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2023 Audited Financial Statements

Statement of Management's Responsibility for Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Group'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 or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Group'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.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, have audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

HELEN Y. DEE
Chairperson, Board of Directors

EUGENE S. ACEVEDO
President & Chief Executive Officer

ALBERTO N. PEDROSA
EVP, Head – Treasury Group

FLORENTINO M. MADONZA
FSVP, Head – Controllership Group

Independent Auditor's Report

The Board of Directors and the Stockholders
Rizal Commercial Banking Corporation
Yuchengco Tower, RCBC Plaza
6819 Ayala Avenue cor. Sen. Gil Puyat Avenue
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rizal Commercial Banking Corporation and subsidiaries (together hereinafter referred to as the Group) and of Rizal Commercial Banking Corporation (the Parent Company), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to the financial statements, including material accounting policy information.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following are the key audit matters identified in our audit of the financial statements of the Group and of the Parent Company:

(a) Valuation of Loans and Other Receivables (Expected Credit Losses)

Description of the Matter

As at December 31, 2023, the Group's and the Parent Company's expected credit losses (ECL) allowance for loans and receivables amounted to P17,395 million and P16,021 million, respectively, while the carrying amount of loans and receivables amounted to P649,929 million and P643,681 million, respectively (as disclosed in Note 11). We have identified the Group's and the Parent Company's ECL model significant to our audit as this:

- requires significant management judgment on the interpretation and implementation of the requirements of PFRS 9, *Financial Instruments*, in assessing impairment of loans and receivables based on an ECL model that involves segmenting credit risk exposures, defining when does default occur and what constitutes a significant increase in credit risk (SICR) of different exposures;

- involves high degree of estimation uncertainty related to management's use of various inputs and assumptions applied in the ECL model such as credit risk rating and probability of default for corporate loans, flow rates for consumer loans, expected amount and timing of cash flows, including recovery of collaterals for defaulted accounts, and forward-looking macroeconomic information which may be affected by management estimation bias; and

- requires complex estimation process that entails implementation of internal controls and use of information system in ensuring the completeness and accuracy of data used in the ECL calculation and in the preparation of required disclosures in the financial statements.

In accordance with the Group's and the Parent Company's policy to appropriately validate its credit risk assessment models, management engaged an independent consultant to conduct a validation of its ECL model parameters, assumptions, design, and calibration in 2023. This included a review of the governance framework for ECL computation, the related processes and systems, input data quality checks, and methodologies used in the calculation of ECL. This also involved the validation of the robustness, consistency and accuracy of the ECL model as well as its continued relevance to the loans and receivables of the Group and the Parent Company. As a result, the Group and the Parent Company incorporated adjustments through an enhancement on application of criteria to identify SICR, exclusion of periods affected by COVID-19, and refresh of its probability of default, overlay and LGD models.

The material accounting policy information, significant judgments, including estimation applied by the management, and those related to the credit risk assessment process of the Group and the Parent Company are disclosed in Notes 2, 3 and 4 to the financial statements, respectively.

How the Matter was Addressed in the Audit

We obtained an understanding of the Group's and the Parent Company's accounting policies and methodologies applied and evaluated whether those: (a) are established and implemented consistent with the underlying principles of PFRS 9; (b) are appropriate in the context of the Group's lending activities and asset portfolio that takes into consideration the different segments of credit exposures and the relevant regulatory framework; and, (c) are supported by pertinent processes and controls, including documentations of the accounting policies that capture in sufficient detail the judgment, including estimation applied in the development of the Group's refreshed ECL model. We also obtained an understanding of the model validation process and the corresponding results, and evaluated whether: (a) the validation process is conducted by an independent party with the necessary experience and expertise; (b) the scope, methodologies and assumptions used in the model validation are appropriate; and (c) the recommendations from the model validation are reviewed and resulting changes to the ECL model are approved.

With respect to the use of significant judgments, including those involving estimation of inputs and assumptions used in the refreshed ECL model, we performed the following:

- engaged our Firm specialist to assist in evaluating the appropriateness of methodologies and assumptions used in the ECL calculation, including the changes on the Group's refreshed ECL model;

- assessed the Group's and the Parent Company's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics and past due determination based on portfolio flow rates, and evaluated the appropriateness of the specific model applied for each loan portfolio;

- evaluated both the quantitative and qualitative criteria applied in the definition of default against historical analysis for each segment of loan portfolio and in accordance with
credit risk management practices, and tested the criteria in the determination of the SICR, including assignment of a loan or group of loans into different stages of impairment;

- tested the Group's and the Parent Company's application of internal credit risk rating system for selected items of loans, and verified the mapping of the ratings to the ECL calculation;

- for forward-looking information, evaluated management's selection of macro-economic factors, scenarios and probability weightings, and assessed the reasonableness of the forecasted economic indicators by comparing with trusted publicly available information;

- tested loss given default information across various types of loan by inspecting records
of historical recoveries and relevant costs, including valuation and cash flows from collateral, and write-offs; and,

- reconciled and tested exposure at default for all outstanding loans against the relevant loan databases, including review of the potential exposures from undrawn commitments against historical drawdown and impact of loan modifications.

As part of our audit of the ECL methodology, we reviewed the completeness and accuracy of the historical and measurement data used in the ECL model through reconciliation of loan data subjected to the ECL calculations, which were prepared by management outside its general ledger system, against the relevant financial reporting applications and other accounting records. Moreover, we tested the stratification of loan data that were disaggregated into various portfolio segments for purposes of ECL calculations. Furthermore, we verified the mathematical formula and the computation logics applied in the calculation of the different inputs in the ECL model and the estimation of the credit losses for all loans and receivables subjected to impairment assessment. In addition, in using the work of the management's expert, we evaluated the expert's competence, capabilities and objectivity on the ECL model validation performed.

We evaluated the completeness and appropriateness of the disclosures in the financial statements against the requirements of the relevant financial reporting standards.

(b) *Fair Value Measurement of Unquoted Equity Securities*

Description of the Matter

The Group and the Parent Company have significant investments in unquoted equity securities measured at fair value through other comprehensive income amounting to P2,480 million and P2,402 million, respectively, as of December 31, 2023 (as disclosed in Note 10). The valuation of these financial instruments involves complex valuation techniques (i.e., price-to-book value method and discounted cash flow method) and significant estimation which are highly dependent on underlying assumptions and inputs such as price-to-book ratios of selected comparable listed entities, application of a certain haircut rate, and appropriate discount rate in computing the present value of future cash flows expected from dividend or redemption payments. These inputs are considered Level 3 unobservable inputs in the fair value hierarchy under PFRS 13, *Fair Value Measurement*, as discussed in Notes 3 and 7 to the financial statements. Accordingly, we assessed the valuation of the unquoted equity securities as a key audit matter.

How the Matter was Addressed in the Audit

We evaluated the appropriateness of management's valuation methodology in accordance with PFRS 13. For equity securities valued using the price-to-book value method, we engaged our Firm valuation specialist to assess and challenge the valuation assumptions used, including the identification and selection of comparable listed entities and the related financial information such as net book value per share and quoted prices of those listed entities. In testing the reasonableness of the haircut rate used, we reviewed available non-financial information relevant to the assessment of the potential marketability of the subject security, and the consistency of the application of the haircut rate used in prior period in light of the current industry and economic circumstances. With respect to the equity securities measured using the net asset value method, we involved our Firm valuation specialist to evaluate the appropriateness of the valuation method and reasonableness of the fair value of the net assets of the counterparties. We also verified the mathematical accuracy of the calculation for both valuation techniques used by management.

(c) *Recoverability of Goodwill and Branch Licenses*

Description of the Matter

The Group and the Parent Company has goodwill of P426 million and P269 million, respectively, and branch licenses with indefinite useful lives amounting to P1,000 million as of December 31, 2023. These are reported as part of Other Resources in the 2023 statement of financial position of the Group and Parent Company (as disclosed in Note 15).

Under PFRS, the Group and the Parent Company are required to annually test the amount of goodwill and branch license with indefinite useful lives for impairment. This annual impairment testing of goodwill and branch licenses with indefinite useful lives for impairment is considered to be a key audit matter because of the complexity of the management's process in assessing the recoverability of the intangible assets. In addition, the assumptions used in determining the cash generating units (CGUs) where the goodwill and branch licenses with indefinite useful lives are allocated and estimating the recoverable amount involves significant judgment. The recoverable amount of the CGUs has been computed using discounted cash flows method. This valuation method uses several key assumptions, including estimates for forecasted statements of financial position and income of CGUs, terminal value growth rates and discount rates. Hence, we assessed this as a key audit matter.

The Group and the Parent Company's disclosures about goodwill and branch licenses are included in Notes 2, 3 and 15 to the financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to impairment of goodwill and branch licenses with indefinite useful lives included, among others, evaluating the appropriateness of valuation methodologies and related assumptions used by the management, in particular, those relating to the forecasted statements of financial position and statement of income as well as the discount and growth rates used. We have engaged our Firm valuation specialist to assist in evaluating the appropriateness of the valuation method and assumptions used in estimating the recoverable amount of CGUs. In addition, our audit of the financial statements of the Group and the Parent Company as of and for the year ended December 31, 2023 did not identify events or conditions that may indicate impairment of the Group's and the Parent Company's goodwill and branch licenses.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's and the Parent Company's Securities and Exchange Commission (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 financial statements and our auditors' report thereon. The SEC Form 20-IS, 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 auditors' report.

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the 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.

Independent Auditor's Report

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. As discussed in Note 25 to the financial statements, the Parent Company presented the supplementary information required by the Bureau of Internal Revenue (BIR) under Revenue Regulations (RR) 15-2010 in a supplementary schedule filed separately from the basic financial statements. RR 15-2010 requires the supplementary information to be presented in the notes to financial statements. The supplementary information for the year ended December 31, 2023, 2022 and 2021 required by the Bangko Sentral ng Pilipinas (BSP) as disclosed in Note 33 to the financial statements is presented for purposes of additional analysis. Such supplementary information required by the BIR and BSP are the responsibility of management and are not a required part of the basic financial statements prepared in accordance with PFRS; it is neither a required disclosure under the Revised Securities Regulation Code Rule 68 of the SEC. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the audits resulting in this independent auditors' report is Maria Isabel E. Comedia.

PUNONGBAYAN & ARAULLO

By: Maria Isabel E. Comedia
Partner

CPA Reg. No. 0092966
TIN 189-477-563
PTR No. 10076138, January 3, 2024, Makati City
SEC Group A Accreditation
Partner - No. 92966-SEC (until financial period 2027)
Firm - No. 0002 (until financial period 2024)
BIR AN 08-002511-021-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 26, 2024

Statements of Financial Position

December 31, 2023 and 2022
(Amounts in Millions of Philippine Pesos)

		GROUP		PARENT COMPANY	
	Notes	**2023**	2022	**2023**	2022
RESOURCES					
CASH AND OTHER CASH ITEMS	9	**P 19,875**	P 18,078	**P 19,812**	P 18,024
DUE FROM BANGKO SENTRAL NG PILIPINAS	9	**151,762**	156,664	**150,771**	155,340
DUE FROM OTHER BANKS	9	**14,892**	5,836	**14,630**	5,383
LOANS ARISING FROM REVERSE REPURCHASE AGREEMENTS	9	**35,799**	8,724	**34,948**	8,552
TRADING AND INVESTMENT SECURITIES - Net	10	**330,742**	374,365	**328,443**	371,732
LOANS AND RECEIVABLES - Net	11	**649,929**	558,869	**643,681**	551,214
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES - Net	12	**509**	379	**6,401**	7,035
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	13	**9,129**	11,264	**7,805**	9,546
INVESTMENT PROPERTIES - Net	14	**543**	2,616	**543**	2,488
DEFERRED TAX ASSETS - Net	25	**5,775**	3,740	**5,351**	3,508
OTHER RESOURCES - Net	15	**19,377**	13,573	**18,505**	11,927
TOTAL RESOURCES		**P 1,238,332**	P 1,154,108	**P 1,230,890**	P 1,144,749

See Notes to Financial Statements.

LIABILITIES AND EQUITY

	Notes	GROUP 2023	GROUP 2022	PARENT COMPANY 2023	PARENT COMPANY 2022
DEPOSIT LIABILITIES	17	**P 956,712**	P 857,244	**P 957,369**	P 857,639
BILLS PAYABLE	18	**50,858**	66,660	**43,957**	58,391
BONDS PAYABLE	19	**34,939**	74,411	**34,939**	74,411
ACCRUED INTEREST, TAXES AND OTHER EXPENSES	20	**12,082**	8,428	**11,786**	8,192
OTHER LIABILITIES	21	**31,466**	31,004	**30,573**	29,832
Total Liabilities		**1,086,057**	1,037,747	**1,078,624**	1,028,465
EQUITY	22				
Attributable to:					
Parent Company's Shareholders		**152,269**	116,353	**152,266**	116,284
Non-controlling Interests		**6**	8	**-**	-
		152,275	116,361	**152,266**	116,284
TOTAL LIABILITIES AND EQUITY		**P 1,238,332**	P 1,154,108	**P 1,230,890**	P 1,144,749

See Notes to Financial Statements.

Statements of Profit or Loss

December 31, 2023 and 2022 and 2021
(Amounts in Millions of Philippine Pesos, Except Per Share Data)

	Notes	GROUP 2023	GROUP 2022	GROUP 2021	PARENT COMPANY 2023	PARENT COMPANY 2022	PARENT COMPANY 2021
INTEREST INCOME							
Loans and receivables	11	**P 49,407**	P 34,970	P 31,900	**P 48,569**	P 34,367	P 31,095
Trading and investment securities	10	**13,239**	9,755	4,448	**13,171**	9,683	4,379
Due from BSP and other banks	9	**3,643**	1,110	763	**3,544**	1,077	755
		66,289	45,835	37,111	**65,284**	45,127	36,229
INTEREST EXPENSE							
Deposit liabilities	17	**28,035**	10,057	4,059	**28,056**	10,055	4,056
Bills payable and other borrowings	13, 18, 19, 21, 23	**4,625**	4,562	4,221	**4,246**	4,173	3,837
		32,660	14,619	8,280	**32,302**	14,228	7,893
NET INTEREST INCOME		**33,629**	31,216	28,831	**32,982**	30,899	28,336
IMPAIRMENT LOSSES - Net	16						
Financial assets	4, 10, 11	**6,677**	5,347	5,013	**5,864**	5,131	4,912
Non-financial assets	14, 15	**211**	359	1,035	**210**	358	1,021
		6,888	5,706	6,048	**6,074**	5,489	5,933
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		**26,741**	25,510	22,783	**26,908**	25,410	22,403
OTHER OPERATING INCOME							
Gain on assets sold - net	13, 14, 15	**6,714**	3,088	101	**6,656**	2,985	196
Service fees and commissions	2	**6,658**	5,469	4,549	**6,362**	5,112	4,047
Trading and securities gains (losses) - net	10	**444**	(37)	863	**429**	22	856
Trust fees	26	**423**	415	392	**423**	415	392
Gain on disposal of subsidiaries	12	**243**	-	-	**243**	-	-
Share in net earnings (losses) of subsidiaries and associates	12	**92**	32	12	**(157)**	154	477
Foreign exchange gains (losses) - net	19	**(15)**	1,567	181	**(22)**	1,555	171
Miscellaneous - net	24	**1,809**	2,704	1,465	**1,373**	2,012	575
		16,368	13,238	7,563	**15,307**	12,255	6,714
TOTAL OPERATING INCOME *(Forward)*		**P 43,109**	P 38,748	P 30,346	**P 42,215**	P 37,665	P 29,117

See Notes to Financial Statements.

	Notes	Group 2023	Group 2022	Group 2021	Parent Company 2023	Parent Company 2022	Parent Company 2021
TOTAL OPERATING INCOME		**P 43,109**	P 38,748	P 30,346	**P 42,215**	P 37,665	P 29,117
OTHER OPERATING EXPENSES							
Employee benefits	23	**7,150**	6,563	6,371	**6,321**	5,794	5,686
Taxes and licenses		**6,534**	4,645	3,475	**6,416**	4,508	3,341
Depreciation and amortization	13, 14, 15	**3,365**	3,037	3,020	**3,014**	2,544	2,524
Occupancy and equipment-related	27, 28	**3,262**	2,908	2,820	**3,172**	2,813	2,763
Miscellaneous	24	**9,283**	7,947	6,849	**9,791**	8,408	7,196
		29,594	25,100	22,535	**28,714**	24,067	21,510
PROFIT BEFORE TAX		**13,515**	13,648	7,811	**13,501**	13,598	7,607
TAX EXPENSE	25	**1,298**	1,568	728	**1,283**	1,518	525
NET PROFIT		**P 12,217**	P 12,080	P 7,083	**P 12,218**	P 12,080	P 7,082
ATTRIBUTABLE TO:							
PARENT COMPANY'S SHAREHOLDERS		**P 12,218**	P 12,080	P 7,082			
NON-CONTROLLING INTERESTS		**(1)**	-	1			
		P 12,217	P 12,080	P 7,083			
Earnings Per Share							
Basic and diluted	29	**P 5.07**	P 5.42	P 3.09			

See Notes to Financial Statements.

Statements of Comprehensive Income

For The Years Ended December 31, 2023 and 2022 and 2021
(Amounts in Millions of Philippine Pesos)

		GROUP			PARENT COMPANY		
	Notes	**2023**	2022	2021	**2023**	2022	2021
NET PROFIT		**P 12,217**	P 12,080	P 7,083	**P 12,218**	P 12,080	P 7,082
OTHER COMPREHENSIVE INCOME (LOSS)							
Items that will not be reclassified subsequently to profit or loss							
Actuarial gains (losses) on defined benefit plan	23	**(1,366)**	782	425	**(1,324)**	782	375
Fair value gains on equity securities at fair value through other comprehensive income (FVOCI)	10, 22	**263**	191	548	**276**	272	490
Share in other comprehensive income (losses) of the subsidiaries and associates:							
Actuarial gains (losses) on defined benefit plan	12	**16**	4	(3)	**(26)**	4	47
Fair value gains (losses) on equity securities at FVOCI	12, 22	**-**	-	-	**(13)**	(81)	58
		(1,087)	977	970	**(1,087)**	977	970
Items that will be reclassified subsequently to profit or loss							
Fair value gains (losses) on debt securities at FVOCI	10, 22	**1,432**	(5,446)	(823)	**1,432**	(5,446)	(823)
		1,432	(5,446)	(823)	**1,432**	(5,446)	(823)
Total Other Comprehensive Income (Loss)	22	**345**	(4,469)	147	**345**	(4,469)	147
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P 12,562**	P 7,611	P 7,230	**P 12,563**	P 7,611	P 7,229
ATTRIBUTABLE TO:							
PARENT COMPANY'S SHAREHOLDERS		**P 12,563**	P 7,611	P 7,229			
NON-CONTROLLING INTERESTS		**(1)**	-	1			
		P 12,562	P 7,611	P 7,230			

See Notes to Financial Statements.

Statements of Changes in Equity

For The Years Ended December 31, 2023 and 2022 and 2021
(Amounts in Millions of Philippine Pesos)

		GROUP												
		ATTRIBUTABLE TO PARENT COMPANY'S SHAREHOLDERS												
	Notes	COMMON STOCK	PREFERRED STOCK	CAPITAL PAID IN EXCESS OF PAR	HYBRID PERPETUAL SECURITIES	REVALUATION RESERVES	TREASURY SHARES	RESERVE FOR TRUST BUSINESS	OTHER RESERVES	GENERAL LOAN LOSS RESERVE	SURPLUS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at January 1, 2023		P 22,509	P 3	P 42,493	P 14,463	(P 6,392)	(P 9,287)	P 532	(P 86)	P 3,824	P 48,294	P 116,353	P 8	P 116,361
Transactions with owners:														
Reissuance of treasury shares	22	-	-		-	-	9,287	-	-	-	-	9,287	-	9,287
Issuance of common stock	22	1,686	-	15,735	-	-	-	-	-	-	-	17,421	-	17,421
Cash dividends	22	-	-	-	-	-	-	-	-	-	(3,289)	(3,289)	-	(3,289)
		1,686	-	15,735	-	-	9,287	-	-	-	(3,289)	23,419	-	23,419
Net profit for the year		-	-	-	-	-	-	-	-	-	12,218	12,218	(1)	12,217
Other comprehensive income		-	-	-	-	345	-	-	-	-	-	345	(1)	344
General loan loss appropriation	22	-	-	-	-	-	-	-	-	775	(775)	-	-	-
Transfer of fair value loss on financial asset at fair value through other comprehensive income (FVOCI) to surplus	10, 22	-	-	-	-	3					(3)	-	-	-
Changes in ownership interest of a subsidiary	22	-	-	-	-	-	-	-	-	-	(66)	(66)	-	(66)
Transfer from surplus to reserve for trust business	26	-	-	-	-	-	-	19	-	-	(19)	-	-	-
		-	-	-	-	348	-	19	-	775	11,355	12,497	(2)	12,495
Balance at December 31, 2023		**P 24,195**	**P 3**	**P 58,228**	**P 14,463**	**(P 6,044)**	**P -**	**P 551**	**(P 86)**	**P 4,599**	**P 56,360**	**P 152,269**	**P 6**	**P 152,275**
Balance at January 1, 2022		P 22,509	P 3	P 42,505	P 14,463	(P 1,923)	(P 9,287)	P 508	(P 97)	P 3,617	P 38,764	P 111,062	P 18	P 111,080
Transactions with owners:														
Reissuance of treasury shares	22	-	-	(12)	-	-	-	-	-	-	-	(12)	-	(12)
Cash dividends	22	-	-	-	-	-	-	-	-	-	(2,308)	(2,308)	-	(2,308)
		-	-	(12)	-	-	-	-	-	-	(2,308)	(2,320)	-	(2,320)
Net profit for the year		-	-	-	-	-	-	-	-	-	12,080	12,080	-	12,080
Other comprehensive loss		-	-	-	-	(4,469)	-	-	-	-	-	(4,469)	-	(4,469)
General loan loss appropriation	22	-	-	-	-	-	-	-	-	207	(207)	-	-	-
Changes in ownership interest of a subsidiary	22	-	-	-	-	-	-	-	11	-	(11)	-	(10)	(10)
Transfer from surplus to reserve for trust business	26	-	-	-	-	-	-	24	-	-	(24)	-	-	-
		-	-	-	-	(4,469)	-	24	11	207	11,838	7,611	(10)	7,601
Balance at December 31, 2022		P 22,509	P 3	P 42,493	P 14,463	(P 6,392)	(P 9,287)	P 532	(P 86)	P 3,824	P 48,294	P 116,353	P 8	P 116,361
Balance at January 1, 2021		P 22,509	P 3	P 42,568	P 14,463	(P 2,070)	(P 13,719)	P 499	(P 97)	P 3,451	P 33,754	P 101,361	P 17	P 101,378
Transactions with owners:														
Issuance of hybrid perpetual securities	22	-	-	(63)	-	-	4,432	-	-	-	-	4,369	-	4,369
Cash dividends	22	-	-	-	-	-	-	-	-	-	(1,897)	(1,897)	-	(1,897)
		-	-	(63)	-	-	4,432	-	-	-	(1,897)	2,472	-	2,472
Net profit for the year		-	-	-	-	-	-	-	-	-	7,082	7,082	1	7,083
Other comprehensive income		-	-	-	-	147	-	-	-	-	-	147	-	147
General loan loss appropriation	22	-	-	-	-	-	-	-	-	166	(166)	-	-	-
Transfer from surplus to reserve for trust business	26	-	-	-	-	-	-	9	-	-	(9)	-	-	-
		-	-	-	-	147	-	9	-	166	6,907	7,229	1	7,230
Balance at December 31, 2021		P 22,509	P 3	P 42,505	P 14,463	(P 1,923)	(P 9,287)	P 508	(P 97)	P 3,617	P 38,764	P 111,062	P 18	P 111,080

See Notes to Financial Statements.

Statements of Changes in Equity

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

(Amounts in Millions of Philippine Pesos)

		PARENT COMPANY									
	Notes	COMMON STOCK	PREFERRED STOCK	CAPITAL PAID IN EXCESS OF PAR	HYBRID PERPETUAL SECURITIES	REVALUATION RESERVES	TREASURY SHARES	RESERVE FOR TRUST BUSINESS	GENERAL LOAN LOSS RESERVE	SURPLUS	TOTAL EQUITY
Balance at January 1, 2023		P 22,509	P 3	P 42,493	P 14,463	(P 6,392)	(P 9,287)	P 532	P 3,823	P 48,140	P 116,284
Transactions with owners:											
Reissuance of treasury shares	22	-	-		-	-	9,287	-	-	-	9,287
Issuance of common stock	22	1,686	-	15,735	-	-	-	-	-	-	17,421
Cash dividends	22	-	-	-	-	-	-	-	-	(3,289)	(3,289)
		1,686	-	15,735	-	-	9,287	-	-	(3,289)	23,419
Net profit for the year		-	-	-	-	-	-	-	-	12,218	12,218
Other comprehensive income		-	-	-	-	345	-	-	-	-	345
General loan loss appropriation	22	-	-	-	-	-	-	-	766	(766)	-
Transfer of fair value gain on financial asset at fair value through other comprehensive income (FVOCI) to surplus	10, 23	-	-	-	-	3	-	-	-	(3)	-
Transfer from surplus to reserve for trust business	26	-	-	-	-	-	-	19	-	(19)	-
		-	-	-	-	348	-	19	766	11,430	12,563
Balance at December 31, 2023		**P 24,195**	**P 3**	**P 58,228**	**P 14,463**	**(P 6,044)**	**P -**	**P 551**	**P 4,589**	**P 56,281**	**P 152,266**
Balance at January 1, 2022		P 22,509	P 3	P 42,505	P 14,463	(P 1,923)	(P 9,287)	P 508	P 3,616	P 38,599	P 110,993
Transactions with owners:											
Reissuance of treasury shares	22	-	-	(12)	-	-	-	-	-	-	(12)
Cash dividends	22	-	-	-	-	-	-	-	-	(2,308)	(2,308)
		-	-	(12)	-	-	-	-	-	(2,308)	(2,320)
Net profit for the year		-	-	-	-	-	-	-	-	12,080	12,080
Other comprehensive loss		-	-	-	-	(4,469)	-	-	-	-	(4,469)
General loan loss appropriation	22	-	-	-	-	-	-	-	207	(207)	-
Transfer from surplus to reserve for trust business	26	-	-	-	-	-	-	24	-	(24)	-
		-	-	-	-	(4,469)	-	24	207	11,849	7,611
Balance at December 31, 2022		P 22,509	P 3	P 42,493	P 14,463	(P 6,392)	(P 9,287)	P 532	P 3,823	P 48,140	P 116,284
Balance at January 1, 2021		P 22,509	P 3	P 42,568	P 14,463	(P 2,070)	(P 13,719)	P 499	P 3,440	P 33,599	P 101,292
Transactions with owners:											
Issuance of hybrid perpetual securities	22	-	-	(63)	-	-	4,432	-	-	-	4,369
Cash dividends	22	-	-	-	-	-	-	-	-	(1,897)	(1,897)
		-	-	(63)	-	-	4,432	-	-	(1,897)	2,472
Net profit for the year		-	-	-	-	-	-	-	-	7,082	7,082
Other comprehensive income	22	-	-	-	-	147	-	-	-	-	147
General loan loss appropriation		-	-	-	-	-	-	-	176	(176)	-
Transfer from surplus to reserve for trust business		-	-	-	-	-	-	9	-	(9)	-
		-	-	-	-	147	-	9	176	6,897	7,229
Balance at December 31, 2021		P 22,509	P 3	P 42,505	P 14,463	(P 1,923)	(P 9,287)	P 508	P 3,616	P 38,599	P 110,993

See Notes to Financial Statements.

