicable deferred tax liability, upon completion of the project in 2000.

In November 2007, by virtue of condominiumization, various condominium certificates of title under the name of the Parent Company were derived from transfer certificate of title (TCT) No. 134599, where the declaration of restrictions and scope of coverage were annotated on October 23, 2007.

In May 2019, the 4th floor of Parent Company's PBCOM tower building was converted from bank premises to Condominium units for lease.

In October 2023, the 4th floor of Parent Company's PBCOM tower building was converted from Condominium units for lease to Bank Premises.

As of December 31, 2023 and 2022, about 84.93% and 87.12%, respectively of the usable area that the Parent Company acquired from the PBCOM Tower project is held for lease, with the balance used for the Parent Company's operations. Accordingly, the cost allocable to the areas available for lease is carried as investment properties, while the remaining balance is carried as condominium properties and included in 'Property and equipment' (see Note 12).

As of December 31, 2023 and 2022, the aggregate fair value of investment properties amounted to ₱12.36 billion and ₱11.28 billion, respectively, for the Group and Parent Company, which has been determined based on valuations made by professionally qualified appraisers accredited by the BSP and SEC.

The Parent Company recognized rental income (included under 'Rent income' in the statements of income) amounting to ₱381.08 million, ₱401.55 million , and ₱484.93 million in 2023, 2022 and 2021, respectively, on condominium properties leased out under operating leases. In 2023, 2022 and 2021, the Parent Company also recognized rental income from office units for lease amounting to ₱6.01 million, ₱8.10 million and ₱8.11 million , respectively.

The Group and Parent recorded gain (loss) from foreclosure of loan collaterals amounting to ₱11.82 million, (₱3.48 million),and ₱7.46 million in 2023, 2022, and 2021, respectively. This is presented as 'Gain (loss) on assets exchange - net' in the statements of income.

The Group and Parent recorded gain (loss) on disposal of certain foreclosed properties amounting to ₱19.65 million, ₱63.07 million, and ₱15.08 million in 2023, 2022, and 2021, respectively. This is included under 'Profit (loss) from assets sold' in the statements of income.

Direct operating expenses (included under 'Compensation and fringe benefits', 'Occupancy and other equipment-related costs', 'Taxes and licenses', 'Depreciation and Amortization' and 'Miscellaneous') arising from investment properties that generated rental income amounted to ₱121.99 million, ₱113.72 million, and ₱111.41 million in 2023, 2022, and 2021, respectively.

Direct operating expenses (included under 'Compensation and fringe benefits', 'Occupancy and other equipment-related costs', 'Taxes and licenses', Depreciation and Amortization' and 'Miscellaneous') arising from investment properties that did not generate rental income amounted to ₱96.87 million, ₱88.23 million, and ₱125.82 million in 2023, 2022, and 2021, respectively.

14. Intangible Assets

Intangible Assets

This account consists of:

	2023	2022
Branch licenses	**₱364,700**	₱364,700
Bank license	**25,000**	25,000
Software costs	**135,518**	135,905
	₱525,218	₱525,605

Bank license

This refers to the universal bank license paid by the Parent Company in 2022.

Branch licenses

Branch licenses of the Group arose from the acquisitions of Consumer Savings Bank (CSB) and PRBI. As of December 31, 2023 and 2022, details of branch licenses follow:

Branch licenses from the acquisition of:	
PRBI	₱262,600
CSB	102,100
	₱364,700

The branch license incentives given to the Parent Company for its acquisition of Rural Bank of Nagcarlan, Inc. (RBNI), which was eventually merged with PRBI, was measured at fair value on September 1, 2014, the acquisition date, consistent with the requirements of PFRS 3, *Business Combination*. PFRS 3 requires that the identifiable assets and liabilities arising from a business combination be measured at fair value. The fair value of the branch licenses was based on the provisions of the Manual of Regulations for Banks (MORB) that was in effect at that time, which sets a licensing fee and processing fee per branch of ₱20.00 million and ₱200.00 thousand, respectively.

On July 25, 2019, the BSP approved the sale of 100 percent voting shares of PRBI to Producers Savings Bank Corporation (PROSBI) to consolidate the efforts and resources to the Parent Company. Accordingly, branch licenses from RBNI acquisition were reclassified from the investment account to intangible assets in the Parent Company's separate financial statements upon sale of PRBI. No new asset was recognized because the branch licenses have always been recognized as an asset of the Parent Company since its acquisition of RBNI.

As of December 31, 2023 and 2022, the individual branches were identified as the CGU for purposes of impairment testing on the branch licenses for CSB. For the impairment testing on the branch licenses arising from the acquisition of RBNI, the Parent Company's branch banking group was identified as the CGU as the branch banking group would benefit from the synergies of the additional branches in obtaining fresh funds from depositors for deployment.

In 2023, 2022 and 2021, the Parent Company's impairment assessment indicates no impairment.

Key assumptions used in the VIU calculations
As of December 31, 2023 and 2022, the recoverable amounts of the CGUs have been determined based on VIU calculations that use cash flow projections based on financial budgets approved by management covering a 5-year period. The significant assumptions used in computing for the recoverable amount for PRBI and CSB branches in 2023 and 2022 as follows:

Significant Assumptions	**2023**	2022
Deposit growth rates	**12.10%**	12.24%
Discount rate	**10.12%**	12.58%
Terminal value growth rate	**5.20%**	5.20%

Deposit growth rates were based on experiences and strategies developed by the Parent Company. The discount rate used for the computation of the present value of the projected cash flows is the cost of equity and was determined by reference to comparable entities. The terminal value growth rate has been determined to reflect the long-term view on the CGU's business.

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the CGU to exceed its recoverable amount.

Software
The movements of software costs follow:

	Consolidated and Parent Company	
	2023	2022
Balance at January 1	**₱135,905**	₱162,803
Additions	**39,012**	55,152
	174,917	217,955
Amortization (Note 12)	**(39,399)**	(82,050)
Balance at December 31	**₱135,518**	₱135,905

15. **Other Assets**

Other assets consist of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Financial				
Refundable security deposits	**₱43,027**	₱37,125	**₱43,027**	₱37,125
RCOCI	**1,311**	44	**1,311**	44
	44,338	37,169	**44,338**	37,169
Non-financial				
Advances to BIR	**119,524**	22,699	**119,524**	22,699
Prepaid expenses	**103,021**	135,176	**102,858**	135,014
Documentary stamp taxes (DST)	**49,514**	74,084	**49,514**	74,084
Stationery and supplies	**24,677**	15,243	**24,677**	15,243
Advance rentals	**19,048**	19,989	**19,048**	19,989
Chattel mortgage	**7,364**	20,966	**7,365**	20,966
Receivables from BIR	**5,528**	5,528	**5,528**	5,528
Tax credits	**1,448**	20,768	**1,304**	20,624
Retirement asset (Note 26)	**-**	88,791	**-**	88,791
Others (Note 24)	**55,574**	23,927	**54,574**	22,927
	385,698	427,171	**384,392**	425,865
	430,036	464,340	**428,730**	463,034
Less allowance for ECL and impairment losses (Note 16)	**(5,572)**	(1,564)	**(5,572)**	(1,564)
	₱424,464	₱462,776	**₱423,158**	₱461,470

Receivables from BIR

This account includes receivables related to tax refund cases that are still pending SC decision. As of December 31, 2023 and 2022, there is no balance of allowance for impairment losses on receivable from BIR.

Chattel Mortgage

The movements in chattel mortgage of the Group and the Parent Company follow:

	2023	2022
Cost		
Balance at January 1	**₱49,961**	₱52,756
Additions	**12,617**	26,606
Disposals	**(12,002)**	(25,069)
Transfers (Note 12)	**(9,576)**	(4,332)
Balance at December 31	**41,000**	49,961
Accumulated depreciation and amortization		
Balance at January 1	**28,995**	17,769
Depreciation	**10,482**	16,363
Disposals	**(2,706)**	(4,559)
Transfers (Note 12)	**(3,135)**	(578)
Balance at December 31	**33,636**	28,995
Net book value	**₱7,364**	₱20,966

In 2023, 2022 and 2021, gain (loss) recognized by the Group and the Parent Company from the disposal of certain chattel mortgage amounted to ₱2.52 million, (₱2.03 million), and (₱2.03 million), respectively. This is included under 'Profit (loss) from assets sold' in the statements of income

Others

"Others" of the Group and the Parent Company include trust fee receivables, shortages, derivatives, interoffice floats and other investments.

16. Allowance for Credit and Impairment Losses

As of December 31, 2023 and 2022, the analyses of changes in the allowance for ECL follow:

Investment securities at FVTOCI

Consolidated and Parent Company	2023			
	Stage 1	Stage 2	Stage 3	Total
Allowance for ECL, January 1, 2023	**₱8,336**	**₱–**	**₱–**	**₱8,336**
New investment originated or purchased	**8,079**	–	–	**8,079**
Asset derecognized during the period	**(6,565)**	–	–	**(6,565)**
Others	**(59)**	–	–	**(59)**
Allowance for ECL, December 31, 2023	**₱9,791**	**₱–**	**₱–**	**₱9,791**

Investment securities at amortized cost

Consolidated and Parent Company	2023			
	Stage 1	Stage 2	Stage 3	Total
Allowance for ECL, January 1, 2023	**₱14,322**	**₱–**	**₱–**	**₱14,322**
New investment originated or purchased	**6,051**	–	–	**6,051**
Asset derecognized during the period	**(7,565)**	–	–	**(7,565)**
Others	**(6)**	–	–	**(6)**
Allowance for ECL, December 31, 2023	**₱12,802**	**₱–**	**₱–**	**₱12,802**

Receivables from customers

Consolidated and Parent Company	2023			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans:				
Allowance for ECL, January 1, 2023	**₱779,727**	**₱435,522**	**₱1,391,200**	**₱2,606,449**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**414,271**	–	–	**414,271**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	-	**66,584**	**383,196**	**449,780**
Effect of collections and other movements	**(659,337)**	**(168,540)**	**(124,571)**	**(952,448)**
Transfers to Stage 1	**5,298**	**(5,298)**	–	–
Transfers to Stage 2	**(11,607)**	**11,607**	–	–
Transfers to Stage 3	**(301)**	**(220,852)**	**221,153**	–
Impact on ECL of exposures transferred between stages		**16,658**	**6,630**	**23,288**
Impact on ECL of exposures that did not transfer between stages	–	**2,822**	**82,623**	**85,445**
Allowance for ECL, December 31, 2023	**528,051**	**138,503**	**1,960,231**	**2,626,785**
Consumer loans:				
Auto loans				
Allowance for ECL, January 1, 2023	**11,534**	**697**	**43,043**	**55,274**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**329**	–	–	**329**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	-	-	**836**	**836**
Effect of collections and other Movements (excluding write-offs and transfers to ROPA)	**(11,169)**	**(597)**	**(11,167)**	**(22,933)**

(Forward)

Consolidated and Parent Company	**2023**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Transfers to Stage 1	**₱1**	**(₱1)**	**₱–**	**₱–**
Transfers to Stage 2	**–**	**–**	**–**	**–**
Transfers to Stage 3	**(41)**	**(99)**	**140**	**–**
Impact on ECL of exposures transferred between stages	**–**	**–**	**204**	**204**
Impact on ECL of exposures that did not transfer between stages	**–**	**–**	**3,990**	**3,990**
Accounts written-off	**–**	**–**	**(20,412)**	**(20,412)**
Allowance for ECL, December 31, 2023	**654**	**-**	**16,634**	**17,288**
Home Loans				
Allowance for ECL, January 1, 2023	**26,859**	**6,298**	**136,520**	**169,677**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**2,655**	**–**	**–**	**2,655**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	**-**	**1,777**	**8,726**	**10,503**
Effect of collections and other movements	**(18,401)**	**(3,164)**	**(45,762)**	**(67,327)**
Transfers to Stage 1	**101**	**(100)**	**(1)**	**–**
Transfers to Stage 2	**(580)**	**920**	**(340)**	**–**
Transfers to Stage 3	**(1,607)**	**(1,858)**	**3,465**	**–**
Impact on ECL of exposures transferred between stages	**–**	**6,025**	**14,079**	**20,104**
Impact on ECL of exposures that did not transfer between stages	**–**	**28**	**3,100**	**3,128**
Allowance for ECL, December 31, 2023	**9,027**	**9,926**	**119,787**	**138,740**
Personal Loans				
Allowance for ECL, January 1, 2023	**2,490**	**681**	**25,916**	**29,086**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**563**	**–**	**–**	**563**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	**-**	**-**	**912**	**912**
Effect of collections and other Movements (excluding write-offs and transfers to ROPA)	**(2,295)**	**(212)**	**(3,628)**	**(6,134)**
Transfers to Stage 1	**9**	**(8)**	**(1)**	**–**
Transfers to Stage 2	**(142)**	**142**	**–**	**–**
Transfers to Stage 3	**–**	**(492)**	**492**	**–**
Impact on ECL of exposures transferred between stages	**–**	**–**	**802**	**802**
Impact on ECL of exposures that did not transfer between stages	**–**	**–**	**13**	**13**
Accounts written-off	**–**	**(111)**	**(12,802)**	**(12,913)**
Allowance for ECL, December 31, 2023	**625**	**–**	**11,704**	**12,329**
Total receivables from customers:				
Allowance for ECL, January 1, 2023	**820,608**	**443,225**	**1,600,654**	**2,864,487**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**417,818**	**–**	**–**	**417,818**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023		**68,361**	**393,670**	**462,031**
Effect of collections and other Movements (excluding write-offs and transfers to ROPA)	**(691,200)**	**(172,540)**	**(189,103)**	**(1,052,842)**
Transfers to Stage 1	**5,308**	**(5,307)**	**(1)**	**–**
Transfers to Stage 2	**(11,749)**	**11,749**	**–**	**–**
Transfers to Stage 3	**(342)**	**(221,443)**	**221,785**	**–**
Impact on ECL of exposures transferred between stages	**-**	**22,683**	**21,715**	**44,398**
Impact on ECL of exposures that did not transfer between stages	**-**	**2,850**	**89,726**	**92,575**
Accounts written-off	**-**	**(111)**	**(33,214)**	**(33,325)**
Allowance for ECL, December 31, 2023	**₱540,443**	**₱149,467**	**₱2,105,232**	**₱2,795,142**

Other receivables

Consolidated and Parent Company	**2023**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Unquoted debt securities:				
Allowance for ECL, January 1, 2023	**₱625**	**₱-**	**₱-**	**₱625**
Effect of collections	**(462)**	**–**	**–**	**(462)**
Allowance for ECL, December 31, 2023	**163**	**–**	**–**	**163**
Accrued interest receivable:				
Allowance for ECL, January 1, 2023	**2,879**	**5,200**	**5,595**	**13,674**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**2,263**	**–**	**–**	**2,263**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	**–**	**–**	**–**	**–**
Effect of collections and other movements	**(1,429)**	**6,147**	**(1,898)**	**2,820**
Transfers to Stage 1	**362**	**(341)**	**(21)**	**–**
Transfers to Stage 2	**(496)**	**498**	**(2)**	**–**
Transfers to Stage 3	**(1,225)**	**(10,912)**	**12,137**	**–**
Accounts written-off	**–**	**–**	**(425)**	**(425)**
Foreign exchange adjustments	**–**	**–**	**–**	**–**
Allowance for ECL, December 31, 2023	**2,354**	**592**	**15,386**	**18,332**
Accounts receivable:				
Allowance for ECL, January 1, 2023	**650**	**5,748**	**51,534**	**57,932**
Newly originated assets	**648**	**–**	**–**	**648**
Effect of collections and other movements	**815**	**9,554**	**(11,835)**	**(1,466)**
Transfers to Stage 3	**(1,951)**	**(8,267)**	**10,218**	**–**
Accounts written-off	**–**	**–**	**(277)**	**(277)**
Allowance for ECL, December 31, 2023	**162**	**7,035**	**49,640**	**56,837**
Sales contracts receivable				
Allowance for ECL, January 1, 2023	**6,569**	**3,286**	**390**	**10,245**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**20**			**20**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	**6,786**	**-**	**-**	**6,786**
Effect of collections and other movements (excluding write-offs and transfers to ROPA)	**(5,565)**	**(2,924)**	**(304)**	**(8,793)**
Transfers to Stage 1	**2**	**(2)**		**-**
Transfers to Stage 2				**-**
Transfers to Stage 3	**(7,762)**	**(360)**	**8,122**	**-**
Allowance for ECL, December 31, 2023	**50**	**-**	**8,208**	**8,258**
Total other receivables				
Allowance for ECL, January 1, 2023	**10,723**	**14,234**	**57,519**	**82,476**
Newly originated assets that remained in Stage 1 as at December 31, 2023	**2,931**	**-**	**-**	**2,931**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2023	**6,786**	**-**	**-**	**6,786**
Effect of collections and other movements	**(6,641)**	**12,777**	**(14,037)**	**(7,901)**
Transfers to Stage 1	**364**	**(343)**	**(21)**	**-**
Transfers to Stage 2	**(496)**	**498**	**(2)**	**-**
Transfers to Stage 3	**(10,938)**	**(19,539)**	**30,477**	**-**
Accounts written-off	**-**	**-**	**(702)**	**(702)**
Allowance for ECL, December 31, 2023	**₱2,729**	**₱7,627**	**₱73,234**	**₱83,590**

In 2023, the Group and the Parent Company recorded an allowance for ECL amounting to ₱5.72 million on the credit-related commitments.

Investment securities at FVTOCI

Consolidated and Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
Allowance for ECL, January 1, 2022	₱15,634	₱–	₱–	₱15,634
New investment originated or purchased	16,132	–	–	16,132
Asset derecognized during the period	(23,430)	–	–	(23,430)
Allowance for ECL, December 31, 2022	₱8,336	₱–	₱–	₱8,336

Investment securities at amortized cost

Consolidated and Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
Allowance for ECL, January 1, 2022	₱6,911	₱–	₱–	₱6,911
Impact of change in PD	2,973	–	–	2,973
New investment originated or purchased	4,438	–	–	4,438
Allowance for ECL, December 31, 2022	₱14,322	₱–	₱–	₱14,322

Receivables from customers

Consolidated and Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans:				
Allowance for ECL, January 1, 2022	₱430,128	₱249,399	₱1,567,716	₱2,247,243
Newly originated assets that remained in Stage 1 as at December 31, 2022	653,538	–	–	653,538
Effect of collections and other movements	(301,348)	(53,374)	(305,567)	(660,289)
Transfers to Stage 1	10,770	(10,770)	–	
Transfers to Stage 2	(3,661)	3,661	–	–
Transfers to Stage 3	(306)	(11,360)	11,666	–
Impact on ECL of exposures transferred between stages	(4,343)	28,501	59,237	83,395
Impact on ECL of exposures that did not transfer between stages	–	229,491	62,122	291,613
Foreign exchange adjustment	(5,051)			(5,051)
Allowance for ECL, December 31, 2022	779,727	435,548	1,395,174	2,610,449
Consumer loans:				
Auto loans				
Allowance for ECL, January 1, 2022	9,098	7,676	60,532	77,306
Newly originated assets that remained in Stage 1 as at December 31, 2022	5,789	–	–	5,789
Effect of collections and other movements	(3,017)	(5,996)	(30,168)	(39,181)
Transfers to Stage 1	394	(394)	–	–
Transfers to Stage 2	(156)	861	(705)	–
Transfers to Stage 3	(243)	(1,785)	2,028	–
Impact on ECL of exposures transferred between stages	(330)	304	1,776	1,750
Impact on ECL of exposures that did not transfer between stages	–	31	18,611	18,642
Accounts written-off	–	–	(9,031)	(9,031)
Allowance for ECL, December 31, 2022	11,535	697	43,043	55,275
Home loans:				
Allowance for ECL, January 1, 2022	20,283	11,119	200,467	231,869
Newly originated assets that remained in Stage 1 as at December 31, 2022	13,245	–	–	13,245
Effect of collections and other movements	(7,473)	(2,454)	(95,972)	(105,899)
Transfers to Stage 1	26,866	(5,699)	(21,167)	–
Transfers to Stage 2	(114)	6,443	(6,329)	–
Transfers to Stage 3	(780)	(7,523)	8,303	–
Impact on ECL of exposures transferred between stages	(25,170)	2,893	18,912	(3,365)
Impact on ECL of exposures that did not transfer between stages	–	1,520	32,307	33,827
Allowance for ECL, December 31, 2022	26,857	6,299	136,521	169,677

(Forward)

Consolidated and Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
Personal loans:				
Allowance for ECL, January 1, 2022	₱8,909	₱2,963	₱95,341	₱107,213
Newly originated assets that remained in Stage 1 as at December 31, 2022	1,599	–	–	1,599
Effect of collections and other movements	(7,328)	(1,512)	(10,102)	(18,942)
Transfers to Stage 1	3,379	(205)	(3,174)	–
Transfers to Stage 2	(327)	67	(1,340)	–
Transfers to Stage 3	(546)	(2,492)	3,038	–
Impact on ECL of exposures transferred between stages	(3,197)	145	3,085	33
Impact on ECL of exposures that did not transfer between stages	–	115	4,338	4,453
Accounts written-off	–	–	(65,270)	(65,270)
Allowance for ECL, December 31, 2022	2,489	681	25,916	29,086
Total receivables from customers:				
Allowance for ECL, January 1, 2022	468,418	271,157	1,924,056	2,663,631
Newly originated assets that remained in Stage 1 as at December 31, 2022	674,171	–	–	674,171
Effect of collections and other movements	(319,166)	(63,336)	(441,809)	(824,311)
Transfers to Stage 1	41,409	(17,068)	(24,341)	–
Transfers to Stage 2	(4,258)	12,632	(8,374)	–
Transfers to Stage 3	(1,875)	(23,160)	25,035	–
Impact on ECL of exposures transferred between stages	(33,040)	31,843	83,010	81,813
Impact on ECL of exposures that did not transfer between stages	–	231,157	117,378	348,535
Accounts written-off	–	–	(74,301)	(74,301)
Foreign exchange adjustments	(5,051)			(5,051)
Allowance for ECL, December 31, 2022	₱820,608	₱443,225	₱1,600,654	₱2,864,487

Other receivables

Consolidated and Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
Unquoted debt securities:				
Allowance for ECL, January 1, 2022	₱571	₱–	₱–	₱571
Effect of collections	54	–	–	54
Allowance for ECL, December 31, 2022	625	–	–	625
Accrued interest receivable:				
Allowance for ECL, January 1, 2022	1,474	2,448	8,685	12,607
Newly originated assets that remained in Stage 1 as at December 31, 2022	8,424	–	–	8,424
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	–	–	–	–
Effect of collections and other movements	(1,023)	(615)	(3,863)	(5,501)
Transfers to Stage 1	148	(24)	(124)	–
Transfers to Stage 2	(3,451)	3,480	(29)	–
Transfers to Stage 3	(2,693)	(89)	2,782	–
Accounts written-off	–	–	(1,856)	(1,856)
Foreign exchange adjustments	–	–	-	-
Allowance for ECL, December 31, 2022	2,879	5,200	5,595	13,674

(Forward)

Consolidated and Parent Company	2022			
	Stage 1	Stage 2	Stage 3	Total
Accounts receivable:				
Allowance for ECL, January 1, 2022	₱782	₱15,539	₱28,838	₱45,159
Newly originated assets	650	–	–	650
Effect of collections and other movements	(84)	(6,447)	20,746	14,215
Transfers to Stage 3	(698)	(3,344)	4,042	-
Accounts written-off	–	-	(2,092)	(2,092)
Allowance for ECL, December 31, 2022	650	5,748	51,534	57,932
Sales contracts receivable				
Allowance for ECL, January 1, 2022	181	2,688	7,376	10,245
Newly originated assets that remained in Stage 1 as at December 31, 2022	7,104	–	–	7,104
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	–	–	–	–
Effect of collections and other movements (excluding write-offs and transfers to ROPA)	(3,230)	(1,387)	(2,487)	(7,104)
Transfer to ROPA				
Transfers to Stage 1	5,146	(1,553)	(3,593)	–
Transfers to Stage 2	(2,632)	3,546	(914)	–
Transfers to Stage 3	–	(8)	8	–
Allowance for ECL, December 31, 2022	6,569	3,286	390	10,245
Total other receivables				
Allowance for ECL, January 1, 2022	3,008	20,675	44,899	68,582
Newly originated assets that remained in Stage 1 as at December 31, 2022	16,178	–	–	16,178
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2022	–	–	–	–
Effect of collections and other movements	(4,283)	(8,449)	14,396	1,664
Transfers to Stage 1	5,294	(1,577)	(3,717)	–
Transfers to Stage 2	(6,083)	7,026	(943)	–
Transfers to Stage 3	(3,391)	(3,441)	6,832	–
Impact on ECL of exposures transferred between stages	–	–	–	–
Accounts written-off	–	–	(3,948)	(3,948)
Allowance for ECL, December 31, 2022	₱10,723	₱14,234	₱57,519	₱82,476

As of December 31, 2023 and 2022, changes in the allowance for credit and impairment losses of the Group and the Parent Company follow:

	Consolidated and Parent Company	
	2023	2022
Balances at January 1		
Loans and receivables (Note 11)	**₱2,946,963**	₱2,732,213
Investment securities at FVTOCI	**8,336**	15,634
Investment securities at amortized cost	**14,322**	6,911
Investment properties (Note 13)	**55,766**	65,234
Other assets (Note 15)	**1,564**	2,573
	3,026,951	2,822,565
Provision for credit and impairment losses	**(24,409)**	287,686
Accounts written-off, revaluation, and others	**(36,530)**	(83,300)
	(60,939)	204,386

(Forward)

	Consolidated and Parent Company	
	2023	2022
Balance at December 31:		
Loans and receivables (Note 11)	**₱2,878,732**	₱2,946,963
Investment securities at FVTOCI	**9,791**	8,336
Investment securities at amortized cost	**12,802**	14,322
Investment properties (Note 13)	**53,395**	55,766
Other assets (Note 15)	**5,572**	1,564
Commitment and Guarantees	**5,720**	–
	₱2,966,012	₱3,026,951

Below is the breakdown of provisions for (reversals of) credit and impairment losses:

	Consolidated and Parent Company		
	2023	2022	2021
Financial assets and other credit-related exposures:			
Loans and receivables	**(₱27,758)**	₱298,050	₱317,662
Investment securities at FVTOCI (Note 8)	**1,514**	(7,298)	10,089
Investment securities at amortized cost	**(1,514)**	7,411	(3,605)
	(27,758)	298,163	324,146
Non-financial assets:			
Investment properties (Note 12)	**(2,371)**	(9,468)	(1,845)
Other assets (Note 15)	**–**	(1,009)	–
	(2,371)	(10,477)	(1,845)
Commitment and guarantees	**5,720**	–	–
	(₱24,409)	₱287,686	₱322,301

While the Group recognizes through the statement of income the movements in the expected credit losses computed using the models, the Group also complies with BSP's regulatory requirement to appropriate a portion of its earnings at an amount necessary to bring to at least 1% the allowance for credit losses on loans (Note 22).

	2023	2022	2021
Provision for credit and impairment losses	**(₱24,409)**	₱287,799	₱322,301
Appropriation from current net income	**241,165**	53,483	52,240
Total	**₱216,756**	₱341,282	₱374,541

17. **Deposit Liabilities**

Deposit liabilities and deposit substitute liabilities are subject to required reserves. On June 23, 2023, BSP Circular No. 1175 were issued reducing the reserve requirement from 12.0%to 9.5% for universal and commercial banks effective reserve week June 30, 2023.

Long-term negotiable certificates of deposits (LTNCDs) remain subject to required reserves at 4.00%. MORB Sec 252, Composition of Reserves, provides a reference that includes the use of eligible loans to MSME and large enterprises as alternative compliance to required reserves for deposit liabilities.

As of December 31, 2023 and 2022, Due from BSP amounting to ₱9.27 billion and ₱9.75 billion, respectively, were set aside as reserves for deposit liabilities. As of December 31, 2023 and 2022, the Group is in compliance with the above regulations.

On July 26, 2018, the Monetary Board of the BSP, in its Resolution No. 1220, approved the Parent Company's issuance of LTNCDs of up to ₱5.00 billion in one or more tranches over the course of one year, with minimum tenor of 5 years and 1 day to a maximum of 7 years. The purpose of the issuance is specifically for long-term funding.

On October 8, 2018, the Parent Company issued ₱2.90 billion worth of LTNCDs with a tenor of 5 years and 6 months. The LTNCDs will mature on April 8, 2024 and have fixed interest rate of 5.625% per annum, payable quarterly in arrears on October 8, January 8, April 8 and July 8 of each year, commencing on January 8, 2019. The LTNCDs are listed in the trading platform of the Philippine Dealing & Exchange Corp. for secondary market trading.

Interest expense on deposit liabilities consists of:

	Consolidated and Parent Company		
	2023	2022	2021
Demand	**₱44,606**	₱49,113	₱44,004
Savings	**11,903**	13,229	10,683
Time	**2,289,712**	368,942	211,486
LTNCD	**169,398**	168,059	168,726
	₱2,515,619	₱599,343	₱434,899

Peso-denominated deposit liabilities earn annual fixed interest rates ranging from 0.10% to 4.50% in 2023, 0.10% to 3.00% in 2022 and 2021, while foreign currency-denominated deposit liabilities earn annual fixed interest rates ranging from 0.10% to 4.25%, 0.09% to 2.75%, and 0.09% to 1.50% in 2023, 2022 and 2021, respectively.

18. Bills Payable

This account consists of the Group's and the Parent Company's borrowings from:

	2023	2022
Private firms and individuals	**₱8,530,857**	₱4,992,538
Banks and other financial institutions	**1,155,898**	2,601,481
	₱9,686,755	₱7,594,019

As of December 31, 2023, ₱9.41 billion of the bills payable are collateralized by investment in government securities. Details of the securities pledged are as follows:

		2023	
	Face value	**Carrying amount**	**Fair value**
Investment securities at amortized cost	**₱9,401,539**	**₱9,410,004**	**₱9,691,448**

As of December 31, 2022, ₱7.58 billion of the bills payable is collateralized by investment in government securities. Details of the securities pledged are as follows:

	2022		
	Face value	Carrying amount	Fair value
Investment securities at amortized cost	₱7,840,683	₱7,951,682	₱7,680,925

The Group has no dollar interbank borrowings as of December 31, 2023 and 2022.

The Group also did not avail of peso and dollar rediscounting facilities in 2023 and 2022.

Interest expense on bills payable and other borrowings consists of:

	Consolidated			**Parent Company**		
	2023	2022	2021	**2023**	2022	2021
Borrowed funds	**₱694,867**	₱176,729	₱40,211	**₱694,867**	₱176,729	₱40,211
Lease liability (Note 22)	**12,458**	12,256	14,528	**12,458**	12,256	14,528
Net interest cost on retirement liability (Note 26)	-	–	4,360	-	–	4,360
	₱707,325	₱188,985	₱59,099	**₱707,325**	₱188,985	₱59,099

The net interest income on retirement liability of ₱6.48 million in 2023 and ₱4.87 million in 2022 is presented as part of miscellaneous income.

Borrowings from private firms and individuals represent deposit substitutes with maturities of 1 to 181 days in 2023 and 2022, respectively. These borrowings bear annual interest rates ranging from 1.00% to 6.75%, 0.30% to 5.00%%, and 0.25% to 1.13%, in 2023, 2022 and 2021, respectively.

As of December 31, 2023 and 2022, Due from BSP amounting to ₱856.82 million and ₱651.98 million, respectively, were set aside as reserves for deposit substitutes.

19. Accrued Interest, Taxes and Other Expenses

This account consists of:

	Consolidated		**Parent Company**	
	2023	2022	**2023**	2022
Financial liabilities				
Accrued interest payable	**₱761,833**	₱193,187	**₱761,833**	₱193,187
Accrued other expenses	**645,790**	589,209	**645,704**	589,123
	1,407,623	782,396	**1,407,537**	782,310
Non-financial liabilities				
Retirement liability (Note 26)	**21,713**	–	**21,713**	-
Accrued taxes and licenses	**119,803**	82,004	**119,803**	82,004
	141,516	82,004	**141,516**	82,004
	₱1,549,139	₱864,400	**₱1,549,053**	₱864,314

Accrued other expenses includes accrual for various operating expenses.

20. Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2023	2022	**2023**	2022
Financial liabilities				
Accounts payable	**₱314,711**	₱276,651	**₱314,703**	₱276,643
Refundable security deposits	**109,864**	131,651	**109,864**	131,651
Miscellaneous (Note 23)	**31,528**	30,955	**31,528**	30,955
	456,103	439,257	**456,095**	439,249
Non-financial liabilities				
Lease liability (Note 27)	**189,236**	214,195	**189,236**	214,195
Deferred credits	**156,978**	184,918	**156,978**	184,918
Withholding taxes payable	**76,801**	33,428	**76,801**	33,428
Due to the Treasurer of the Philippines	**56,832**	47,194	**56,832**	47,194
Miscellaneous	**111,799**	100,247	**110,591**	99,038
	591,646	579,982	**590,438**	578,773
	₱1,047,749	₱1,019,239	**₱1,046,533**	₱1,018,022

Miscellaneous liabilities of the Group and the Parent Company include marginal deposits, cash letters of credit deposit liabilities classified as dormant and allowance for ECL on off-balance sheet exposures.