Statements of Cash Flows

For The Years Ended December 31, 2023 and 2022 and 2021
(Amounts in Millions of Philippine Pesos)

	Notes	GROUP 2023	GROUP 2022	GROUP 2021	PARENT COMPANY 2023	PARENT COMPANY 2022	PARENT COMPANY 2021
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit before tax		**P 13,515**	P 13,648	P 7,811	**P 13,501**	P 13,598	P 7,607
Adjustments for:							
Interest income	9, 10, 11	**(66,289)**	(45,835)	(37,111)	**(65,284)**	(45,127)	(36,229)
Interest received		**47,718**	45,379	35,416	**46,932**	44,516	34,676
Interest expense	17, 18, 19, 21, 23	**32,660**	14,619	8,280	**32,302**	14,228	7,893
Interest paid		**(30,830)**	(12,577)	(8,244)	**(30,476)**	(12,145)	(7,892)
Impairment losses - net	16	**6,888**	5,706	6,048	**6,074**	5,489	5,933
Gain on assets sold - net	13, 14, 15	**(6,714)**	(3,088)	(101)	**(6,656)**	(2,985)	(196)
Depreciation and amortization	13, 14, 15	**3,365**	3,037	3,020	**3,014**	2,544	2,524
Recoveries from written-off assets	24	**600**	(486)	(223)	**600**	(486)	(223)
Dividend income	24	**(318)**	(311)	(105)	**(252)**	(227)	(39)
Gain on disposal of subsidiaries	12	**(243)**	-	-	**(243)**	-	-
Share in net losses (earnings) of subsidiaries and associates	12	**(92)**	(32)	(12)	**157**	(154)	(477)
Operating loss (profit) before working capital changes		**260**	20,060	14,779	**(331)**	19,251	13,577
Increase in financial assets at fair value through profit and loss		**(4,741)**	(1,174)	(975)	**(4,815)**	(1,260)	(1,064)
Increase in loans and receivables		**(70,902)**	(35,643)	(62,435)	**(71,714)**	(35,452)	(62,076)
Decrease (increase) in investment properties		**2,072**	2,093	(359)	**1,842**	2,009	(363)
Decrease (increase) in other resources		**(6,100)**	180	(2,636)	**(2,717)**	725	(1,806)
Increase in deposit liabilities		**99,468**	184,785	136,671	**99,730**	183,225	137,666
Increase in accrued interest, taxes and other expenses		**2,590**	256	130	**2,552**	189	194
Increase (decrease) in other liabilities		**(694)**	10,688	(1,628)	**(462)**	10,585	(2,729)
Cash generated from operations		**21,953**	181,245	83,547	**24,085**	179,272	83,399
Income taxes paid		**(4,099)**	(2,069)	(859)	**(3,910)**	(1,973)	(773)
Net Cash From Operating Activities		**17,854**	179,176	82,688	**20,175**	177,299	82,626
CASH FLOWS FROM INVESTING ACTIVITIES							
Disposal of securities at fair value through other comprehensive income (FVOCI)	10	**476,584**	60,578	117,158	**476,576**	59,863	116,890
Acquisition of securities at FVOCI	10	**(442,380)**	(131,018)	(127,044)	**(442,360)**	(130,903)	(126,809)
Proceeds from redemption and maturity of securities at amortized cost	4	**31,956**	61,045	110,217	**29,688**	59,894	110,418
Additional investments in securities at amortized cost	4	**(16,099)**	(149,832)	(230,816)	**(14,092)**	(148,342)	(230,816)
Proceeds from disposals of bank premises, furniture, fixtures and equipment	13	**9,836**	2,487	88	**3,796**	2,032	95
Acquisitions of bank premises, furniture, fixtures, and equipment	13	**(3,716)**	(1,627)	(1,333)	**(1,432)**	(1,251)	(995)
Acquisitions of software	15	**(381)**	(334)	(494)	**(362)**	(333)	(493)
Cash dividends received	12, 24	**318**	293	105	**344**	798	663
Net Cash From (Used in) Investing Activities *(Forward)*		**P 56,118**	(P 158,408)	(P 132,119)	**P 52,158**	(P 158,242)	(P 131,047)

See Notes to Financial Statements.

Statements of Cash Flows

For The Years Ended December 31, 2023 and 2022 and 2021
(Amounts in Millions of Philippine Pesos)

	Notes	GROUP 2023	GROUP 2022	GROUP 2021	PARENT COMPANY 2023	PARENT COMPANY 2022	PARENT COMPANY 2021
CASH FLOWS FROM FINANCING ACTIVITIES							
Maturity of bonds payable	19, 30	**(P 39,041)**	(P 31,170)	(P 18,810)	**(P 39,041)**	(P 31,170)	(P 18,810)
Payments of bills payable	18, 30	**(29,767)**	(52,865)	(104,018)	**(28,399)**	(44,867)	(98,411)
Net proceeds from issuance of shares of stock	22	**17,421**	-	-	**17,421**	-	-
Proceeds from availments of bills payable	30	**15,333**	62,142	148,820	**15,333**	55,380	142,675
Reissuance of treasury shares	22	**9,287**	(12)	4,369	**9,287**	(12)	4,369
Dividends paid	22	**(3,289)**	(2,308)	(1,897)	**(3,269)**	(2,308)	(1,897)
Payment of lease liabilities	21, 30	**(2,131)**	(2,265)	(1,360)	**(2,044)**	(2,189)	(1,205)
Issuance of bonds payable	19, 30	**-**	14,756	17,873	**-**	14,756	17,873
Net Cash From (Used in) Financing Activities		**(32,187)**	(11,722)	44,977	**(30,712)**	(10,410)	44,594
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**41,785**	9,046	(4,454)	**41,621**	8,647	(3,827)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9						
Cash and other cash items		**18,078**	14,691	16,520	**18,024**	14,663	16,464
Due from Bangko Sentral ng Pilipinas		**156,664**	130,170	115,467	**155,340**	128,931	113,949
Due from other banks		**5,836**	12,162	15,707	**5,383**	11,860	15,214
Loans arising from reverse repurchase agreements		**8,724**	11,691	13,356	**8,552**	11,656	13,226
Interbank loans receivable		**19,021**	30,563	42,681	**19,021**	30,563	42,647
		208,323	199,277	203,731	**206,320**	197,673	201,500
CASH AND CASH EQUIVALENTS AT END OF YEAR	9						
Cash and other cash items		**19,875**	18,078	14,691	**19,812**	18,024	14,663
Due from Bangko Sentral ng Pilipinas		**151,762**	156,664	130,170	**150,771**	155,340	128,931
Due from other banks		**14,892**	5,836	12,162	**14,630**	5,383	11,860
Loans arising from reverse repurchase agreements		**35,799**	8,724	11,691	**34,948**	8,552	11,656
Interbank loans receivable		**27,780**	19,021	30,563	**27,780**	19,021	30,563
		P 250,108	P 208,323	P 199,277	**P 247,941**	P 206,320	P 197,673

See Notes to Financial Statements

Notes to Financial Statements

December 31, 2023 and 2022 and 2021
(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

1. CORPORATE MATTERS

1.1 Incorporation and Operations

Rizal Commercial Banking Corporation (the Parent Company, the Bank or RCBC), a universal bank engaged in all aspects of banking, was originally incorporated on September 23, 1960. The Bank renewed its corporate existence on December 10, 2009. It provides products and services related to traditional loans and deposits, trade finance, domestic and foreign fund transfers or remittance, cash management, treasury, and trust and custodianship services. Under relevant authority granted by the Bangko Sentral ng Pilipinas (BSP), the Bank is also licensed to deal in different types of derivative products such as, but not limited, to foreign currency forwards, interest rate swaps and cross currency swaps. The Parent Company and its subsidiaries (together hereinafter referred to as the Group) are engaged in all aspects of traditional banking, investment banking, retail financing (credit cards, auto loans, mortgage/housing and microfinance loans), remittance, leasing and stock brokering.

As a banking institution, the Group's operations are regulated and supervised by the BSP. As such, the Group is required to comply with banking rules and regulations such as those relating to maintenance of reserve requirements on deposit liabilities and deposit substitutes and those relating to the adoption and use of safe and sound banking practices, among others, as promulgated by the BSP. The Group's activities are subject to the provisions of Republic Act (R.A.) No. 8791, the *General Banking Law of 2000*, and other related banking laws.

The Parent Company's common shares are listed in the Philippine Stock Exchange (PSE).

The Group and the Parent Company's banking network within and outside the Philippines as of December 31 follows:

	Group		Parent Company	
	2023	2022	**2023**	2022
Automated teller machines (ATMs)	**1,460**	1,352	**1,460**	1,352
ATM Go	**3,861**	1,559	**3,861**	1,559
Branches	**454**	456	**438**	440
Extension offices	**4**	6	**2**	4

RCBC is a 33.92%-owned subsidiary of Pan Malayan Management and Investment Corporation (PMMIC or Ultimate Parent), a company incorporated and domiciled in the Philippines. PMMIC is the holding company of the flagship institutions of the Yuchengco Group of Companies (YGC), with registered business address at 48th Floor, Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue cor. Sen. Gil Puyat Avenue, Makati City. As of December 31, 2023 and 2022, Cathay Life Insurance Corporation (Cathay) also owns 18.68% and 22.19% interest in RCBC, respectively.

On August 26, 2022 and September 30, 2022, respectively, the BSP and Securities and Exchange Commission (SEC) approved the amendment of Articles of Incorporation (AOI) of the Parent Company to allow foreign ownership to exceed 40% (see Note 22.1).

In 2023, Sumitomo Mitsui Banking Corporation (SMBC) has completed its acquisition of an additional 15.01% equity stake in RCBC resulting in an increase of SMBC's shareholding to 20.00% (see Note 22.2), effectively making RCBC 44.10% foreign-owned. To comply with constitutional requirements on land ownership, the Bank committed to dispose of its land through the following strategies:

- sale and leaseback transaction of bank premises and investment properties with AT Yuchengco Center Inc. (ATYCI) [see Notes 13 and 27.7(a)];
- disposal of 119 Bank-owned real estate properties to a property holding company - Frame Properties Inc. (see Notes 13, 23.2 and 27.5);
- sale of subsidiaries Niyog Property Holdings, Inc. (NPHI) and Cajel Realty Corporation (Cajel) to Filinvest Land Inc. (FLI) (see Notes 12 and 15.1); and,
- disposal of other consolidated properties of the Bank until June 2024 (see Note 15.1).

With the endorsement of the Group's Trust Committee, on November 28, 2022, the Bank's BOD approved the spin-off of the trust operations from the Parent Company into a separate corporate entity by establishing a Stand-Alone Trust Corporation in accordance with the Manual of Regulations for Non-Bank Financing Institutions. The BOD approved the capital infusion by the Parent Company equivalent to 40% of the required capital under the capital build-up plan.

On March 27, 2023, the Bank's BOD approved the incorporation of the RCBC Trust Corporation (RTC), where the Bank subscribed to 400,000 shares amounting to P40, equivalent to 40% of the subscribed share capital of RTC. RTC was officially incorporated on June 29, 2023, while its application of Trust License from BSP – Stage 3 was approved on October 10, 2023. RTC started operations on January 2, 2024 (see Notes 12 and 26).

The Parent Company's registered address, which is also its principal office, is at Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue cor. Sen. Gil Puyat Avenue, Makati City.

1.2 Subsidiaries and Associates

The Parent Company holds ownership interests in the following subsidiaries and associates at the end of 2023 and 2022:

Subsidiaries and Associates	Line of Business	Explanatory Notes	Effective Percentage of Ownership 2023	2022
Subsidiaries:				
RCBC Forex Brokers Corporation (RCBC Forex)	Foreign exchange dealing		**100.00**	100.00
RCBC Telemoney Europe (RCBC Telemoney)	Remittance		**100.00**	100.00
RCBC International Finance Limited (RCBC IFL)	Remittance		**100.00**	100.00
RCBC Investment Ltd.	Remittance	(a)	**100.00**	100.00
RCBC Capital Corporation (RCBC Capital)	Investment house		**99.96**	99.96
RCBC Securities, Inc. (RSI or RCBC Securities)	Securities brokerage and dealing	(b)	**99.96**	99.96
RCBC Bankard Services Corporation (RBSC)	Credit card management	(b)	**99.96**	99.96
RCBC-JPL Holding Company, Inc. (RCBC JPL)	Property holding		**99.41**	99.41
Rizal Microbank, Inc. (Rizal Microbank)	Thrift banking and microfinance		**100.00**	100.00
RCBC Leasing and Finance Corporation (RCBC LFC)	Financial leasing		**99.67**	99.67
RCBC Rental Corporation (RRC)	Property leasing	(c)	**99.67**	99.67
Cajel	Real estate buying and selling	(d)	-	100.00
NPHI	Real estate buying and selling	(d)	-	100.00
Associates:				
YGC Corporate Services, Inc. (YCS)	Support services for YGC		**40.00**	40.00
RTC	Trust, fiduciary and investment management	(e)	**40.00**	-
Luisita Industrial Park Co. (LIPC)	Real estate buying, developing, selling and rental		**35.00**	35.00
Honda Cars Phils., Inc. (HCPI)	Sale of motor vehicles		**12.88**	12.88

Except for RCBC Telemoney (Italy), RCBC IFL (Hongkong) and RCBC Investment Ltd. (Hongkong), all other subsidiaries and associates are incorporated and conducting their businesses in the Philippines. RCBC Telemoney was operational only until March 1, 2016 and is currently in the process of liquidation.

Explanatory Notes:

(a) A wholly-owned subsidiary of RCBC IFL.
(b) Wholly-owned subsidiaries of RCBC Capital.
(c) A wholly-owned subsidiary of RCBC LFC.
(d) In 2019, SPCs other than NPHI and Cajel were liquidated pursuant to BSP recommendation and upon receipt of necessary regulatory clearance. In 2023, the Bank sold and transferred its ownership interest with NPHI and Cajel to FLI (see Notes 12 and 15.1).
(e) In 2023, the Bank subscribed to 400 thousand shares equivalent to 40% of subscribed share capital of RTC (see Note 1.1).

1.3 Approval of Financial Statements

The consolidated financial statements of the Group and the separate financial statements of RCBC as of and for the year ended December 31, 2023 (including the comparative financial statements as of December 31, 2022 and for the years ended December 31, 2022 and 2021) were approved and authorized for issue by the Board of Directors (BOD) of the Parent Company on February 26, 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies that have been used in the preparation of these financial statements are summarized below. The accounting policies have been consistently applied to all the years presented, except when otherwise indicated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group and the separate financial statements of the Parent Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial and Sustainability Reporting Standards Council (FSRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by Philippine Board of Accountancy.

These financial statements have been prepared using the measurement bases specified by PFRS for each type of resource, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements.* The Group presents all items of income and expenses in two statements: a "statement of profit or loss" and a "statement of comprehensive income".

The Group presents a third statement of financial position as of the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that have a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Group's functional and presentation currency (see Note 2.10). All amounts are in millions, except share and per share data or when otherwise indicated.

Items included in the financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates. The financial statements of the Group's foreign currency deposit unit (FCDU), which is reported in United States (US) dollar, are translated to Philippine peso based on Philippine Dealing System (PDS) closing rates at the end of reporting period for the statement of financial position accounts and at the average PDS rate for the period for the profit and loss accounts.

2.2 Adoption of Amended PFRS

(a) Effective in 2023 that are Relevant to the Group and Parent Company

The Group adopted for the first time the following amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2023:

PAS 1 and PFRS Practice Statement 2 (Amendments)	:	Presentation of Financial Statements – Disclosure of Accounting Policies
PAS 8 (Amendments)	:	Definition of Accounting Estimates
PAS 12 (Amendments)	:	Deferred Tax Related to Assets and Liabilities from a Single Transaction

Discussed below are the relevant information about these pronouncements.

(i) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies.* The amendments replaced the requirement for entities to disclose their significant accounting policies with the requirement to disclose their material accounting policy information. The amendments also include guidance to help entities apply the definition of material in making decisions about accounting policy disclosures.

The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial, that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements and if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. The application of these amendments is reflected in the Group and Parent Company's financial statements under Notes 2 and 3.

(ii) PAS 8 (Amendments), *Definition of Accounting Estimates.* The amendments introduced a new definition of accounting estimate which is a monetary amount in the financial statements that are subject to measurement uncertainty. It also clarifies that a change in accounting estimate that results from new information or new developments is not a correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The application of these amendments had no significant impact on the Group and Parent Company's financial statements.

(iii) PAS 12 (Amendments), *Deferred Tax Related to Assets and Liabilities 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). Management assessed that the application of such amendments had no significant impact on the Group and Parent Company's financial statements.

(b) Effective in 2023 that is not Relevant to the Group and Parent Company

Among the amendments to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2023, the Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*, is not relevant to the Group and Parent Company's financial statements.

(c) Effective Subsequent to 2023 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2023, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements below in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group and Parent Company's financial statements:

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2024)

(ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants* (effective from January 1, 2024)

(iii) PAS 7 (Amendments), *Cash Flow Statements* and PFRS 7 (Amendments), *Financial Instruments: Disclosures – Supplier Finance Arrangements* (effective from January 1, 2024)

(iv) PFRS 16 (Amendments), *Leases – Lease Liability in a Sale and Leaseback* (effective from January 1, 2024)

(v) PAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)

2.3 Basis of Consolidation and Accounting for Investments in Subsidiaries and Associates in the Separate Financial Statements

The Parent Company's investments in subsidiaries are initially recognized at cost and subsequently accounted for in its separate financial statements using the equity method.

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

Acquired subsidiaries are subject to either of the following relevant policies:

(i) *Purchase method* – is applicable if the business combination does not involve entities under common control. The method involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of a subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of a subsidiary prior to acquisition.

(ii) *Pooling of interest method* – is applicable for business combinations involving entities under common control. On initial recognition, the assets and liabilities of a subsidiary are included in the consolidated statement of financial position at their book values. Adjustments, if any, are recorded to achieve uniform accounting policies. The combining entities' results and financial positions are presented in the consolidated financial statements as if they had always been combined.

No goodwill or negative goodwill is recognized. Any difference between the cost of the investment and the subsidiary's identifiable net assets is recognized on consolidation in Capital Paid in Excess of Par account in equity.

Acquired investments in associates are subject to purchase method of accounting as described above. However, any goodwill that represents the excess of identifiable net assets of the acquiree at the date of acquisition or fair value adjustment attributable to the Group's share in the associate is included in the amount recognized as investments in associates.

The Group reassesses whether or not an entity qualifies as an associate in the occurrence of changes to facts and circumstances surrounding its ability to exert significant influence.

2.4 Financial Instruments

(a) Financial Assets

(i) Classification and Measurement of Financial Assets

The Group's financial assets include financial assets at amortized cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL).

Financial Assets at Amortized Cost

Where the business model is to hold assets to collect contractual cash flows, the Group assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the Group considers whether the contractual cash flows are consistent with basic lending arrangements, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with basic lending arrangements, the related financial asset is classified and measured at FVTPL.

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

Financial Assets at Fair Value Through Other Comprehensive Income

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or a contingent consideration recognized arising from a business combination. The Group has made irrevocable designation of equity instruments not held for trading into this category.

Financial Assets at Fair Value Through Profit or Loss

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

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

(ii) Effective Interest Rate Method and Interest Income

Interest income on financial assets measured at amortized cost and all interest-bearing debt financial assets classified as at FVTPL, or at FVOCI, is recognized using the effective interest rate method.

The effective interest rate is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of effective interest rate. The Group recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the instrument; hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset with an increase or reduction in interest income. The Group calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired and or are purchased or originated credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance).

If the asset is no longer credit-impaired, the calculation of interest income reverts to gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset subsequently improves.

(iii) Impairment of Financial Assets

The Group's ECL model follows a three-stage impairment approach, which guide in the determination of the loss allowance to be recognized in the financial statements. The staging of financial assets and definition of default for purposes of determining ECL are further discussed in Note 4.4.

ECL is a function of the probability of default (PD), loss-given default (LGD), and exposure-at-default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgement. These elements are discussed more fully in Note 4.4.

The Group calculates ECL either on an individual or a collective basis. For consumer loans which were carried out on a collective basis, the financial instruments are grouped on the basis of shared credit risk characteristics, such as but not limited to instrument type, credit risk rating, collateral type, product type, historical net charge-offs, industry type, and geographical locations of the borrowers or counterparties. The Group calculates ECL for corporate loans, finance lease receivables, and investment securities at amortized cost on an individual basis.

The Group applies a simplified ECL approach for its accounts receivables and other risk assets wherein the Group uses a provision matrix that considers historical changes in the behavior of the portfolio of credit exposures based on internally collected data to predict conditions over the span of a given observation period. These receivables include claims from various counterparties, which are not originated through the Group's lending activities. For these instruments, the Group measures the loss allowance at an amount equal to lifetime ECL.

The Group recognizes an impairment loss in profit or loss for all financial instruments subjected to ECL impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account.
With respect to investments in debt securities that are measured at FVOCI, the related loss allowance account is recognized in other comprehensive income and accumulated in the Revaluation Reserves account, and does not reduce the carrying amount of the financial asset in the statement of financial position.

For loan commitments, the loss allowance is recognized as provisions (presented and included as part of Other Liabilities account in the statement of financial position). Where a financial instrument includes a drawn and undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn commitment; the Group presents a combined allowance for ECL for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as provisions.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(iv) Modification of Loans

When the Group renegotiates or otherwise modifies the contractual cash flows of loans to customers, the Group assesses whether or not the new terms are substantially different to the original terms of the instrument.

In making such assessment, the Group considers, among others:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced that will affect the risk profile of the loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loan is denominated in; and/or,
- Insertion of collateral, other security or credit enhancements that will significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a "new" asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation, including for the purpose of determining whether significant increase in credit risk (SICR) has occurred.

However, the Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount between the old financial asset derecognized and the fair value of the new financial asset are recognized in profit or loss as either gain or loss on derecognition of financial assets.

As to the impact on ECL measurement, the expected fair value of the "new" financial asset is treated as the final cash flow from the existing financial asset at the date of derecognition. Such amount is included in the calculation of cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes the gain or loss arising from the modification in profit or loss.

The new gross carrying amount is recalculated by discounting the modified cash flows of the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

As to the impact on ECL measurement, the derecognition of the existing financial asset will result in the expected cash flows arising from the modified financial asset to be included in the calculation of cash shortfalls from the existing financial asset.

(b) *Financial Liabilities*

Financial liabilities including deposit liabilities, bills payable, bonds payable, accrued interest and other expenses, and other liabilities (except derivatives with negative fair value, tax-related payables, post-employment defined benefit obligation and deferred income)

(c) *Financial Guarantees and Undrawn Loan Commitments*

The Group issues financial guarantees and loan commitments. Financial guarantees are those issued by the Group to creditors as allowed under existing rules and regulations whereby it guarantees third party obligations by signing as guarantor in the contract or agreement. Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. The ECL related to financial guarantees and loan commitments without outstanding drawn amounts is recognized under Other Liabilities account in the statement of financial position.

(d) *Derivative Financial Instruments and Hedge Accounting*

The Group is a party to various foreign currency forward contracts, cross currency swaps, futures, interest rate swaps, debt warrants, options and credit default swap. These contracts are entered into as a service to customers and as a means of reducing or managing the Group's foreign exchange and interest rate exposures as well as for trading purposes. Amounts contracted are recorded as contingent accounts and are not included in the statement of financial position.

2.5 Bank Premises, Furniture, Fixtures and Equipment

Land is stated at cost less impairment losses, if any. All other bank premises, furniture, fixtures and equipment are carried at cost less accumulated depreciation, amortization and any impairment in value.

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets as follows:

Buildings	20-50 years
Furniture, fixtures and equipment	3-15 years

Leasehold rights and improvements are amortized over the term of the lease or the estimated useful lives of the improvements of 1 to 12 years, whichever is shorter.

2.6 Investment Properties

Investment properties pertain to land, buildings or condominium units acquired by the Group, in settlement of loans from defaulting borrowers through foreclosure or dacion in payment, which are either held by the Group for sale in the next 12 months or being used in the rendering of services or for administrative purposes. This also includes properties held for rental.

Investment properties are stated at cost, less accumulated depreciation and any impairment losses (see Note 2.11).

Transfers from other accounts (such as bank premises, furniture, fixtures and equipment) are made to investment properties when and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party or holding the property for capital appreciation, while transfers from investment properties are made 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. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use.

Investment properties, except land, are depreciated on a straight-line basis over a period of 10 to 50 years.

2.7 Intangible Assets

Intangible assets include goodwill, branch licenses, trading right, and computer software licenses which are accounted for under cost model and are reported under Other Resources account in the statement of financial position.

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net assets acquired at the date of acquisition (see Note 2.3).

Branch licenses represent the rights given by the BSP to the Group to establish a certain number of branches in various areas in the country.

Goodwill and branch licenses are classified as intangible assets with indefinite useful life and, thus, not subject to amortization but are tested annually for impairment (see Note 2.11). After initial recognition, goodwill and branch licenses are subsequently carried at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those generating units is represented by each primary reporting segment.

Trading right, included as part of Miscellaneous under Other Resources account, represents the right given to RSI, a subsidiary engaged in stock brokerage, to preserve its access to the trading facilities and to transact business at the PSE. Trading right is assessed as having an indefinite useful life. It is carried at the amount allocated from the original cost of the exchange membership seat (after a corresponding allocation was made to the value of the PSE shares) less allowance for impairment, if any. The trading right is tested annually for any impairment in value (see Note 2.11).

Acquired computer software licenses are amortized on a straight line basis over the expected useful lives of the software of three to ten years.

Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives (not exceeding ten years).

2.8 Other Income and Expense Recognition

The Group assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or agent. The Group concluded that it is acting as a principal in all its revenue arrangements except for certain brokerage transactions.

For revenues arising from various services which are to be accounted for under PFRS 15, *Revenue from Contracts from Customers*, the following provides information about the nature and timing of satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

(a) Service fees and Commissions

The following service fees and commissions are recognized as follows:

(i) Commissions and fees – these income arising from loans, deposits, and other banking and brokerage transactions are recognized as income based on agreed terms and conditions with customers, which are generally when the services have been performed.

(ii) Annual membership fees – pertains to annual fees charged to credit cardholders. Revenues from membership fees are recognized over time from the date of renewal of the credit card until the validity date covered by the said renewal, usually termed as the expiry date of the issued cards. The credit card's validity period is deemed to be the servicing period.

(iii) Interchange fees, net of interchange costs – are recognized as income upon presentation by member establishments of charges arising from RBSC and non-RBSC (associated with MasterCard, JCB, VISA and China UnionPay labels) credit card availments passing through the Point of Sale (POS) terminals of the Parent Company. These discounts are computed based on agreed rates and are deducted from the amounts remitted to member establishments. Interchange costs pertain to the other credit card companies' share in RBSC's merchant discounts whenever their issued credit cards transact in the Parent Company's POS terminals.

The Parent Company has a rewards program related to its deposit, loans and credit card operations, which allows its cardholders to accumulate award credits or loyalty points that can be redeemed for free products. The loyalty points give rise to a separate performance obligation as they provide a material right to the cardholder. Accordingly, the Parent Company allocates a portion of the interchange fee billed to participating merchants to the loyalty points granted to cardholders based on relative stand-alone selling price and recognizes liability equivalent to the estimated loyalty points until these are redeemed. Revenue is recognized upon actual redemption by the cardholder.