Shown below is the movement of lease liability of the Group and Parent Company:

	2023	2022
Balance at January 1	**₱214,195**	₱252,501
Additions	**91,402**	67,672
Lease payments	**(128,819)**	(118,234)
Interest expense (Note 18)	**12,458**	12,256
Balance at December 31	**₱189,236**	₱214,195

21. Maturity Analysis of Assets and Liabilities

The tables below show an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled:

	Consolidated					
	2023			2022		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Financial assets - at gross						
Cash and other cash items	**₱1,562,747**	–	**₱1,562,747**	₱1,404,214	₱-	₱1,404,214
Due from BSP	**12,204,980**	–	**12,204,980**	11,336,471	–	11,336,471
Due from other banks	**485,530**	–	**485,530**	1,089,190	–	1,089,190
Interbank loans receivable and SPURA (Note 8)	**492,353**	–	**492,353**	2,600,579	–	2,600,579
Financial assets at FVTOCI (Note 9)	**552,415**	**7,863,144**	**8,415,559**	–	5,008,596	5,008,596
Investment securities at amortized cost (Note 10)	**5,904,237**	**21,884,956**	**27,789,193**	242,769	21,433,377	21,676,146
Loans and receivables (Note 11):						
Receivables from Customers	**50,910,461**	**41,041,206**	**91,951,667**	42,353,574	35,144,270	77,497,844
Unquoted debt securities	**-**	**366,900**	**366,900**	–	649,995	649,995
Accrued interest receivable	**972,204**	**-**	**972,204**	712,908	–	712,908

(Forward)

	Consolidated					
		2023			2022	
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Accounts receivable	**₱1,350,169**	**₱10,535**	**₱1,360,704**	₱945,426	₱55,132	₱1,000,558
Sales contracts receivable	**19,587**	**43,980**	**63,567**	27,188	36,527	63,715
Other assets (Note 15):			**-**			
Refundable security deposits	**18,404**	**24,623**	**43,027**	–	37,125	37,125
RCOCI	**1,311**	**-**	**1,311**	44	–	44
	74,474,398	**71,235,344**	**145,709,742**	60,712,363	62,365,022	123,077,385
Non-financial assets - at gross						
Investments in subsidiary and an associate (Note 7)	**-**	**16,343**	**16,343**	–	14,715	14,715
Property and equipment (Note 12)	**-**	**2,994,544**	**2,994,544**	–	2,857,058	2,857,058
Investment properties (Note 13):	**-**		**-**			
Condominium units for Lease	**-**	**2,580,394**	**2,580,394**	–	2,644,075	2,644,075
Foreclosed properties	**-**	**1,330,616**	**1,330,616**	–	1,269,827	1,269,827
Office units for lease	**-**	**39,390**	**39,390**	–	39,390	39,390
Intangible assets (Note 14)	**-**	**525,218**	**525,218**	–	525,605	525,605
Deferred tax assets (Note 29)	**-**	**404,323**	**404,323**	–	390,567	390,567
Other assets (Note 15)	**281,488**	**137,847**	**419,335**	276,269	179,897	456,166
	281,488	**8,028,675**	**8,310,163**	276,269	7,921,134	8,197,403
	74,755,886	**79,264,019**	**154,019,905**	60,988,632	70,286,151	131,274,788
Less:						
Unearned interest and discounts (Note 11)	**(61,995)**		**(61,995)**	(54,025)	(153)	(54,178)
Accumulated depreciation and amortization (Notes 12, 13 and 15)	**(139,831)**	**(3,389,886)**	**(3,529,717)**	(58,395)	(3,265,101)	(3,323,496)
Allowance for credit and impairment losses (Notes 10, 11, 13, 15 and 16)	**(2,255,955)**	**(694,548)**	**(2,950,503)**	(2,151,371)	(867,244)	(3,018,615)
Total	**₱72,298,105**	**₱75,179,585**	**₱147,477,690**	₱58,791,046	₱66,087,453	₱124,878,499
Financial liabilities						
Deposit liabilities:						
Demand	**₱41,395,954**	**₱-**	**₱41,395,954**	₱45,499,687	₱–	₱45,499,687
Savings	**13,314,707**	**-**	**13,314,707**	12,667,907	–	12,667,907
Time	**57,381,112**	**1,708,455**	**59,089,567**	35,709,697	2,673,040	38,382,737
LTNCD	**2,900,016**	**-**	**2,900,016**	–	2,893,897	2,893,897
Bills payable (Note 18)	**9,686,755**	**-**	**9,686,755**	7,594,019	–	7,594,019
Outstanding acceptances	**105,410**	**-**	**105,410**	50,218	–	50,218
Manager's checks	**632,058**	**-**	**632,058**	221,535	–	221,535
Accrued interest payable (Note 19)	**761,833**	**-**	**761,833**	193,187	–	193,187
Accrued other expenses (Note 19)	**645,790**	**-**	**645,790**	589,209	–	589,209
Other liabilities (Note 20):		**-**	**-**		–	
Accounts payable	**314,711**		**314,711**	276,651	–	276,651
Refundable security deposits	**73,533**	**36,331**	**109,864**	43,023	88,628	131,651
Miscellaneous	**31,528**	**-**	**31,528**	30,955	–	30,955
	127,243,407	**1,744,786**	**128,988,193**	102,876,088	5,655,565	108,531,653
Non-financial liabilities						
Accrued taxes and licenses (Note 19)	**119,802**	**-**	**119,802**	82,004	–	82,004
Income tax payable	**100,584**	**-**	**100,584**	116,594	–	116,594
Other liabilities (Note 20):			**-**			
Deferred credits	**123,100**	**33,878**	**156,978**	110,762	74,156	184,918
Lease liability	**67,426**	**121,810**	**189,236**	91,490	122,705	214,195
Withholding taxes payable	**76,801**	**-**	**76,801**	34,513	–	34,513
Allowance for ECL on off-balance sheet exposures	**–**	**5,720**	**5,720**	—	—	—
Due to the Treasurer of the Philippines	**56,832**	**-**	**56,832**	47,194	–	47,194
Miscellaneous	**39,362**	**88,431**	**127,793**	31,682	69,699	101,381
	583,907	**249,839**	**833,746**	514,239	266,560	780,799
	₱127,827,314	**₱1,994,625**	**₱129,821,939**	₱103,390,327	₱5,922,125	₱109,312,452

	Parent Company					
	2023			2022		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Financial assets - at gross						
Cash and other cash items	**₱1,562,747**	**-**	**₱1,562,747**	₱1,404,214	₱-	₱1,404,214
Due from BSP	**12,204,980**	**-**	**12,204,980**	11,336,471	–	11,336,471
Due from other banks	**485,530**	**-**	**485,530**	1,089,190	–	1,089,190
Interbank loans receivable and SPURA (Note 8)	**492,353**	**-**	**492,353**	2,600,579	–	2,600,579
Financial assets at FVTPL	**-**	**-**	**-**			
Financial assets at FVTOCI (Note 9)	**552,415**	**7,863,144**	**8,415,559**	–	5,008,596	5,008,596
Investment securities at amortized cost (Note 10)	**5,904,237**	**21,884,956**	**27,789,193**	242,769	21,433,377	21,676,146
Loans and receivables (Note 11):			**-**			
Receivables from customers	**50,910,461**	**41,041,206**	**91,951,667**	42,353,574	35,144,270	77,497,844
Unquoted debt securities	**-**	**366,900**	**366,900**	–	649,995	649,995
Accrued interest receivable	**972,204**	**-**	**972,204**	712,908	–	712,908
Accounts receivable	**1,308,276**	**55,262**	1,363,538	948,259	55,132	1,003,391
Sales contracts receivable	**19,587**	**43,980**	**63,567**	27,188	36,527	63,715
Other assets (Note 15):			**-**			
Refundable security deposits	**18,404**	**24,623**	**43,027**	–	37,125	37,125
RCOCI	**1,311**	**-**	**1,311**	44	–	44
	74,432,505	**71,280,071**	**145,712,576**	60,715,196	62,365,022	123,080,218
Non-financial assets - at gross						
Investments in subsidiary and an associate (Note 7)	**6,073**	**16,343**	**22,416**	–	20,788	20,788
Property and equipment (Note 12)	**154,500**	**2,840,044**	**2,994,544**	66,205	2,790,853	2,857,058
Investment properties (Note 13):			**-**			
Condominium units for lease	**-**	**2,580,394**	**2,580,394**	–	2,644,075	2,644,075
Foreclosed assets	**-**	**1,330,616**	**1,330,616**	–	1,269,827	1,269,827
Office units for lease	**-**	**39,390**	**39,390**	–	39,390	39,390
Intangible assets (Note 14)	**-**	**525,218**	**525,218**	–	525,605	525,605
Deferred tax assets (Note 29)	**-**	**404,323**	**404,323**	–	390,567	390,567
Other assets (Note 15)	**280,181**	**137,847**	**418,028**	274,963	179,897	454,860
	440,754	**7,874,175**	**8,314,929**	341,168	7,861,002	8,202,170
	74,873,259	**79,154,246**	**154,027,505**	61,056,364	70,226,024	131,282,388
Less:						
Unearned interest and discounts (Note 11)	**(61,995)**		**(61,995)**	(54,025)	(153)	(54,178)
Accumulated depreciation and amortization (Notes 12, 13 and 15)	**(139,831)**	**(3,389,886)**	**(3,529,717)**	–	(3,323,496)	(3,323,496)
Allowance for credit and impairment losses (Notes 10, 11, 13, 15 and 16)	**(2,255,955)**	**(694,548)**	**(2,950,503)**	(2,151,371)	(867,244)	(3,018,615)
Total	**₱72,415,478**	**₱75,069,812**	**₱147,485,290**	₱58,850,968	₱66,035,131	₱124,886,099
Financial liabilities						
Deposit liabilities:						
Demand	**₱41,404,856**	**₱–**	**₱41,404,856**	₱45,508,590	₱–	₱45,508,590
Savings	**13,314,707**	**-**	**13,314,707**	12,667,907	–	12,667,907
Time	**57,381,112**	**1,708,455**	**59,089,567**	35,709,697	2,673,040	38,382,737
LTNCD	**2,900,016**	**-**	**2,900,016**	–	2,893,897	2,893,897
Bills payable (Note 18)	**9,686,755**	**-**	**9,686,755**	7,594,019	–	7,594,019
Outstanding acceptances	**105,410**	**-**	**105,410**	50,218	–	50,218
Manager's checks	**632,058**	**-**	**632,058**	221,535	–	221,535
Accrued interest payable (Note 19)	**761,833**	**-**	**761,833**	193,187	–	193,187
Accrued other expenses (Note 19)	**645,704**	**-**	**645,704**	589,123	–	589,123

(Forward)

	Parent Company					
	2023			2022		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Other liabilities (Note 20):						
Accounts payable	**₱314,703**	**₱–**	**₱314,703**	₱276,643	₱–	₱276,643
Refundable security deposits	**73,533**	**36,331**	**109,864**	43,023	88,628	131,651
Miscellaneous	**31,528**	**-**	**31,528**	30,955	–	30,955
	127,252,215	**1,744,786**	**128,997,001**	102,884,897	5,655,565	108,540,462
Non-financial liabilities						
Deferred tax liabilities (Note 29)	–	–	–	–	–	–
Retirement liability (Notes 19 and 26)	–	–	–	–	–	–
Accrued taxes and licenses (Note 19)	**119,802**	**-**	**119,802**	82,004	–	82,004
Income tax payable	**100,584**	**-**	**100,584**	116,594	–	116,594
Other liabilities (Note 20):			**-**			
Deferred credits	**123,100**	**33,878**	**156,978**	110,762	74,156	184,918
Lease liability	**67,426**	**121,810**	**189,236**	91,490	122,705	214,195
Withholding taxes payable	**76,801**	**-**	**76,801**	34,513	–	34,513
Provision for commitment	**-**	**5,720**	**5,720**			
Due to the Treasurer of the Philippines	**56,832**	**-**	**56,832**	47,194	–	47,194
Miscellaneous	**38,154**	**88,431**	**126,585**	31,682	68,490	100,172
	582,699	**249,839**	**832,538**	514,239	265,351	779,590
	₱127,834,914	**₱1,994,625**	**₱129,829,539**	₱103,399,136	₱5,920,916	₱109,320,052

22. Equity

Common Stock

Details and movements of common stock follow:

	Shares	Amount
Common - ₱25 par value		
Authorized	760,000	₱19,000,000
Issued and outstanding		
Balance at December 31	480,645	₱12,016,129

The Parent Company became listed in the PSE on May 12, 1988. After its listing in the PSE, there was no succeeding offer/selling to the public of the Parent Company's shares.

The summarized information on the Parent Company's registration of securities under the Securities Regulation Code follows:

Date of SEC Approval	Type/Class	Authorized Shares	Par Value
November 23, 1988	Common Class A	7,000,000	100
	Common Class B	3,000,000	100
June 3, 1993	Common Class A	14,000,000	100
	Common Class B	6,000,000	100
September 11, 1997	Common	65,000,000	100
April 6, 2001	Common	145,000,000	100
March 31, 2006	Common	145,000,000	100
	Preferred	120,000,000	25
March 11, 2013	Common	760,000,000	25

As reported by the Parent Company's transfer agent, AB Stock Transfers Corporation, the total number of shareholders is 397 and 398 as of December 31, 2023 and 2022, respectively.

Surplus Reserves
In compliance with BSP regulations and RA No. 337, *The General Banking Act*, 10.00% of the Parent Company's profit from trust business is appropriated to surplus reserves. This annual appropriation is required until the surplus reserves for trust business equals 20.00% of the Parent Company's authorized capital stock. Surplus reserve for self-insurance represents the amount set aside to cover for losses due to fire, defalcation by and other unlawful acts of the Parent Company's personnel or third parties.

Upon adoption of PFRS 9, BSP requires appropriation of a portion of the Group's Surplus at an amount necessary to bring to at least 1% the allowance for credit losses on loans (Note 16). The Bank appropriated ₱241.17 million in 2023 and ₱105.7 million in 2022, respectively to meet prudential requirements on 1% general loan loss provisioning.

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

In the consolidated financial statements, accumulated net earnings of the subsidiary and an associate amounting to ₱14.34 million and ₱12.71 million as of December 31, 2023 and 2022, respectively, that were closed out to 'Surplus' is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon declaration and receipt of cash dividends from the investees.

Capital Management
The primary objectives of the Parent Company's capital management are to ensure that the Parent Company complies with regulatory capital requirements and that the Parent Company maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

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

The Parent Company maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Parent Company's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("Bank for International Settlements rules/ratios") and adopted by the BSP as discussed below. The Parent Company has complied in full with all its regulatory capital requirements.

BSP approvals
On December 14, 2012, the BSP, in its Resolution No. 2088, approved the request of the Parent Company to include the ₱1.92 billion appraisal increment resulting from the revaluation of PBCom Tower as part of unimpaired and qualifying capital in computing for net worth and capital adequacy ratio. Effective January 1, 2018, the Group and the Parent Company changed their method of accounting for Investment Properties and Land from the fair value model and revaluation model, respectively, to the cost model, and restated the comparative information in its audited financial statements. As approved by the BSP, however, the Parent Company continues to include the above

revaluation increment for purposes of regulatory unimpaired and qualifying capital in its computation of net worth and capital adequacy ratio. As of December 31, 2023 and 2022, the revaluation increment pertaining to PBCOM Tower amounted to ₱1.76 billion and ₱1.75 billion, respectively.

Regulatory Qualifying Capital

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

The BSP, under Section 125 and Appendix 59 of the MORB, prescribes guidelines in implementing the revised risk-based capital adequacy framework for universal and commercial banks to conform with Base III standards.

Under the MORB, the quality capital a bank must maintain to cover its risks. These include:

- Tier One capital - comprises the Group's and the Parent Company's core capital resources that are immediately available to sustain the financial stability of the group. Components of tier one capital include:
  - Core-Equity Tier One or CET-1 includes paid-in shares of common stock, retained earnings and accumulated OCI. CET-1 must be the predominant form of Tier One Capital. CET-1 absorbs all deductions to capital mandated by regulation. These deductions include capital invested in affiliates, net deferred tax assets and intangible assets items.
  - Alternative Tier One or AT-1 includes other equity type claims on a bank's statement of financial position that are sufficiently subordinate to the claims of depositors and senior creditors and whose cash flow distributions are not committed and cancellable at the option of the bank.
- Tier Two capital - includes auxiliary items, such as the general loan loss provision and appraisal increment reserves on investment property, that supplement Tier One Capital in sustaining the financial stability of the bank.

Banks must maintain CET-1 capital equivalent to 6.00%, Total Tier One capital equivalent to 7.5% and Total capital equivalent to 10% of regulatory risk weighted assets at all times.

Below is a summary of risk weights and selected exposure types:

Risk Weight	Exposure/Asset Type*
0.00%	Cash on hand; claims collateralized by securities issued by the national government, BSP; loans covered by the Trade and Investment Development Corporation of the Philippines; real estate mortgages covered by the Home Guarantee Corporation
20.00%	Cash and other cash items, claims guaranteed by Philippine incorporated banks/quasi-banks with the highest credit quality; claims guaranteed by foreign incorporated banks with the highest credit quality; loans to exporters to the extent guaranteed by Small Business Guarantee and Finance Corporation
50.00%	Housing loans fully secured by first mortgage on residential property; Local Government Unit (LGU) bonds which are covered by Deed of Assignment of Internal Revenue allotment of the LGU and guaranteed by the LGU Guarantee Corporation

Risk Weight	Exposure/Asset Type*
75.00%	Direct loans of defined Small Medium Enterprise and microfinance loans portfolio; non-performing housing loans fully secured by first mortgage
100.00%	All other assets (for example, real estate assets) excluding those deducted from capital (for example, deferred income tax)
150.00%	All non-performing loans (except non-performing housing loans fully secured by first mortgage) and all non-performing debt securities

*Not all inclusive

As of December 31, 2023 and 2022, the Group and the Parent Company reported ratios in excess of the regulatory requirements.

Presented below are the composition of qualifying capital and the related disclosures as reported to the BSP (amounts in millions):

	2023	2022
CET-1 Capital	**₱17,160**	₱15,084
Less: Regulatory Adjustments to CET-1	**(610)**	(639)
	16,550	14,445
Additional Tier 1 Capital	**–**	–
Less: Regulatory Adjustments to AT-1	**–**	–
	–	–
Total Tier 1 Capital	**16,550**	14,445
Tier 2 Capital	**2,553**	2,413
Less: Regulatory Adjustments to Tier 2 Capital	**–**	–
Total Tier 2 Capital	**2,553**	2,413
Total Qualifying Capital	**₱19,103**	₱16,858

The Group's and the Parent Company's RBCAR as reported to the BSP as of December 31, 2023 and 2022 are shown in the table below (amounts in millions):

	2023	2022
CET-1 Capital:		
Paid-up common stock	**₱12,016**	₱12,016
Additional paid-in capital	**2,262**	2,262
Surplus (Deficit)	**2,915**	1,073
Net unrealized gains or losses on FVTOCI	**(70)**	(308)
Cumulative foreign currency translation	**1**	–
Cumulative actuarial losses	**36**	41
	17,160	15,084
Less: Regulatory Adjustments to CET-1		
Other intangible assets	**499**	523
Defined benefit pension fund assets	**89**	95
Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies	**6**	6
Significant minority investments	**16**	15
	610	639

(Forward)

	2023	2022
Tier 1 Capital		
Additional Tier 1 Capital	**₱–**	₱–
Total Tier 1 Capital	**16,550**	14,445
Appraisal increment reserve	**1,761**	1,749
General loan loss provision	**792**	664
	2,553	2,413
Less: Regulatory Adjustments to Tier 2 Capital	**-**	–
Total Tier 2 Capital	**2,553**	2,413
Total Qualifying Capital	**₱19,103**	₱16,858
Credit risk-weighted assets	**₱104,854**	88,852
Market risk-weighted assets	**153**	305
Operational risk-weighted assets	**10,411**	9,622
Total Risk Weighted Assets	**₱115,418**	₱98,779
CET 1 Capital Ratio	**14.34%**	14.62%
Tier 1 Capital Ratio	**14.34%**	14.62%
Total Capital Ratio	**16.55%**	17.07%

Leverage ratio

BSP also requires the Basel III Leverage Ratio (BLR), which is designed to act as a supplementary measure to the risk-based capital requirements. BLR intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes, which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based “backstop” measure.

Exposure measure is the sum of on-balance sheet exposures, derivative exposures, and off-balance sheet items. Items that are deducted completely from capital (regulatory deductions) do not contribute to leverage, hence, deducted from the exposure measure. BLR is computed as the capital measure (Tier 1 capital) divided by the total exposure measure and should not be less than 5.00%.

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

	2023	2022
Tier 1 capital	**₱16,550**	₱14,445
Total exposure measure	**151,644**	131,322
BLR	**10.91%**	11.00%

Internal Capital Adequacy Assessment Process (ICAAP)

The Internal Capital Adequacy Assessment Process (ICAAP) at PBCOM is formulated within the stringent parameters set by the Bangko Sentral ng Pilipinas (BSP), aligning with international standards such as the Basel Committee on Banking Supervision's Basel III framework. This regulatory basis ensures that PBCOM not only adheres to local mandates but also aligns with global best practices in banking operations. The objective is clear: to establish a comprehensive and proactive approach to capital management that anticipates potential risks and allocates capital efficiently to mitigate those risks.

PBCOM's ICAAP serves a dual purpose: to demonstrate to regulators that the bank holds sufficient capital to cover its risks and to integrate risk management with strategic business planning. This process fosters an environment where every decision, from product development to market expansion, is made with a clear understanding of its implications on the bank's capital adequacy and risk profile.

Salient Points of the 2023 ICAAP Report:

1. PBCOM's ICAAP methodology is based on the minimum regulatory capital requirement based on MORB Section 130. The Bank's total Qualifying Capital for December 31, 2023, fully covers the required capital for both Pillars 1 and 2 risks.
2. PBCOM's operating environment and risk requirements from 2023 to 2028 are guided by the Capital Development and Sustainability Plan. PBCOM meticulously calculates its RBCAR to ensure it not only meets but exceeds the regulatory minimum requirements, providing a buffer against unexpected losses. The Bank's 5-year projection integrates rigorous quantitative assessments with forward-looking qualitative analyses, further fortifying the Bank's capital base, positioning it well above the statutory requirements.
3. PBCOM employs stress testing methodologies to simulate various adverse scenarios. This process enables the bank to estimate potential impacts on its capital adequacy and liquidity, crafting strategies to counteract these hypothetical stress conditions effectively.

In conclusion, PBCOM's ICAAP is a testament to the bank's unwavering commitment to financial stability and prudent risk management. By rigorously adhering to the regulatory framework, purposefully addressing the myriad facets of risk, and strategically planning its capital allocation, PBCOM reaffirms its dedication to serving its stakeholders with integrity and foresight.

23. Commitments and Contingent Liabilities

In the normal course of operations, the Group has various outstanding commitments and contingent liabilities such as guarantees, forward exchange contracts, and commitments to extend credit, which are not presented in the accompanying financial statements. The Group does not anticipate any material losses as a result of these transactions.

The Group has certain loan-related suits and claims that remain unsettled. It is not practicable to estimate the potential financial statement impact of these contingencies. However, in the opinion of management, the suits and claims, if decided adversely, will not involve sums that would have a material effect on the financial statements.

The Group is a defendant in legal actions arising from its normal business activities. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the consolidated and parent company financial statements.

Allowance for expected credit losses on the loan commitments for the years ended December 31, 2023 and 2022 is ₱5.72 million and nil, respectively, included under 'Other liabilities' account (see Note 20).

The following is a summary of contingencies and commitments of the Group and the Parent Company with the equivalent peso contractual amounts:

	2023	2022
Trust department accounts	**₱12,009,189**	₱10,814,414
Standby LC	**941,632**	970,552
Spot exchange:		
Bought	**594,332**	251,584
Sold	**2,175,019**	561,113
Usance LC outstanding	**3,207**	596,009
Outstanding shipping guarantees	**1,442,970**	1,684,193
Sight LC outstanding	**593,802**	347,188
Outward bills for collection	**60,661**	61,043
Currency forwards:		
Bought	**781**	808
Sold	**50,122**	75,420
Inward bills for collection	**501,739**	196,173
Items held for safekeeping	**15**	16
Items held as collateral	**7**	7
Other contingencies	**7,738**	13,223

Derivative Financial Instruments

As of December 31, 2023, the Parent Company has outstanding buy US dollar currency forwards with aggregate notional amount of US$0.92 million, terms of 187 days, and weighted average forward rate of ₱55.52. As of December 31, 2023, derivative asset amounting to ₱0.12 million is presented under miscellaneous asset.

As of December 31, 2022, the Parent Company has outstanding buy US dollar currency forwards with aggregate notional amount of US$1.37 million, terms of 365 days, and weighted average forward rate of ₱53.66. As of December 31, 2022, derivative liability amounting to ₱2.91 million is presented under miscellaneous liability.

In 2023, 2022 and 2021, total gain (loss) on currency forwards included under ‘Trading and securities gain (loss) - others’ in the statements of income amounted to ₱3.04 million, ₱3.13 million, and (₱16.64 million), respectively (see Note 25).

24. **Trust Operations**

Securities and other properties (other than deposits) held by the Parent Company for its customers in its fiduciary or agency capacity are not included in the statements of financial position since these are not assets of the Parent Company. Total assets held by the Parent Company’s trust department amounted to ₱12.01 billion and ₱10.81 billion as of December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, government securities (included under ‘Investment securities at amortized cost’) owned by the Parent Company with total face value of ₱130.00 million and ₱120.00 million, respectively, are deposited with the BSP in compliance with the requirements of RA No. 337 relative to the Parent Company’s trust functions.

Income from the Group’s and the Parent Company’s trust operations shown under ‘Income from trust operations’ in the statements of income amounted to ₱37.35 million, ₱31.76 million, and ₱29.23 million in 2023, 2022 and 2021, respectively.

25. **Income on Investment Securities**

Interest income on investment securities follows:

	2023	2022	2021
Investment securities at amortized cost	**₱1,209,449**	₱658,690	₱222,525
Financial assets at FVOCI	**399,075**	219,368	250,271
Investment securities	**1,608,524**	878,058	472,796
Financial assets at FVTPL	**40,953**	28,876	40,345
	₱1,649,477	₱906,934	₱513,141

The Parent Company's peso-denominated investment securities earned annual interest rates ranging from 2.38% to 9.25% in 2023, 2.38% to 9.25% in 2022, and 2.38% to 6.25% in, while dollar-denominated investment securities earned annual interest rates ranging from 1.38% to 10.63%, 1.38% to 10.63%, and 1.13% to 10.63%, in 2023, 2022 and 2021, respectively and euro-denominated investment securities earned an annual interest rate of 2.63% in 2023 and 2022.

As of December 31, 2023 and 2022, the Group and the Parent Company, has no financial assets at FVTPL.

The Group's and the Parent Company's trading and securities gain (loss) - net follows:

	2023	2022	2021
Financial assets at FVTPL	**₱86,673**	₱70,821	₱60,585
Financial assets at FVTOCI	**39,068**	(440,279)	(285,542)
Derivatives (Note 23)	**3,035**	3,131	(16,641)
	₱128,776	(₱366,327)	(₱241,598)

26. **Employee Benefits**

The existing regulatory framework, RA No. 7641, *The Retirement Pay Law*, requires companies with at least ten employees to pay retirement benefits to qualified private sector employees in the absence of any retirement plan in the entity, provided however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

<u>Defined Benefit Plans</u>

Parent Company

The Parent Company has a funded, noncontributory defined benefit retirement plan covering substantially all of its officers and regular employees. The Parent Company's annual contribution to the retirement plan consists of a payment covering the current service cost and unfunded actuarial accrued liability. The retirement plan provides a retirement benefit based on applicable percentage of salary (100% - 150%) depending on the number of years of service (minimum of five years), a fraction of a month being considered as one whole month. The Parent Company's retirement plan is in the form of a trust administered by the Parent Company's Trust and Wealth Management Group (TWMG) under the supervision of the Retirement Board.

The latest actuarial valuation studies of the defined benefit retirement plans of the Group were made as of December 31, 2023. The amounts relating to the defined benefit retirement plans of the Group and Parent Company are presented as'Retirement liability' under 'Other liabilities' and as 'Retirement Asset' under 'Other assets' in the statements of financial position as of December 31, 2023 and 2022, respectively.

The following table shows the actuarial valuation results for the Group and the Parent Company as of December 31, 2023 and 2022:

	2023			2022		
	Fair Value of Plan Assets	**Present Value of Obligation**	**Net Retirement Liability**	Fair Value of Plan Assets	Present Value of Obligation	Net Plan Assets
Consolidated and Parent Company	**₱570,198**	**₱591,911**	**(₱21,713)**	₱542,142	₱453,351	₱88,791

The amounts relating to the defined benefit retirement plans of the Group and Parent Company are presented in the statements of financial position as follows:

	2023	2022
Retirement asset* (Note 15)	**₱-**	₱88,791
Retirement liability** (Note 19)	**21,713**	-
Net retirement asset (liability)	**₱21,713**	₱88,791

** Included in 'Other assets'*
*** Included in 'Accrued interest, taxes and other expenses'*

Changes in the present value of the defined benefit obligations of the Group and the Parent as of December 31, 2023 and 2022 are as follows:

	Consolidated	
	2023	2022
Balance at January 1	**₱453,351**	₱461,546
Current service cost	**46,439**	47,836
Interest cost	**33,095**	23,539
Remeasurement losses (gains):		
Actuarial losses arising from deviations of experience from assumptions	**1,820**	65,812
Actuarial gains arising from changes in financial assumptions	**102,768**	(100,386)
Benefits paid	**(45,562)**	(44,996)
Balance at December 31	**₱591,911**	₱453,351

Changes in the fair value of the plan assets of the Group and Parent Company as of December 31, 2023 and 2022 are as follows:

	2023	2022
Balance at January 1	**₱542,142**	₱557,039
Contributions	**39,958**	42,966
Interest income	**39,576**	28,409
Return on plan assets (excluding interest income)	**(5,916)**	(41,276)
Benefits paid	**(45,562)**	(44,996)
Balance at December 31	**₱570,198**	₱542,142

The fair values of plan assets by class of the Group and Parent Company as of December 31, 2023 and 2022 are as follows:

	2023	2022
Cash and cash equivalents	**₱28,850**	₱69,353
Debt instruments:		
Philippine government	**181,970**	160,472
Real estate	**73,769**	95,424
Industrial	**41,800**	72,396
Holding firms	**72,970**	26,160
Power, electricity and water distribution	**12,420**	12,284
Financial intermediaries	**6,011**	1,942
Equity instruments:		
Real estate	**27,427**	36,524
Holding firms	**15,816**	21,176
Financial intermediaries	**14,018**	12,457
Wholesale and retail trade	**10,182**	7,914
Transport, storage and communication	**7,989**	7,956
Power, electricity and water distribution	**5,845**	4,531
Manufacturing	**3,187**	2,740
Others	**6,060**	2,233
Agricultural	**28,500**	
Other assets and liabilities	**33,384**	8,580
	₱570,198	₱542,142

The Group's plan assets are carried at fair value. All equity and debt instruments have quoted prices in an active market. The fair values of other assets and liabilities, which include amounts due from other banks, accrued interest and other receivables and trust fee payables, approximate their carrying amount due to the short-term nature of these accounts.

The plan assets are diversified investments and are not exposed to concentration risk.

The Group expects to contribute ₱68.52 million to the defined retirement benefit plans in 2024.

The cost of defined benefit retirement plans, as well as the present value of the benefit obligations, are determined using actuarial valuations, which involve making various assumptions. The principal assumptions used are shown below:

	Parent Company	
	2023	2022
Discount rate:		
At January 1	**7.30%**	5.10%
At December 31	**6.10%**	7.30%
Salary increase rate	**6.00%**	5.00%
Average remaining working life	**13**	13

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption of the Group and Parent Company as of December 31, 2023 and 2022, assuming all other assumptions were held constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

	Increase (Decrease) in Defined Benefit Obligation	
	2023	2022
Increase in discount rate of 1.00%	**(₱30,198)**	(₱124,692)
Decrease in discount rate of 1.00%	**82,357**	47,287
Increase in salary increase rate of 1.00%	**77,949**	49,760
Decrease in salary increase rate of 1.00%	**(₱27,444)**	(₱123,152)

The amounts of defined benefit cost included in the statements of other comprehensive income as 'Remeasurement of retirement liability', gross of tax, follow:

	Consolidated and Parent Company		
	2023	2022	2021
Actuarial gain (loss) on benefit obligation	**(₱104,588)**	₱34,574	₱218,797
Return on plan assets (excluding interest income)	**(5,916)**	(41,276)	(14,300)
Remeasurement gains (loss) in OCI	**(₱110,504)**	(₱6,702)	₱204,497

The amounts of retirement cost included in the statements of income follow:

	Consolidated and Parent Company		
	2023	2022	2021
Current service cost*	**₱46,439**	₱47,836	₱72,798
Net interest expense (income) (Note 18)	**(6,482)**	(4,870)	4,360
Retirement cost	**₱39,957**	₱42,966	₱77,158

**Included under 'Compensation and fringe benefits' in the statements of income*

Shown below is the maturity profile of the undiscounted benefit payments of the Group and the Parent Company as of December 31, 2023 and 2022:

Plan Year	**2023**	2022
Less than five years	**₱259,681**	₱223,371
More than five to ten years	**384,360**	358,584
Ten years and above	**3,629,495**	2,564,452
	₱4,273,536	₱3,146,407

Collective Bargaining Agreement (CBA)
All of the Parent Company's rank and file employees are covered by a CBA, the most recent negotiation having been signed on April 28, 2023, with an effectivity period from January 1, 2023 until December 31, 2025. There had been neither dispute nor occurrence of employees' strike for the past years.

<u>Defined Contribution Plans</u>
Parent Company
The Parent Company employs a provident fund scheme where the Parent Company and its covered employees shall contribute 11% and 5% of the employees' basic monthly salary, respectively. Contributions are maintained under the Provident Fund account administered by the Parent Company's TWMG under the supervision of the Retirement/Provident Fund Board. As approved by

the Parent Company's BOD on November 27, 2013, new officers hired after December 31, 2013, except those whose terms of employment have been negotiated prior to December 1, 2013, are no longer eligible for inclusion in the Parent Company's provident fund. The Parent Company's BOD, in its meeting held on January 27, 2016, approved a change in vesting for the retirement fund from 5 to 10 years effective for all new hires who sign up starting February 1, 2016.

Contributions paid and accrued by the Parent Company for both the Staff Provident Fund and the Retirement Fund recognized under 'Compensation and fringe benefits' in the statements of income amounted to ₱66.10 million, ₱69.44 million, and ₱103.84 million in 2023, 2022 and 2021, respectively.

27. Long-term Leases

Group as a Lessee
As of December 31, 2023 and 2022, 84.21% of the Parent Company's branch sites are under lease arrangements. The lease contracts are for periods ranging from one to five years and some are renewable at the Group's option under certain terms and conditions. Various lease contracts include escalation clauses, which bear an annual rent increase of 3.00% to 7.00%. As of December 31, 2023 and 2022, the Group has no contingent rent payable.

As of December 31, 2023 and 2022, the carrying amount of lease liabilities (included in 'Other Liabilities' in Note 20) is ₱189.24 million and ₱214.19 million, respectively.

The Group and the Parent Company recognized interest expense on lease liabilities and rent expense from short-term leases and lease of low value's and the Parent Company's future minimum rentals payable under noncancellable assets operating leases are as follows:

	2023	2022	2021
Depreciation expense – right of use asset (Note 12)	**₱101,982**	₱102,897	₱99,444
Interest expense – lease liability (Note 20)*	**12,458**	12,256	14,528
Rent expense – short-term lease	**43,095**	45,078	41,580
	₱157,535	₱160,231	₱155,552

**Included under 'interest on bills payable and other borrowings' in the statements of income*

The Group's and the Parent Company's future minimum rentals payable under noncancellable operating leases are as follows:

	2023	2022
Within one year	**₱142,591**	₱143,937
Beyond one year but not more than five years	**204,014**	197,463
	₱346,605	₱341,400

Group as a Lessor
The Parent Company has also entered into commercial property leases on its investment properties. These noncancellable leases have remaining noncancellable lease terms of between one to five years. The Parent Company recognized rent income, included under 'Rent income' in the statements of income, amounting to ₱387.09 million, ₱409.65 million, and ₱493.04 million, in 2023, 2022 and 2021, respectively.