(iv) *Loan syndication fees* – are recognized as revenue when the syndication has been completed and the Group retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants.

(v) *Underwriting and arrangers fees* – are fees arising from negotiating, or participating in the negotiation of a transaction for a third party such as arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized at the completion of the underlying transaction and where there are no further obligations to perform under the agreement.

(b) *Trust Fees*

These are service fees calculated in reference to the net asset value of the funds managed and deducted from the customer's account balance on a monthly basis which are recognized over time as the asset management services are provided. These are also applicable for wealth management and asset custody services that are continuously provided over an extended period of time.

For other income outside the scope of PFRS 15, the following provides information about the nature and the related revenue recognition policies:

(a) *Trading and Securities Gains (Losses)*

These are recognized when the ownership of the securities is transferred to the buyer and is computed as the difference between the selling price and the carrying amount of the securities disposed of. These also include trading gains and losses as a result of the mark-to-market valuation of investment securities classified as FVTPL.

(b) *Gain on Assets Sold*

Gain on assets sold arise from the disposals of bank premises, furniture, fixtures and equipment, investment properties, real estate properties for sale, and assets held-for-sale. The Group recognizes the gain on sale at the time the control of the assets is transferred to the buyer, when the Group does not retain either continuing managerial involvement to the degree usually associated with ownership, or effective control over the assets sold, and when the collectability of the entire sales price is reasonably assured. Gain on assets sold are included as part of Other Operating Income account in the statement of profit or loss.

(c) *Dividend Income*

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

(d) *Recoveries from Assets Written Off*

These are income recognized from the increase in carrying amount of assets previously written off. The amount of reversal does not exceed the amount of impairment loss previously recognized for the related asset.

Collections from accounts, which did not qualify for revenue recognition are treated as customers' deposit included as part of Accounts payable under Other Liabilities account in the statement of financial position.

2.9 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

(b) *Group as Lessor*

The Group applies judgment in determining whether a lease contract is a finance or operating lease (see Note 3.1).

(c) *Sale and Leaseback Transaction*

As a seller-lessee, the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Group. Accordingly, the Group recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

2.10 Foreign Currency Transactions and Translations

Except for the foreign subsidiaries and accounts of the Parent Company's FCDU, the accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing at transaction dates. Resources and liabilities denominated in U.S. dollars are translated to Philippine pesos at the prevailing Philippine Dealing System closing rates (PDSCR) at the end of the reporting period.

For financial reporting purposes, the accounts of the FCDU are translated into their equivalents in Philippine pesos based on the prevailing PDSCR at the end of each reporting period (for resources and liabilities) and at the weighted average PDSCR for the period (for income and expenses). Any foreign exchange difference is recognized in profit or loss.

The translation of the financial statements into Philippine peso should not be construed as a representation that the amounts stated in currencies other than the Philippine peso could be converted in Philippine peso amounts at the translation rates or at any other rates of exchange.

2.11 Impairment of Non-financial Assets

Investments in subsidiaries and associates, bank premises, furniture, fixtures and equipment (including right-of-use asset), investment properties, and other resources (including intangible assets, and assets held for sale and disposal group) and other non-financial assets are subject to impairment testing.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows [cash-generating units (CGU)]. As a result, some assets are tested for impairment either individually or at the CGU level. Except for intangible assets with an indefinite useful life (i.e., goodwill, branch licenses and trading right) or those not yet available for use, individual assets or CGU are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

All assets, except for intangible assets with indefinite useful life, are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or CGU's recoverable amount exceeds its carrying amount.

2.12 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan and defined contribution plans, and other employee benefits.

The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) *Application of ECL to Financial Assets at Amortized Cost and Financial Assets at FVOCI*

The Group uses the general approach to calculate ECL for all debt instruments carried at amortized cost and FVOCI, together with loan commitments and financial guarantee contracts. The allowance for impairment is based on the ECLs associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized.

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

(b) *Evaluation of Business Models Applied in Managing Financial Instruments*

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

The Group's business models reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belongs to taking into consideration the objectives of each business model established by the Group (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Group's investment, trading and lending strategies.

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

There is no disposal of HTC investments in 2023 and 2022.

In 2022, the Parent Company started to perform evaluation of its business models for HTC and FVOCI investments as a result of internal changes on how it manages these financial assets. Such changes are determined by senior management as significant to the Parent Company's operations wherein it implemented adjustments to its portfolio strategies in light of the revised long-term outlook following the pandemic and other global developments. Revisions in the business models may result in reclassifications in the categories of portfolio investments to be effected only at the beginning of the next reporting period following the change in business model. The Parent Company expects to complete its assessment before the end of year 2024.

(c) *Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model*

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

(d) *Determination of Timing of Satisfaction of Performance Obligation*

The Group determines that its revenue shall be recognized at a point in time for loan syndication and underwriting fees and commission. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The services provided by the Group would need substantial reperformance from other entities. This demonstrates that the customers do not simultaneously receive and consume the benefits provided by the Group.

For the revenues from services related to credit card membership and account management, the Group determines that its revenues shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided to the customers. As the work is performed, the Group becomes entitled to payments. This demonstrates that the customers simultaneously receive and consume the benefits of the Group's rendering of these services as it performs.

(e) *Determination of Lease Term of Contracts with Renewal and Termination Options*

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For leases of offices, branches, and equipment, the factors that are normally the most relevant are (a) if there are significant penalties should the Group pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain to extend and not to terminate the lease contract.

The Group did not include renewal options as part of the lease term as the terms are renewable upon mutual agreement.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

(f) *Distinction Between Investment Properties and Owner-occupied Properties*

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production, supply process, and in the Group's banking operation.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease) then these portions can be accounted for separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in operations or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property.

(g) *Determination of the Classification of Assets/Liabilities under Assets Held-for-Sale and Disposal Group*

The Group classifies an asset (or disposal group) as held-for-sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In determining whether reclassification is in order, the asset (or disposal group) must be available for immediate sale in its present condition subject to usual terms and the same must be highly probable, evidenced by a commitment to a plan to sell the asset, and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, except if a delay will be caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group).

(h) *Distinction Between Operating and Finance Leases where the Group is the Lessor*

The Group has entered into various lease agreements as a lessor. Judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets or liabilities (see Note 2.9).

In determining whether the lease arrangements of the Parent Company and RCBC LFC qualify as a finance lease, the following factors have been considered:

(i) the lease provides the lessee an option to purchase the asset; or,

(ii) the lease transfers ownership of the property at the end of the lease and the related lease terms approximate the estimate useful life of the asset being leased.

(i) *Classification and Determination of Fair Value of Acquired Properties*

The Group classifies its acquired properties as Bank Premises, Furniture, Fixtures and Equipment if used in operations, as Assets held-for-sale and disposal group presented under Other Resources account if the Group expects that the assets will be sold within one year from the date of recognition, or as Investment Properties if held for rental or for currently undetermined future use and is regarded as held for capital appreciation, or as financial assets. At initial recognition, the Group determines the fair value of acquired properties through internal and external appraisal depending on the Group's threshold policy. The appraised value is determined based on the current economic and market conditions, as well as the physical condition of the property.

The Group's methodology in determining the fair value of Investment Properties are further discussed in Note 7.4.

(j) *Assessment of Significant Influence on HCPI in which the Group and the Parent Company Holds Less than 20% Ownership*

The management considers that the Group and the Parent Company have significant influence on HCPI even though it holds less than 20% of the outstanding ordinary shares of the latter. In making this judgment, management considered the Group's and the Parent Company's agreement with another stockholder of HCPI to commit and undertake to vote, and to regulate the conduct of voting and the relationship between them with respect to their exercise of their voting rights (see Note 12.1).

(k) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Provisions are recognized when present obligations will probably lead to an outflow of economic resources, and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain.

Where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

In dealing with the Group's various legal proceedings, the Group's estimate of the probable costs that may arise from claims and contingencies has been developed in consultation and coordination with the Group's internal and outside counsels acting in defense for the Group and the Parent Company's legal cases and are based upon the analysis of probable results.

Although the Group does not believe that its on-going proceedings, as disclosed in Note 28, will have material adverse effect on the Group's financial position, it is possible that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies conducted relating to those proceedings.

3.2 Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are described in the succeeding page:

(a) Estimation of Expected Credit Loss on Financial Assets

When measuring allowance for ECL for relevant categories of financial assets, management applies judgment in defining the criteria in assessing whether a financial asset has experienced SICR since initial recognition, and in the estimation of the contractual cash flows due from counterparty and those that the Group would expect to receive, taking into account the cash flows from the realization of collateral and integral credit enhancements. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions about future economic conditions and credit behavior of counterparties (e.g., the likelihood of counterparties defaulting and the resulting losses). The computation of the ECL also considers the use of reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other that may result in different levels of loss allowance.

Significant factors affecting the estimates on the ECL model include:

- internal rating matrix which determines the PD to be assigned to a financial asset;
- criteria for assessing if there has been an SICR and when a financial asset will be transferred between the three stages;
- the Group's definition of default for different segments of credit exposures that considers the regulatory requirements;
- establishing groups of similar financial assets (i.e., segmentation) for the purposes of measuring ECL on a collective basis;

- establishment of LGD parameters based on historical recovery rates of claims against defaulted counterparties across different group of financial instruments; and,
- establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL.

The explanation of inputs, assumptions and estimation techniques used in measuring ECL and the analysis of the allowance for ECL on various groups of financial instruments is further discussed in Note 4.4.

(b) *Fair Value Measurement for Financial Assets at FVTPL and at FVOCI*

The Group carries certain financial assets at fair value which requires judgment and extensive use of accounting estimates. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another financial instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument or other more appropriated valuation techniques (see Note 7.2).

The amount of changes in fair value would differ if the Group had utilized different valuation methods and assumptions. Any change in fair value of the financial assets and financial liabilities would affect profit or loss or other comprehensive income. The fair value of derivative financial instruments that are not quoted in an active market is determined through valuation techniques using the net present value computation (see Note 7.2).

The carrying values of the Group's and the Parent Company's trading and investment securities and the amounts of fair value changes recognized on those financial assets are disclosed in Note 10.

(c) *Estimation of Useful Lives of Bank Premises, Furniture, Fixtures and Equipment, Right-of-use Assets, Investment Properties, Computer Software, Goodwill, Branch Licenses and Trading Right*

The Group estimates the useful lives of bank premises, furniture, fixtures and equipment, including right-of-use assets, investment properties and computer software based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The Group's goodwill, branch licenses and trading right were regarded as having indefinite useful lives considering there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the Group. The assessment of having indefinite useful lives is reviewed periodically and is updated whether events and circumstances such as the period of control over these assets and legal or similar limits on the use of these assets continue to support such assessment.

The carrying amounts of bank premises, furniture, fixtures and equipment, including right-of-use assets, investment properties and computer software are analyzed in Notes 13, 14 and 15, respectively, while the carrying amounts of goodwill, branch licenses and trading right are analyzed in Note 15. Based on management's assessment as of December 31, 2023 and 2022, there are no changes in the useful lives of these assets.

(d) *Determination of Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Significant judgment is applied by management to determine the amount of deferred tax assets that can be recognized based on the likely timing and level of the Group's future taxable income together with its future tax planning strategies. The Group assessed its projected performance in determining the sufficiency of the future taxable income to support the recognition of deferred tax assets.

The carrying values of recognized and unrecognized deferred tax assets as of December 31, 2023 and 2022 are disclosed in Note 25.1.

(e) *Estimation of Impairment Losses of Non-financial Assets*

Except for intangible assets with indefinite useful lives, PFRS requires that an impairment review be performed when certain impairment indications are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.11.

The Group assesses impairment on these non-financial assets and considers the following important indicators:

- significant changes in asset usage;
- significant decline in assets' market value;
- obsolescence or physical damage of an asset;
- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of usage of the acquired assets or the strategy for the Group's overall business; and,
- significant negative industry or economic trends.

If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Though management believes that the assumptions used in the estimation of fair values of non-financial assets are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

(f) Determination of Fair Value of Investment Properties

The Group's investment properties are composed of parcels of land, buildings and condominium units which are measured using cost model. The estimated fair value of investment properties disclosed in Note 7.4 is determined by either an independent or internal appraiser on the basis of current appraised values of the properties or similar properties in the same location and condition.

For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

A significant change in key inputs and sources of information used in the determination of the fair value disclosed for those assets may result in adjustment in the carrying amount of the assets reported in the financial statements if their fair value will indicate evidence of impairment.

(g) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment.

(h) Recognition of Reward Points

The Group has a reward program related to its deposits, loans and credit card operations, which allows its cardholders to accumulate award credits or loyalty points that can be redeemed for free products.

The Group allocated a portion of the interchange fee billed to participating merchants to the loyalty points granted to cardholders based on relative stand-alone selling price and recognizes liability equivalent to the estimated loyalty points until these are redeemed.

(i) Valuation of Post-employment Defined Benefits

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

The amounts of post-employment benefit obligation and related income or expense, and an analysis of the movements in the estimated present value of post-employment benefit obligation, as well as the significant assumptions used in estimating such obligation, are presented in Note 23.2.

(j) Determination of Recoverable Amount of Assets Held-for-Sale

In determining the recoverable amount of assets the Group's assets held-for-sale, the estimated fair value less cost to sell are determined by an independent appraiser or internal appraiser based on current appraised values of the properties or similar properties in the same location and condition.

The amount of assets classified as held-for sale by the Group, its impairment and recovery are presented in Notes 15.1 and 16, respectively.

4. RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group is exposed to risks in relation to its operating, investing, and financing activities, and the business environment in which it operates. The Group's objectives in risk management are to ensure that it identifies, measures, monitors, and controls the various risks that arise from its business activities, and that it adheres strictly to the policies, procedures, and control systems which are established to address these risks.

A committee system is a fundamental part of the Group's process of managing risk. The following five committees of the Parent Company's BOD are relevant in this context:

- The Executive Committee, which meets weekly, has the power to act and pass upon such matters as the BOD may entrust to it for action in between BOD meetings. It may also consider and approve loans and other credit related matters, investments, purchase of shares of stock, bonds, securities and other commercial papers for the Bank's portfolio. The Executive Committee also has the power to review an asset or loan to ensure timely resolution and recognition of losses of impaired assets.

- The Risk Oversight Committee (ROC), which meets monthly, carries out the BOD's oversight responsibility for Group's capital adequacy and risk management strategy and actions covering credit, market and operational risks under Pillar I of the Basel framework; as well as the management of other material risks determined under Pillar II and the Internal Capital Adequacy Assessment Process (ICAAP) (see Note 5.2). Risk limits are reviewed and approved by the ROC.

- The Audit and Compliance Committee (ACC), which meets monthly, reviews the results of the Internal Audit examinations and recommends remedial actions to the BOD as appropriate. The ACC also performs oversight functions over the Regulatory Affairs Group on matters such as compliance risk assessment, annual testing work plan, compliance breaches, and other regulatory issues.

- The Related Party Transactions (RPT) Committee, which meets monthly and as necessary, reviews proposed material RPTs to ensure that they are conducted in the regular course of business and not undertaken on more favorable economic terms (e.g. price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Bank are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. On favorable review, the RPT Committee endorses material RPTs to the BOD for approval.

- The Anti-Money Laundering (AML) Board Committee, which meets monthly, oversees the implementation of the Bank's Money Laundering and Terrorist Financing Prevention Program (MTPP) and ensures that Money Laundering/Terrorist Financing risks are effectively managed. The AML Board Committee also ensures that infractions are immediately corrected, issues are addressed and AML training of directors, officers, and staff are regularly conducted.

Four senior management committees also provide a regular forum to take up risk issues.

- The Credit and Collection Committee (CRECOL), chaired by the Chief Executive Officer (CEO) and composed of the heads of credit risk-taking business units and the head of credit management group, meets weekly to review and approve credit exposures within its authority. It also reviews plans and progress on the resolution of problem loan accounts.

- The Asset/Liability Committee (ALCO), chaired by the Treasurer of the Parent Company and with the participation of the CEO and key business and support unit heads meets weekly to appraise market trends, and economic and political developments. It provides direction in the management of interest rate risk, liquidity risk, foreign currency risk, and trading and investment portfolio decisions. It sets prices or rates for various asset and liability, and trading products, in light of funding costs and competitive and other market conditions. It receives confirmation that market risk limits (as described in the succeeding pages) are not breached; or if breached, it provides guidance on the handling of the relevant risk exposure in between ROC meetings.

- The Related Party Transactions Management Committee (RPT ManCom), composed of the Group Heads of the business units as specified in the charter or their respective designates. It meets monthly to review and approve proposed non-material RPTs or those that do not require Board approval to ensure that the said RPTs are conducted in the regular course of business and not undertaken on more favorable economic terms (e.g. price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances. On favorable review, the RPT ManCom approves the non-material RPT and submits the same to the BOD for confirmation.

- The Anti-Money Laundering Management Committee (AML ManCom), which meets weekly, evaluates the unusual/suspicious transaction reported by the different bank units, RCBC Business Centers, alerts that are generated by the Bank's Screening System (Accuity), Transaction Monitoring System (Predator) and other referrals from relevant Regulators to determine the filing of Suspicious Transaction Reports (STRs) to the Anti-Money Laundering Council (AMLC).

  The AML ManCom is composed of the Chief Compliance Officer as the Chairperson and Presiding Officer and the Heads of Operations Group, Retail Banking Group, Controllership Group, Legal Affairs Group, Risk Management Group or their duly appointed designates, as members, and Investigators from the Compliance Operations Division (COD) as the Rapporteur. The AML Monitoring and Reporting Division (AMRD), through the Chief Compliance Officer, reports to the AML Board Committee its monthly activities including the results of the AML ManCom meetings.

The Parent Company established a Risk Management Group (RMG), headed by the Chief Risk Officer, to ensure that consistent implementation of the objectives of risk identification, measurement and/or assessment, mitigation, and monitoring are pursued via practices commensurate with the group-wide risk profile.

In addition to established risk management systems and controls, the Group holds capital commensurate with the levels of risk it undertakes (see Note 5), in accordance with regulatory capital standards and internal benchmarks set by the Parent Company's BOD.

4.1 Group's Strategy in Using Financial Instruments

It is the Group's intent to generate returns mainly from the traditional financial intermediation and service-provision activities, augmented by returns from positions based on views on the financial markets. The main source of risk, therefore, remains to be that arising from credit risk exposures. Nevertheless, within BSP regulatory constraints, and subject to limits and parameters established by the BOD and/or the ROC, the Group is exposed to liquidity risk and interest rate risk inherent in the Group's operations, and other market risks, which include foreign exchange risk.

In the course of performing financial intermediation function, the Group accepts deposits from customers at fixed and floating rates, and for various periods, and seeks to earn interest margins by investing these funds in high-quality assets. The conventional strategy to enhance net interest margin is the investment of short-term funds in longer-term assets, such as fixed-income securities. While, in doing so, the Group maintains liquidity at prudent levels to meet all claims that fall due, the Group fully recognizes the consequent interest rate risk exposure.

The Group's investment portfolio is composed mainly of marketable, sovereign and corporate debt instruments.

The Parent Company was granted by the BSP additional derivatives authorities effective January 2011. Products approved under the Limited Dealer Authority (Type 2) are foreign currency forwards, non-deliverable forwards, interest rate and cross currency swaps while credit-linked notes and bond options were approved under the Limited User Authority (Type 3). In February 2012, bond forwards, non-deliverable swaps and foreign exchange options have been included under the same Type 3 license. In June 2013, the Parent Company was granted a Type 2 license non-deliverable swaps, foreign currency options, bond and interest rate options, and asset swaps. During the same period, additional Type 3 licenses for foreign exchange-option and bond-option linked notes were likewise approved. The Parent Company's derivatives portfolio consists mostly of short-term currency forward contracts and swaps, and interest rate swaps and futures.

4.2 Liquidity Risk

Liquidity risk refers to current and prospective risk to earnings or capital arising from a bank's inability to meet its obligations when they come due without incurring unacceptable losses or costs. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. The Group manages liquidity risk by limiting the maturity mismatch between assets and liabilities, and by holding sufficient liquid assets of appropriate quality and marketability.

The Group recognizes the liquidity risk inherent in its activities, and identifies, measures, monitors and controls the liquidity risk inherent to the members of the Group which are financial intermediaries.

The Group's liquidity policy is to manage its operations to ensure that funds available are more than adequate to meet demands of its customers and to enable deposits to be repaid on maturity. The Group's liquidity policies and procedures are set out in its funding and liquidity plan which contains certain funding requirements based on assumptions and uses resources and liability maturity gap analysis.

The Group uses Maximum Cumulative Outflow (MCO) model to measure liquidity risk arising from mismatches of assets and liabilities. MCO is a liquidity gap tool to project cash flow expectations on a status quo condition. The MCO is generated by distributing the cash flows of the Group's assets, liabilities and off-balance sheet items to time buckets based cash flow expectations such as contractual maturity, nature of the account, behavioral patterns, projections on business strategies, and/or optionality of certain products.

The incorporation of behavioral cash flow assumptions and business projections or targets results in a dynamic gap report which realistically captures the behavior of the products and creates a forward-looking cash flow projection.

The Group monitors MCO regularly to ensure that it remains within the set limits. The Parent Company generates and monitors daily its MCO. The subsidiaries generate at least monthly their respective MCO reports. The liquidity profile of the Group is reported monthly to the Parent Company's ROC. To supplement the status quo scenario parameters reflected in the MCO report, the Group also conducts liquidity stress testing to determine the impact of extreme factors, scenarios and events to the Group's liquidity profile.

The gap analyses as of December 31, 2023 and 2022 are presented below.

	Group 2023					
	One to Three Months	**Three Months to One Year**	**One to Five Years**	**More than Five Years**	**Non-maturity**	**Total**
Resources:						
Cash and cash equivalents	P 190,847	P 1,502	P 1,727	P 1	P 56,031	P 250,108
Investment - net	9,989	3,818	112,095	201,914	2,926	330,742
Loans and receivables - net	38,995	29,486	153,155	151,395	249,118	622,149
Other resources - net	7,716	6,507	1,100	1,354	18,656	35,333
Total resources	247,547	41,313	268,077	354,664	326,731	1,238,332
Liabilities:						
Deposit liabilities	184,137	15,725	22,859	7	733,984	956,712
Bills payable	42,698	2,293	4,349	396	1,122	50,858
Bonds payable	-	30,809	4,130	-	-	34,939
Other liabilities	12,833	16,507	297	411	13,500	43,548
Total liabilities	239,668	65,334	31,635	814	748,606	1,086,057
Equity	-	-	-	-	152,275	152,275
Total liabilities and equity	239,668	65,334	31,635	814	900,881	1,238,332
On-book gap	7,879	(24,021)	236,442	353,850	(574,150)	-
Cumulative on-book gap	7,879	(16,142)	220,300	574,150	-	-
Contingent resources	53,274	6,091	-	-	-	59,365
Contingent liabilities	71,752	6,140	-	-	-	77,892
Off-book gap	(18,478)	(49)	-	-	-	(18,527)
Cumulative off-book gap	(18,478)	(18,527)	(18,527)	(18,527)	(18,527)	-
Periodic gap	**(10,599)**	**(24,070)**	**236,442**	**353,850**	**(574,150)**	**18,527**
Cumulative total gap	**(P 10,599)**	**(P 34,669)**	**P 201,773**	**P 555,623**	**(P 18,527)**	**P -**

Notes to Financial Statements

December 31, 2023 and 2022 and 2021

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

	Group					
	2022					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 143,756	P 1,941	P 2,583	P 1	P 60,042	P 208,323
Investment - net	104,192	6,773	69,882	187,972	5,546	374,365
Loans and receivables - net	31,278	23,537	39,306	47,412	398,315	539,848
Other resources - net	3,230	4,109	1,195	294	22,744	31,572
Total resources	282,456	36,360	112,966	235,679	486,647	1,154,108
Liabilities:						
Deposit liabilities	182,086	24,074	10,413	4	640,667	857,244
Bills payable	48,571	10,848	6,863	-	378	66,660
Bonds payable	25,081	13,743	35,587	-	-	74,411
Other liabilities	14,506	11,385	428	-	13,113	39,432
Total liabilities	270,244	60,050	53,291	4	654,158	1,037,747
Equity	-	-	-	-	116,361	116,361
Total liabilities and equity	270,244	60,050	53,291	4	770,519	1,154,108
On-book gap	12,212	(23,690)	59,675	235,675	(283,872)	-
Cumulative on-book gap	12,212	(11,478)	48,197	283,872	-	-
Contingent resources	41,796	-	-	-	-	41,796
Contingent liabilities	62,608	-	-	-	-	62,608
Off-book gap	(20,812)	-	-	-	-	(20,812)
Cumulative off-book gap	(20,812)	(20,812)	(20,812)	(20,812)	(20,812)	-
Periodic gap	(8,600)	(23,690)	59,675	235,675	(283,872)	20,812
Cumulative total gap	(P 8,600)	(P 32,290)	P 27,385	P 263,060	(P 20,812)	P -

	Parent Company 2023					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 170,128	P 20,756	P 1,118	P 1	P 55,938	P 247,941
Investments - net	10,134	408	112,095	203,726	2,080	328,443
Loans and receivables - net	38,525	28,726	148,270	151,286	249,094	615,901
Other resources - net	7,630	6,350	1,100	1,499	22,026	38,605
Total resources	226,417	56,240	262,583	356,512	329,138	1,230,890
Liabilities:						
Deposit liabilities	183,600	15,579	22,856	8	735,326	957,369
Bills payable	42,314	-	1,247	396	-	43,957
Bonds payable	-	30,809	4,130	-	-	34,939
Other liabilities	11,853	16,483	297	1,275	12,451	42,359
Total liabilities	237,767	62,871	28,530	1,679	747,777	1,078,624
Equity	-	-	-	-	152,266	152,266
Total liabilities and equity	237,767	62,871	28,530	1,679	900,043	1,230,890
On-book gap	(11,350)	(6,631)	234,053	354,833	(570,905)	-
Cumulative on-book gap	(11,350)	(17,981)	216,072	570,905	-	-
Contingent resources	53,269	6,091	-	-	-	59,360
Contingent liabilities	71,752	6,140	-	-	-	77,892
Off-book gap	(18,483)	(49)	-	-	-	(18,532)
Cumulative off-book gap	(18,483)	(18,532)	(18,532)	(18,532)	(18,532)	-
Periodic gap	**(29,833)**	**(6,680)**	**234,053**	**354,833**	**(570,905)**	**18,532**
Cumulative total gap	**(P 29,833)**	**(P 36,513)**	**P 197,540**	**P 552,373**	**(P 18,532)**	**P -**

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

	Parent Company					
	2022					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-maturity	Total
Resources:						
Cash and cash equivalents	P 142,520	P 1,525	P 1,316	P 1	P 60,958	P 206,320
Investments - net	102,319	6,773	69,882	187,972	4,786	371,732
Loans and receivables - net	30,438	22,856	32,869	47,409	398,621	532,193
Other resources - net	3,106	4,109	1,195	294	25,800	34,504
Total resources	278,383	35,263	105,262	235,676	490,165	1,144,749
Liabilities:						
Deposit liabilities	181,529	23,903	10,410	4	641,793	857,639
Bills payable	48,142	8,995	1,254	-	-	58,391
Bonds payable	25,081	13,743	35,587	-	-	74,411
Other liabilities	13,975	11,366	428	-	12,255	38,024
Total liabilities	268,727	58,007	47,679	4	654,048	1,028,465
Equity	-	-	-	-	116,284	116,284
Total liabilities and equity	268,727	58,007	47,679	4	770,332	1,144,749
On-book gap	9,656	(22,744)	57,583	235,672	(280,167)	-
Cumulative on-book gap	9,656	(13,088)	44,495	280,167	-	-
Contingent resources	41,767	-	-	-	-	41,767
Contingent liabilities	48,956	-	-	-	-	48,956
Off-book gap	(7,189)	-	-	-	-	(7,189)
Cumulative off-book gap	(7,189)	(7,189)	(7,189)	(7,189)	(7,189)	-
Periodic gap	2,467	(22,744)	57,583	235,672	(280,167)	7,189
Cumulative total gap	P 2,467	(P 20,277)	P 37,306	P 272,978	(P 7,189)	P -

Pursuant to applicable BSP regulations, the Group is required to maintain reserves against deposit liabilities which are based on certain percentages of deposits. The required reserves against deposit liabilities shall be kept in the form of deposits placed in the Group's demand deposit accounts with the BSP. The BSP also requires the Parent Company to maintain asset cover of 100% for foreign currency-denominated liabilities of its FCDU.

4.2.1 Foreign Currency Liquidity Management

The liquidity risk management policies and objectives described also apply to the management of any foreign currency to which the Group maintains significant exposure. Specifically, the Group ensures that its measurement, monitoring, and control systems account for these exposures as well. The Group sets and regularly reviews limits on the size of the cash flow mismatches for each significant individual currency and in aggregate over appropriate time horizons. The Group also assesses its access to foreign exchange markets when setting up its risk limits.

Following MORB Section 130 and Appendices 94, 95, and 96 on ICAAP, the Group likewise calculates and maintains a level of capital needed to support unexpected losses attributable to liquidity risk (see Note 5.2).

4.2.2 Liquidity Risk Stress

To augment the effectiveness of the Group's gap analysis, the Group regularly assesses liquidity risk based on behavioral and hypothetical assumptions under stress conditions. Survivability and resilience of the Group are assessed for a minimum stress period of 30 days for all crisis scenarios enumerated in MORB Section 145 and Appendix 71: *Guidelines on Liquidity Risk Management*. The results of these liquidity stress simulations are reported monthly to ALCO and ROC.

4.3 Market Risk

The Group's exposure to market risk is the potential diminution of earnings arising from the adverse movement of market interest rates and foreign exchange rates, as well as the potential loss of market value, primarily of its holdings of foreign exchange currencies, debt securities and derivatives.

The market risks of the Group are: (a) foreign exchange risk, (b) interest rate risk and (c) equity price risk. The Group manages these risks via a process of identifying, analyzing, measuring and controlling relevant market risk factors, and establishing appropriate limits for the various exposures. The market risk metrics in use, each of which has a corresponding limit, include the following:

- Nominal Position – an open risk position that is held as of any point in time expressed in terms of the nominal amount of the exposure.

- Dollar Value of 01 (DV01) – an estimate of the price impact due to a one-basis point change in the yield of fixed income securities. It effectively captures both the nominal size of the portfolio as well as its duration. A given DV01 limit accommodates various combinations of portfolio nominal size and duration, thus providing a degree of flexibility to the trading/risk taking function, but at the same time represents a ceiling to the rate sensitivity of the exposure according to the Group's risk appetite.

- Value-at-Risk (VaR) – an estimate of the amount of loss that a given risk exposure is unlikely to exceed during a given time period, at a given level of statistical confidence. Analytically, VaR is the product of: (a) the sensitivity of the market value of the position to movements of the relevant market risk factors, and (b) the volatility of the market risk factor for the given time horizon at a specified level of statistical confidence. Typically, the Group uses a 99% confidence level for this measurement. VaR is used as a risk measure for trading positions, which are marked-to-market (as opposed to exposures resulting from banking, or accrual, book resources and liabilities). Foreign Exchange Position VaR uses a one-day holding period, while Fixed Income VaR uses a defeasance period assessed periodically as appropriate to allow an orderly unwinding of the position. VaR models are back-tested to ensure that results remain consistent with the expectations based on the chosen statistical confidence level. The Bank employs appropriate back-testing methodology to perform a "reality check" on the models used. More specifically, the current back-test procedure employs the "hypothetical P&L" method where the daily position from which the VaR was computed is marked-to-market using the closing price of that day and the closing price of the next trading day. Any change in value in excess of the day's VaR is treated as an exception.

  The Parent Company uses VaR as an important tool for measuring market risk, they are cognizant of its limitations, notably the following:

  - The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.

  - VaR is based on historical volatility. Future volatility may be different due to either random, one-time events or structural changes (including changes in correlation). VaR may be unable to capture volatility due to either of these.

  - The holding period assumption may not be valid in all cases, such as during periods of extremely stressed market liquidity.

  - VaR is, by definition, an estimate at a specified level of confidence. Losses may occur beyond VaR. A 99% VaR implies that losses can exceed VaR 1% of the time.

  - In cases where a parametric distribution is assumed to calculate VaR, the assumed distribution may not fit the actual distribution well.

  - VaR assumes a static position over the holding period. In reality, trading positions change, even during the trading day.

In addition to the limits corresponding to the above measurements, the following are also in place:

- Loss Limit – represents a ceiling on accumulated month-to-date and year-to-date losses. For trading positions, a Management Action Trigger (MAT) is also usually defined to be at 50% of the Loss Limit. When MAT is breached, the risk-taking unit must consult with ALCO for approval of a course of action moving forward.

- Product Limit – the nominal position exposure for certain specific financial instruments is established.

Stress Testing, which uses more severe rate/price volatility and/or holding period assumptions, (relative to those used for VaR) is applied to marked-to-market positions to arrive at "worst case" loss estimates. This supplements the VaR measure, in recognition of its limitations mentioned above.

A summary of the VaR position of the trading portfolios at December 31 is as follows:

	Group and Parent Company			
	At December 31	Average	Maximum	Minimum
2023:				
Foreign currency risk	P 45	P 77	P 215	P 14
Interest rate risk	638	374	640	225
Overall	**P 683**	**P 451**	**P 855**	**P 239**
2022:				
Foreign currency risk	P 54	P 56	P 106	P 27
Interest rate risk	639	435	639	376
Overall	P 693	P 491	P 745	P 403
2021:				
Foreign currency risk	P 51	P 56	P 112	P 37
Interest rate risk	501	425	769	183
Overall	P 552	P 481	P 881	P 220

4.3.1 Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The net foreign exchange exposure, or the difference between foreign currency denominated assets and foreign currency denominated liabilities, is capped by current BSP regulations. Compliance with this ceiling by the Group and the respective foreign currency positions of its subsidiaries are reported to the BSP on a daily basis as required. Beyond this constraint, the Group manages its foreign exchange exposure by limiting it within the conservative levels justifiable from a return/risk perspective. In addition, the Group regularly calculates VaR for each currency position, which is incorporated in the foregoing market risk management discussion.

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

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

	Group and Parent Company					
	2023			2022		
	Change in currency rate in %	**Effect on profit before tax**	**Effect on equity**	Change in currency rate in %	Effect on profit before tax	Effect on equity
Currency:						
USD	**+1.00%**	**(P 4)**	**(P 4)**	+1.00%	P -	P -
	-1.00%	**4**	**4**	-1.00%	-	-
EUR	**+1.00%**	**(4)**	**(4)**	+1.00%	(1)	(1)
	-1.00%	**4**	**4**	-1.00%	1	1
GBP	**+1.00%**	**2**	**2**	+1.00%	(2)	(2)
	-1.00%	**(2)**	**(2)**	-1.00%	2	2
Others	**+1.00%**	**7**	**7**	+1.00%	5	5
	-1.00%	**(7)**	**(7)**	-1.00%	(5)	(5)

Closing exchange rates and weighted average rates (WAR) of USD to Philippine peso as of and for each of the year ended December 31 are as follows:

	2023	2022	2021
Closing	**P 55.37**	P 55.76	P 50.99
WAR	**55.51**	55.58	49.26

The breakdown of the financial resources and financial liabilities as to foreign and Philippine peso-denominated balances, after elimination of intercompany accounts or transactions, as of December 31 follows:

	Group		
	Foreign Currencies	**Philippine Pesos**	**Total**
2023:			
Resources:			
Cash and other cash items	P 1,146	P 18,729	P 19,875
Due from BSP	-	151,762	151,762
Due from other banks	13,836	1,056	14,892
Loans arising from reverse repurchase agreements	-	35,799	35,799
Financial assets at FVTPL	3,788	7,990	11,778
Financial assets at FVOCI	17,582	64,855	82,437
Investment securities at amortized cost - net	87,444	149,083	236,527
Loans and receivables - net	85,639	564,290	649,929
Other resources - net	40	1,419	1,459
	P 209,475	**P 994,983**	**P 1,204,458**
Liabilities:			
Deposit liabilities	P 189,457	P 767,255	P 956,712
Bills payable	43,957	6,901	50,858
Bonds payable	16,053	18,886	34,939
Accrued interest and other expenses	29	10,716	10,745
Other liabilities	1,610	25,380	26,990
	P 251,106	**P 829,138**	**P 1,080,244**

	Group		
	Foreign Currencies	Philippine Pesos	Total
2022:			
Resources:			
Cash and other cash items	P 1,111	P 16,967	P 18,078
Due from BSP	-	156,664	156,664
Due from other banks	4,866	970	5,836
Loans arising from reverse repurchase agreements	-	8,724	8,724
Financial assets at FVTPL	392	6,645	7,037
Financial assets at FVOCI	46,124	68,822	114,946
Investment securities at amortized cost - net	118,135	134,247	252,382
Loans and receivables - net	85,911	472,958	558,869
Other resources - net	417	787	1,204
	P 256,956	P 866,784	P 1,123,740
Liabilities:			
Deposit liabilities	P 170,613	P 686,631	P 857,244
Bills payable	58,391	8,269	66,660
Bonds payable	41,782	32,629	74,411
Accrued interest and other expenses	1,507	6,350	7,857
Other liabilities	1,028	24,305	25,333
	P 273,321	P 758,184	P 1,031,505

	Parent Company		
	Foreign Currencies	Philippine Pesos	Total
2023:			
Resources:			
Cash and other cash items	P 1,146	P 18,666	P 19,812
Due from BSP	-	150,771	150,771
Due from other banks	13,819	811	14,630
Loans arising from reverse repurchase agreements	-	34,948	34,948
Financial assets at FVTPL	3,788	7,166	10,954
Financial assets at FVOCI	17,576	64,181	81,757
Investment securities at amortized cost - net	87,444	148,288	235,732
Loans and receivables - net	85,639	558,042	643,681
Other resources - net	40	1,417	1,457
	P 209,452	**P 984,290**	**P 1,193,742**

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

	Parent Company					
		Foreign Currencies		Philippine Pesos		Total
Liabilities:						
Deposit liabilities	P	189,457	P	767,912	P	957,369
Bills payable		43,957		-		43,957
Bonds payable		16,053		18,886		34,939
Accrued interest and other expenses		29		10,446		10,475
Other liabilities		1,610		24,608		26,218
	P	**251,106**	**P**	**821,852**	**P**	**1,072,958**
2022:						
Resources:						
Cash and other cash items	P	1,111	P	16,913	P	18,024
Due from BSP		-		155,340		155,340
Due from other banks		4,866		517		5,383
Loans arising from reverse repurchase agreements		-		8,552		8,552
Financial assets at FVTPL		392		5,747		6,139
Financial assets at FVOCI		46,124		68,141		114,265
Investment securities at amortized cost - net		118,135		133,193		251,328
Loans and receivables - net		85,911		465,303		551,214
Other resources - net		417		785		1,202
	P	256,956	P	854,491	P	1,111,447
Liabilities:						
Deposit liabilities	P	170,613	P	687,026	P	857,639
Bills payable		58,391		-		58,391
Bonds payable		41,782		32,629		74,411
Accrued interest and other expenses		1,507		6,156		7,663
Other liabilities		1,028		23,259		24,287
	P	273,321	P	749,070	P	1,022,391

4.3.2 Interest Rate Risk in the Banking Book (IRRBB)

The interest rate risk inherent in the Group's financial statements arises from re-pricing mismatches between financial assets and financial liabilities. The IRRBB Management Framework details the Group's policy on managing its assets and liabilities to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.

To aid the Group in managing IRRBB, the following measurement techniques are used. These are prepared and reported to ALCO and ROC, on a monthly basis.

Technique	Description
Interest Rate Gap or Re-pricing Gap	*Contractual Gap* Measures the sensitivity of assets, liabilities and off-balance sheet items towards changes in the market interest rates based on the re-pricing frequency of each item. *Behavioral Gap* Behavioral assumption (BeA) is applied to the contractual cash flows to reflect sensitivity to market conditions or behavioral characteristics (i.e., early redemption of deposits, prepayment of loans, etc.).
Earnings Approach	
Net Interest Income at Risk	Measures the sensitivity of earnings to market interest rates movements over a short- and medium-term horizon. Interest rate volatility is based on the maximum volatility of the 1-mo, 3-mo, 6-mo and 1-yr tenors over a 260-day look back.
Economic Value Approach	
Earnings-at-Risk	Measures the sensitivity of capital to market interest rates given the resulting Net Interest Income (NII)-at-Risk and fair value through profit and loss portfolio value-at-risk (FVTPL VaR).
Capital-at-Risk	Measures the sensitivity of capital to market interest rates given the resulting EaR and fair value through other comprehensive income value-at-risk (FVOCI VaR).
Economic Value of Equity (EVE)	Measures the sensitivity of economic value of all non-trading book assets, liabilities and interest rate sensitive off-balance sheet products to interest rate movements over a longer time horizon.
Stress Test	Assesses the ability to withstand such changes, usually in relation to the capacity of its capital and earnings to absorb potentially significant loses. Stress testing, which includes both scenario and sensitivity analysis, is an integral part of IRR management. Scenario analysis estimates possible outcomes given an event or series of events, while sensitivity analysis estimates the impact of change in one or only a few of model's significant parameters. *Earnings approach*: NII-at-Risk Stress Test assumes gradual increase in Peso and USD interest rates to 400bps and 300bps, respectively. These are based on past local and global market events. *Economic Value approach*: The EVE Stress Test uses Basel's six interest rate scenarios to capture parallel and non-parallel gap risks. The standardized scenarios are as follows: 1) parallel shock up; 2) parallel shock down; 3) steepener shock (short rates down and long rates up); 4) flattener shock (short rates up and long rates down; 5) short rates shock up; and, 6) short rates shock down.

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

The interest rate gap analyses of financial assets and financial liabilities as of end of the reporting period based on re-pricing maturities are shown in the succeeding pages. It should be noted that such interest rate gap analyses are based on the following key assumptions:

- Loans and time deposits are subject to re-pricing on their contractual maturity dates. Non-performing loans (NPL), however, are not re-priced;
- Debt securities at amortized cost are bucketed based on their re-pricing profile;
- Held-for-trading securities and derivatives are considered as non-rate sensitive; and,
- For financial assets and financial liabilities with no definite re-pricing schedule or maturity, slotting is based on the Group's empirical assumptions.

These assumptions are reviewed on a regular basis. Similarly, other assumptions and behavioral models used in the preparation of other IRRBB metrics are also being reviewed, annually, at the minimum.

	Group					
	2023					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and cash equivalents	P 166,452	P 2,103	P 29,153	P 32,376	P 20,024	P 250,108
Investments - net	1,822	3,286	69,910	243,158	12,566	330,742
Loans and receivables - net	391,011	58,068	132,177	5,557	35,336	622,149
Other resources - net	7,772	988	1,113	1,693	23,767	35,333
Total resources	567,057	64,445	232,353	282,784	91,693	1,238,332
Liabilities:						
Deposit liabilities	458,990	44,396	237,728	215,292	306	956,712
Bills payable	42,698	2,293	4,349	396	1,122	50,858
Bonds payable	-	30,809	4,130	-	-	34,939
Other liabilities	55	223	44	1,574	41,652	43,548
Total liabilities	501,743	77,721	246,251	217,262	43,080	1,086,057
Equity	-	-	-	-	152,275	152,275
Total liabilities and equity	501,743	77,721	246,251	217,262	195,355	1,238,332
On-book gap	65,314	(13,276)	(13,898)	65,522	(103,662)	-
Cumulative on-book gap	65,314	52,038	38,140	103,662	-	-
Contingent resources	53,274	6,091	-	-	-	59,365
Contingent liabilities	71,752	6,140	-	-	-	77,892
Off-book gap	(18,478)	(49)	-	-	-	(18,527)
Cumulative off-book gap	(18,478)	(18,527)	(18,527)	(18,527)	(18,527)	-
Periodic gap	**46,836**	**(13,325)**	**(13,898)**	**65,522**	**(103,662)**	**(18,527)**
Cumulative total gap	**P 46,836**	**P 33,511**	**P 19,613**	**P 85,135**	**(P 18,527)**	**P -**

	Group					
	2022					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and cash equivalents	P 162,611	P 4,970	P 1,403	P 21,010	P 18,329	P 208,323
Investments - net	99,525	6,838	69,910	187,876	10,216	374,365
Loans and receivables - net	229,590	92,608	132,177	30,710	54,763	539,848
Other resources - net	3,283	1,082	1,113	423	25,671	31,572
Total resources	495,009	105,498	204,603	240,019	108,979	1,154,108
Liabilities:						
Deposit liabilities	476,848	76,158	156,993	146,761	484	857,244
Bills payable	48,571	10,848	6,863	-	378	66,660
Bonds payable	25,081	13,743	35,587	-	-	74,411
Other liabilities	839	132	252	-	38,209	39,432
Total liabilities	551,339	100,881	199,695	146,761	39,071	1,037,747
Equity	-	-	-	-	116,361	116,361
Total liabilities and equity	551,339	100,881	199,695	146,761	155,432	1,154,108
On-book gap	(56,330)	4,617	4,908	93,258	(46,453)	-
Cumulative on-book gap	(56,330)	(51,713)	(46,805)	46,453	-	-
Contingent resources	41,796	-	-	-	-	41,796
Contingent liabilities	62,608	-	-	-	-	62,608
Off-book gap	(20,812)	-	-	-	-	(20,812)
Cumulative off-book gap	(20,812)	(20,812)	(20,812)	(20,812)	(20,812)	-
Periodic gap	(77,142)	4,617	4,908	93,258	(46,453)	(20,812)
Cumulative total gap	(P 77,142)	(P 72,525)	(P 67,617)	P 25,641	(P 20,812)	P -

Notes to Financial Statements

December 31, 2023 and 2022 and 2021

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

	Parent Company 2023					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and cash equivalents	P 126,153	P 1,547	P 28,545	P 71,884	P 19,812	P 247,941
Investments - net	282	3,286	112,230	195,089	17,556	328,443
Loans and receivables - net	425,330	57,308	98,344	5,538	29,381	615,901
Other resources - net	15,137	988	1,061	115	21,304	38,605
Total resources	566,902	63,129	240,180	272,626	88,053	1,230,890
Liabilities:						
Deposit liabilities	458,452	44,250	238,758	215,909		957,369
Bills payable	42,314	-	1,247	396	-	43,957
Bonds payable	-	30,809	4,130	-	-	34,939
Other liabilities	-	199	44	1,273	40,843	42,359
Total liabilities	500,766	75,258	244,179	217,578	40,843	1,078,624
Equity	-	-	-	-	152,266	152,266
Total liabilities and equity	500,766	75,258	244,179	217,578	193,109	1,230,890
On-book gap	66,136	(12,129)	(3,999)	55,048	(105,056)	-
Cumulative on-book gap	66,136	54,007	50,008	105,056	-	-
Contingent resources	53,269	6,091	-	-	-	59,360
Contingent liabilities	71,752	6,140	-	-	-	77,892
Off-book gap	(18,483)	(49)	-	-	-	(18,532)
Cumulative off-book gap	(18,483)	(18,532)	(18,532)	(18,532)	(18,532)	-
Periodic gap	**47,653**	**(12,178)**	**(3,999)**	**55,048**	**(105,056)**	**(18,532)**
Cumulative total gap	**P 47,653**	**P 35,475**	**P 31,476**	**P 86,524**	**(P 18,532)**	**P -**

	Parent Company 2022					
	One to Three Months	Three Months to One Year	One to Five Years	More than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and cash equivalents	P 161,376	P 4,554	P 136	P 22,230	P 18,024	P 206,320
Investments - net	97,653	6,838	69,910	187,876	9,455	371,732
Loans and receivables - net	228,750	91,927	125,740	30,708	55,068	532,193
Other resources - net	3,159	1,081	1,113	423	28,728	34,504
Total resources	490,938	104,400	196,899	241,237	111,275	1,144,749
Liabilities:						
Deposit liabilities	476,290	75,987	157,801	147,395	166	857,639
Bills payable	48,142	8,995	1,254	-	-	58,391
Bonds payable	25,081	13,743	35,587	-	-	74,411
Other liabilities	308	114	252	-	37,350	38,024
Total liabilities	549,821	98,839	194,894	147,395	37,516	1,028,465
Equity	-	-	-	-	116,284	116,284
Total liabilities and equity	549,821	98,839	194,894	147,395	153,800	1,144,749
On-book gap	(58,883)	5,561	2,005	93,842	(42,525)	-
Cumulative on-book gap	(58,883)	(53,322)	(51,317)	42,525	-	-
Contingent resources	41,767	-	-	-	-	41,767
Contingent liabilities	48,956	-	-	-	-	48,956
Off-book gap	(7,189)	-	-	-	-	(7,189)
Cumulative off-book gap	(7,189)	(7,189)	(7,189)	(7,189)	(7,189)	-
Periodic gap	(66,072)	5,561	2,005	93,842	(42,525)	7,189
Cumulative total gap	(P 66,072)	(P 60,511)	(P 58,506)	P 35,336	(P 7,189)	P -

The table below summarizes the potential impact on the Group and the Parent Company's annual interest income of parallel rate shifts using the re-pricing.

	Changes in Interest Rates (in basis points)			
	- 100	**- 200**	**+ 100**	**+ 200**
December 31, 2023				
Group	**(P 517)**	**(P 1,033)**	**P 517**	**P 1,033**
Parent Company	**(529)**	**(1,058)**	**529**	**1,058**
December 31, 2022				
Group	P 459	P 918	(P 459)	(P 918)
Parent Company	480	960	(480)	(960)

4.3.3 Equity Price Risk

The Group's exposure to price risk on equity securities held and classified in the statement of financial position as financial assets at FVTPL or financial assets at FVOCI (under Trading and Investment Securities account) as of December 31, 2023 and 2022 is managed through diversification of portfolio and monitoring of changes in market prices. Diversification of the portfolio is done in accordance with the limits set by the Group.

Moreover, RCBC Capital and RSI estimate the potential loss and determine the market and position risk requirement on equity securities at FVTPL in the computation of the market and position risk requirement for all equity positions.

RCBC Capital uses the delta-normal approach as its VaR model to estimate the daily potential loss that can be incurred from equity securities held for trading. VaR is a key measure in the management of market price risk. RCBC Capital uses a 99% confidence level and a minimum 260-day observation period in VaR calculation. In addition, RSI computes its market and position risk for all equity positions, if any, in conjunction with the Risk Based Capital Adequacy ratio required to be maintained. Market and position risk requirement is calculated using position risk factor multiplied by mark-to-market value security.

4.4 Credit Risk

Credit risk is the risk that the counterparty in a transaction may default, and arises from lending, trade finance, treasury, derivatives and other activities undertaken by the Group. The Group manages credit risk through a system of policies and authorities that govern the processes and practices of all credit-originating and borrowing relationship management units.

The Enterprise Risk Division of RMG assists senior management: (a) in establishing risk concentration limits at the portfolio level; and (b) in the continuous monitoring of the actual credit risk portfolio from the perspective of those limits and other risk management objectives. The Credit Management Group (CMG), on the other hand, is responsible for: (a) the development of credit policies relating to account management; (b) the financial evaluation and credit risk rating of borrowers; and, (c) asset quality review.

At the individual borrower level, exposure to credit risk is managed via adherence to a set of policies, the most notable features of which, in this context, are: (a) credit approving authority, except as noted below, is not exercised by a single individual but rather, through a hierarchy of limits that is effectively exercised collectively; (b) business center (BC) managers have limited approval authority only for credit exposure related to deposit-taking operations in the form of bills purchase, acceptance of second endorsed checks and 1:1 loan accommodations; (c) an independent credit risk assessment by the CMG of large corporate and middle-market borrowers, summarized into a borrower risk rating, is provided as input to the credit decision-making process; and, (d) borrower credit analysis is performed at origination and at least annually thereafter or co-terminus with the renewal of the credit line. In addition, adverse economic and market conditions that may impact a certain borrower or a group of borrowers may trigger the Group to conduct a special credit review prior to expiry of credit line.

CMG also identifies homogenous target market and design Credit Programs that will accelerate credit processing of accounts without sacrificing underwriting quality, and, set up enhanced data framework that would deepen the Bank's ability to identify potential problem accounts earlier.

In 2023, the Bank engaged an independent consultant to conduct an independent validation and refresh of the Bank's ECL model parameters, assumptions, design, and calibration. As a result of this refresh, the Bank made the following adjustments to its model:

- accounts with 1 to 30 days past due (DPD) are classified as Stage 1 instead of Stage 2 (see Note 4.4.3);
- a 12-month performance window is observed to consider the probability of an account defaulting in the future (see Note 4.4.5);
- periods affected by the COVID-19 were excluded from the computation of default rates (Note 4.4.6);
- a mean reversion approach was used for consumer loans to project the macroeconomic variables (MEVs) influencing the associated credit risk of the borrowers (Note 4.4.5); and
- the Vasicek equation was used to transform through-the-cycle PDs into point-in-time PDs (Note 4.4.5).

The updated ECL framework of the Bank was approved by ROC on January 19, 2024.

4.4.1 Concentrations of Credit Risk

Credit risk concentration in the context of banking generally denotes the risk arising from an uneven distribution of counterparties in credit or in any other business relationships, or from a concentration in business sectors or geographic regions which is capable of generating losses large enough to jeopardize an institution's solvency. The Group monitors concentrations of credit risk by sector.

An analysis of concentrations of credit risk of the loan portfolio at the end of the reporting period is shown in Note 33.

In the course of the Group's implementation of ICAAP (see Note 5.2), it adopts a quantification of credit risk concentration following frameworks prescribed by some of the more advanced European central banks as well as established concentration metrics. Using sector distribution as a tool, the Group performs a straightforward application of the Herfindahl-Hirshman Index (HHI) to determine the existence of credit risk concentration. The Group supplements this methodology with the use of the Comprehensive Concentration Index (CCI) to monitor and analyze name concentration.

The Group, however, recognizes the inherent limitations of the use of HHI and CCI to assess credit concentration risk. To augment this measure and to appropriately manage said risk, the Group performs an in-depth analysis of its large borrowing groups. To ensure the independence of this process, the review and analysis are done during the ROC meetings.

4.4.2 Credit Risk Assessment

The Group's credit risk assessment is performed based on the different segments of financial asset portfolio such as (a) corporate, which generally include corporate banking group loans, commercial and small-medium size segment loans, lease contract and finance receivables, and unquoted debt securities classified as loan (UDSCL), (b) retail, which include housing, auto, credit cards, and microfinance lending; and, (c) treasury, which covers credit exposures on debt securities under the Group's HTC portfolio and financial assets at FVOCI. The Group also established credit risk assessment procedures for sales contract receivables and other risk assets including accounts receivables.

i. *Corporate Loans*

Loans, regardless if the accounts have been fully paid, extended or renewed in subsequent period, are subjected to evaluation for possible losses. The Group's estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions (or industry performance), expected cash flows, and the passage of time. The assessment of credit risk of a portfolio of assets requires further estimations as to the PDs occurring, of the associated loss ratios, and of default correlations between counterparties; accordingly, such credit risk is measured using PD, LGD, and EAD, for purposes of measuring ECL.