The Group's and the Parent Company's future minimum rentals receivable under noncancellable operating leases follow:

	2023	2022
Within one year	**₱311,258**	₱378,223
Beyond one year but not more than five years	**383,937**	318,477
	₱695,195	₱696,700

28. Miscellaneous Income and Expenses

Miscellaneous income
Details of this account are as follows:

	Consolidated and Parent Company		
	2023	2022	2021
Rental charges	**₱50,224**	₱64,765	₱70,299
Penalties	**51,892**	26,914	21,676
Dividend income	**1,612**	1,612	3,344
Others	**32,796**	27,780	42,027
	₱136,524	₱121,071	₱137,346

Miscellaneous expenses

Details of this account are as follows:

	Consolidated			Parent Company		
	2023	2022	2021	**2023**	2022	2021
Information technology	**₱105,717**	₱96,155	₱77,757	**₱105,717**	₱96,155	₱77,757
Transaction dues	**55,033**	47,959	44,996	**55,033**	47,959	44,996
Fines, penalties and other charges	**43,993**	51,331	48,748	**43,993**	51,331	48,748
Litigation and assets acquired – related expenses	**43,559**	45,700	85,949	**43,559**	45,700	85,949
Brokerage fees	**27,005**	17,455	27,979	**27,005**	17,455	27,979
Fuel and lubricants	**16,219**	11,925	11,199	**16,219**	11,925	11,199
Travel	**13,684**	1,944	10,093	**13,684**	1,944	10,093
Freight	**8,423**	6,597	9,767	**8,423**	6,597	9,767
Stationery and supplies	**6,281**	13,020	18,153	**6,281**	13,020	18,153
Advertising	**3,153**	2,410	1,221	**3,153**	2,410	1,221
Others	**100,443**	94,806	75,612	**100,443**	94,806	75,602
	₱423,510	₱389,302	₱411,474	**₱423,510**	₱389,302	₱411,464

Others include account maintenance charges, contractual services, and Philippine Dealing Exchange Corp. transaction fees.

29. Income and Other Taxes

Under Philippine tax laws, the RBU of the Parent Company and its subsidiary are subject to percentage and other taxes (presented as 'Taxes and licenses' in the statements of income), as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and DST. Income taxes include corporate income tax, as discussed below, and final taxes paid, which represents final withholding tax on gross interest income from government securities and other deposit substitutes and income from FCDU transactions. These income taxes, as well as the deferred tax benefits and provisions, are presented as 'Provision for income tax' in the statements of income.

RA No. 9397, *An Act Amending National Internal Revenue Code*, provides that the RCIT rate shall be 30.00% and the interest expense allowed as a deductible expense shall be reduced by 33.00% of interest income subjected to final tax.

An MCIT of 2.00% of modified gross income is computed and compared with the RCIT. Any excess of MCIT over the RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, NOLCO is allowed as a deduction from taxable income in the next three years from the period of incurrence.

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law and introduced reforms to the corporate income tax and incentives systems. It became effective on April 11, 2021, 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Income tax arbitrage rate reduced from 33% to 20% of interest income subject to final tax effective July 1, 2020

Applying the provisions of the CREATE Act, the Group would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020. Based on the provisions of Revenue Memorandum Circular No. 50-2021 dated April 5, 2021 issued by the BIR, the prorated RCIT rate of the Group for 2020 is 27.50%.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2011 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 were computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

The impact of CREATE, which reduced 2020 current income tax by ₱27.25 million and deferred tax assets by ₱30.08 million were recognized in the 2021 financial statements.

Further, the BIR clarified on Revenue Memorandum Circular No. 36-2024 dated March 11, 2024 that the MCIT rate shall be 1.5% to those corporations with calendar year ended December 31, 2023, as a result of MCIT rate increasing to 2%

Provision for (benefit from) income tax consists of:

	Consolidated and Parent Company		
	2023	2022	2021
Current:			
RCIT	**₱331,099**	₱413,945	₱364,041
Final	**302,286**	177,804	107,370
	633,385	591,749	471,411
Deferred	**10,120**	(66,103)	(214,785)
	₱643,505	₱525,646	₱256,626

The Group's and Parent Company's components of deferred tax assets and liabilities follow:

	2023	2022
Deferred tax assets:		
Allowance for ECL and impairment losses	**₱719,878**	₱729,241
Retirement liability	**5,427**	**-**
Accumulated depreciation on investment properties	**72,453**	60,076
Lease liability	**47,309**	53,559
Advance rental	**38,868**	45,850
Unamortized past service cost	**6,126**	7,683
	₱890,061	₱896,409
Deferred tax liabilities:		
Revaluation increment credited to surplus free	**₱333,316**	₱333,316
Branch licenses acquired from business combinations	**65,650**	65,650
Right-of-use assets	**46,186**	49,610
Retirement asset	**-**	22,199
Unrealized gain on equity securities carried at FVTOCI	**17,591**	13,841
Gain on foreclosure of foreclosed of properties	**20,486**	17,927
Unrealized foreign exchange gain	**2,509**	3,299
	485,738	505,842
Net deferred tax assets	**₱404,323**	₱390,567

Provision for (benefit from) income tax directly charged to OCI by the Group and Parent Company in 2023, 2022 and 2021 amounted to ₱23.88 million, (₱1.15 million), and ₱59.78 million, respectively.

The ultimate realization of deferred tax assets is dependent on the generation of future taxable income. In assessing the realizability of its deferred tax assets, the Group considers projected future taxable income, reversal of temporary differences, and tax planning strategies. The Group and Parent Company assessed that deferred tax assets will be realized in the future.

A reconciliation between the statutory income tax and the effective income tax follows:

	Consolidated and Parent Company		
	2023	2022	2021
Statutory income tax	**₱635,269**	₱539,333	₱457,422
Tax effects of:			
Nondeductible expenses and others	**144,399**	137,866	38,148
FCDU income (loss) before income tax	**25,668**	19,780	(39,400)
Interest income subjected to final tax	**(66,299)**	(42,558)	(26,651)
Nontaxable income	**(95,532)**	(59,312)	(83,659)
Changes in unrecognized deferred tax assets	**-**	(69,463)	(89,234)
Effective income tax	**₱643,505**	₱525,646	₱256,626

30. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Parent Company's related parties include key management personnel, close family members of key management personnel, affiliates (that is, entities which are controlled, significantly influenced by or for which significant voting power is held by the Parent Company or key management personnel or their close family members and retirement plan for the benefit of the Group's employees).

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

<u>Retirement Plans</u>
Under PFRS, certain post-employment benefit plans are considered as related parties. The Parent Company has a business relationship with its defined benefit and contribution plans, as it provides trust and management services to the plans. Any investments made in the retirement plans are approved by the Parent Company's Retirement Board. The Parent Company's Retirement Board is comprised of senior officers of the Parent Company. Income earned by the Parent Company (presented as part of 'Income from trust operations' in the statements of income) from such services amounted to ₱5.00 million in 2023, ₱4.99 million in 2022, and ₱4.98 million in 2021, Total deposits maintained by the related party retirement plans with the Parent Company amounted to ₱37.69 million and ₱68.4 million as of December 31, 2023 and 2022, respectively.

<u>Key Management Personnel</u>
Key management personnel are those persons with authority and responsibility for planning, directing and controlling the activities of the Parent Company, directly or indirectly. The Parent Company considers the members of the Senior Management Team to constitute key management personnel for purposes of PAS 24.

Total remunerations of key management personnel are as follows:

	2023	2022	2021
Short-term benefits	**₱151,673**	₱150,513	₱141,574
Post-employment benefits	**5,600**	6,339	8,282
	₱157,273	₱156,852	₱149,856

The remuneration of Parent's Board of Directors, presented under 'Compensation and fringe benefits' in the statements of income, such as per diem and other fees amounted to ₱12.26 million, ₱12.91 million, and ₱13.6 million, as of December 31, 2023, 2022 and 2021, respectively.

Details on significant related party transactions of the Parent Company follow:

	2023		
Category	**Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Significant investors:			
Deposit liabilities	**(₱2,344,552)**	**8,931,717**	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 4.25%.
Interest expense	**14,696**		
Depreciation expense	**25,725**		Branch and office space leased for five years ending in various years, with 5.00% annual escalation
Lease liability	**31,983**		
Interest expense	**3,078**		
Rent income	**1,008**		5-year lease of branches, subject to pre-termination, with escalation rate of 5%.
Loans and receivables	**(114,602)**	**349,924**	Loans with annual interest rates from 7.00% to 8.25%
Affiliate:			
Deposit liabilities	**5,392**	**23,381**	Demand, savings and time deposit accounts with annual interest rates ranging from 0.10% to 4.50%.
Interest expense	**495**		
Rent income	**175**		5-year lease expiring in July 2028 with 5.00% annual escalation.
Subsidiary:			
Deposit liabilities	–	**8,902**	Non-interest demand deposit account.
Key management personnel:			
Deposit liabilities	**14,186**	**55,402**	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 4.25%.
Interest expense	**332**		
Provident fund:			
Deposit liabilities	**(6,975)**	**18,845**	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 5.1%.
Interest expense	**1,559**		A certain percentage of the monthly ending market value of the fund depending on agreement.
Trust fee	**2,246**		
Retirement fund:			
Deposit liabilities	**(23,734)**	**18,848**	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 5.1%
Interest expense	**1,774**		A certain percentage of the monthly ending market value of the fund depending on agreement.
Trust fee	**2,752**		

Category	2022 Volume	Outstanding Balance	Nature, Terms and Conditions
Significant investors:			
Deposit liabilities	₱5,595,275	₱11,276,269	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 3.00%.
Interest expense	34,983		
Depreciation expense	25,014		Branch and office space leased for five years ending in various years, with 5.00% annual escalation.
Lease liability	55,316		
Interest expense	3,274		
Rent income	3,946		5-year lease of branches, subject to pre-termination, with escalation rate of 5%.
Loans and receivables	394,892	464,526	Loans with annual interest rates from 6.50% to 7.25%
Affiliate:			
Deposit liabilities	(241)	17,989	Demand, savings and time deposit accounts with annual interest rates ranging from 0.10% to 2.50%.
Interest expense	59	−	
Rent income	149	−	5-year lease expiring in July 2023 with 5.00% annual escalation.
Subsidiary:			
Deposit liabilities	(43)	8,902	Non-interest demand deposit account.
Key management personnel:			
Deposit liabilities	3,593	41,216	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 4.60%.
Interest expense	51		
Provident fund:			
Deposit liabilities	(16,204)	25,820	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 4.25%.
Interest expense	164		A certain percentage of the monthly ending market value of the fund depending on agreement.
Trust fee	2,248		
Retirement fund:			
Deposit liabilities	46	42,582	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 4.25%
Interest expense	307	−	A certain percentage of the monthly ending market value of the fund depending on agreement.
Trust fee	2,743	−	

Category	2021 Volume	Outstanding Balance	Nature, Terms and Conditions
Significant investors:			
Deposit liabilities	₱1,698,617	₱5,680,994	Savings and time deposit accounts with annual interest rates ranging from 0.06% to 3.37%.
Interest expense	15,635	−	
Depreciation expense	24,366	−	Branch and office space leased for five years ending in various years, with 5.00% annual escalation.
Lease liability	58,402	−	
Interest expense	4,278		
Rent income	2,046	−	5-year lease of branches, subject to pre-termination, with escalation rate of 5%.
Loans and receivables	(22,998)	69,634	Loans with annual interest rates of 5.50%
Affiliate:			
Deposit liabilities	681	18,229	Demand, savings and time deposit accounts with annual interest rates ranging from 0.10% to 0.27%.
Interest expense	15	−	
Rent income	153	−	5-year lease expiring in July 2023 with 5.00% annual escalation.
Subsidiary:			
Deposit liabilities	(26)	8,945	Non-interest demand deposit account.
Key management personnel:			
Deposit liabilities	12,844	37,623	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 0.25%.
Interest expense	25	−	
Provident fund:			
Deposit liabilities	(83,876)	42,024	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 0.13%.A
Interest expense	120	−	
			A certain percentage of the monthly ending market value of the fund depending on agreement.
Trust fee	2,325	−	

Category	Volume	Outstanding Balance	Nature, Terms and Conditions
	2021		
Retirement fund:			
Deposit liabilities	(₱97,499)	₱41,000	Savings and time deposit accounts with annual interest rates ranging from 0.10% to 0.50%
Interest expense	138	–	
			A certain percentage of the monthly ending market value of the fund depending on agreement.
Trust fee	2,652	–	A certain percentage of the monthly ending market value of the fund depending on agreement.

31. Earnings Per Share

Basic EPS amounts are calculated by dividing the net income for the year by the weighted average number of common shares outstanding during the year.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2023	2022	2021
Net income attributable to equity holders of the Parent Company	**₱1,897,571**	₱1,631,687	₱1,573,064
Weighted average number of common shares outstanding	**480,645**	480,645	480,645
Basic/diluted earnings per share	**₱3.95**	₱3.39	₱3.27

As of December 31, 2023, 2022 and 2021, there are no outstanding potential dilutive common shares.

32. Notes to Statements of Cash Flows

The amounts of interbank loans receivable and SPURA considered as cash and cash equivalents of the Group and Parent as of December 31, 2023, 2022 and 2021 follow:

	2023	**2022**	2021
Interbank loans receivable and SPURA shown under statements of cash flows	**₱492,353**	₱34,899	₱724,957
Interbank loans receivable and SPURA not considered as cash and cash equivalents	–	2,565,681	3,470,889
	₱492,353	₱2,600,580	₱4,195,846

The following is a summary of noncash activities:

	2023	**2022**	2021
Noncash operating activities:			
Additions to investment properties from settlement of loans (Note 13)	**₱89,120**	**₱231,539**	₱313,804
Additions to chattel mortgage from settlement of loans (Note 15)	**12,617**	**26,606**	33,970
Noncash investing activities:			
Transfer to property and equipment from other assets (Notes 12 and 15)	**6,441**	**3,754**	3,171
Transfer to other assets from property and equipment (Notes 12 and 15)	**(6,441)**	**(3,754)**	(3,171)
Unrealized gain (loss) on financial assets at FVOCI	**276,430**	**(368,094)**	(46,584)
Additions to right-of-use assets (Note 12)	**91,402**	**67,672**	123,024
Additions to lease liability (Note 20)	**(91,402)**	**(67,672)**	(123,024)

The changes in liabilities arising from the financing activities of the Group and Parent Company in 2023, 2022 and 2021 are as follows:

	January 1, 2023	**Cash Flows**	**Non-cash activities***	**Foreign Exchange Movement**	**December 31, 2023**
Bills payable (Note 18)	**₱7,594,019**	**₱1,983,173**	**₱–**	**₱109,563**	**₱9,686,755**
Outstanding acceptances	**50,218**	**60,764**	**–**	**(5,572)**	**105,410**
Marginal deposits **	**–**	**9,855**	**–**	**(52)**	**9,803**
Lease liability	**214,195**	**(128,819)**	**103,860**	**–**	**189,236**
Total liabilities from financing activities	**₱7,858,432**	**₱1,924,973**	**₱103,860**	**₱103,939**	**₱9,991,204**

** Non-cash activities include new lease arrangements and accretion of interest on lease liability*
*** Inlcuded in 'Other liabilities'*

	January 1, 2022	Cash Flows	Non-cash activities*	Foreign Exchange Movement	December 31, 2022
Bills payable (Note 18)	₱6,010,988	₱1,310,178	₱–	₱272,853	₱7,594,019
Outstanding acceptances	71,609	(36,057)	–	14,666	50,218
Lease liability	252,501	(118,234)	79,928	–	214,195
Total liabilities from financing activities	₱6,335,098	₱1,155,887	₱79,928	₱287,519	₱7,858,432

** Non-cash activities include new lease arrangements and accretion of interest on lease liability*

	January 1, 2021	Cash Flows	Non-cash activities*	Foreign Exchange Movement	December 31, 2021
Bills payable (Note 18)	₱2,182,844	₱3,760,625	₱–	₱67,519	₱6,010,988
Outstanding acceptances	497,813	(441,444)	–	15,240	71,609
Marginal deposits **	6,773	(6,773)	–	–	–
Lease liability	239,817	(124,868)	137,552	–	252,501
Total liabilities from financing activities	₱2,927,247	₱3,187,540	₱137,552	₱82,759	₱6,335,098

** Non-cash activities include new lease arrangements and accretion of interest on lease liability*
*** Inlcuded in 'Other liabilities'*

33. Offsetting of Financial Assets and Liabilities

The Group discloses information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the succeeding table (amounts in thousands).

December 31, 2023

Financial instruments recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a−b]	Effects of remaining rights of set−off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c−d]
				Fair value of financial instruments	Fair value of other financial collateral	
	[a]	[b]	[c]	[d]		[e]
Financial liabilities						
Bills payable	**₱9,409,905**	**₱–**	**₱9,409,905**	**₱9,691,448**	**₱–**	**₱–**

December 31, 2022

Financial instruments recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a−b]	Effects of remaining rights of set−off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c−d]
				Fair value of financial instruments	Fair value of other financial collateral	
	[a]	[b]	[c]	[d]		[e]
Financial liabilities						
Bills payable	₱7,594,019	₱–	₱7,594,019	₱7,951,682	₱–	₱–

The amounts disclosed in column (d) include those rights to set – off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. These include amounts related to financial collateral both received and pledged, whether cash or non – cash collateral, excluding the extent of over - collateralization.

34. Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements unless otherwise indicated.

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

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

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

35. Approval for Release of the Financial Statements

The financial statements were authorized for issue by the BOD of the Parent Company on April 12, 2024.