The Group uses its internal credit risk rating system (ICRRS) to determine any evidence of potential deterioration in the quality of an instrument that takes into consideration both quantitative and qualitative criteria. The rating system classifies performing accounts from a scale of AAA indicating an extremely strong capacity of the counterparty to meet financial commitments down to ratings lower than CCC demonstrating weakness in the counterparty's economic and financial condition that could lead to payment default on financial commitments. Past due accounts, accounts identified for phase-out and those that exhibit the characteristics of classified loans shall be risk-rated following the guidelines on credit classification per BSP Manual of Regulations for Banks and under the BSP Circular No. 1011, i.e., Especially Mentioned, Substandard, Doubtful or Loss. These guidelines are used by the Group to assign the individually assessed loan or a group of loans within a particular portfolio segment to a specific stage category under the PFRS 9 loan impairment standards (i.e., Stage 1, 2, 3).

The ICRRS is established by the Group in congruence with and with reference to the credit risk rating methodology used by Standard & Poor's (S&P) in measuring the creditworthiness of an individual borrower, whether the related borrowing is still performing or current in status. The risk ratings determined by the Group for its portfolio of loans and receivables at a given review date is updated to consider the possible shift in the economy or business environment or circumstances affecting the industry and the entity or borrower, in particular. Accordingly, a periodic assessment of credit quality may improve the borrower's rating or it could lead to one or more rating downgrades over time; hence, could lead to the transfer of credit exposure in different stages of impairment. The credit risk ratings in ICRRS are calibrated such that the risk of default increases exponentially at each higher risk rating (e.g., a difference in the PD between a risk rating of A and A- is lower than the difference in the PD between a B and B- risk rating).

In the process of applying the Group's ICRRS in determining the credit quality of loans and receivables, the Group analyzes the credit quality of the borrowers and counterparties through a set of criteria and rating scale classified into the following:

Rating Scale	Rating Description/Criteria
AAA	Extremely strong capacity to meet financial commitments.
AA*	Very strong capacity to meet financial commitments.
A*	Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances.
BBB*	Adequate capacity to meet financial commitments, but more subject to adverse economic conditions.
BB*	Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions.
B*	More vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments.
CCC and below*	Not at risk of loss at the moment and the borrower has the financial capacity to meet its obligations but its exposure to adverse business, financial or economic conditions has weakened it and, unless present trends are reversed, could eventually lead to losses.
Especially Mentioned	Has potential weaknesses that deserve management's close attention and if left uncorrected, these weaknesses may affect the repayment of the loan.
Substandard	Have well-defined weakness(es), 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.
Doubtful	Loans and credit accommodations that exhibit more severe weaknesses than those classified as "Substandard", whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable.
Loss	Loans considered absolutely uncollectible or worthless.

** Ratings from AA to CCC are modified by a plus (+) or minus (-) sign to show relative standing within the rating categories.*

As part of credit risk assessment documentation and reporting, the Group includes financial instruments rated as AAA to B- under the "Pass" classification, while instruments rated CCC+ and below are grouped under the Watchlisted classification. Generally, "Pass" classification includes loans and other credit accommodations that do not have a greater-than-normal credit risk and do not possess the characteristics of classified loans. These are credits that have the apparent ability and willingness to satisfy their obligations in full and therefore, no loss in ultimate collection is anticipated. On the other hand, watchlisted counterparties are characterized by the following:

- those that belong to an unfavorable industry or has company-specific risk factors which represent a concern;
- the operating performance and financial strength may be marginal and it is uncertain if borrower can attract alternative course of finance;
- borrower finds it hard to cope with any significant economic downturn and a default in such a case is more than a possibility; and,
- borrower incurs net losses and has salient financial weaknesses, reflected on their financial statements, specifically in profitability.

Split classification/rating may apply for non-performing secured loans and other credit accommodations, depending on the recoverability and liquidity of the collateral. The secured portion may be classified as "substandard" or "doubtful", as appropriate, while the unsecured portion shall be classified "loss" if there is no other source of payment other than the collateral.

In the case of syndicated loans, the Group shall maintain credit information on the borrower, and grade and make provision for its portion of the syndicated loan in accordance with its policy. The lead financial institution or bank shall provide participating financial institutions with the credit information on the borrower upon request by the participating financial institutions and inform the latter if the loan will be classified so as to achieve uniform classification of the syndicated loan.

(ii) Retail and Other Products

CMG is tasked to measure, control and manage credit risk on the consumer loans business of the Group through the performance of regular monitoring, reporting and recommendation of risk mitigation measures of the actual credit risk portfolio to the CRECOL and ROC, as well as accomplishment of the corresponding review and development of credit policies and guidelines to sustain asset quality.

For consumer loans, risk assessment is performed on an individual borrower through the use of a credit application scorecard for Housing, Auto and Personal Loans while for Corporate Salary Loans, rule-based credit criteria on company accreditation and borrower evaluation has been established. The credit application scorecard makes use of customer, loan and collateral characteristics which have been assigned weights based on their predictive power in determining the propensity of an account to default or maintain a satisfactory credit performance. Credit decisions are based on recommended score cut-offs.

Asset quality of the Group is monitored through a regular portfolio performance review including customer segmentation and loan concentration risk assessment to identify sources of risk and to determine risk mitigation on segments that drive delinquency or manifests triggers for default. Likewise, close monitoring and review of industry performance, economic changes and market conditions that may affect the consumer loans business is also taken into consideration to establish a holistic risk assessment process.

For the credit card portfolio of the Group, credit risk assessment is performed through segmentation process to diversify the portfolio risk into different homogeneous populations or segments. Over-all account distribution is analyzed for three different snapshots with respect to month-on-month DPD to see consistency in the portfolio.

For microfinance and small business loans, regardless if the accounts have been fully paid, extended or renewed in subsequent period, are subjected to evaluation for possible losses. Credit risk assessment is performed based on groups of loan portfolio segmented by product type such as (a) credit accommodations to small-medium size borrowers; and, (b) agricultural and microfinance loans.

The Group classifies the consumer, microfinance and small business loans based on days past due following the categories that are consistent with the manner applied under the Group's internal credit risk assessment and regulatory reporting as follows:

Bucket	Classification	Secured	Unsecured
Current	Unclassified	Unclassified	Unclassified
One to 30 days	Especially Mentioned	Unclassified	Especially Mentioned
31 to 60 days	Especially Mentioned	Especially Mentioned	Especially Mentioned
61 to 90 days	Substandard	Especially Mentioned	Substandard
91 to 180 days	Substandard	Substandard	Substandard
181 to 365 days	Doubtful	Doubtful	Doubtful
More than 365 days	Loss	Loss	Loss

The Group assigns consumer, microfinance and small business loans based on classification into stages of impairment as follows:

Classification	Stage
Unclassified	1
Especially Mentioned	2
Defaulted	3

For purposes of the information disclosed for credit risk exposures, 'defaulted' accounts include those which are classified as Substandard, Doubtful, and Loss.

The groupings of financial instruments into a pool of shared credit quality are subject to the regular review by the Group's CMG in order to ensure that credit exposures within a particular group remain appropriately homogenous.

(iii) Debt Securities at Amortized Cost and at FVOCI

For debt securities, the Group adopts similar credit risk ratings published by reputable external rating agency (e.g., S&P). These ratings are continuously monitored and updated. The PD associated with each rating is determined based on realized default rates over the previous 12 months, as published by the rating agency.

4.4.3 Assessment of SICR

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group assesses the change in the risk of a default occurring over the remaining life of the financial instrument. In making this assessment, the Group assesses on a periodic basis both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information as appropriate. These may include macroeconomic conditions, economic sector and geographical region relevant to the counterparty or borrower and other factors that are counterparty-specific. As the Group holds various arrays of financial instruments, the extent of assessment may depend on the materiality of the financial instrument or the complexity of the portfolio being assessed.

The Group ECL model follows a three-stage impairment approach in determining the loss allowance to be recognized in the financial statements:

(i) Stage 1 – comprises of all credit exposures that are considered 'performing' and with no observed SICR since initial recognition. These include those financial instruments with low credit risk. For these financial instruments, the loss allowance is determined based on a 12-month ECL. PFRS 9 provides a rebuttable presumption that credit risk is considered to have significantly increased since initial recognition if the contractual payment is more than 30 days past due. The rebuttal must be in consideration of a reasonable and supportable information that is available without undue cost or effort.

(ii) Stage 2 – comprises of all financial instruments assessed to have SICR since initial recognition based on the Group's quantitative and qualitative criteria, though not yet deemed to be credit-impaired. Using the Group's ICRRS, Stage 2 includes credit exposures that are considered 'under-performing' in which risk ratings were downgraded by at least three notches and/or downgraded to CCC+ to Especially Mentioned. Stage 2 financial instruments may also include those facilities where the credit risk has improved and have been reclassified from Stage 3 subject to the Group's observation period on the creditworthiness of the counterparty. A lifetime ECL is recognized for these financial instruments.

(iii) Stage 3 – comprises credit exposures which are assessed as 'credit-impaired', thus considered by the Group as 'non-performing', which is assessed consistently with the Group's definition of default. Generally, this includes accounts classified as Substandard, Doubtful and Loss. The Group recognizes a lifetime ECL for all credit-impaired financial assets.

The Group considers low credit risk for listed debt security when its credit risk rating is equivalent to a globally understood definition of 'investment grade' (which should be from at least one major rating agency); other debt securities are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Financial assets that are credit-impaired on initial recognition are classified as purchased or originated credit-impaired assets. ECL is only recognized or released to the extent that there is a subsequent change in the ECLs.

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 backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's internal credit assessment, the borrower or counterparty is determined to have well-defined credit weaknesses. Under the Group's ICRRS, these are exposures rated at least Especially Mentioned. For exposures with no internal credit risk rating performed, if contractual payments are more than a specified days past due threshold, the credit risk is deemed to have increased significantly since initial recognition. Depending on the number of days past due which differ across the various retail products of the Group, a credit exposure may be transferred to Stage 2 or Stage 3. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL. As a general rule, an upgrade or transfer of credit exposure from Stage 3 to Stage 1 is allowed when there is sufficient evidence to support that full collection of principal and interest is probable, consistent with the Group's definition of curing period which is 6 months of satisfactory performance before an account is moved from Stage 3 to Stage 2 and another 6 months from Stage 2 to Stage 1.

For portfolios in respect of which the Group has limited historical data, external benchmark information (e.g., Basel LGD) is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL include exposures to foreign borrowers and low default borrower segments.

4.4.4 Definition of Default and Credit-impaired Assets

i. Loans and Receivables

The Group defines a loan instrument as in default, which is aligned with the definition of credit-impaired, when the borrower is more than 90 days past due on its contractual payments, except for the 30 days past due threshold for retail loans of the Group and one day past due for microfinance loan portfolio of Rizal Microbank. As part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances and factors that may indicate unlikeliness to pay which may include (a) significant financial difficulty of the issuer or borrower; (b) the restructuring of a loan by the Group, for economic or legal reasons relating to the borrower's financial difficulty, on terms that the Group would not consider otherwise; or (c) it becoming probable that the borrower will enter bankruptcy or other financial reorganization. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

An instrument is considered to be no longer in default or have cured when the borrower is able to repay the installments in arrears and the account no longer meets any of the default criteria for a consecutive period of 180 days observation period, within which the borrower shall make consecutive payments.

The definitions of default and observation period have been aligned with the definition used for regulatory capital purposes. Definitions of default and cure period can be rebutted and the rebuttal will be monitored and reviewed by the CMG on annual basis to ensure definitions remains appropriate.

These criteria are consistent with the definition of default used for internal credit risk management purposes that is aligned with the default criteria used for regulatory capital purposes. Such definition is consistently applied in determining PD, LGD, and EAD for each loan portfolio segment and throughout the ECL calculations of the Group.

ii. Investments in Debt Securities

Investments in debt securities is assessed as credit-impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of an event that occurred after the initial recognition of the security (a "loss event") and that loss event has impact on the estimated future cash flows of the securities. Losses expected as a result of future events, shall also be considered in estimating the ECL.

Objective evidence that the security is impaired includes observable data that comes to the attention of the holder of the security about the following loss events:

- significant financial difficulty of the issuer or obligor;
- breach of contract, such as a default or delinquency in interest or principal payments;
- the financial institution, for economic or legal reasons relating to the issuer's financial difficulty, granting to the issuer a concession that the financial institution would not otherwise consider;
- it becoming probable that the issuer will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that security because of financial difficulties; or,
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of securities since the initial recognition of those assets, although the decrease cannot yet be identified with the individual securities in the portfolio, including adverse change in the payment status of issuers in the portfolio; or national or local economic conditions that correlate with defaults on the securities in the portfolio.

The disappearance of an active market because a financial institution's held securities are no longer publicly traded is not evidence of impairment. A downgrade of an issuer's credit rating is not, by itself, evidence of impairment, although it may be evidence of impairment when considered with other available information. A decline in the fair value of a security below its cost or amortized cost is not necessarily evidence of impairment (for example, a decline in fair value of an investment in debt security that results from an increase in the risk-free interest rate).

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors:

- the market's assessment of creditworthiness as reflected in the bond yields;
- the rating agencies' assessment of credit-worthiness;
- the country's ability to access the capital markets for new debt issuance;
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; or,
- the internal support mechanism in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfill the required criteria.

4.4.5 ECL Measurement Inputs

Integral in the Group's established policies in measuring and calculating ECL on financial instrument is the use of appropriate model for each segment of financial asset that applies relevant inputs and assumptions, including forward-looking information as appropriate.

(a) Key Inputs and Assumptions in the ECL Model

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment.

(i) PD represents an estimate of likelihood of a borrower defaulting on its financial obligation over a given time horizon, either over the next 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation. PD is calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures which considers both quantitative and qualitative factors. In determining PD, the Group performed segmentation of its credit exposures based on homogenous characteristics [including corporate loan and retail loan (including credit-card and microfinance)] and developed a systematic PD methodology for each portfolio. Generally, if a counterparty or exposure migrates between rating classes, this will lead to a change in the estimate of the associated PD.

(ii) LGD pertains to estimate of loss related to the amount that may not be recovered after the borrower defaults. The Group estimates LGD parameters based on historical recovery rates of claims against defaulted counterparties, which takes into consideration the realization of any collateral that is integral to the financial asset. For secured credit exposure, the determination of LGD is dependent on the Group's collateral data which are available at the origination of the instrument which takes into account the amount and timing of the cash inflows (actual recovery) and outflows (actual expenses) and on the time value of money. Recoveries are calculated on a discounted cash flows basis using the effective interest rate as the discounting factor.

(iii) EAD represents the gross carrying amount of the exposure in the event of default which include the amortized cost amount of an instrument and any accrued interest receivable. For lending commitments, the EAD includes the amount of drawn and undrawn irrevocable loan commitments under the contract, which are estimated based on historical observations and forward-looking forecast. For some financial assets (e.g., credit card lending), EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical technique which considers the ability of borrowers to increase its exposure from the time of ECL calculation to the time of default (i.e., credit conversion factor).

These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not been prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to and summed at the end of the reporting period. The discount rate used in the ECL calculation is the original effective interest rate or the relevant fund transfer pricing rate, whichever is more applicable.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the life of the instrument. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. Such profile is supported by a historical analysis (i.e., an observation period of five years) which uses, among others the number of rated accounts and ratings of bad accounts at the time of default. Bad accounts are defaulted accounts classified into three classes such as the non-performing loans, accounts classified as Substandard, Doubtful or Loss, and real past due accounts.

For consumer loans, the PD models are used to compute a through-the-cycle (TTC) PD, which are PDs neutral to changes in conditions over the economic cycle covering the lifetime of the exposure. These TTC PDs are adjusted using a single factor Vasicek model to reflect the impact of macroeconomic factors to arrive at forward-looking Point-In-Time (PIT) PDs to consider the probability of default in current economic conditions in accordance with PFRS 9.

In a risk rating model applied by the Group for corporate loans, a better rating or score denotes less probability of default than those of a worse rating. Identifying the counterparty default is done through a computation of the portfolio's observed default rate (ODR). In cases when ODR method and the data to be used is limited, the Group may also employ the implied probability of default frequency (IPD) and the application of overlay factors in the PD.

Using the historical defaults under the Group's ICRRS based on S&P scale, ODR is calculated for each rating bucket as the ratio of the total number of defaults in next 12 months divided by the total count of accounts. On the other hand, unrated accounts are distributed to existing S&P rating classes using normal distribution assumption.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

For loans with periodic amortization and one-time full payment at end of the term, EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation.

For revolving products (such as credit cards and credit line facilities), EAD is determined by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilization band, based on analysis of the Group's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default, and may vary by product type. For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market or book values due to forced sales, time to repossession and recovery costs observed. For unsecured products, LGD is typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. The LGD is influenced by collection strategies.

For cash and cash equivalents and debt securities, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECL on such instruments on a 12-month basis. However, when there has been a SICR since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from S&P to determine whether the debt instrument has significantly increased in credit risk and to estimate ECL.

The assumptions underlying the ECL calculation are monitored and reviewed on an annual basis. With the changes in the current economic condition and granular behavior analysis of customers, the management has enhanced its existing ECL model in 2022 to reflect the continuing impact of the COVID-19 pandemic and the Group's and Parent Company's financial support program to its customers on a reasonable and supportable basis. In 2023, the Bank conducted an independent model validation which encompasses comprehensive model testing to assess model robustness. A refresh is applied to update the ECL model to ensure it remains relevant and effective in estimating credit losses.

The determination of the 12-month and lifetime PD, LGD, and EAD includes the overlay of forward-looking economic information discussed below.

(b) Overlay of Forward-looking Information

The Group incorporates forward-looking information (FLI) in its calculation of ECL. The Group has performed historical analysis and has identified the key MEVs impacting credit risk associated with its borrowers and/or counterparties and the ECL for relevant portfolio of debt instruments.

The MEVs and their associated impact on the PD, LGD and EAD vary by financial instrument. For corporate loans, a multivariate analysis in the context of Vector Autoregressive (VAR) model is used to assess the effect of macroeconomic factors as historical and deterministic regressors to the portfolios PD. To determine the MEV, all possible combinations of the time series and considered lags with NPL ratio were considered and evaluated based on the soundness of economic theory, goodness of fit, and in accordance with the assumptions of VAR. For consumer loans, to project the MEVs for the full remaining life of each financial instrument, a mean reversion approach has been used for consumer loans, which means that MEVs tend to converge to either A long run average rate (e.g., for unemployment) or a long run average growth rate [e.g., Gross Domestic Product (GDP)] over a period of two to five years.

The impact of these economic variables on the PD, LGD and EAD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

The MEVs considered by the Group include economic data and forecasts published by government bodies (e.g., BSP and Philippine Statistics Authority), international organizations (e.g., International Monetary Fund), and certain reputable private and academic organizations involved in forecasting. Accordingly, the Group has identified key drivers for credit risk for its corporate loans portfolio, which include among others, GDP growth rate, inflation rate, unemployment rate, interest rate (i.e., based on 91-day T-bill Yield), household consumption expenditure growth, OFW remittances, and foreign currency exchange rates. On the other hand, the key drivers for the Group's retail and consumer loans portfolio include unemployment rate, GDP growth rate, consumer price index (CPI), foreign currency exchange rates, inflation rate, and bank lending rates. Using an analysis of historical data, the Group has estimated relationships between MEVs and credit risk and credit losses.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore, the actual outcomes may be significantly different to those projections. The Group considers these forecasts to represent its best estimate of the possible outcomes.

Management has also considered other FLI not incorporated within the above economic scenarios, such as any regulatory, legislative, or political changes, but are not deemed to have a significant impact on the calculation of ECL. Management reviews and monitors the appropriateness of FLIs on a regular basis and additional factors may be incorporated from time to time as deemed appropriate.

4.4.6 Impact of COVID-19 on Measurement of ECL

In response to the post-pandemic landscape and the economic effects on the Group, there has been a reassessment and adjustment of the key conditions and assumptions used in calculating ECL. The Group has reviewed economic scenarios and forward-looking macroeconomic assumptions that underpin the ECL calculation. Given the economic recovery in the Philippines post-pandemic, the impact of COVID-19 on the historical data of the Bank has been excluded, as default rates during the pandemic were unusually high.

Prior 2023, the Group utilized its revised business-as-usual (BAU) ECL methodology, incorporating the impacts of COVID-19 on historical trends, correlations, and forward-looking economic scenarios of the Bank under its new normal assessments, eliminating the necessity for separate post-model adjustments. Notwithstanding that the measurement inputs and assumptions, including forward-looking macroeconomic assumptions were recalibrated in response to the COVID-19 situation, the fundamental ECL mechanics and methodology underpinning the Group's measurement of ECL have remained consistent with the prior periods.

In assessing the impact of the COVID-19 pandemic on the Group's customers, the loan portfolio was re-segmented based on perceived and expected COVID-19 impacts on customers' businesses and industries, considering additional qualitative characteristics that would classify COVID-19 changes as SICR, such as distinguishing temporary liquidity needs from permanently impacted SICR.

Supporting the re-segmentation is the COVID-19 Assistance and Recovery Enhancement (CARE) Program, primarily designed to: (1) provide financial assistance to customers through extended repayment plans due to cash flow constraints and (2) promptly reintroduce customers to regular payment habits based on manageable amounts. Additionally, in compliance with regulatory guidance, the Group implemented mandatory payment holidays for all eligible loans (refer to Note 4.4.12). As of December 31, 2023, the Bank is no longer offering the CARE program, but it continues to offer regular restructuring programs to its customers.

With the expected full recovery of the Philippines from the impact of COVID-19 and the improving portfolio performance, the Group tailored its newly validated ECL model to exclude abnormally high default rates recorded during the pandemic period from their historical data set of 3 to 5 years used for ECL computation.

To identify the exclusion periods related to COVID-19, the Group employed a 12-month performance window in which any accounts that defaulted anytime in the subsequent 12 months were considered for the computation of historical default rates. Months with significantly high default rates were excluded from the dataset. This ensures that the average default rate computed by the Bank reflects the changes in the country's macroeconomic variables and their impact on customer payment behavior.

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

4.4.7 Credit Risk Exposures

An analysis of the maximum credit risk exposure relating to receivables from customers is shown below:

	Group			
	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure	Financial Effect of Collaterals
2023				
Loans and discounts:				
Corporate	P 414,311	P 356,230	P 58,081	P 356,230
Consumer*	128,867	145,505	2,777	126,090
Credit card receivables	74,667	-	74,667	-
Leasing and finance	2,801	3,900	-	2,801
Microfinance and small business	1,276	5,978	-	1,276
Other receivables	45,402	5,504	39,898	5,504
	P 667,324	**P 517,117**	**P 175,423**	**P 491,901**
2022				
Loans and discounts:				
Corporate	P 380,722	P 334,727	P 45,995	P 334,727
Consumer*	107,776	145,007	1,434	106,342
Credit card receivables	50,380	-	50,380	-
Leasing and finance	3,233	12,248	-	3,233
Microfinance and small business	1,235	3,178	-	1,235
Other receivables	31,553	1,919	29,634	1,919
	P 574,899	P 497,079	P 127,443	P 447,456

**The net exposure balance pertains to the unsecured personal and salary loans*

	Parent Company			
	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure	Financial Effect of Collaterals
2023				
Loans and discounts:				
Corporate	P 411,706	P 351,499	P 60,207	P 351,499
Consumer*	128,867	145,505	2,777	126,090
Credit card receivables	74,667	-	74,667	-
Other receivables	44,462	5,504	38,958	5,504
	P 659,702	**P 502,508**	**P 176,609**	**P 483,093**
2022				
Loans and discounts:				
Corporate	P 377,420	P 334,727	P 42,693	P 334,727
Consumer*	107,776	145,005	1,434	106,342
Credit card receivables	50,380	-	50,380	-
Other receivables	30,726	1,799	28,927	1,799
	P 566,302	P 481,531	P 123,434	P 442,868

**The net exposure balance pertains to the unsecured personal and salary loans*

The table below sets out the gross carrying amounts of the exposures to credit risk on financial assets with low credit risk measured at amortized cost and debt securities at FVOCI as of December 31.

	Group				Parent Company			
	2023		2022		**2023**		2022	
Cash and cash equivalents	**P**	**250,108**	P	208,323	**P**	**247,941**	P	206,320
Debt securities:								
At amortized cost		**236,688**		252,545		**235,803**		251,399
At FVOCI		**78,533**		111,314		**78,417**		111,205
	P	**565,329**	P	572,182	**P**	**562,161**	P	568,924

Cash and cash equivalents include loans and advances to banks [i.e., Due from BSP, Due from Other Banks, Loans Arising from Repurchase Agreements, and Interbank Loans Receivables (see Note 9)]. Debt securities includes government and corporate bonds and bills. These are held with central bank, financial institutions and other counterparties that are reputable and with low credit risk; corresponding allowance for ECL is shown in the succeeding pages.

The information about the credit exposures on the above financial assets as well as on loan commitments by stages of impairment as of December 31, 2023 and 2022, shown at their gross carrying amounts with the corresponding allowance for ECL are shown in the succeeding pages. All instruments, which were not assessed by the Group for ECL based on individual credit risk rating were evaluated on a collective basis, applying applicable PD and LGD based on the segment of instrument.