36. Report on the Supplementary Information Required Under BSP Circular No. 1074

Under Section 174 of the MORB, banks are required to disclose the following supplementary information in the financial statements:

Basic quantitative indicators of financial performance
The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			**Parent Company**		
	2023	**2022**	2021	**2023**	**2022**	2021
Return on average equity (a/b)	**11.42%**	10.97%	11.78%	**11.42%**	10.97%	11.78%
a) Net income	**₱1,897,571**	₱1,631,687	₱1,573,064	**₱1,897,571**	₱1,631,687	₱1,573,064
b) Average total equity	**16,610,899**	14,870,932	13,352,748	**16,610,899**	14,870,932	13,352,748
Return on average assets (a/c)	**1.39%**	1.39%	1.49%	**1.39%**	1.39%	1.49%
c) Average total assets	**136,178,093**	117,053,909	105,229,769	**136,185,694**	117,061,537	105,237,325
Net interest margin (d/e)	**3.96%**	4.80%	4.83%	**3.96%**	4.80%	4.83%
d) Net interest income	**4,702,241**	4,810,496	4,244,780	**4,702,241**	4,810,496	4,244,780
e) Average interest earning assets	**118,776,297**	100,159,878	87,820,774	**118,762,735**	100,162,711	87,823,602

Description of Capital Instruments Issued

As of December 31, 2023 and 2022, the Parent Company has outstanding capital stock shown below:

	Shares		Amount	
	2023	2022	**2023**	2022
Common - ₱25 par value				
Authorized	**760,000**	760,000		
Issued and outstanding	**480,645**	480,645	**₱12,016,129**	₱12,016,129

Significant Credit Exposures as to Industry Sector

The information of the Group and Parent Company on the concentration of credit as to industry before taking into account the allowance for ECL follows:

	2023		2022	
	Amount	**%**	Amount	%
Wholesale and retail trade, repair of motor vehicles, motorcycles	**₱20,988,322**	**22.84**	₱19,654,028	25.38
Real estate activities	**16,320,087**	**17.76**	17,365,606	22.42
Manufacturing	**13,940,456**	**15.17**	14,300,797	18.47
Accommodation and food service activities	**8,483,286**	**9.23**	4,431,192	5.72
Other service activities	**6,995,824**	**7.61**	2,691,754	3.48
Construction	**6,693,140**	**7.28**	4,989,487	6.44
Transportation and storage	**5,449,476**	**5.93**	3,104,517	4.01
Electric, gas, steam and air-conditioning supply	**4,593,527**	**5.00**	4,182,143	5.40
Financial and insurance activities	**4,424,364**	**4.81**	2,995,333	3.87
Agriculture, forestry and fishing	**1,310,108**	**1.43**	1,372,749	1.77
Human health and social work activities	**1,297,628**	**1.41**	1,246,041	1.61
Loans to individuals Primarily for Personal Use purposes	**300,679**	**0.33**	430,888	0.56
Mining and quarrying	**107,519**	**0.12**	119,897	0.15
Activities of households as employers and undifferentiated goods and services-producing activities of households for own use	**103,977**	**0.11**	197,100	0.25
Education	**78,941**	**0.09**	54,558	0.07
Others	**802,337**	**0.88**	307,576	0.40
	₱91,889,671	**100.00**	₱77,443,666	100.00

Breakdown of Total Loans as to Security
The information (gross of unearned discounts and capitalized interest) of the Group and Parent Company relating to receivables from customers as to secured and unsecured and as to collateral follows:

	2023		2022	
	Amount	**%**	Amount	%
Loans secured by:				
Real estate	**₱37,837,308**	**41.15**	₱30,026,966	38.75
Chattel	**1,565,470**	**1.70**	1,334,263	1.72
Deposit hold-out	**1,321,244**	**1.44**	1,785,051	2.30
Securities and others	**53,277**	**0.06**	496,461	0.64
Secured	**40,777,299**	**44.35**	33,642,741	43.41
Unsecured loans	**51,174,367**	**55.65**	43,855,102	56.59
	₱91,951,666	**100.00**	₱77,497,843	100.00

Breakdown of Total Loans as to Status
The table below shows the status of the Group and the Parent Company's loans (gross of unearned discounts and capitalized interest) as to performing and non-performing loans (NPL) per product line as adjusted:

	2023			2022		
	Performing	**NPL**	**Total**	Performing	NPL	Total
Corporate loans	**₱86,322,172**	**₱2,207,524**	**₱88,529,696**	₱71,621,444	₱2,104,149	₱73,725,593
Consumer loans						
Home	**2,627,782**	**299,238**	**2,927,020**	2,852,467	391,965	3,244,432
Auto	**435,095**	**19,043**	**454,138**	397,891	62,526	460,417
Personal	**29,336**	**11,476**	**40,812**	41,196	26,206	67,402
	₱89,414,385	**₱2,537,281**	**₱91,951,666**	₱74,912,998	₱2,584,846	₱77,497,844

In accordance with MORB Section 304, *Amendments to the Regulations on Past Due and Non-Performing Loans*, loans, investments, receivables, or any financial asset shall be considered non-performing, even without any missed contractual payments, if it satisfies the following conditions:
a. It is considered impaired under existing accounting standards;
b. It is classified as doubtful or loss;
c. It is under litigation; and
d. There is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any.

All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

Non-performing loans, investments, receivables, or any financial asset (and/or any replacement loan) shall remain classified as such until:
a. There is sufficient evidence to support that full collection of principal and interests is probable and at least six consecutive payments of the required amortization of principal and/or interest are received; or
b. Written-off.

As of December 31, 2023 and 2022, based on the definition of NPLs under MORB Section X304, NPLs amounted to ₱2.54 billion and ₱2.58 billion as of December 31, 2023 and 2022, respectively, which are gross of specific allowance amounted to ₱1.69 billion and ₱1.74 billion for the same reporting period. Gross and net NPL ratios (inclusive of RRP) of the Group are 2.77% and 0.93% in 2023 and 3.23% and 1.06% for 2022, respectively.

Information on Related Party Loans

As required by the BSP, the Parent Company discloses loan transactions with its associates, affiliates and with certain directors, officers, stockholders and related interests (DOSRI). Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the Parent Company. In the aggregate, loans to DOSRI generally should not exceed total equity or 15.00% of total loan portfolio, whichever is lower.

The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under Section 342 of MORB:

	DOSRI		**Related Party**	
	2023	2022	**2023**	2022
Total outstanding DOSRI/Related Party loans	**₱8,257**	₱6,193	**₱349,924**	₱464,526
Percent of DOSRI/Related Party loans to total loans	**0.01%**	0.01%	**0.38%**	0.58%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	**50.57%**	86.58%	**98.83%**	99.82%
Percent of past due DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	0.00%	**0.00%**	0.00%
Percent of nonperforming DOSRI/Related Party loans to total DOSRI/Related Party loans	**0.00%**	0.00%	**0.00%**	0.00%

The amounts of loans and receivables disclosed for related parties above differ with the amounts disclosed for key management personnel since the composition of DOSRI is more expansive than that of key management personnel. As of December 31, 2023 and 2022, the DOSRI amount pertains to loans under BSP-approved fringed benefit program.

MORB Section 342 provides that the total outstanding loans, other credit accommodation and guarantees to each of the bank's/quasi–bank's subsidiaries and affiliates shall not exceed 10.00% of the net worth of the lending bank/quasi–bank, provided that the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/quasi–bank; and the subsidiaries and affiliates of the lending bank/quasi–bank are not related interest of any director, officer and/or stockholder of the lending institution. As of December 31, 2023 and 2022, the Parent Company is in compliance with these requirements.

Aggregate Amount of Secured Liabilities and Assets Pledged as Security

As of December 31, 2023, 'Bills payable' amounting to ₱9.41billion, are secured by a pledge of certain 'Investment securities at amortized cost' amounting to ₱9.41 billion.

As of December 31, 2022, 'Bills payable' amounting to ₱7.58 billion, are secured by a pledge of certain 'Investment securities at amortized cost' amounting to ₱7.95 billion.

Commitments and contingencies
The following is a summary of contingencies and commitments of the Group and the Parent Company with the equivalent peso contractual amounts:

	2023	2022
Trust department accounts	**₱12,009,189**	₱10,814,414
Standby LC	**941,632**	970,552
Spot exchange:		
Bought	**594,332**	251,584
Sold	**2,175,019**	561,113
Usance LC outstanding	**3,207**	596,009
Outstanding shipping guarantees	**1,442,970**	1,684,193
Sight LC outstanding	**593,802**	347,188
Outward bills for collection	**60,661**	61,043
Currency forwards:		
Bought	**781**	808
Sold	**50,122**	75,420
Inward bills for collection	**501,739**	196,173
Items held for safekeeping	**15**	16
Items held as collateral	**7**	7
Other contingencies	**₱7,738**	₱13,223

37. Supplementary Information Under Revenue Regulations No. 15-2010

In compliance with the requirements set forth by RR No. 15-2010 hereunder are the details of percentage and other taxes paid or accrued by the Parent Company in 2023:

GRT	₱417,888
DST	284,617
Local taxes	22,173
Fringe benefit taxes	3,175
Others	20,319
	₱748,172

Withholding Taxes
Details of total remittances in 2023 and outstanding balance of withholding taxes as of December 31, 2023 follow:

	Total Remittances	Balance as of December 31
Final withholding taxes	₱501,926	₱61,839
Withholding taxes on compensation and benefits	134,149	8,930
Expanded withholding taxes	32,962	2,772
	₱669,037	₱73,541

Tax Assessments and Cases

As of December 31, 2023, the Group has outstanding cases filed in courts for various claims for tax refund amounting to P5.5 million reported as ‘Receivable from BIR’ under ‘Other assets’ in the statement of financial position.

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

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Philippine Bank of Communications
PBCom Tower, 6795 Ayala Avenue
Corner V. A. Rufino Street, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Philippine Bank of Communications and Subsidiary (the Group) and the parent company financial statements of Philippine Bank of Communications (the Parent Bank) as at December 31, 2023, included in this Form 17-A, and have issued our report thereon dated April 12, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ray Francis C. Balagtas

Ray Francis C. Balagtas
Partner
CPA Certificate No. 108795
Tax Identification No. 216-950-288
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-107-2023, September 12, 2023, valid until September 11, 2026
PTR No. 10079900, January 5, 2024, Makati City

April 12, 2024

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Building a better working world

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

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

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Philippine Bank of Communications
PBCom Tower, 6795 Ayala Avenue
Corner V. A. Rufino Street, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Philippine Bank of Communications and Subsidiary (the Group) and the financial statements of Philippine Bank of Communications (the Parent Bank) as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023 and have issued our report thereon dated April 12, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Ray Francis C. Balagtas

Ray Francis C. Balagtas
Partner
CPA Certificate No. 108795
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April 12, 2024

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2023

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
AS OF DECEMBER 31, 2023

Unappropriated Retained Earnings, beginning of reporting period		(416,364)
Add: Category A: Items that are directly credited to Unappropriated Retained Earnings		
Reversal of Retained Earnings Appropriation/s	-	
Effect of restatement or prior-period adjustments	-	
Others	-	-
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the year	-	
Retained Earnings appropriated during the reporting period	(347,168)	
Other	-	(347,168)
Unappropriated Retained Earnings, unadjusted		**(763,532)**
Net income during the period closed to Retained earnings		1,897,571
Less: Category C.1 Unrealized income recognized in the period or loss during the reporting period (net of tax)		
Equity in net income of subsidiaries and associates, net of dividends declared	(1,628)	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	(39,182)	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Unrealized fair value gain of Investment Property	-	
Unrealized actuarial gain	-	
Fair value adjustment (M2) gains)	-	
Fair value adjustment of investment property resulting to gain	(61,462)	
Adjustment due to deviation from PFRS/GAAP-gain	-	
Other unrealized gains or adjustments to the retained earnings	-	
Sub total		(102,272)
Add: Category C.2 unrealized income recognized in the profit or loss in prior reporting period but realized in the current reporting period (net of tax)		
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	-	
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Realized fair value gain of Investment property	-	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS		
Depreciation on PFRS 16 (after tax)	76,487	
Other expenses related to PFRS 16	9,343	
Subtotal		85,830
Add: Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)		
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	-	
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Reversal of previously recorded fair value gain of Investment Property	-	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded	-	
Subtotal		-
Adjusted Net Income/Loss		**2,085,673**
Add Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)		
Subtotal	-	
		-
Add Category E: Adjustments related to relief granted by the SEC and BSP		
Amortization of the effect of reporting relief	-	
Total amount of reporting relief granted during the year	-	
Others	-	
Subtotal		-
Add/ Less: Category F. Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of treasury shares (except for reacquisition of redeemable shares)	-	
Net movement of deferred tax assets not considered in the reconciling items under the previously categories	(10,120)	
Net movement in deterred tax asset and deferred tax liabilities related to the same transaction, eg set up of right of use asset and lease liabilities, set-up of assets and asset retirement obligation and set-up of service concession asset and concession payable		
Adjustment due to deviation from PFRS/GAP-gain (loss)	-	
Others	(128,819)	
Subtotal		(138,939)
Total Retained Earnings, end of the reporting period available for dividend		**1,183,202**

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
SCHEDULE FOR LISTED COMPANIES WITH RECENT OFFERING OF SECURITIES TO THE PUBLIC
For the period ended December 31, 2023
(in thousand)

1	Gross and net procceds as disclosed in the final prospectus			
2	Actual gross and net proceeds			
	Gross			
	Net	none to report		
3	Each expenditure item where the proceeds were used			
	Reserves			
	Loan			
4	Balance of the proceeds as of the end of reporting period			

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
SCHEDULE A. Financial Assets
As of December 31, 2023

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period	Income accrued
(i)		(ii)	(iii)	
Financial assets at Fair Value through Profit or Loss				
none to report	-	-	-	-
	-	-	-	-
Investment Securities at Amortized Cost				
Republic of the Phlippines	26,041,060	27,205,670	27,212,447	326,403
Indonesian Government	553,700	570,721	595,848	11,430
	26,594,760	**27,776,391**	**27,808,295**	**337,833**
Unquoted debt securities classified as loans				
MRT III	366,900	366,900	379,442	-
	366,900	**366,900**	**379,442**	**-**
Financial Assets at Fair Value Through Other Comprehensive Income				
Debt securities				
Aboitiz Equity Ventures Inc.	793,452	746,059	746,059	15,274
JGS Summit Holdings	138,425	129,378	129,378	2,728
Republic of the Phlippines	6,671,840	7,298,910	7,298,910	128,925
International Container Terminal Services In	55,370	53,515	53,515	102
	7,659,087	**8,227,862**	**8,227,862**	**147,029**
Equity securities				
Philippine Central Depository, Inc.	21,126	3,502	3,502	-
Bancnet, Inc.	63,100	22,056	22,056	-
Philippine Clearing House Corp.	21,000	5,784	5,784	-
Philippine Dealing System Holding Corporati	12,500	2,688	2,688	-
Club Filipino	1	417	417	-
Valley Golf Club	2	9,667	9,667	-
WackWack Golf and Country Club	2	143,333	143,333	-
Metropolitant Club	1	250	250	
Tower Club	1	-	-	-
		187,697	**187,697**	**-**

(i)	*Each issue shall be stated separately, except that reasonable grouping, without enumeration may be made of*
ii)	*State the basis of determining the amounts shown in the column. This column shall be totalled to correspond to the respective balance sheet caption or captions.*
ii)	*This column may be omitted if all amounts that would be shown are the same as those in the immediately preceding column*

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY

SCHEDULE B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related parties)

As of December 31, 2023

	Name and Designation of Debtor	Ending Balance as of December 31, 2022	Additions	Amounts Collected	Amounts written off	Current	Not Current	Ending Balance as of December 31, 2023
	Officer	6,193	4,986	(2,922)		8,257		8,257

(i)	*Show separately accounts receivables and notes receivable. In case of notes receivable, indicate pertinent information such as the due date, interest rate, terms of repayment and collateral, if any.*
(ii)	*If collection was other than in cash, explain.*
(iii)	*Give reasons for write off.*

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY

SCHEDULE C. Amounts Receivable from Related Parties which are elimated during the consolidation of Financial Statements

As of December 31, 2023

	Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
				(i)	(ii)			
	NONE TO REPORT							
(i)	*If collection was other than in cash, explain.*							
(ii)	*Give reasons for write off.*							

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
SCHEDULE D. Intangible Assets - Others Assets
As of December 31, 2023

	Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)		Ending Balance
	(i)		(ii)	(ii)		(iii)		
	Branch/ Bank License	389,700						389,700
	Software Cost	135,905	39,012	(39,399)				135,518
(i)	*The information required shall be grouped into (a) intangibles shown under the caption in intangible assets and (b) deferrals shown under the caption Other Assets in the related balance sheet. Show by major classifications.*							
(ii)	*For each change representing anything other than an acquisition, clearly state the nature of the change and other accounts affected. Describe cost of additions representing other than cash expenditures.*							
(iii)	*If provision for amortization of intangible assets is credited in the books directly to the intangible asset account, the amounts shall be stated with explanations, including the accounts charged. Clearly state the nature of deductions if these represent anything other than regular amortization.*							

** Provision for impairment*

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
SCHEDULE E. Long Term Debt
As of December 31, 2023

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long term debt" in related balance sheet	Amount shown under caption "Long Term Debt" in related balance sheet	Interest Rate	Maturity Date
(i)		(ii)	(iii)		
NONE TO REPORT					
(i) Include in this column each type of obligation authorized.					
(ii) This column is to be totaled to correspond to the related balance sheet caption.					
(iii) Include in this column details as to interest rates, amounts or number of periodic installments, and maturity dates.					
(iii) Include in this column details as to interest rates, amounts or number of periodic installments, and maturity dates.					