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

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

a) *Loans and receivables*

	Group				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired*	Total
2023					
Corporate Loans					
Pass					
AAA to BBB	P 16,339	P 1	P -	P -	P 16,340
BBB- to B-	351,474	32	4	-	351,510
Watchlisted	20,104	836	4	-	20,944
Especially mentioned	-	4,565	4,395	-	8,960
Substandard	-	-	9,032	-	9,032
Defaulted	-	-	518	20	538
Unrated	6,955	1	31	-	6,987
	394,872	5,435	13,984	20	414,311
Allowance for ECL	(923)	(222)	(7,891)	(16)	(9,052)
Carrying Amount	**393,949**	**5,213**	**6,093**	**4**	**405,259**
Consumer loans					
Current	111,978	-	-	-	111,978
1-30 dpd	6,216	-	-	-	6,216
31-90 dpd	-	3,686	-	-	3,686
Defaulted	-	-	6,987	-	6,987
	118,194	3,686	6,987	-	128,867
Allowance for ECL	(558)	(280)	(1,187)	-	(2,025)
Carrying amount	**117,636**	**3,406**	**5,800**	**-**	**126,842**
Credit cards					
Current	69,735	30	-	-	69,765
1-29 dpd	1,129	13	-	-	1,142
30-59 dpd	-	660	-	-	660
60-89 dpd	-	544	-	-	544
Defaulted	-	-	2,556	-	2,556
	70,864	1,247	2,556	-	74,667
Allowance for ECL	(886)	(747)	(2,018)	-	(3,651)
Carrying amount	**69,978**	**500**	**538**	**-**	**71,016**
Leasing and finance receivables**					
AAA+ to B+	512	-	-	-	512
B-	136	-	-	-	136
CCC below	-	1,216	937	-	2,153
	648	1,216	937	-	2,801
Allowance for ECL	(85)	(235)	(716)	-	(1,036)
Carrying amount	**563**	**981**	**221**	**-**	**1,765**
Micro and small business loans***					
Unclassified	994	-	-	-	994
Especially Mentioned	-	79	-	-	79
Defaulted	-	-	203	-	203
	994	79	203	-	1,276
Allowance for ECL	(1)	(1)	(66)	-	(68)
Carrying amount	**993**	**78**	**137**	**-**	**1,208**
Balance forwarded	**P 583,119**	**P 10,178**	**P 12,789**	**P 4**	**P 606,090**

	Group				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased credit-impaired***	**Total**
Balance carried forward	**P 583,119**	**P 10,178**	**P 12,789**	**P 4**	**P 606,090**
Other receivables					
Current	43,050	-	1	-	43,051
Past due	-	344	2,007	-	2,351
	43,050	344	2,008	-	45,402
Allowance for ECL	(188)	(29)	(1,346)	-	(1,563)
Carrying amount	**42,862**	**315**	**662**	**-**	**43,839**
Total gross amount	628,622	12,007	26,675	20	667,324
Allowance for ECL	(2,641)	(1,514)	(13,224)	(16)	(17,395)
Carrying amount	**P 625,981**	**P 10,493**	**P 13,451**	**P 4**	**P 649,929**

**Purchased credit-impaired financial assets pertain to the non-performing loans of RCBC JPL*
***Leasing and finance receivables are from RCBC LFC*
****Micro and small business loans are from Rizal Microbank*

	Group				
2022	Stage 1	Stage 2	Stage 3	Purchased credit-impaired*	Total
Corporate Loans					
Pass					
AAA to BBB	P 14,666	P -	P 2	P -	P 14,668
BBB- to B-	323,944	1	3	-	323,948
Watchlisted	15,794	205	125	-	16,124
Especially mentioned	3,845	3,620	400	-	7,865
Substandard	-	-	8,533	-	8,533
Defaulted	-	-	348	20	368
Unrated	9,164	11	41	-	9,216
	367,413	3,837	9,452	20	380,722
Allowance for ECL	(1,607)	(1,200)	(5,818)	(18)	(8,643)
Carrying Amount	365,806	2,637	3,634	2	372,079
Consumer loans					
Current	89,533	1,730	-	-	91,263
1-30 dpd	-	4,465	-	-	4,465
31-90 dpd	-	3,166	-	-	3,166
Defaulted	-	-	8,882	-	8,882
	89,533	9,361	8,882	-	107,776
Allowance for ECL	(210)	(222)	(2,024)	-	(2,456)
Carrying amount	89,323	9,139	6,858	-	105,320
Credit cards					
Current	46,988	30	-	-	47,018
1-29 dpd	725	10	-	-	735
30-59 dpd	-	386	-	-	386
60-89 dpd	-	326	-	-	326
Defaulted	-	-	1,915	-	1,915
	47,713	752	1,915	-	50,380
Allowance for ECL	(718)	(310)	(1,662)	-	(2,690)
Carrying amount	46,995	442	253	-	47,690
Balance forwarded	P 502,124	P 12,218	P 10,745	P 2	P 525,089

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

	Group				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired*	Total
Balance carried forward	P 502,124	P 12,218	P 10,745	P 2	P 525,089
*Leasing and finance receivables***					
AAA+ to B+	742	-	-	-	742
B-	399	-	-	-	399
CCC below	-	1,286	806	-	2,092
	1,141	1,286	806	-	3,233
Allowance for ECL	(26)	(100)	(624)	-	(750)
Carrying amount	1,115	1,186	182	-	2,483
*Micro and small business loans****					
Unclassified	982	-	-	-	982
Especially Mentioned	-	67	-	-	67
Defaulted	-	-	186	-	186
	982	67	186	-	1,235
Allowance for ECL	(1)	(2)	(65)	-	(68)
Carrying amount	981	65	121	-	1,167
Other receivables					
Current	29,187	-	-	-	29,187
Past due	-	494	1,872	-	2,366
	29,187	494	1,872	-	31,553
Allowance for ECL	(128)	(57)	(1,238)	-	(1,423)
Carrying amount	29,059	437	634	-	30,130
Total gross amount	535,969	15,797	23,113	20	574,899
Allowance for ECL	(2,690)	(1,891)	(11,431)	(18)	(16,030)
Carrying amount	P 533,279	P 13,906	P 11,682	P 2	P 558,869

**Purchased credit-impaired financial assets pertain to the non-performing loans of RCBC JPL*
***Leasing and finance receivables are from RCBC LFC*
****Micro and small business loans are from Rizal Microbank*

	Parent Company				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased credit-impaired**	**Total**
2023					
Corporate Loans					
Pass					
AAA to BBB	P 15,793	P 1	P -	P -	P 15,794
BBB- to B-	351,474	32	4	-	351,510
Watchlisted	19,761	295	4	-	20,060
Especially mentioned	-	4,294	4,395	-	8,689
Substandard	-	-	8,326	-	8,326
Defaulted	-	-	340	-	340
Unrated	6,955	1	31	-	6,987
	393,983	4,623	13,100	-	411,706
Allowance for ECL	(923)	(222)	(7,890)	-	(9,035)
Carrying amount *(Balance forwarded)*	**P 393,060**	**P 4,401**	**P 5,210**	**P -**	**P 402,671**

	Parent Company				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Balance carried forward	P 393,060	P 4,401	P 5,210	P -	P 402,671
Consumer loans					
Current	111,978	-	-	-	111,978
1-30 dpd	6,216	-	-	-	6,216
31-90 dpd	-	3,686	-	-	3,686
Defaulted	-	-	6,987	-	6,987
	118,194	3,686	6,987	-	128,867
Allowance for ECL	(558)	(280)	(1,187)	-	(2,025)
Carrying amount	**117,636**	**3,406**	**5,800**	**-**	**126,842**
Credit cards					
Current	69,735	30	-	-	69,765
1-29 dpd	1,129	13	-	-	1,142
30-59 dpd	-	660	-	-	660
60-89 dpd	-	544	-	-	544
Defaulted	-	-	2,556	-	2,556
	70,864	1,247	2,556	-	74,667
Allowance for ECL	(886)	(747)	(2,018)	-	(3,651)
Carrying amount	**69,978**	**500**	**538**	**-**	**71,016**
Other receivables					
Current	42,401	-	-	-	42,401
Past due	-	344	1,717	-	2,061
	42,401	344	1,717	-	44,462
Allowance for ECL	(187)	(29)	(1,094)	-	(1,310)
Carrying amount	**42,214**	**315**	**623**	**-**	**43,152**
Total gross amount	625,442	9,900	24,360	-	659,702
Allowance for ECL	(2,554)	(1,278)	(12,189)	-	(16,021)
Carrying amount	**P 622,888**	**P 8,622**	**P 12,171**	**P -**	**P 643,681**
2022					
Corporate Loans					
Pass					
AAA to BBB	P 14,666	P -	P 2	P -	P 14,668
BBB- to B-	323,944	1	3	-	323,948
Watchlisted	15,794	205	125	-	16,124
Especially mentioned	3,845	3,620	400	-	7,865
Substandard	-	-	8,533	-	8,533
Defaulted	-	-	348	-	348
Unrated	5,882	11	41	-	5,934
	364,131	3,837	9,452	-	377,420
Allowance for ECL	(1,607)	(1,200)	(5,818)	-	(8,625)
Carrying amount	362,524	2,637	3,634	-	368,795
Consumer loans					
Current	89,533	1,730	-	-	91,263
1-30 dpd	-	4,465	-	-	4,465
31-90 dpd	-	3,166	-	-	3,166
Defaulted	-	-	8,882	-	8,882
	89,533	9,361	8,882	-	107,776
Allowance for ECL	(210)	(222)	(2,024)	-	(2,456)
Carrying amount	89,323	9,139	6,858	-	105,320
Balance forwarded	P 451,847	P 11,776	P 10,492	P -	P 474,115

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	Parent Company				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Balance carried forward	P 451,847	P 11,776	P 10,492	P -	P 474,115
Credit cards					
Current	46,988	30	-	-	47,018
1-29 dpd	725	10	-	-	735
30-59 dpd	-	386	-	-	386
60-89 dpd	-	326	-	-	326
Defaulted	-	-	1,915	-	1,915
	47,713	752	1,915	-	50,380
Allowance for ECL	(718)	(310)	(1,662)	-	(2,690)
Carrying amount	46,995	442	253	-	47,690
Other receivables					
Current	28,589	-	-	-	28,589
Past due	-	461	1,676	-	2,137
	28,589	461	1,676	-	30,726
Allowance for ECL	(76)	(52)	(1,189)	-	(1,317)
Carrying amount	28,513	409	487	-	29,409
Total gross amount	529,966	14,411	21,925	-	566,302
Allowance for ECL	(2,611)	(1,784)	(10,693)	-	(15,088)
Carrying amount	P 527,355	P 12,627	P 11,232	P -	P 551,214

b) *Investments in debt securities at amortized cost and at FVOCI*

	Group		Parent Company	
	HTC	**FVOCI**	**HTC**	**FVOCI**
2023				
Government securities				
AAA to A+	P 16,991	P 808	P 16,991	P 808
BBB+ to BBB-	194,460	65,154	193,575	65,154
	211,451	65,962	210,566	65,962
Corporate debt securities				
AAA	-	515	-	515
AA+ to A+	-	-	-	-
A to A-	1,243	-	1,243	-
BBB+ to BBB-	13,008	9,089	13,008	9,089
BB+ to BB-	10,823	2,967	10,823	2,851
B+ and below	163	-	163	-
	25,237	12,571	25,237	12,455
Allowance for ECL	(161)	(13)	(71)	(13)
	25,076	12,558	25,166	12,442
	P 236,527	**P 78,520**	**P 235,732**	**P 78,404**

	Group		Parent Company	
	HTC	FVOCI	HTC	FVOCI
2022				
Government securities				
AAA to A+	P 28,000	P 31,495	P 28,000	P 31,495
BBB+ to BBB-	190,163	21,997	189,017	21,997
	218,163	53,492	217,017	53,492
Corporate debt securities				
AAA	8,685	32,552	8,685	32,552
AA+ to A+	276	241	276	241
A to A-	695	-	695	-
BBB+ to BBB-	13,584	18,777	13,584	18,777
BB+ to BB-	10,979	6,252	10,979	6,143
B+ and below	163	-	163	-
	34,382	57,822	34,382	57,713
Allowance for ECL	(163)	(13)	(71)	(13)
	34,219	57,809	34,311	57,700
	P 252,382	P 111,301	P 251,328	P 111,192

Credit exposures for debt securities not held for trading are all classified as Stage 1.

c) *Loan Commitments*

The credit quality of the Group and Parent Company's irrevocable loan commitments with amounts determined after considering credit conversion factor, as of December 31 follows:

	Group and Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2023				
Corporate loans				
Pass				
AAA to BBB	P 474	P -	P -	P 474
BBB- to B-	7,150	-	-	7,150
Watchlisted	59	-	-	59
Especially mentioned	-	3	-	3
Unrated	599	-	-	599
	8,282	3	-	8,285
ECL provisions	(11)	-	-	(11)
	8,271	3	-	8,274
Credit cards				
Current	23,718	-	-	23,718
ECL provisions	(293)	-	-	(293)
	23,425	-	-	23,425
	P 31,696	**P 3**	**P -**	**P 31,699**

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	Group and Parent Company			
	Stage 1	Stage 2	Stage 3	Total
2022				
Corporate loans				
Pass				
AAA to BBB	P 132	P -	P -	P 132
BBB- to B-	8,297	-	-	8,297
Watchlisted	13	-	-	13
Unrated	488	-	-	488
	8,930	-	-	8,930
ECL provisions	(29)	-	-	(29)
	8,901	-	-	8,901
Credit cards				
Current	15,568	-	-	15,568
ECL provisions	(185)	-	-	(185)
	15,383	-	-	15,383
	P 24,284	P -	P -	P 24,284

4.4.8 Maximum Exposure to Credit Risk of Financial Instruments not Subject to Impairment

The following table contains analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e., FVTPL).

	Group		Parent Company	
	2023	2022	**2023**	2022
Government securities	**P 9,647**	P 3,883	**P 9,615**	P 3,834
Corporate debt securities	**28**	38	**19**	38
Derivative financial assets	**1,320**	2,267	**1,320**	2,267
	P 10,995	P 6,188	**P 10,954**	P 6,139

4.4.9 Allowance for ECL

The following tables show the reconciliation of the loss allowance for ECL by class of significant financial instruments.

a) Loans and receivables

	Group				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
2023					
Corporate Loans					
Balance at beginning of year	P 1,607	P 1,200	P 5,818	P 18	P 8,643
Transfers:					
Stage 1 to Stage 2	(127)	127	-	-	-
Stage 1 to Stage 3	(40)	-	40	-	-
Stage 2 to Stage 1	81	(81)	-	-	-
Stage 2 to Stage 3	-	(1,089)	1,089	-	-
Stage 3 to Stage 1	52	-	(52)	-	-
Stage 3 to Stage 2	-	147	(147)	-	-
Assets derecognized or repaid	(1,254)	(126)	(270)	(2)	(1,652)
New assets originated:					
Remained in Stage 1	604	-	-	-	604
Moved to Stages 2 and 3	-	44	1,700	-	1,744
Write-offs	-	-	(287)	-	(287)
	(684)	(978)	2,073	(2)	409
Balance at end of year	**923**	**222**	**7,891**	**16**	**9,052**
Consumer loans					
Balance at beginning of year	210	222	2,024	-	2,456
Transfers:					
Stage 1 to Stage 2	(31)	31	-	-	-
Stage 1 to Stage 3	(13)	-	13	-	-
Stage 2 to Stage 1	73	(73)	-	-	-
Stage 2 to Stage 3	-	(33)	33	-	-
Stage 3 to Stage 1	31	-	(31)	-	-
Stage 3 to Stage 2	-	11	(11)	-	-
Assets derecognized or repaid	(54)	(160)	(990)	-	(1,204)
New assets originated:					
Remained in Stage 1	342	-	-	-	342
Moved to Stages 2 and 3	-	282	885	-	1,167
Write-offs	-	-	(736)	-	(736)
	348	58	(837)	-	(431)
Balance at end of year	**558**	**280**	**1,187**	**-**	**2,025**
Balance forwarded	**P 1,481**	**P 502**	**P 9,078**	**P 16**	**P 11,077**

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	Group				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Balance carried forward	P 1,481	P 502	P 9,078	P 16	P 11,077
Credit cards					
Balance at beginning of year	718	310	1,662	-	2,690
Transfers:					
Stage 1 to Stage 2	(34)	34	-	-	-
Stage 1 to Stage 3	(68)	-	68	-	-
Stage 2 to Stage 3	-	(75)	75	-	-
Stage 3 to Stage 2	-	40	(40)	-	-
Stage 2 to Stage 1	60	(60)	-	-	-
Stage 3 to Stage 1	53	-	(53)	-	-
Assets derecognized or repaid	(1,401)	(316)	(398)	-	(2,115)
New assets originated:					
Remained in Stage 1	1,558	-	-	-	1,558
Moved to Stages 2 and 3	-	814	3,779	-	4,593
Write-offs	-	-	(3,075)	-	(3,075)
	168	437	356	-	961
Balance at end of year	886	747	2,018	-	3,651
Leasing and finance receivables*					
Balance at beginning of year	26	100	624	-	750
Transfers:					
Stage 1 to Stage 2	(34)	34	-	-	-
Stage 2 to Stage 1	1	(1)	-	-	-
Stage 3 to Stage 1	5		(5)	-	-
Assets derecognized or repaid	(6)	(32)	(73)	-	(111)
New assets originated:					
Remained in Stage 1	93	-	-	-	93
Moved to Stages 2 and 3	-	134	242	-	376
Write-offs	-	-	(72)	-	(72)
	59	135	92	-	286
Balance at end of year	85	235	716	-	1,036
Micro and small business loans*					
Balance at beginning of year	1	2	65	-	68
Transfers:					
Stage 1 to Stage 2	(1)	1	-	-	-
Stage 1 to Stage 3	(1)	-	1	-	-
Stage 2 to 1	2	(2)	-	-	-
Stage 2 to 3	-	(1)	1	-	-
Assets derecognized or repaid	-	-	(9)	-	(9)
New assets originated:					
Remained in Stage 1	-	-	-	-	-
Moved to Stages 2 and 3	-	1	17	-	18
Write-offs	-	-	(9)	-	(9)
	-	(1)	1	-	-
Balance at end of year	1	1	66	-	68
Balance forwarded	P 2,453	P 1,485	P 11,878	P 16	P 15,832

	Group				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased credit-impaired**	**Total**
Balance carried forward	**P 2,453**	**P 1,485**	**P 11,878**	**P 16**	**P 15,832**
Other receivables					
Balance at beginning of year	128	57	1,238	-	1,423
Transfers:					
Stage 1 to Stage 2	(7)	7	-	-	-
Stage 2 to Stage 1	2	(2)	-	-	-
Stage 2 to Stage 3	-	(19)	19	-	-
Assets derecognized or repaid	(3)	(32)	(293)	-	(328)
New assets originated:					
Remained in Stage 1	68	-	-	-	68
Moved to Stages 2 and 3	-	18	382	-	400
	60	(28)	108	-	140
Balance at end of year	**188**	**29**	**1,346**	**-**	**1,563**
	P 2,641	**P 1,514**	**P 13,224**	**P 16**	**P 17,395**
2022					
Corporate Loans					
Balance at beginning of year	P 2,064	P 29	P 5,218	P 40	P 7,351
Transfers:					
Stage 1 to Stage 2	(120)	120	-	-	-
Stage 1 to Stage 3	(17)	-	17	-	-
Stage 2 to Stage 1	17	(17)	-	-	-
Stage 2 to Stage 3	-	(10)	10	-	-
Stage 3 to Stage 1	8	-	(8)	-	-
Stage 3 to Stage 2	-	7	(7)	-	-
Assets derecognized or repaid	(1,055)	(108)	(314)	(22)	(1,499)
New assets originated:					
Remained in Stage 1	710	-	-	-	710
Moved to Stages 2 and 3	-	1,179	902	-	2,081
	(457)	1,171	600	(22)	1,292
Balance at end of year	1,607	1,200	5,818	18	8,643
Consumer loans					
Balance at beginning of year	363	357	3,772	-	4,492
Transfers:					
Stage 1 to Stage 2	(46)	46	-	-	-
Stage 1 to Stage 3	(272)	-	272	-	-
Stage 2 to Stage 1	228	(228)	-	-	-
Stage 2 to Stage 3	-	(187)	187	-	-
Stage 3 to Stage 2	-	183	(183)	-	-
Assets derecognized or repaid	(387)	(31)	(781)	-	(1,199)
New assets originated:					
Remained in Stage 1	324	-	-	-	324
Moved to Stages 2 and 3	-	82	455	-	537
Write-offs	-	-	(1,698)	-	(1,698)
	(153)	(135)	(1,748)	-	(2,036)
Balance at end of year	210	222	2,024	-	2,456
Balance forwarded	P 1,817	P 1,422	P 7,842	P 18	P 11,099

Notes to Financial Statements

December 31, 2023 and 2022 and 2021

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

	Group				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Balance carried forward	P 1,817	P 1,422	P 7,842	P 18	P 11,099
Credit cards					
Balance at beginning of year	572	325	2,150	-	3,047
Transfers:					
Stage 1 to Stage 2	(22)	22	-	-	-
Stage 1 to Stage 3	(106)	-	106	-	-
Stage 2 to Stage 3	-	(271)	271	-	-
Stage 3 to Stage 2	-	43	(43)	-	-
Stage 2 to Stage 1	41	(41)	-	-	-
Stage 3 to Stage 1	51	-	(51)	-	-
Assets derecognized or repaid	(846)	(139)	(288)	-	(1,273)
New assets originated:					
Remained in Stage 1	1,028	-	-	-	1,028
Moved to Stages 2 and 3	-	371	2,993	-	3,364
Write-offs	-	-	(3,476)	-	(3,476)
	146	(15)	(488)	-	(357)
Balance at end of year	718	310	1,662	-	2,690
*Leasing and finance receivables**					
Balance at beginning of year	31	35	654	-	720
Transfers:					
Stage 1 to Stage 2	(177)	177	-	-	-
Stage 1 to Stage 3	(140)	-	140	-	-
Stage 2 to Stage 3	-	(176)	176	-	-
Assets derecognized or repaid	(18)	(31)	(414)	-	(463)
New assets originated:					
Remained in Stage 1	330	-	-	-	330
Moved to Stages 2 and 3	-	95	68	-	163
	(5)	65	(30)	-	30
Balance at end of year	26	100	624	-	750
*Micro and small business loans***					
Balance at beginning of year	49	16	66	-	131
Transfers:					
Stage 1 to Stage 2	(1)	1	-	-	-
Stage 2 to Stage 3	-	(11)	11	-	-
Assets derecognized or repaid	(19)	(5)	(6)	-	(30)
New assets originated:					
Remained in Stage 1	6	-	-	-	6
Moved to Stages 2 and 3	-	1	5	-	6
Write-offs	(34)	-	(11)	-	(45)
	(48)	(14)	(1)	-	(63)
Balance at end of year	1	2	65	-	68
Balance forwarded	P 2,562	P 1,834	P 10,193	P 18	P 14,607

	Group				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Balance carried forward	P 2,562	P 1,834	P 10,193	P 18	P 14,607
Other receivables					
Balance at beginning of year	140	16	2,367	-	2,523
Transfers:					
Stage 1 to Stage 2	(35)	35	-	-	-
Stage 2 to Stage 3	-	(31)	31	-	-
Stage 3 to Stage 1	17	-	(17)	-	-
Assets derecognized or repaid	(152)	(- 126)	(386)	-	(664)
New assets originated:					
Remained in Stage 1	158	-	-	-	158
Moved to Stages 2 and 3	-	163	336	-	499
Write-offs	-	-	(1,093)	-	(1,093)
	(12)	41	(1,129)	-	(1,100)
Balance at end of year	128	57	1,238	-	1,423
	P 2,690	P 1,891	P 11,431	P 18	P 16,030

	Parent Company				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased credit-impaired**	**Total**
<u>2023</u>					
Corporate Loans					
Balance at beginning of year	P 1,607	P 1,200	P 5,818	P -	P 8,625
Transfers:					
Stage 1 to Stage 2	(127)	127	-	-	-
Stage 1 to Stage 3	(40)	-	40	-	-
Stage 2 to Stage 1	80	(80)	-	-	-
Stage 2 to Stage 3	-	(1,089)	1,089	-	-
Stage 3 to Stage 1	47	-	(47)	-	-
Stage 3 to Stage 2	-	147	(147)	-	-
Assets derecognized or repaid	(1,244)	(117)	(322)	-	(1,683)
New assets originated:					
Remained in Stage 1	600	-	-	-	600
Moved to Stages 2 and 3	-	34	1,459	-	1,493
	(684)	(978)	2,072	-	410
Balance at end of year *(Balance forwarded)*	**P 923**	**P 222**	**P 7,890**	**P -**	**P 9,035**

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

	Parent Company				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Balance carried forward	P 923	P 222	P 7,890	P -	P 9,035
Consumer loans					
Balance at beginning of year	210	222	2,024	-	2,456
Transfers:					
Stage 1 to Stage 2	(31)	31	-	-	-
Stage 1 to Stage 3	(13)	-	13	-	-
Stage 2 to Stage 1	73	(73)	-	-	-
Stage 2 to Stage 3	-	(33)	33	-	-
Stage 3 to Stage 1	31	-	(31)	-	-
Stage 3 to Stage 2	-	11	(11)	-	-
Assets derecognized or repaid	(54)	(160)	(990)	-	(1,204)
New assets originated:					
Remained in Stage 1	342	-	-	-	342
Moved to Stages 2 and 3	-	282	885	-	1,167
Write-offs	-	-	(736)	-	(736)
	348	58	(837)	-	(431)
Balance at end of year	558	280	1,187	-	2,025
Credit cards					
Balance at beginning of year	718	310	1,662	-	2,690
Transfers:					
Stage 1 to Stage 2	(34)	34	-	-	-
Stage 1 to Stage 3	(68)	-	68	-	-
Stage 2 to Stage 3	-	(75)	75	-	-
Stage 3 to Stage 2	-	40	(40)	-	-
Stage 2 to Stage 1	60	(60)	-	-	-
Stage 3 to Stage 1	53	-	(53)	-	-
Assets derecognized or repaid	(1,401)	(316)	(398)	-	(2,115)
New assets originated:					
Remained in Stage 1	1,558	-	-	-	1,558
Moved to Stages 2 and 3	-	814	3,779	-	4,593
Write-offs	-	-	(3,075)	-	(3,075)
	168	437	356	-	961
Balance at end of year	886	747	2,018	-	3,651
Other receivables					
Balance at beginning of year	76	52	1,189	-	1,317
Transfers:					
Stage 1 to Stage 2	(10)	10	-	-	-
Stage 1 to Stage 3	(1)	-	1	-	-
Stage 2 to Stage 1	11	(11)	-	-	-
Stage 2 to Stage 3	-	(36)	36	-	-
Stage 3 to Stage 1	1	-	(1)	-	-
Stage 3 to Stage 2	-	1	(1)	-	-
Assets derecognized or repaid	(13)	(4)	(472)	-	(489)
New assets originated:					
Remained in Stage 1	123	-	-	-	123
Moved to Stages 2 and 3	-	17	342	-	359
	111	(23)	(95)	-	(7)
Balance at end of year	187	29	1,094	-	1,310
	P 2,554	P 1,278	P 12,189	P -	P 16,021

	Parent Company				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
2022					
Corporate Loans					
Balance at beginning of year	P 2,064	P 29	P 5,218	P -	P 7,311
Transfers:					
Stage 1 to Stage 2	(120)	120	-	-	-
Stage 1 to Stage 3	(17)	-	17	-	-
Stage 2 to Stage 1	17	(17)	-	-	-
Stage 2 to Stage 3	-	(10)	10	-	-
Stage 3 to Stage 1	8	-	(8)	-	-
Stage 3 to Stage 2	-	7	(7)	-	-
Assets derecognized or repaid	(1,055)	(108)	(314)	-	(1,477)
New assets originated:					
Remained in Stage 1	710	-	-	-	710
Moved to Stages 2 and 3	-	1,179	902	-	2,081
	(457)	1,171	600	-	1,314
Balance at end of year	1,607	1,200	5,818	-	8,625
Consumer loans					
Balance at beginning of year	363	357	3,772	-	4,492
Transfers:					
Stage 1 to Stage 2	(46)	46	-	-	-
Stage 1 to Stage 3	(272)	-	272	-	-
Stage 2 to Stage 1	228	(228)	-	-	-
Stage 2 to Stage 3	-	(187)	187	-	-
Stage 3 to Stage 2	-	183	(183)	-	-
Assets derecognized or repaid	(387)	(31)	(781)	-	(1,199)
New assets originated:					
Remained in Stage 1	324	-	-	-	324
Moved to Stages 2 and 3	-	82	455	-	537
Write-offs	-	-	(1,698)	-	(1,698)
	(153)	(135)	(1,748)	-	(2,036)
Balance at end of year	210	222	2,024	-	2,456
Credit cards					
Balance at beginning of year	572	325	2,150	-	3,047
Transfers:					
Stage 1 to Stage 2	(22)	22	-	-	-
Stage 1 to Stage 3	(106)	-	106	-	-
Stage 2 to Stage 3	-	(271)	271	-	-
Stage 3 to Stage 2	-	43	(43)	-	-
Stage 2 to Stage 1	41	(41)	-	-	-
Stage 3 to Stage 1	51	-	(51)	-	-
Assets derecognized or repaid	(846)	(139)	(288)	-	(1,273)
New assets originated:					
Remained in Stage 1	1,028	-	-	-	1,028
Moved to Stages 2 and 3	-	371	2,993	-	3,364
Write-offs	-	-	(3,476)	-	(3,476)
	146	(15)	(488)	-	(357)
Balance at end of year	718	310	1,662	-	2,690
Balance forwarded	P 2,535	P 1732	P 9,504	P -	P 13,771