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY

SCHEDULE F. Indebtedness to Related Parties (Long-Term Loans from Related companies)

As of December 31, 2023

	Name of related party	Balance at beginning of period	Balance at end of period
	(i)		(ii)
	NONE TO REPORT		
(i)	*The related parties named shall be grouped as in Schedule D. The information called for shall be stated separately for any persons whose investments were shown separately in such related schedule.*		
(ii)	*For each affiliate named in the first column, explain in a note hereto the nature and purpose of any material increase during the period that is in excess of 10 percent of the related balance at either the beginning or end of the period.*		

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY

SCHEDULE G. Guarantees of Securities of Other Issuers

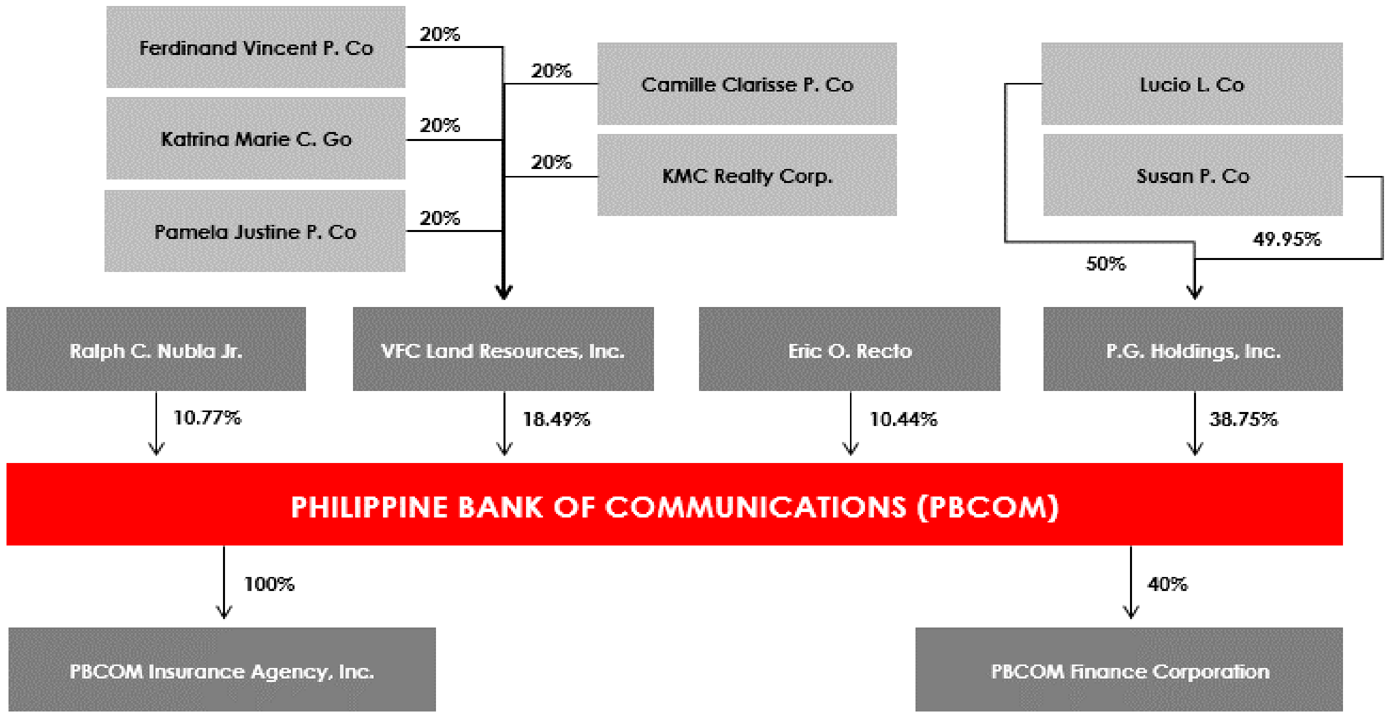
As of December 31, 2023

	Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
			(i)		(ii)
	NONE TO REPORT				
(i)	*Indicate in a note any sinificant changes since the date of the last balance sheet filed. If this schedule is filed in support of consolidated financial statements, there shall be set forth guarantees by any person included in the consolidation except such guarantees of securities which are included in the consolidated balance sheet.*				
(ii)	*There must be a brief statement of the nature of the guarantee, such as "Guarantee of principal and interest", Guarantee of interest", or Guarantee of dividends". If the guarantee is of interest, dividends, or both, state the annual aggregate amount of interest or dividends so guaranteed.*				

PHILIPPINE BANK OF COMMUNICATIONS AND SUBSIDIARY
SCHEDULE H. Capital Stock
As of December 31, 2023

	Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
	(i)				(ii)		(iii)
	COMMON	760,000	480,645		88,977	238,751	
(i)	*Include in this column each type of issue authorized.*						
(ii)	*Related parties referred to include persons for which separate financial statements are filed and those included in consolidated financial statements, other than the issuer of the particular security.*						
(iii)	*Indicate in a note any significant changes since the date of the last balance sheet filed.*						

CONGLOMERATE MAP
As of December 31, 2023



A. Key Performance Indicators

Ratios	Consolidated December 31 Balances			Parent December 31 Balances		
	2023	2022	2021	2023	2022	2021
PROFITABILITY RATIOS						
Profit Margin	**31.82%**	**29.33%**	**30.94%**	**31.82%**	**29.33%**	**30.94%**
Net Income	1,898	1,632	1,573	1,898	1,632	1,573
Gross Income	5,963	5,562	5,085	5,963	5,562	5,085
Return on Average Asset	**1.39%**	**1.39%**	**1.49%**	**1.39%**	**1.39%**	**1.49%**
Net Income	1,898	1,632	1,573	1,898	1,632	1,573
Average Assets	136,178	117,054	105,230	136,186	117,062	105,237
Return on Average Equity	**11.42%**	**10.97%**	**11.78%**	**11.42%**	**10.97%**	**11.78%**
Net Income	1,898	1,632	1,573	1,898	1,632	1,573
Average Equity	16,611	14,871	13,353	16,611	14,871	13,353
Net Interest Margin	**3.96%**	**4.80%**	**4.83%**	**3.96%**	**4.80%**	**4.83%**
Net Interest Income	4,702	4,810	4,245	4,702	4,810	4,245
Average Earning Assets	118,776	100,160	87,821	118,763	100,163	87,824
Cost to Income Ratio	**57.82%**	**56.05%**	**57.68%**	**57.82%**	**56.05%**	**57.68%**
Total Operating Expenses, net of impai	3,448	3,118	2,933	3,448	3,118	2,933
Total Operating Income	5,963	5,562	5,085	5,963	5,562	5,085
Capital Adequacy Ratio	**16.55%**	**17.07%**	**18.18%**	**16.55%**	**17.07%**	**18.18%**
Qualifying capital	19,102	16,857	15,603	19,102	16,857	15,603
Total risk-weighted assets	115,418	98,779	85,846	115,418	98,779	85,846
Basic Earnings per Share	**3.95**	**3.39**	**3.27**			
Net income	1,898	1,632	1,573			
Average No. of common shares	481	481	481			

B. Financial Soundness

Ratios	Consolidated 2023	Consolidated 2022	Consolidated 2021	Parent 2023	Parent 2022	Parent 2021
LIQUIDITY RATIOS						
Liquidity Assets	**19.69%**	**21.41%**	**28.96%**	**19.68%**	**21.41%**	**28.96%**
Liquid Assets	22,973	21,289	25,178	22,973	21,289	25,178
Total Deposits	116,700	99,444	86,946	116,709	99,453	86,955
Liquid Assets to Total Liabilities	**17.70%**	**19.48%**	**26.49%**	**17.70%**	**19.47%**	**26.49%**
Liquid Assets	22,973	21,289	25,178	22,973	21,289	25,178
Total Liabilities	129,822	109,312	95,054	129,830	109,320	95,061
Loans to Deposit	**78.74%**	**77.88%**	**74.39%**	**78.73%**	**77.87%**	**74.38%**
Loans (gross)	91,890	77,444	64,681	91,890	77,444	64,681
Total Deposits	116,700	99,444	86,946	116,709	99,453	86,955
SOLVENCY RATIOS						
Debt Ratio	**88.03%**	**87.54%**	**87.02%**	**88.03%**	**87.54%**	**87.02%**
Total Liabilities	129,822	109,312	95,054	129,830	109,320	95,061
Total Assets	147,478	124,878	109,229	147,485	124,886	109,237
Debt to Equity Ratio	**7.35**	**7.02**	**6.71**	**7.35**	**7.02**	**6.71**
Total Liabilities	129,822	109,312	95,054	129,830	109,320	95,061
Total Equity	17,656	15,566	14,176	17,656	15,566	14,176
Asset to Equity	**8.35**	**8.02**	**7.71**	**8.35**	**8.02**	**7.71**
Total Asset	147,478	124,878	109,229	147,485	124,886	109,237
Total Equity	17,656	15,566	14,176	17,656	15,566	14,176
Interest Rate Coverage Ratio	**179%**	**374%**	**470%**	**179%**	**374%**	**470%**
Earnings before interest & taxes	5,764	2,946	2,324	5,762	2,945	2,324
Interest Expense	3,223	788	494	3,223	788	494

PBCOM
A UNIVERSAL BANK

SUSTAINABLE SYNERGY
Integrating Green Practices Across PBCOM

2023 Sustainability Report

2023 SUSTAINABILITY REPORT
PHILIPPINE BANK OF COMMUNICATIONS

PBCOM Tower, 6795 Ayala Avenue corner
V.A. Rufino St., Makati City, Philippines

Scope: Philippine Bank of Communications (Parent Bank) only
Period: January 1 to December 31, 2023
Responsible: Patricia May T. Siy, President & CEO

CONTENT

OUR FRAMEWORK

Looking at 2023, Philippine Bank of Communications (PBCOM) views the year as a significant opportunity to enhance its sustainability efforts. The focus is not only on meeting immediate needs but also on ensuring that its operations have a posi tiv e impact on future generations. As PBCOM embarks on this journey, it remains steadfast in its dedication to building a sustainable busine ss model.

ECONOMIC

This pertains to how the Bank contributes to the increase in the pool of economic resources flowing into the local and national economy. The Bank ensures that it not only creates economic value for itself but also that this value benefits its stakeholders, including stockholders, suppliers, employees, government, and the community.

ENVIRONMENT

This concerns how the Bank manages the natural resources necessary for its business and minimizes its negative impacts on the environment. The Bank monitors its efficient use of natural resources, which is crucial for reducing environmental impacts from the extraction and processing of these resources

SOCIAL

This involves how the Bank manages its relationships with stakeholders such as employees, customers, suppliers, communities, The public, and the government. The Bank ensures that it contributes to the overall growth and well being of those invested in it, directly or indirectly.

The over-all sustainability reporting framework of the Bank as a Publicly-Listed Company follows below structure:

PBCOM is a Sustainable Business

We conduct	Corporate Governance
We manage	Economic, Environment, Social
Our products	Contribution to Sustainable Development

ECONOMIC | ENVIRONMENT | SOCIAL

UN Sustainable Development Goals

Disclosures should reflect the Bank's significant economic, environmental, and social impacts and should consider the reasonable expectations and interests of key stakeholders.

MATERIALITY PROCESS

The Bank has applied the following processes in identifying the material topics contained in this report:

DISCOVERY	ASSESSMENT & VALIDATION	PRIORITIZATION	MONITORING & REPORTING
• Review of the organization's Mission and Vision • Review business priorities • Benchmarking with peer brand • Industry best practice	• Data collection • Consultation and discuss with stakeholder • Shortlisting of identified material issues	• Ranking of all material issues • Metrics identification, baselining and target setting • Management and Board approval	• Monitoring of agreed metrics • Performance reporting

ECONOMIC

PBCOM 2023 SUSTAINABILITY REPORT

ECONOMIC PERFORMANCE

Disclosure (in Php '000)	Amount (Parent)
Direct economic value generated (revenue)	5,963,194
Direct economic value distributed:	
a) Operating costs	318,056
b) Employee wages and benefits	1,208,064
c) Payments to suppliers, other operating costs	1,149,454
d) Dividends given to stockholders and interest payments to loan providers	-
e) Taxes given to government	748,172
f) Investments to community (e.g. donations, CSR)	-

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Improved Return on Capital means increased lending opportunity • Higher investment in Human Capital (learning and development) • More local community involvement • PBCOM as an engine of growth in nation building	Board of Directors and officers, employees, customers, suppliers and community • Employees • Employees and community • Board of Directors and officers, employees, customers, suppliers and community	Value focus in terms of the Bank's financial standing • Alignment of training and development with overall strategic direction of the Bank • Establishment of the Bank's Sustainable Finance Framework • Participation in syndicated loans for renewable energy power projects.

ECONOMIC PERFORMANCE

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
A. The risk of non-compliance to regulators' requirement. • The risk of not being able to protect customer's deposit and investments. • The risk of negative return to shareholders. B. Data Privacy and Information Security. C. The risk of long-term talent shortage.	Board of Directors, officers and employees. Board of Directors and officers, employees, customers, suppliers and community. Board of Directors and officers, employees, customers, suppliers and community. Board of Directors and officers, employees, customers, suppliers and community.	• Proactive role of the Board of Directors and officers in corporate governance. • Adherence to AMLA and KYC regulations. • Prudent assessment of borrowers' credit worthiness. • Weekly awareness campaign on fraud and counterfeit crimes and how customers can protect themselves against such crimes. PBCOM also has regular simulated drills to educate staffs on how to detect suspicious emails. • Leadership development program. • Succession planning and readiness assessment.
• Financial inclusion • Digitalization • Conservation and upcycling initiatives	• Bank • Community • Customers • Small business owners	• Delivery of financial education through the Bank's digital and social channels. • Execution of the Bank's digital transformation strategy such as payment and document management systems to efficiently manage external and internal processes and improve customer experience. • Incorporating innovation in providing services to our customers. • Incorporate environmental conservation initiatives such as partnerships with companies in the circular economy like Green Antz to upcycle commonly used materials such as single-use plastics into eco-bricks. • Integrate social responsibility initiatives, such as feeding programs, into the Bank's employee engagement activities.

ENVIRONMENT

PBCOM 2023 SUSTAINABILITY REPORT

PBCOM CONTINUES TO ADVANCE ITS GREEN INITIATIVES

Building upon our commitment to environmental sustainability, PBCOM persists in fostering a culture of eco-consciousness among its employees. Our ongoing "Ayaw Ko Ng Plastic" campaign remains instrumental in raising awareness about the critical importance of reducing plastic usage for the well-being of our planet. Regular digital communications via email and Facebook serve as reminders to all staff members, emphasizing the significance of responsible waste management practices. Moreover, PBCOM continues to actively discourage the use of single-use plastics within its premises, promoting eco-friendly alternatives wherever feasible.

In a tangible demonstration of our dedication to combating plastic pollution, PBCOM has expanded its efforts beyond digital advocacy. Plastic drop-off points have been strategically installed at our key locations, including PBCOM Tower, The Peak Tower, GF and Partners Building, and Binondo Banking Center, facilitating convenient disposal for employees. These designated collection sites enable staff members to surrender their used plastics, which are then meticulously cleaned, dried, and forwarded to Green Antz for processing. Through our partnership with Green Antz, these plastic wastes are ingeniously repurposed into eco-casts and bricks, contributing to sustainable construction practices.

As we forge ahead in our green journey, PBCOM remains steadfast in its commitment to environmental stewardship, continually seeking innovative solutions to minimize our ecological footprint and nurture a healthier planet for future generations.

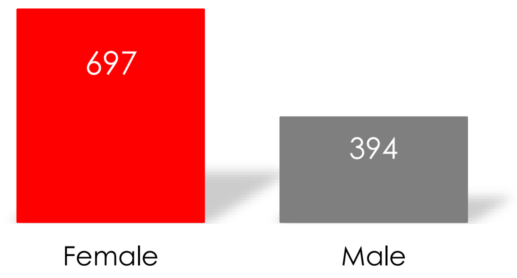
In June 2023, PBCOM turned over more than 64 kilograms of plastic waste for processing. After processing, this amount of collected plastic translates to approximately 480 eco-casts or bricks, which are used as an alternative to hollow blocks during the construction of buildings and pavements.

SOCIAL

PBCOM 2023 SUSTAINABILITY REPORT

EMPLOYEE MANAGEMENT

No. of employees according to gender*



17.74%
Attrition Rate**

Ratio of lowest paid employee against minimum wage :
42% ABOVE MINIMUM
for lowest paid employee

*Employees are individuals employed by the Bank and included in the Bank's payroll.

**Attrition is the number of employees that left divided by the average total manpower multiplied by 100 or

$$\text{Attrition} = \frac{\text{No. of Separated Employees}}{\text{Average Total Manpower}} \times 100$$

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS			
• SSS	Y	4.30%	0.00%
• Sickness	Y	0.72%	0.51%
• Loan	Y	17.50%	12.18%
PhilHealth	Y	7.89%	1.52%
Pag-IBIG loan	Y	10.33%	7.87%
Parental leaves	Y	2.58%	2.53%
Vacation leaves	Y	86.08%	89.34%
Sick leaves	Y	66.28%	58.63%
Medical benefits (aside from PhilHealth))	Y	63.13%	57.36%
Housing assistance (aside from Pag-IBIG)	Y	n/a	n/a
Retirement fund (aside from SSS)	Y	6.31%	4.06%
Further education support	Y	0.00%	0.00%
Telecommuting	Y	3.87%	12.69%
Flexible-working hours	Y	0%	0%
(Others)			
• Car loan	Y	0.29%	0.51%
• Emergency loan	Y	0.00%	0.25%
• Salary loan	Y	11.33%	6.35%
• Bereavement	Y	1.29%	0.25%
• Educational loan		0.43%	0.00%
• Housing loan		0.14%	0.00%

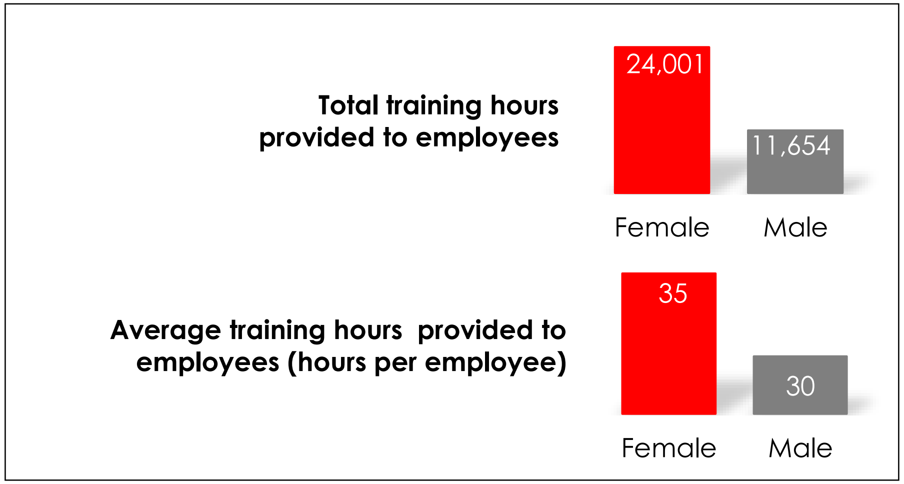
EMPLOYEE TRAINING AND DEVELOPMENT

The Bank acknowledges the importance of improving employees' competencies and fostering a learning culture to unlock their full potential and enhance performance.