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

	Parent Company				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Balance carried forward	P 2,535	P 1,732	P 9,504	P -	P 13,771
Other receivables					
Balance at beginning of year	132	16	2,341	-	2,489
Transfers:					
Stage 1 to Stage 2	(7)	7	-	-	-
Stage 2 to Stage 3	-	(19)	19	-	-
Stage 3 to Stage 1	17	-	(17)	-	-
Assets derecognized or repaid	(247)	(112)	(397)	-	(756)
New assets originated:					
Remained in Stage 1	181	-	-	-	181
Moved to Stages 2 and 3	-	160	336	-	496
Write-offs	-	-	(1,093)	-	(1,093)
	(56)	36	(1,152)	-	(1,172)
Balance at end of year	76	52	1,189	-	1,317
	P 2,611	P 1,784	P 10,693	P -	P 15,088

Presented below are the composition of allowance for ECL as by loan portfolio (see Note 11):

	Group		Parent Company	
	2023	2022	**2023**	2022
Corporate	**P 9,052**	P 8,643	**P 9,035**	P 8,625
Credit card receivables	**3,651**	2,690	**3,651**	2,690
Consumer	**2,025**	2,456	**2,025**	2,456
Leasing and finance	**1,036**	750	**-**	-
Microfinance and small business	**68**	68	**-**	-
Other receivables	**1,563**	1,423	**1,310**	1,317
	P 17,395	P 16,030	**P 16,021**	P 15,088

b) *Investments in debt securities at amortized cost and at FVOCI*

	Group			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
HTC				
2023				
Balance at beginning of year	P 163	P -	P -	P 163
Net remeasurement of loss allowance	(2)	-	-	(2)
Balance at end of year	**P 161**	**P -**	**P -**	**P 161**
2022				
Balance at beginning of year	P 147	P -	P -	P 147
Net remeasurement of loss allowance	19	-	-	19
Derecognition of financial assets	(3)	-	-	(3)
Balance at end of year	P 163	P -	P -	P 163

	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
2023				
Balance at beginning of year	P 71	P -	P -	P 71
Net remeasurement of loss allowance	-	-	-	-
Balance at end of year	**P 71**	**P -**	**P -**	**P 71**
2022				
Balance at beginning of year	P 52	P -	P -	P 52
Net remeasurement of loss allowance	19	-	-	19
Balance at end of year	P 71	P -	P -	P 71

	Group and Parent Company			
	Stage 1	Stage 2	Stage 3	Total
FVOCI				
2023				
Balance at beginning of year	P 13	P -	P -	P 13
Net remeasurement of loss allowance	-	-	-	-
Balance at end of year	**P 13**	**P -**	**P -**	**P 13**
2022				
Balance at beginning of year	P 12	P -	P -	P 12
Net remeasurement of loss allowance	1	-	-	1
Balance at end of year	P 13	P -	P -	P 13

c) *Loan commitments*

	Group and Parent Company			
	Stage 1	Stage 2	Stage 3	Total
2023				
Corporate Loans				
Balance at beginning of year	P 29	P -	P -	P 29
Assets derecognized or repaid	(26)	-	-	(26)
New assets originated: Remained in Stage 1	8	-	-	8
	(18)	-	-	(18)
Balance at end of year	**11**	**-**	**-**	**11**
Credit Cards				
Balance at beginning of year	185	-	-	185
New assets originated: Remained in Stage 1	108	-	-	108
	108	-	-	108
Balance at end of year	**293**	**-**	**-**	**293**
	P 304	**P -**	**P -**	**P 304**

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

	Group and Parent Company			
	Stage 1	Stage 2	Stage 3	Total
2022				
Corporate Loans				
Balance at beginning of year	P 18	P -	P 5	P 23
Transfers:				
Stage 3 to 1	5	-	(5)	-
New assets originated:				
Remained in Stage 1	6	-	-	6
	11	-	(5)	6
Balance at end of year	29	-	-	29
Credit Cards				
Balance at beginning of year	122	-	-	122
New assets originated:				
Remained in Stage 1	63	-	-	63
	63	-	-	63
Balance at end of year	185	-	-	185
	P 214	P -	P -	P 214

The information on how the significant changes in the gross carrying amount of the financial instruments contributed to the changes in the amount of allowance for ECL are presented in Note 4.4.10.

4.4.10 Significant Changes in Gross Carrying Amount Affecting Allowance for ECL

The tables below and in the succeeding pages provides information how the significant changes in the gross carrying amount of financial instruments in 2023 and 2022 contributed to the changes in the allowance for ECL.

a) *Loans and receivables*

	Group				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased credit-impaired**	**Total**
2023					
Corporate Loans					
Balance at beginning of year	P 367,413	P 3,837	P 9,452	P 20	P 380,722
Transfers:					
Stage 1 to Stage 2	(3,371)	3,371	-	-	-
Stage 1 to Stage 3	(794)	-	794	-	-
Stage 2 to Stage 1	472	(472)	-	-	-
Stage 2 to Stage 3	-	(3,113)	3,113	-	-
Stage 3 to Stage 1	105	-	(105)	-	-
Stage 3 to Stage 2	-	293	(293)	-	-
Assets derecognized or repaid	(196,871)	(204)	(769)	-	(197,844)
New assets originated:					
Remained in Stage 1	227,918	-	-	-	227,918
Moved to Stages 2 and 3	-	1,723	2,079	-	3,802
Write-offs	-	-	(287)	-	(287)
	27,459	1,598	4,532	-	33,589
Balance at end of year *(Balance forwarded)*	**P 394,872**	**P 5,435**	**P 13,984**	**P 20**	**P 414,311**

	Group				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Balance carried forward	P 394,872	P 5,435	P 13,984	P 20	P 414,311
Consumer loans					
Balance at beginning of year	89,533	9,361	8,882	-	107,776
Transfers:					
Stage 1 to Stage 2	(2,303)	2,303	-	-	-
Stage 1 to Stage 3	(1,202)	-	1,202	-	-
Stage 2 to Stage 1	6,082	(6,082)	-	-	-
Stage 2 to Stage 3	-	(2,406)	2,406	-	-
Stage 3 to Stage 1	2,505	-	(2,505)	-	-
Stage 3 to Stage 2	-	655	(655)	-	-
Assets derecognized or repaid	(30,895)	(766)	(1,895)	-	(33,556)
New assets originated:					
Remained in Stage 1	54,474	-	-	-	54,474
Moved to Stages 2 and 3	-	621	288	-	909
Write-offs	-	-	(736)	-	(736)
	28,661	(5,675)	(1,895)	-	21,091
Balance at end of year	**118,194**	**3,686**	**6,987**	**-**	**128,867**
Credit cards					
Balance at beginning of year	47,713	752	1,915	-	50,380
Transfers:					
Stage 1 to Stage 2	(901)	901	-	-	-
Stage 1 to Stage 3	(1,472)	-	1,472	-	-
Stage 2 to Stage 1	115	(115)	-	-	-
Stage 2 to Stage 3	-	(125)	125	-	-
Stage 3 to Stage 1	69	-	(69)	-	-
Stage 3 to Stage 2	-	46	(46)	-	-
Assets derecognized or repaid	(122,151)	(600)	(547)	-	(123,298)
New assets originated:					
Remained in Stage 1	147,491	-	-	-	147,491
Moved to Stages 2 and 3	-	388	2,781	-	3,169
Write-offs	-	-	(3,075)	-	(3,075)
	23,151	495	641	-	24,287
Balance at end of year	**70,864**	**1,247**	**2,556**	**-**	**74,667**
Leasing and finance receivables*					
Balance at beginning of year	1,141	1,286	806	-	3,233
Transfers:					
Stage 1 to Stage 2	(472)	472	-	-	-
Stage 2 to Stage 1	14	(14)	-	-	-
Stage 3 to Stage 1	12	-	(12)	-	-
Assets derecognized or repaid	(696)	(934)	(241)	-	(1,871)
New assets originated:					
Remained in Stage 1	649	-	-	-	649
Moved to Stages 2 and 3	-	406	456	-	862
Write-offs	-	-	(72)	-	(72)
	(493)	(70)	131	-	(432)
Balance at end of year	**648**	**1,216**	**937**	**-**	**2,801**
Balance forwarded	**P 584,578**	**P 11,584**	**P 24,464**	**P 20**	**P 620,646**

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

	Group				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Balance carried forward	**P 584,578**	**P 11,584**	**P 24,464**	**P 20**	**P 620,646**
Micro and small business loans*					
Balance at beginning of year	982	67	186	-	1,235
Transfers:					
Stage 1 to Stage 2	(29)	29	-	-	-
Stage 1 to Stage 3	(29)	-	29	-	-
Stage 2 to Stage 1	5	(5)	-	-	-
Stage 2 to Stage 3	-	(2)	2	-	-
Stage 3 to Stage 1	1	-	(1)	-	-
Stage 3 to Stage 2	-	8	(8)	-	-
Assets derecognized or repaid	(671)	(46)	(38)	-	(755)
New assets originated:					
Remained in Stage 1	735	-	-	-	735
Moved to Stages 2 and 3	-	28	42	-	70
Write-offs	-	-	(9)	-	(9)
	12	12	17	-	41
Balance at end of year	**994**	**79**	**203**	**-**	**1,276**
Other receivables					
Balance at beginning of year	29,187	494	1,872	-	31,553
Transfers:					
Stage 1 to Stage 2	(84)	84	-	-	-
Stage 1 to Stage 3	(80)	-	80	-	-
Stage 2 to Stage 1	68	(68)	-	-	-
Stage 2 to Stage 3	-	(246)	246	-	-
Stage 3 to Stage 2	-	21	(21)	-	-
Assets derecognized or repaid	(2,186)	(232)	(693)	-	(3,111)
New assets originated:					
Remained in Stage 1	16,145	-	-	-	16,145
Moved to Stages 2 and 3	-	291	524	-	815
	13,863	(150)	136	-	13,849
Balance at end of year	**43,050**	**344**	**2,008**	**-**	**45,402**
	P 628,622	**P 12,007**	**P 26,675**	**P 20**	**P 667,324**

	Group				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
2022					
Corporate Loans					
Balance at beginning of year	P 352,089	P 654	P 10,720	P 45	P 363,508
Transfers:					
Stage 1 to Stage 2	(2,910)	2,910	-	-	-
Stage 1 to Stage 3	(2,392)	-	2,392	-	-
Stage 2 to Stage 1	293	(293)	-	-	-
Stage 2 to Stage 3	-	(130)	130	-	-
Stage 3 to Stage 1	51	-	(51)	-	-
Stage 3 to Stage 2	-	21	(21)	-	-
Assets derecognized or repaid	(170,111)	(3,585)	(5,221)	(25)	(178,942)
New assets originated:					
Remained in Stage 1	190,393	-	-	-	190,393
Moved to Stages 2 and 3	-	4,260	1,503	-	5,763
	15,324	3,183	(1,268)	(25)	17,214
Balance at end of year	367,413	3,837	9,452	20	380,722
Consumer loans					
Balance at beginning of year	81,363	12,513	16,118	-	109,994
Transfers:					
Stage 1 to Stage 2	(4,551)	4,551	-	-	-
Stage 1 to Stage 3	(1,070)	-	1,070	-	-
Stage 2 to Stage 1	5,962	(5,962)	-	-	-
Stage 2 to Stage 3	-	(2,061)	2,061	-	-
Stage 3 to Stage 1	-	-	-	-	-
Stage 3 to Stage 2	-	2,085	(2,085)	-	-
Assets derecognized or repaid	(4,225)	(2,389)	(6,708)	-	(13,322)
New assets originated:					
Remained in Stage 1	12,054	-	-	-	12,054
Moved to Stages 2 and 3	-	624	124	-	748
Write-offs	-	-	(1,698)	-	(1,698)
	8,170	(3,152)	(7,236)	-	(2,218)
Balance at end of year	89,533	9,361	8,882	-	107,776
Credit cards					
Balance at beginning of year	32,235	792	2,536	-	35,563
Transfers:					
Stage 1 to Stage 2	(603)	603	-	-	-
Stage 1 to Stage 3	(2,002)	-	2,002	-	-
Stage 2 to Stage 1	122	(122)	-	-	-
Stage 2 to Stage 3	-	(634)	634	-	-
Stage 3 to Stage 1	65	-	(65)	-	-
Stage 3 to Stage 2	-	51	(51)	-	-
Assets derecognized or repaid	(83,655)	(411)	(2,658)	-	(86,724)
New assets originated:					
Remained in Stage 1	101,551	-	-	-	101,551
Moved to Stages 2 and 3	-	473	2,993	-	3,466
Write-offs	-	-	(3,476)	-	(3,476)
	15,478	(40)	(621)	-	14,817
Balance at end of year	47,713	752	1,915	-	50,380
Balance forwarded	P 504,659	P 13,950	P 20,249	P 20	P 538,878

Notes to Financial Statements

December 31, 2023 and 2022 and 2021
(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

	Group				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Balance carried forward	P 504,659	P 13,950	P 20,249	P 20	P 538,878
*Leasing and finance receivables**					
Balance at beginning of year	1,101	755	737	-	2,593
Transfers:					
Stage 1 to Stage 2	(1,641)	1,641	-	-	-
Stage 1 to Stage 3	(446)	-	446	-	-
Stage 2 to Stage 1	-	-	-	-	-
Stage 2 to Stage 3	-	(325)	325	-	-
Stage 3 to Stage 1	-	-	-	-	-
Stage 3 to Stage 2	-	2	(2)	-	-
Assets derecognized or repaid	(496)	(1,072)	(898)	-	(2,466)
New assets originated:					
Remained in Stage 1	2,623	-	-	-	2,623
Moved to Stages 2 and 3	-	285	198	-	483
	40	531	69	-	640
Balance at end of year	1,141	1,286	806	-	3,233
*Micro and small business loans***					
Balance at beginning of year	684	322	67	-	1,073
Transfers:					
Stage 1 to Stage 2	(46)	46	-	-	-
Stage 1 to Stage 3	-	-	-	-	-
Stage 2 to Stage 1	-	-	-	-	-
Stage 2 to Stage 3	-	(53)	53	-	-
Stage 3 to Stage 1	-	-	-	-	-
Stage 3 to Stage 2	-	2	(2)	-	-
Assets derecognized or repaid	(297)	(276)	(72)	-	(645)
New assets originated:					
Remained in Stage 1	677	-	-	-	677
Moved to Stages 2 and 3	-	26	149	-	175
Write-offs	(36)	-	(9)	-	(45)
	298	(255)	119	-	162
Balance at end of year	982	67	186	-	1,235
Other receivables					
Balance at beginning of year	39,996	327	3,512	-	43,835
Transfers:					
Stage 1 to Stage 2	(84)	84	-	-	-
Stage 2 to Stage 3	-	(313)	313	-	-
Stage 3 to Stage 1	114	-	(114)	-	-
Assets derecognized or repaid	(11,783)	(252)	(1,082)	-	(13,117)
New assets originated:					
Remained in Stage 1	944	-	-	-	944
Moved to Stages 2 and 3	-	648	336	-	984
Write-offs	-	-	(1,093)	-	(1,093)
	(10,809)	167	(1,640)	-	(12,282)
Balance at end of year	29,187	494	1,872	-	31,553
	P 535,969	P 15,797	P 23,113	P 20	P 574,899

	Parent Company				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
2023					
Corporate Loans					
Balance at beginning of year	P 364,131	P 3,837	P 9,452	P -	P 377,420
Transfers:					
Stage 1 to Stage 2	(3,371)	3,371	-	-	-
Stage 1 to Stage 3	(787)	-	787	-	-
Stage 2 to Stage 1	434	(434)	-	-	-
Stage 2 to Stage 3	-	(3,113)	3,113	-	-
Stage 3 to Stage 1	94	-	(94)	-	-
Stage 3 to Stage 2	-	293	(293)	-	-
Assets derecognized or repaid	(194,253)	(202)	(1,042)	-	(195,497)
New assets originated:					
Remained in Stage 1	227,735	-	-	-	227,735
Moved to Stages 2 and 3	-	871	1,177	-	2,048
	29,852	786	3,648	-	34,286
Balance at end of year	**P 393,983**	**P 4,623**	**P 13,100**	**P -**	**P 411,706**
Consumer loans					
Balance at beginning of year	89,533	9,361	8,882	-	107,776
Transfers:					
Stage 1 to Stage 2	(2,303)	2,303	-	-	-
Stage 1 to Stage 3	(1,202)	-	1,202	-	-
Stage 2 to Stage 1	6,082	(6,082)	-	-	-
Stage 2 to Stage 3	-	(2,406)	2,406	-	-
Stage 3 to Stage 1	2,505	-	(2,505)	-	-
Stage 3 to Stage 2	-	655	(655)	-	-
Assets derecognized or repaid	(30,895)	(766)	(1,895)	-	(33,556)
New assets originated:					
Remained in Stage 1	54,474	-	-	-	54,474
Moved to Stages 2 and 3	-	621	288	-	909
Write-offs	-	-	(736)	-	(736)
	28,661	(5,675)	(1,895)	-	21,091
Balance at end of year	**118,194**	**3,686**	**6,987**	**-**	**128,867**
Credit cards					
Balance at beginning of year	47,713	752	1,915	-	50,380
Transfers:					
Stage 1 to Stage 2	(901)	901	-	-	-
Stage 1 to Stage 3	(1,472)	-	1,472	-	-
Stage 2 to Stage 1	115	(115)	-	-	-
Stage 2 to Stage 3	-	(125)	125	-	-
Stage 3 to Stage 1	69	-	(69)	-	-
Stage 3 to Stage 2	-	46	(46)	-	-
Assets derecognized or repaid	(122,151)	(600)	(547)	-	(123,298)
New assets originated:					
Remained in Stage 1	147,491	-	-	-	147,491
Moved to Stages 2 and 3	-	388	2,781	-	3,169
Write-offs	-	-	(3,075)	-	(3,075)
	23,151	495	641	-	24,287
Balance at end of year	**70,864**	**1,247**	**2,556**	**-**	**74,667**
Balance forwarded	**P 583,041**	**P 9,556**	**P 22,643**	**P -**	**P 615,240**

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

	Parent Company				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Balance carried forward	**P 583,041**	**P 9,556**	**P 22,643**	**P -**	**P 615,240**
Other receivables					
Balance at beginning of year	28,589	461	1,676	-	30,726
Transfers:					
Stage 1 to Stage 2	(126)	126	-	-	-
Stage 1 to Stage 3	(92)	-	92	-	-
Stage 2 to Stage 1	96	(96)	-	-	-
Stage 2 to Stage 3	-	(293)	293	-	-
Stage 3 to Stage 1	3	-	(3)	-	-
Stage 3 to Stage 2	-	168	(168)	-	-
Assets derecognized or repaid	(2,573)	(232)	(825)	-	(3,630)
New assets originated:					
Remained in Stage 1	16,504	-	-	-	16,504
Moved to Stages 2 and 3	-	210	652	-	862
	13,812	(117)	41	-	13,736
Balance at end of year	**42,401**	**344**	**1,717**	**-**	**44,462**
	P 625,442	**P 9,900**	**P 24,360**	**P -**	**P 659,702**
2022					
Corporate Loans					
Balance at beginning of year	P 348,002	P 654	P 10,720	P -	P 359,376
Transfers:					
Stage 1 to Stage 2	(2,910)	2,910	-	-	-
Stage 1 to Stage 3	(2,392)	-	2,392	-	-
Stage 2 to Stage 1	293	(293)	-	-	-
Stage 2 to Stage 3	-	(130)	130	-	-
Stage 3 to Stage 1	51	-	(51)	-	-
Stage 3 to Stage 2	-	21	(21)	-	-
Assets derecognized or repaid	(169,306)	(3,585)	(5,221)	-	(178,112)
New assets originated:					
Remained in Stage 1	190,393	-	-	-	190,393
Moved to Stages 2 and 3	-	4,260	1,503	-	5,763
	16,129	3,183	(1,268)	-	18,044
Balance at end of year *(Balance forwarded)*	P 364,131	P 3,837	P 9,452	P -	P 377,420

	Parent Company				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Balance carried forward	P 364,131	P 3,837	P 9,452	P -	P 377,420
Consumer loans					
Balance at beginning of year	P 81,363	P 12,513	P 16,118	P -	P 109,994
Transfers:					
Stage 1 to Stage 2	(4,551)	4,551	-	-	-
Stage 1 to Stage 3	(1,070)	-	1,070	-	-
Stage 2 to Stage 1	5,962	(5,962)	-	-	-
Stage 2 to Stage 3	-	(2,061)	2,061	-	-
Stage 3 to Stage 1	-	-	-	-	-
Stage 3 to Stage 2	-	2,085	(2,085)	-	-
Assets derecognized or repaid	(4,225)	(2,389)	(6,708)	-	(13,322)
New assets originated:					
Remained in Stage 1	12,054	-	-	-	12,054
Moved to Stages 2 and 3	-	624	124	-	748
Write-offs	-	-	(1,698)	-	(1,698)
	8,170	(3,152)	(7,236)	-	(2,218)
Balance at end of year	89,533	9,361	8,882	-	107,776
Credit cards					
Balance at beginning of year	32,235	792	2,536	-	35,563
Transfers:					
Stage 1 to Stage 2	(603)	603	-	-	-
Stage 1 to Stage 3	(2,002)	-	2,002	-	-
Stage 2 to Stage 1	122	(122)	-	-	-
Stage 2 to Stage 3	-	(634)	634	-	-
Stage 3 to Stage 1	65	-	(65)	-	-
Stage 3 to Stage 2	-	51	(51)	-	-
Assets derecognized or repaid	(83,655)	(411)	(2,658)	-	(86,724)
New assets originated:					
Remained in Stage 1	101,551	-	-	-	101,551
Moved to Stages 2 and 3	-	473	2,993	-	3,466
Write-offs	-	-	(3,476)	-	(3,476)
	15,478	(40)	(621)	-	14,817
Balance at end of year	47,713	752	1,915	-	50,380
Other receivables					
Balance at beginning of year	39,249	312	3,309	-	42,870
Transfers:					
Stage 1 to Stage 2	(28)	28	-	-	-
Stage 2 to Stage 3	-	(284)	284	-	-
Stage 3 to Stage 1	114	-	(114)	-	-
Assets derecognized or repaid	(11,727)	(224)	(1,046)	-	(12,997)
New assets originated:					
Remained in Stage 1	981	-	-	-	981
Moved to Stages 2 and 3	-	629	336	-	965
Write-off	-	-	(1,093)	-	(1,093)
	(10,660)	149	(1,633)	-	(12,144)
Balance at end of year	28,589	461	1,676	-	30,726
	P 529,966	P 14,411	P 21,925	P -	P 566,302

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

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

The Group's receivables arising from salary loans are generally fully recoverable as those are collected through salary deductions, except for those receivables from resigned employees which were provided with full ECL allowance.

b) Investment in debt securities at amortized cost and at FVOCI

	Group		Parent Company	
	HTC	**FVOCI**	**HTC**	**FVOCI**
2023				
Balance at beginning of year	P 252,545	P 111,314	P 251,399	P 111,205
Assets purchased	16,099	442,380	14,092	442,360
Assets derecognized	(31,956)	(476,587)	(29,688)	(476,579)
Fair value gain	-	1,426	-	1,431
Balance at end of year	**P 236,688**	**P 78,533**	**P 235,803**	**P 78,417**
2022				
Balance at beginning of year	P 163,758	P 46,094	P 162,951	P 45,611
Assets purchased	149,832	131,018	148,342	130,903
Assets derecognized	(61,045)	(60,578)	(59,894)	(59,863)
Fair value loss	-	(5,220)	-	(5,446)
Balance at end of year	P 252,545	P 111,314	P 251,399	P 111,205

c) Loan Commitments

	Group and Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2023				
Corporate Loans				
Balance at beginning of year	P 8,930	P -	P -	P 8,930
Assets derecognized or repaid	(7,043)	-	-	(7,043)
New assets originated:				
Remained in Stage 1	6,395	-	-	6,395
Moved to Stage 2	-	3	-	3
	(648)	3	-	(645)
Balance at end of year	**8,282**	**3**	**-**	**8,285**
Credit Cards				
Balance at beginning of year	9,607	-	-	9,607
New assets originated:				
Remained in Stage 1	14,111	-	-	14,111
	14,111	-	-	14,111
Balance at end of year	**23,718**	**-**	**-**	**23,718**
	P 32,000	**P 3**	**P -**	**P 32,003**

	Group and Parent Company			
	Stage 1	Stage 2	Stage 3	Total
2022				
Corporate Loans				
Balance at beginning of year	P 4,106	P 4	P 13	P 4,123
Transfers:				
Stage 2 to 1	4	(4)	-	-
Stage 3 to 1	13	-	(13)	-
New assets originated:				
Remained in Stage 1	4,807	-	-	4,807
	4,824	(4)	(13)	4,807
Balance at end of year	8,930	-	-	8,930
Credit Cards				
Balance at beginning of year	9,607	-	-	9,607
New assets originated:				
Remained in Stage 1	5,961	-	-	5,961
	5,961	-	-	5,961
Balance at end of year	15,568	-	-	15,568
	P 24,498	P -	P -	P 24,498

4.4.11 Collateral Held as Security and Other Credit Enhancements

The Group holds collateral against loans and advances to customers in the form of hold-out deposits, real estate mortgage, standby letters of credit or bank guaranty, government guaranty, chattel mortgage, assignment of receivables, pledge of equity securities, personal and corporate guaranty and other forms of security. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are generally updated annually.

Generally, collateral is not held over loans and advances to other banks, except when securities are held as part of reverse repurchase and securities borrowing arrangements. Collateral is not usually held against trading and investment securities, and no such collateral was held as of December 31, 2023 and 2022.

The estimated fair value of collateral and other security enhancements held against the loan portfolio as of December 31 are presented below.

	Group			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2023				
Real properties	P 143,141	P 4,320	P 9,761	P 157,222
Chattel	139,159	3,287	5,297	147,743
Hold-out deposits	6,890	9	10	6,909
Equity securities	6,121	9	248	6,378
Others	185,498	2,493	10,874	198,865
	P 480,809	**P 10,118**	**P 26,190**	**P 517,117**

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

	Group			
	Stage 1	Stage 2	Stage 3	Total
2022				
Real properties	P 120,659	P 9,862	P 11,157	P 141,678
Chattel	66,648	8,404	6,974	82,026
Hold-out deposits	10,993	1	7	11,001
Equity securities	15,681	-	247	15,928
Others	237,070	2,524	6,852	246,446
	P 451,051	P 20,791	P 25,237	P 497,079

	Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2023				
Real properties	P 137,841	P 3,996	P 9,471	P 151,308
Chattel	136,681	2,903	3,700	143,284
Hold-out deposits	6,797	6	4	6,807
Equity securities	6,121	9	248	6,378
Others	182,520	2,324	9,887	194,731
	P 469,960	**P 9,238**	**P 23,310**	**P 502,508**
2022				
Real properties	P 117,894	P 9,197	P 10,842	P 137,933
Chattel	64,833	6,049	5,606	76,488
Hold-out deposits	10,936	-	5	10,941
Equity securities	15,681	-	247	15,928
Others	233,118	1,136	5,987	240,241
	P 442,462	P 16,382	P 22,687	P 481,531

The Group and the Parent Company have recognized certain properties arising from foreclosures in settlement of loan account amounting to P675 and P614, respectively, in 2023 and P761 and P760, respectively, in 2022.