The Training and Employee Engagement Division implements programs based on suggestions from Group Heads during the Training Needs Analysis activity. The outcome of this activity is the annual training plan, which is divided into different development categories (Regulatory/ Mandatory, Technical/ Functional/ Job Specific, Professional, Leadership, Culture).

Various programs, such as the Bank Anniversary, Service and Performance Awards, as well as health and wellness webinars covering topics like Ergonomic Exercises At Work, Children's Health, Women's Health, and Sustainable and Healthy Lifestyle, were introduced for employees.

In 2023, we expanded the reach of our trainings by leveraging technology, allowing employees outside of Metro Manila to participate in the sessions.



LABOR-MANAGEMENT RELATIONS

Disclosure	Quantity
% of employees covered with Collective Bargaining Agreements	19.79%
Number of consultations conducted with employees concerning employee-related policies	2

The Bank upholds its commitment outlined in the Collective Bargaining Agreement (CBA) with the union, thereby promoting industrial harmony. In addition to CBA negotiations, it holds grievance meetings with union officers to address policy issues that impact the working conditions of rank-and-file employees as necessary.

DIVERSITY AND EQUAL OPPORTUNITY

Disclosure	Quantity
% of female workers in the workforce	63.89%
% of male workers in the workforce	36.11%
Number of employees from indigenous communities and/or vulnerable sector*	59*

*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).

The Bank is an equal opportunity employer and acknowledges the continued productivity of individuals beyond retirement age. It values their experience and wisdom, especially in highly technical and senior roles within the Bank.

WORKPLACE CONDITIONS, LABOR STANDARDS, AND HUMAN RIGHTS: OCCUPATIONAL HEALTH AND SAFETY

Disclosure	Quantity
Safe Man-Hours	1,992/employee
No. of work-related injuries	3
No. of work-related fatalities	0
No. of work related ill-health	69 COVID-19 positive
No. of safety drills	1 earthquake drill and 1 fire drill

The Bank prioritizes the health and safety of its employees by providing company HMO coverage for employees and one nominated dependent each. Additionally, it maintains a clinic with a company doctor and nurse on its premises, despite the presence of a nearby hospital near its head office. Certified first aiders are also available in both the head office and branches, in compliance with DOLE directives.

The Bank actively participates in annual fire and earthquake drills mandated by local governments in all cities or towns where its offices and branches are located.

LABOR LAWS AND HUMAN RIGHTS

Disclosure	Quantity
No. of legal actions or employee grievances involving forced or child labor	0

The Bank strictly adheres to the provisions of the Labor Code and its Implementing Rules and Regulations, as well as directives of the Department of Labor and Employment. The Bank's Code of Conduct explicitly states that all laws, including Labor Laws and Sexual Anti-Harassment among others, must be strictly followed under pain of penalty for its violations.

SIGNIFICANT IMPACT ON LOCAL COMMUNITIES

Aligned with PBCOM's renewed Vision, Mission, and Values, the Bank remains steadfast in fulfilling its social responsibilities within the communities it serves. PBCOM recognizes the vital role it plays in enhancing the welfare of the localities where it operates. At every level of the organization, from the Board of Directors to the dedicated employees, there is a shared commitment to actively engage with both governmental and non-governmental entities to effect positive change in the community.

Throughout the year, PBCOM continues to extend support to various initiatives and activities spearheaded by local authorities and NGOs, focusing on initiatives with significant environmental and social welfare impacts at the barangay and municipal levels. These endeavors encompass a diverse range of projects, including fundraising efforts dedicated to aiding victims of natural calamities and societal conflicts. Furthermore, PBCOM remains dedicated to environmental conservation efforts, collaborating with partners to protect and preserve local ecosystems. Moreover, the Bank remains dedicated to uplifting the lives of the less fortunate through targeted programs aimed at socioeconomic empowerment. By fostering partnerships and deploying resources effectively, PBCOM endeavors to create sustainable, long-term benefits for communities in need.

In essence, PBCOM's social impact initiatives embody its unwavering commitment to making a meaningful difference in the lives of individuals and the communities it serves, reflecting the core values of integrity, compassion, and community engagement.

SUPPORTING LA LIGA MARIQUINA'S OPLAN KONTRA GUTOM INITIATIVE

As part of PBCOM's ongoing commitment to community engagement and social responsibility, the Bank continues its steadfast support for La Liga Mariquina, a non-stock, non-profit organization based in Marikina City, dedicated to people empowerment.

Since its inception in 2016, "Oplan Laban Kontra Gutom" has been a cornerstone initiative of La Liga Mariquina, aimed at combating malnutrition through a multifaceted approach. This comprehensive strategy encompasses feeding programs such as Oplan Laban Kontra Gutom and Soup for Smile, informative seminars to raise awareness about malnutrition and its preventive measures, as well as medical and dental missions conducted across communities and schools nationwide.

In response to the persistent challenges posed by the global pandemic, La Liga Mariquina launched a revitalized phase of the Oplan Laban Kontra Gutom Initiative in 2023, generously funded by PBCOM. This latest phase prioritizes providing nutritious meals to children aged 6-12 years old in communities identified based on pre-pandemic assessments indicating elevated malnutrition rates, as verified by local health authorities. Acknowledging the critical nutritional requirements of school-aged children, the initiative seeks to replenish their growing bodies and bolster their overall health and wellness.

The initiative commenced with the meticulous collection of data on participating children, including their Body Mass Index (BMI) prior to enrollment. From October 1, 2023, onwards, these children have been receiving balanced and wholesome meals at designated intervals throughout the day, adhering to nutritional guidelines established by the National Nutritional Council. Additionally, support in the form of essential vitamins is provided by the City/Municipal Health Office to augment the children's dietary intake.




Emphasizing the importance of parental involvement, parents and guardians actively contribute to the initiative by volunteering as cooks and servers, while also participating in Health Awareness Seminars and Livelihood Training Workshops conducted by La Liga Mariquina.

Moreover, children enrolled in the program benefit from a range of enriching activities, including talent development sessions, tutoring, and mentorship opportunities facilitated through the Ate Mentor Program.

PBCOM's continued support for La Liga Mariquina's Oplan Kontra Gutom initiative underscores the Bank's unwavering dedication to fostering healthier, more resilient communities and nurturing the well-being of future generations.

"In our relentless pursuit of community well-being, PBCOM remains steadfast in our commitment to supporting initiatives like Oplan Kontra Gutom, ensuring that no child goes hungry and every family receives the nourishment they need. As we stand ready to continue empowering our communities, striving a brighter, healthier future for all, and ensuring that Together We Grow." – Ms. Patricia May T. Siy, PBCOM President and CEO

CUSTOMER MANAGEMENT

Customer Satisfaction

92%
Customer Satisfaction

CSAT conducted internally by PBCOM Customer Experience Management Division

Customer Complaints

No substantiated complaints reported on Customer Privacy

No substantiated complaints reported on Marketing and Labeling

Received 1 complaint on product or service health and safety

CLIENT INFORMATION USED FOR SECONDARY PURPOSES

No. of customers, users and account holders whose information is used for secondary purposes

Voice of Customer campaign recipients of the Customer Experience Division to measure the satisfaction of New-to-Bank clients onboarded via our digital platforms for POP and PBCOMOBILE.	38,006
Accounts endorsed to authorized 3rd party collection agency of Consumer Finance Group	5,180

CLIENT INFORMATION USED FOR SECONDARY PURPOSES

As we enter an era of instant communication and feedback, many of today's customers have become extremely demanding, if not just more aware of how they should receive service from businesses. Along with this fast pace of information circulation is the availability of various channels to make the voice of each customer heard.

While many businesses struggle to keep up, we at PBCOM, whose foundation on customer service standards has been laid out, have learned to adapt. Our desire to provide excellent customer experience long-term has been evident in the various programs and initiatives that we implement. The Covid-19 pandemic has further spurred us on towards this objective. Rethinking the ways in which we deliver our service, PBCOM has been able to adjust well to the needs of the times, aiming to create a sustainable customer service performance post-COVID-19.

Overall, the approach of the Bank is to create meaningful relationships with our internal and external stakeholders through communication. We encourage our employees to solicit feedback, complaints, and commendations as often as possible and through all available channels. These shall serve as the basis for policy and product innovation with the ultimate aim of improving service delivery. We want our customers to be happy, and the best way to do this is by soliciting actual feedback from them.

The channels that the Bank uses have all shifted to digital. With "being paperless" as one of the main advocacies of the Bank, interactions via digital platforms are now the new norm.

Clickable links via SMS have been replaced by QR codes via registered emails and posted in all our branches to capture our customers' feedback, which is a secure way of collecting information and in adherence to BSP regulations.

CUSTOMER SERVICE IMPROVEMENT PROGRAM

We at PBCOM believe that customer service is not just for front-liners. We believe that every single member of the organization must be accountable and therefore responsible for the way they deliver service to their customer, whether internal or external. This is the primary reason why service delivery is constantly being measured in each employee's performance appraisal.

The Bank equips the team with regular trainings on customer service. This also includes trainings on soft skills like empathy and concern.

Standards for grooming, service delivery, and inner spaces are also part of the monitoring program. For our front-line associates, Service Level Agreement for complaints resolution and feedback is also being monitored to ensure compliance.

EMPLOYEE BUY-IN

At PBCOM, we recognize the pivotal role of our front-liners in shaping our business. As the face of the company, it is essential that they embody the principles of "customer service" in all aspects of their work. Our mentoring culture plays a significant role in developing our employees' service delivery skills. Rather than simply enforcing compliance, the Bank ensures that our employees understand the rationale behind service delivery directives. This approach makes it more likely for employees to meet the new standards, as they are not just being told to follow rules but are actively involved in the process of service improvement.

We also acknowledge and reward employees for their contributions to achieving excellent service delivery. Employees who demonstrate exceptional service by becoming service champions in their respective groups, receiving commendations, and excelling in customer service programs are recognized and rewarded.

VOICE OF CUSTOMER (VOC)

At PBCOM, we utilize various customer feedback platforms to assess the need for changes and identify areas for improvement in our services and products. These platforms include website forms, SMS, email, call-outs, and branch feedback mechanisms. Additionally, we conduct focus group discussions, in-app feedback collection, and one-on-one feedback sessions to gain deeper insights into our customers' sentiments regarding the Bank's products and services.

Monitoring and measuring customer effort is a key focus for us. This helps us identify processes that require improvement to make banking transactions easier and more convenient for our customers.

In 2023, our focus on Voice of the Customer (VOC) was primarily on our digital platforms as we expanded our presence in this space. We paid close attention not only to our external customers but also to our internal customers, ensuring that we stay informed about the changing behaviors in the digital landscape.

The primary metrics we use to measure effectiveness and performance include:

- Customer Satisfaction (CSAT): Measures the satisfaction of our clients with the products and/or services they received. Various units within the bank use CSAT to identify processes and service standards that need improvement.

- Net Promoter Score (NPS): Measures the likelihood of our customers recommending PBCOM to others. NPS results are used as a reference for our loyalty and referral programs, aiding our retail business groups in customer retention and increasing usage. NPS also informs the improvement of product features for our digital platforms.

- Customer Effort Survey (CES): Measures how easy and fast our customers can get assistance from the Bank. CES serves as the basis for our customer care's service delivery standards.

VOICE OF CUSTOMER METRICS

CSAT (Customer Satisfaction); NPS (Net Promoter Score); CES (Customer Effort Score)

VOC	CSAT (Delighted)	CES	NPS
2023 YTD	**92%**	**87%**	**40%**
2022 YTD	91%	75%	31%
2021 YTD	87%	81%	17%

COMPLAINTS HANDLING METRICS	2023	2022	2021
SLA Achievement – complaints addressed within SLA	99.56%	98.00%	96.00%

Customer complaints are regarded as valuable feedback and a basis for improvement at PBCOM. The Bank establishes a Service Level Agreement (SLA) for resolving complaints and monitors year-on-year progress in complaint resolution. Complaints are categorized based on their nature and controllability, providing our operations and products teams with concrete and actionable insights. This approach ensures continuous improvement in processes and service delivery.

CUSTOMER PRIVACY

At PBCOM, protecting customer privacy is considered a fundamental aspect of our service standards. We maintain close coordination among key personnel, including our Data Privacy Officer, Chief Information Security Officer, Chief Information Officer, Chief Risk Officer, and Legal Team. This collaborative effort ensures strict monitoring of privacy protection for all our customers, employees, and stakeholders, in compliance with the Data Privacy Act and its Implementing Rules and Regulations.

Our proactive approach to privacy protection, including vigilant monitoring and robust security measures, has resulted in no customer complaints regarding breaches or inadequate protection of personal information. We continually collaborate across different units of the Bank to enhance our organizational, technical, and physical security measures.

At PBCOM, we prioritize our customers in all banking relationships and business decisions. This commitment ensures that we collect, process, and store personal information responsibly and securely.

DATA SECURITY

Amidst persistent uncertainties, PBCOM highly values resilience as a strategic methodology to protect its important assets, sustain, and enhance consumer confidence and trust. In fortifying its security and resilience, the Bank has established and adopted a risk-centric approach to information and cybersecurity that emphasizes good governance, integration of defined security processes and cutting-edge technologies, and promotion of cybersecurity culture and awareness among PBCOM people.

The Bank continues to deliver an ongoing structured protection to information and system resources following the four components of PBCOM cybersecurity pillars:

Manage and Protect

The ability of the Bank to identify, assess, and manage risks. This is the extent where the Bank implements and deploys technologies, processes and controls designed to adequately protect systems, networks and data from cyber attacks and security breaches.

Identify and Detect

The ability of the Bank to timely identify and detect anomalies and potential cyber security incidents before they can cause any significant damage. The extent to which the Bank is implementing continuous 24x7 security monitoring and active detection controls.

Respond and Recover

The extent to which the Bank is demonstrating its agility in incident response and recovery. PBCOM mitigates attacks, ejects intruders, analyzes attacker actions, operates even if hit by a cyber attack, and gets back to business-as-usual as quickly and efficiently as possible.

Govern and Assure

Information security programs, initiatives and activities aligned with the Bank's business objectives and is overseen from the top of the organization and built into business as usual. The extent to which the Bank takes action to achieve cyber security governance and oversight.

SUSTAINABLE GOALS
U.N. SUSTAINABLE DEVELOPMENT GOALS

UN SUSTAINABLE DEVELOPMENT GOALS

Key Products and Services	Societal Value/Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
PBCOM2Go	**UN SDG (9) : INDUSTRIES, INNOVATION & INFRASTRUCTURE** A bank-booking service which allows PBCOM customers to arrange for pick-up of banking transactions such as cash or check deposits.	Security and public safety	Agents and transactions are covered by insurance.
PBCOMobile and PBCOM POP (Business and Personal)	**UN SDG (9) : INDUSTRIES, INNOVATION & INFRASTRUCTURE** Digital-only bank which allows for account opening, maintenance and transactions to be done digitally thus providing financial accessibility and a more environmentally-friendly means of doing financial transactions.	1. Lack of personal relationships; and 2. Increase fraud.	1. Digital banking to be complemented by the Bank's brink and mortar channel; 2. Strengthen vigilance and frequent review of the effectivity of existing controls.
Loans to micro and small businesses	**UN SDG (10) : REDUCED INEQUALITIES** Credit extension to micro-business owners of up to Php150,000 in loans which aides in business expansion, generate employment opportunities and help local economic growth.	1. Could potentially lead to borrower being over-leverage; 2. Loan proceeds may potentially be used to fund personal consumption thus limiting long-term economic growth.	Lending will focus on micro-business owners with historical purchases in the retail institution partners of the Bank. Purchases will be used in establishing credit limit of the borrower.

UN SUSTAINABLE DEVELOPMENT GOALS

Key Products and Services	Societal Value/Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Basic Deposit Account	**UN SDG (10) : REDUCED INEQUALITIES** • A savings account that requires no more than Php100 in account opening balance but with allowed maximum balance of Php50,000. • Account is not subject to minimum maintaining balance. • Follows simplified Know- Your-Customer (KYC) as customers are deemed to be low risk.	Product may be subject to abuse given the KYC procedure is not as stringent as a regular account.	Institute monitoring and control of accounts exceeding balances of Php50,000, with accounts exceeding the threshold amount converted to a regular deposit account.
Sustainable Finance	**UN SDG (11) : SUSTAINABLE CITIES AND COMMUNITIES** Help drive environmental sustainability through funding of projects with focus on sustainable solutions.	Lack of expertise in identifying projects that are consistent with the principles of sustainable development.	Talent development to include training in future industries such as green energy.
Sustainable Finance	**UN SDG (17) : PARTNERSHIP FOR THE GOALS** Board and stakeholder commitment to the Bank's Sustainable Finance Principles	Sustainability standards to add compliance cost thus limiting access to finance.	Work with the regulators in ensuring local conditions are incorporated in the sustainability standards to be followed by financial institutions.
Cash 360 & Check Image Clearing System (CICS)	**UN SDG (12): RESPONSIBLE CONSUMPTION & PRODUCTION** Provides an alternative means of depositing cash & checks without having to step out of the place of business. This also reduces the carbon footprint of the customer and of the Bank.	Lack of personal relationships	To be complemented by the Bank's brick and mortar channel

2023 SUSTAINABILITY REPORT
PHILIPPINE BANK OF COMMUNICATIONS

PBCOM Tower, 6795 Ayala Avenue corner
V.A. Rufino St., Makati City, Philippines

Scope: Philippine Bank of Communications (Parent Bank) only
Period: January 1 to December 31, 2023
Responsible: Patricia May T. Siy, President & CEO