The Group and the Parent Company's manner of disposing the collateral for impaired loans and receivables is normally through sale of these assets after foreclosure proceedings have taken place. The Group and the Parent Company do not generally use the non-cash collateral for its own operations.

There were no changes in the Group and the Parent Company's collateral policies in 2023 and 2022.

4.4.12 Modifications of Financial Assets

(a) Financial Reliefs Provided by the Group

In certain cases, the Group modifies the terms of the loans provided to the borrowers due to commercial renegotiations, or for distressed loans, with a view of maximizing recovery of the contractual amount of obligation that the Group is owed to. Restructuring policies and practices are based on indicators or criteria which, in the management's judgment, indicate that payment will most likely continue. Such policies are continuously reviewed and updated as necessary. Restructuring is most commonly applied to term or corporate loans.

On top of the government reliefs, the Group has offered financial relief through its CARE Program, which was approved by the Executive Committee on May 4, 2020, in response to the COVID-19 situation. These relief measures were granted to eligible customers to allow them to get back into the habit of paying loans and included the following:

- payment relief including extension of contractual terms;
- principal and interest relief including lower amortization on extended term with interest payment only on the first year; and,
- extension of balloon repayment terms.

The outstanding balance of loans modified under the CARE Program in 2023 and 2022 amounted to P29,554 and P35,695, respectively, for the Group, and P27,473 and P33,086, respectively for the Parent Company.

The following tables provide a summary of the outstanding balance of modified loans resulting from the financial reliefs provided by the Group as of December 31:

	Group		Parent Company	
	2023	2022	**2023**	2022
Stage 1 (Performing)				
Corporate	**P 14,815**	P 21,121	**P 14,815**	P 21,121
Consumer	**4,016**	2,956	**4,016**	2,956
Credit card	**232**	654	**232**	654
Leasing and finance	**817**	115	**-**	-
Microfinance and small business	**20**	47	**-**	-
	P 19,900	P 24,893	**P 19,063**	P 24,731
Stage 2 (Underperforming)				
Corporate	**P 3,016**	P 205	**P 3,016**	P 205
Consumer	**905**	2,218	**905**	2,218
Credit card	**61**	120	**61**	120
Leasing and finance	**427**	1,738	**-**	-
Microfinance and small business	**53**	55	**-**	-
	P 4,462	P 4,336	**P 3,982**	P 2,543
Stage 3 (Nonperforming)				
Corporate	**P 2,492**	P 1,818	**P 2,492**	P 1,818
Consumer	**1,844**	3,830	**1,844**	3,830
Credit card	**92**	164	**92**	164
Leasing and finance	**640**	554	**-**	-
Microfinance and small business	**124**	100	**-**	-
	P 5,192	P 6,466	**P 4,428**	P 5,812

(b) Assessment of SICR

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Group monitors the performance of the financial asset subsequent to its modification.

The Group may determine that the credit risk has significantly improved after restructuring (in accordance with the new terms for six consecutive months or more), so that the assets are moved from Stage 3 or Stage 2.

The Group continues to monitor if there is a subsequent SICR in relation to such modified assets through the use of specific models for modified assets [see also Note 4.4.6(a)].

4.4.13 Write-offs

The Group and the Parent Company write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery include: cessation of enforcement activity; and, where the Group and Parent Company's recovery method is through foreclosure of collateral and the value of the collateral is less than the outstanding contractual amounts of the financial assets to be written-off.

The Group and Parent Company may write off financial assets that are still subject to enforcement activity. The outstanding amounts of such assets written off in 2023 and 2022 amounted to P4,179 and P6,312, respectively, for the Group, and P3,811 and P6,267, respectively, for the Parent Company. The Group and the Parent Company still seek to recover amounts legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

4.4.14 Credit Risk Stress Test

To enhance the assessment of credit risk, the Group adopted a credit risk stress testing framework using break-even sales and cash flow debt service to determine a borrower's vulnerability and ultimately impact to the Group's capital adequacy. The Parent Company adopted a portfolio credit risk testing framework that takes into consideration the causal relationships among industry sectors.

4.4.15 Sensitivity Analysis on ECL Measurement

Set out below are the changes to the Group's ECL as of December 31, 2023 and 2022 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Group's economic variable assumptions:

	Change in MEVs		Impact on ECL	
	Upside Scenario	**Downside Scenario**	**Upside Scenario**	**Downside Scenario**
2023				
Credit card receivables			**(P 3,748)**	**P 4,372**
GDP	**+ 7.00%**	**- 6.50%**		
CPI	**- P123.70**	**+ P124.30**		
Unemployment rate	**- 2.00%**	**+ 4.00%**		
Corporate loans			**(234)**	**197**
Inflation rate	**- 0.50%**	**+ 5.00%**		
91D TD bill	**- 0.50%**	**+ 5.00%**		
Consumer loans:				
Salary loans			**(128)**	**303**
Unemployment rate	**- 2.00%**	**+ 13.00%**		
USD-Php exchange rate	**- P52.50**	**+ P66.00**		
Inflation rate	**-3.60%**	**+ 9.10%**		
Bank lending rate	**-5.70%**	**+ 11.20%**		
Housing loans			**(505)**	**564**
GDP	**+ 6.50%**	**- 0.50%**		
CPI	**- P124.30**	**+ P130.27**		
Unemployment rate	**- 4.00%**	**+ 13.00%**		
Auto loans			**(971)**	**1,164**
GDP	**+ 6.50%**	**- 0.50%**		
CPI	**- P124.30**	**+ P130.27**		
Unemployment rate	**- 4.00%**	**+ 13.00%**		
Personal loans			**(122)**	**145**
GDP	**+ 7.00%**	**- 6.50%**		
CPI	**- P123.70**	**+ P124.30**		
Unemployment rate	**- 2.00%**	**+ 4.00%**		

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

	Change in MEVs		Impact on ECL	
	Upside Scenario	Downside Scenario	Upside Scenario	Downside Scenario
2022				
Credit card receivables			(P 461)	P 1,477
Unemployment rate	- 5.80%	+ 5.20%		
Inflation rate	- 0.20%	+ 5.30%		
Corporate loans			(99)	871
USD-Php exchange rate	- P3	+ P10.50		
Inflation rate	- 0.50%	+ 5.00%		
91D TD bill	- 0.50%	+ 5.00%		
Consumer loans:				
Salary loans			(11)	20
Unemployment rate	- 2.00%	+ 9.00%		
USD-Php exchange rate	- P3	+ P10.50		
Inflation rate	-0.50%	+ 5.00%		
Bank lending rate	-0.50%	+ 5.00%		
Housing loans			(5)	45
Unemployment rate	- 2.00%	+ 9.00%		
Inflation rate	- 0.50%	+ 5.00%		
Bank lending rate	- 0.50%	+ 5.00%		
Auto loans			(1)	7
GDP	+ P26,008	- P338,098		
USD-Php exchange rate	- P3	+ P10.50		
Bank lending rate	- 0.50%	+ 5.00%		
Personal loans			(6)	37
GDP	+ P26,008	- P338,098		
USD-Php exchange rate	- P3	+ P10.50		
Bank lending rate	- 0.50%	+ 5.00%		

4.5 Operational Risk

Operational risks are risks arising from the potential inadequate information systems and systems, operations or transactional problems (relating to service or product delivery), breaches in internal controls, fraud, or unforeseen catastrophes that may result in unexpected loss. Operational risks include the risk of loss arising from various types of human or technical error, settlement or payments failures, business interruption, administrative and legal risks, and the risk arising from systems not performing adequately.

The Operational Risk Management Division (ORMD) assists management in meeting its responsibility to understand and manage operational risk exposures and to ensure consistent application of operational risk management tools across the Group.

The ORMD applies a number of techniques to efficiently manage operational risks. Among these are as follows:

- Each major business line has an embedded designated Deputy Operational Risk Officer (DORO) who acts as a point person for the implementation of various operational risk tools. The DOROs attend quarterly DORO forums conducted by the ORMD to keep them up-to-date with different operational risk issues, challenges and initiatives;

- With ORMD's bottom up Risk Control Self-Assessment (RCSA) process, which is conducted at least annually, material operational processes and controls are assessed and examined to the Bank's overall risks and controls. The result of said self-assessment exercise also serves as one of the inputs in identifying specific key risk indicators (KRIs) and Control Sample Tests (CSTs);

- KRIs are used to monitor the operational risk profile of the Group and of each business unit, and alert management of impending problems in a timely fashion;

- CSTs is for the business units to self-assure against key process controls, effective implementation and execution of controls in its day-to-day activities. CSTs are conducted periodically to detect control failures and address any process weaknesses in a timely manner before control failures can be systemic.

- Internal loss information is collected, reported, and utilized to model operational risk; and,

- The ORMD reviews product and operating manuals, policies, procedures and circulars, thus allowing the embedding of desired operational risk management practices in all business units.

Operational Risk Management, as it relates to capital adequacy, is currently under Basic Indicator Approach (see Note 5.2).

The Group has an institutional Business Continuity Plan (BCP) based on several crisis severity levels which is tested at least annually and updated for any major changes in systems and procedures. Central to the Group's BCP is a disaster recovery plan to address the continued functioning of systems, recovery of critical data, and contingency processing requirements in the event of a disaster.

4.5.1 Reputation Risk

Reputation risk is the risk to earnings, capital and liquidity arising from negative public opinion. This affects the Group's ability to establish new relationships or services, or to continue servicing existing relationships. This risk can expose the Group to litigation, financial loss, or damage to its reputation. Reputation risk arises whenever technology-based banking products, services, delivery channels, or processes may generate adverse public opinion such that it seriously affects the Group's earnings or impairs its capital. This risk is present in activities such as asset management and regulatory compliance.

The RCBC Group has very low tolerance for engaging in any business activity where foreseeable reputational risk or damage has not been considered and/or mitigated. The Group shall protect its reputation to ensure that there is no material damage to the Group. The management of reputational risk in the Bank is guided by its Reputational Risk Management Framework in accordance with BSP Circular 1114. The Bank's Reputational Risk Management Framework (RRMF) is in place in order to have an enterprise-wide approach and scope of implementation, beyond the assessment of reputational risk that is focused on customer complaints. While growth is projected to emanate from various drivers, the Bank recognizes that potential failure in the same ushers in a potential damage to reputation.

4.5.2 Legal Risk and Regulatory Risk Management

Changes in laws and regulations and fiscal policies could adversely affect the Group's operations and financial reporting. In addition, the Group faces legal risks in enforcing its rights under its loan agreements, such as foreclosing of collateral. Legal risk is higher in new areas of business where the law remains untested by the courts. The Group uses a legal review process as the primary control mechanism for legal risk. Such a legal review aims to verify and validate the existence, genuineness and due execution of legal documents, and verify the capacity and authority of counterparties and customers to enter into transactions. In addition, the Group seeks to minimize its legal risk by using stringent legal documentation, imposing certain requirements designed to ensure that transactions are properly authorized, and consulting internal and external legal advisors.

Regulatory risk refers to the potential for the Group to suffer financial loss due to mid-stream changes in regulatory regime affecting current position and/or strategy. Compliance Risk is the risk of loss resulting from failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities.

The Group's Compliance Program, the design and implementation of which is overseen and coordinated by the Chief Compliance Officer, is the primary control process for regulatory and compliance risk issues. The Compliance Office is committed to safeguard the integrity of the Group by maintaining a high level of regulatory compliance. It is responsible for communicating and disseminating new rules and regulations to all units, assessing and addressing identified compliance issues, performing periodic compliance testing an, and reporting compliance findings to the ACC and the BOD.

4.6 Anti-Money Laundering Controls

The AMLA or RA No. 9160 was passed in September 2001. It was subsequently amended by RA No. 9194, RA No. 10167, and RA No. 10365, R.A.11521 in March 2003, June 2012 and February 2021, respectively. Together with the Terrorism Financing Prevention and Suppression Act (TFPSA) which was passed in June 2012 by virtue of RA No. 10168, and Anti-Terrorism Act of 2020 or R.A. 11479 these laws provide the regulatory framework for the Philippine Anti-Money Laundering and Terrorist Financing Prevention regulations. The Anti-Money Laundering Council is the financial intelligence unit tasked to implement AMLA, as amended. It is also the government agency that issues implementing guidelines to the AMLA and the TFPSA.

RCBC, as a BSP-supervised covered person, is subject to the Anti-Money Laundering and Combatting the Financing of Terrorism Regulations under Part Nine of the Manual of Regulations for Banks (MORB). Recent amendments to the said regulations were covered by BSP Circular Nos. 950 and 1022.

RCBC's Anti-Money Laundering and Terrorism Financing Prevention Program (MTPP) is aligned with the foregoing laws, rules, and regulations, and follows a risk-based approach in identifying, assessing, and mitigating money laundering, terrorist financing, and proliferation financing risks. It includes the policies, procedures, and controls that are designed to prevent, detect, and deter money laundering and terrorist financing, proliferation financing, and other financial crimes. Some of these controls include the following:

- Delineation of the sales and the service functions of the first line of defense. The Sales function is focused on marketing and sales, relationship management, cross-selling, credit-related matters and documentation, and loan-related referrals and documentation; while the Service function is focused on BC operations such as: (a) customer servicing, which includes know your customer (KYC) and account opening, account maintenance and tellering, cash and vault management and ATM servicing, (b) BC administration, (c) customer experience management such as inquiries, feedback, and problem resolution, and (d) compliance and audit.

- The Group also created middle offices under the Branch Operations and Control Segment, comprised of Middle Office Support Division (MOSD) and Branch Control Division (BCD), tasked to review and validate KYC documents. The MOSD ensures the uniqueness of Customer Information Files and accuracy of information captured in the Credit Risk Mitigation (CRM). It also reviews the completeness of account opening documents. The BCD, on the other hand, ensures the proper implementation of KYC, the performance of independent enhanced due diligence based on customer risk profile, and monitoring adherence of BCs to standard operating procedures. It also acts as the additional control layer to track exceptions and decides on dispositions, recommends sanctions or additional trainings for BCs, and recommends process improvements. The key processes of the BCD are KYC, exceptions reporting, and quality assurance.

- Use of technology in automating compliance activities such as client risk profiling, watch list and sanctions screening, transaction monitoring, and regulatory reporting. The Bank has also initiated the use of proactive compliance analytics and investigation to gain more actionable insights and typologies. As recent updates, the Bank has enhanced its sanctions policy to ensure the prohibition of dealing with "designated" individuals or entities. Too, it has updated its policy regulating the onboarding and monitoring of transactions with Designated-Non Financial Businesses and Professions (DNFBPs) customers.

For the controls to remain effective, the RCBC Group assesses its key exposures to ML (money laundering)/TF (terrorist financing)/PF (proliferation financing) risks by performing an Institutional ML/TF/PF Risk Assessment (IRA) focusing on evaluating the inherent ML/TF/PF risks presented by the Bank's business activities and the controls in place to mitigate the inherent ML/TF/PF risks so as to determine the overall residual risks. The institutional risk assessment is conducted at least once every two (2) years, or as often as the Board or senior management may direct, depending on the level of risks identified in the previous risk assessment, or other relevant AML/Countering Financing of Terrorism developments that may have an impact on the covered person's operations.

4.7 Impact of London Interbank Offered Rate (LIBOR) Reform

The Group currently has exposure to contracts which reference LIBOR and extend beyond 2021, including swaps which will transition under the International Swaps and Derivatives Association (ISDA) protocols.

In 2021, the Group established working team consisting of key personnel from treasury, finance, risk, IT, legal, compliance and lending groups to oversee the Group's transition plan. This working group put in place a transition project for those contracts which reference USD LIBOR to transition them to Secured Overnight Financing Rate (SOFR), with the aim of minimizing the disruption to business and mitigating operational risks and possible financial losses. This transition project is considering changes to systems, processes, risk management and valuation models, as well as managing related tax and accounting implications. Significant risk areas affected by the replacement of LIBOR include:

(i) updating systems and processes which capture USD LIBOR referenced contracts;
(ii) amending affected contracts, or existing fallback/transition clauses not operating as anticipated; and (iii) reviewing mismatches in timing of derivatives and loans transitioning from USD LIBOR and the resulting impact on economic risk management.

As confirmed by the United Kingdom's Financial Conduct Authority that LIBOR setting will either cease to be provided or no longer representative for:

- All Sterling, Euro, Swiss Franc and Japanese Yen settings and the 1-week and 2-month USD settings by December 31, 2021

- Remaining overnight, 1-month, 3-month and 12-month USD settings by June 30, 2023

The Group has decided to continue the use of USD LIBOR for its outstanding contracts until June 30, 2023. On the other hand, beginning January 1, 2022, the Group will use the Interbank Offered Rates (IBOR) Fallback Rates from Bloomberg for legacy deals while Overnight Index Swap (OIS) Rates as specified in the ISDA protocols will be used for normal Interest Rate Swaps upon cessation of LIBOR and other rates.

In 2022, the Group has initiated set-up of the required changes to systems and processes. Internal briefings were held across all lending units to disseminate the use of the new benchmark. The Group also sent notice to identified clients advising them of benchmark developments and the Group's adoption of CME Term SOFR for new loans beginning 2022. Loan documentations have also been reviewed for consistency with the new benchmark. As of July 2023, the necessary updates to internal systems and processes have been implemented.

The Group continues to engage with industry participants and the BSP, to ensure an orderly transition to SOFR and to minimize the risks associating from transition, and it will continue to identify and assess risks associated with the USD LIBOR replacement.

(a) Risks Arising from the Interest Rate Benchmark Reform

The following are the key risks for the Group arising from the transition:

- Liquidity Risk: There are fundamental differences between LIBOR and the alternative benchmark rate which the Group will be adopting. LIBOR are forward-looking term rates published for a period (e.g., 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments which will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

- Accounting: If transition to alternative benchmark rates for certain contracts is finalized in a manner that does not permit the application of reliefs, this could lead to volatility in profit or loss if non-derivative financial instruments are modified or derecognized. In particular, the Group is not seeking to novate derivatives or close out derivatives and enter into new on-market derivatives where derivatives have been designated in hedging relationships.

- Operational Risk: The Group's current treasury management system will undergo upgrades to fully manage the transition to alternative benchmark rates and there is a risk that such upgrades are not fully functional in time, resulting in additional manual procedures which give rise to operational risks. The Group is working closely with its system provider to ensure the relevant updates are made in good time and the Group has plans in place for alternative manual procedures with relevant controls to address any potential delay.

- Litigation Risk: If no agreement is reached to implement the interest rate benchmark reform on prospective contracts, there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working closely with all counterparties to avoid this from occurring.

CAPITAL MANAGEMENT

5.1 Regulatory Capital

The Group's lead regulator, the BSP, sets and monitors the capital requirements of the Group.

In implementing the current capital requirements, the BSP requires the Group to maintain a prescribed ratio of qualifying regulatory capital to total risk-weighted assets including market risk and operational risk computed based on BSP-prescribed formula provided under its circulars.

On January 15, 2013, the BSP issued Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. Circular No. 781 is effective on January 1, 2014.

The BSP has adopted the Basel III risk-based capital adequacy framework effective January 1, 2014, which requires the Group to maintain at all times the following:

(a) Common Equity Tier 1 (CET1) of at least 6.0% of risk-weighted assets;
(b) Tier 1 Capital of at least 7.5% of risk-weighted assets;

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

Under the relevant provisions of the current BSP regulations, the required minimum capitalization for the Parent Company, Rizal Microbank, RCBC Capital and RCBC LFC is P20,000, P400, P300 and P300, respectively.

In computing for the capital adequacy ratio (CAR), the regulatory qualifying capital is analyzed into two tiers which are: (i) Tier 1 Capital comprised of CET1 and Additional Tier 1 (AT1) capital, and, (ii) Tier 2 Capital, defined as follows and are subject to deductions as defined in relevant regulations:

(a) CET1 Capital includes the following:

(i) paid-up common stock;
(ii) common stock dividends distributable;
(iii) additional paid-in capital;
(iv) deposit for common stock subscription;
(v) retained earnings;
(vi) undivided profits;
(vii) other comprehensive income from net unrealized gains or losses on financial assets at FVOCI and cumulative foreign currency translation; and,
(viii) minority interest in subsidiary banks which are less than wholly-owned, subject to regulatory conditions.

(b) AT1 Capital includes:

(i) instruments that do not qualify as CET1, but meet the criteria set out in Annex B of BSP Circular No. 781;
(ii) financial liabilities meeting loss absorbency requirements set out in Annex E of BSP Circular No. 781;
(iii) financial liabilities bearing loss absorbency features at point of non-viability as set out in Annex F of BSP Circular No. 781;
(iv) additional paid-in capital resulting from issuance of AT1 capital;
(v) deposit for subscription to AT1 instruments; and,
(vi) minority interest in subsidiary banks which are less than wholly-owned, subject to regulatory conditions.

(c) Tier 2 Capital includes:

(i) instruments issued that are not qualified as Tier 1 capital but meet the criteria set forth in Annex C of BSP Circular No. 781;
(ii) financial liabilities bearing loss absorbency features at point of non-viability as set out in Annex F of BSP Circular No. 781;
(iii) deposit for subscription of Tier 2 capital;
(iv) appraisal increment reserve on bank premises, as authorized by the Monetary Board (MB) of the BSP;

(v) general loan loss provisions; and,
(vi) minority interest in subsidiary banks that are less than wholly-owned, subject to regulatory conditions.

In the calculation of Risk-based CAR, the total Qualifying Capital is expressed as a percentage of Total Risk-Weighted Assets based on book exposures, where Risk Weighted Assets is composed of Credit Risk, Market Risk and Operational Risk, net of specific provisions and exposures covered by CRM.

Banking book exposures shall be risk-weighted based on third party credit assessment of the individual exposure given by eligible external credit institutions and the corresponding external credit assessment are mapped with the corresponding risk weights following the Standardized Credit Risk Weights table as provided under BSP Circular No. 538, *Revised Risk-Based Capital Adequacy Framework*.

BSP Circular No. 856, *Implementing Guidelines on the Framework for Dealing with Domestic Systemically Important Banks under Basel III*, covers the implementing guidelines on the framework for dealing with domestic systemically important banks (D-SIBs) in accordance with the Basel III standards. Banks identified as D-SIBs shall be required to have higher loss absorbency, on top of the minimum CET1 capital and capital conservation buffer. Compliance with this requirement was phased-in starting January 1, 2017, with full compliance on January 1, 2019.

The Group and Parent Company's regulatory capital position based on the Basel III risk-based capital adequacy framework as reported to the BSP follows:

	Group	Parent Company
2023:		
Tier 1 Capital		
CET 1	**P 115,046**	**P 111,616**
AT1	**14,466**	**14,466**
	129,512	**126,082**
Tier 2 Capital	**6,586**	**6,522**
Total Qualifying Capital	**P 136,098**	**P 132,604**
Total Risk – Weighted Assets	**P 783,300**	**P 771,479**
Capital ratios:		
Total qualifying capital expressed as a percentage of total risk-weighted assets	**17.37%**	**17.19%**
Tier 1 Capital Ratio	**16.53%**	**16.34%**
Total CET 1 Ratio	**14.69%**	**14.47%**
2022:		
Tier 1 Capital		
CET 1	P 85,637	P 81,242
AT1	14,466	14,466
	100,103	95,708
Tier 2 Capital	6,081	6,025
Total Qualifying Capital	P 106,184	P 101,733
Total Risk – Weighted Assets	P 694,421	P 679,361
Capital ratios:		
Total qualifying capital expressed as a percentage of total risk-weighted assets	15.29%	14.97%
Tier 1 Capital Ratio	14.42%	14.09%
Total CET 1 Ratio	12.33%	11.96%

5.2 Internal Capital Adequacy Assessment and Pillar 2 Risk-Weighted Assets

In January 2009, the BSP issued Circular No. 639 on the ICAAP and Supervisory Review Process covering universal and commercial banks on a group-wide basis. As a supplement to BSP Circular No. 538 on the Risk-Based Capital Adequacy Framework, ICAAP sets out the following principles:

(a) Banks must have a process for assessing capital adequacy relative to their risk profile, operating environment, and strategic/business plans;

(b) The Bank's ICAAP is the responsibility of the BOD, must be properly documented and approved and with policies and methodologies integrated into banking operations;

(c) The Bank's ICAAP should address other material risks – Pillar 2 risks – in addition to those covered by Pillar 1, with risk measurement methodologies linked to the assessment of corresponding capital requirement both on a BAU and stressed scenario;

(d) The minimum CAR prescribed by the BSP after accounting for Pillar 1 and other risks is retained at 10%; and,

(e) The Bank's ICAAP document must be submitted to the BSP every March 31 of each year.

The Group identified the following Pillar 2 risks as material to its operations, and consequently set out methodologies to quantify the level of capital that it must hold.

(a) *Credit Risk Concentration* – The Group has so far limited its analysis to credit risk concentration arising from the uneven sector distribution of the Group's credit exposures. Aside from using a simplified application of the HHI, concentration is estimated using the CCI. The capital charge is estimated by calculating the change in the Economic Capital (EC) requirement of the credit portfolio as an effect of credit deterioration in the largest industry exposure.

(b) *IRRBB* – It is the current and prospective negative impact on earnings and capital arising from interest rate shifts. The Group IRRBB estimates as its NII-at-risk, and accordingly deducts the same from regulatory qualifying capital. Stressed IRRBB is calculated by applying the highest observed market volatilities over a determined timeframe.

(c) *Liquidity Risk* – The Group estimates its liquidity risk under BAU scenario using standard gap analysis. Stressed liquidity risk on the other hand assumes a repeat of a historical liquidity stress, and estimates the impact if the Group were to partially defend its deposits and partially pay-off by drawing from its reserve of liquid assets.

(d) *IT Risk* – It is the current and prospective negative impact to earnings arising from failure of IT systems and realization of cyber security threats. The Group treats this risk as forming part of Operational Risk.

(e) *Compliance Risk* – It is the current and prospective negative impact on earnings and capital arising from violation of laws, regulations, ethical standards, and the like. For BAU scenario, the Group estimates compliance risk charge from historical fines and penalties as the worst-case loss determined via a frequency-severity analysis of each penalty type. The resulting compliance risk charge calculation is likewise directly deducted from earnings.

(f) *Strategic Business Risk* – It is the current and prospective negative impact on earnings and capital arising from adverse business decisions, improper implementation, and failure to respond to industry changes. The Group treats strategic business risk as a catch-all risk, and expresses its estimate as a cap on additional risk-weighted assets given other risks and the desired level of capital adequacy. The Group maintains that the assessment of strategic risk is embedded in the budget of the Group. Its capital impact therefore on a BAU case is already expressed in the amount of risk projected to be taken on in the forecast years. However, the Group does recognize the need to set up processes that would enable to put a number to the risk incurred by going into specific strategies.

(g) *Reputation Risk* – From the adoption of a theoretical measure, the Group amended its approach to reputation risk in 2011 by adopting instead a reputation risk monitoring and reporting process, run primarily by its Marketing Committee. The measurement of reputation risk under stress is folded into the Group's assessment of stressed liquidity risk.

5.3 Basel III Leverage Ratio

BSP issued Circular No. 881, *Implementing Guidelines on the Basel III Leverage Ratio Framework*, which provides the implementing guidelines on the leverage ratio framework designed to act as a supplementary measure to the risk-based capital requirements. It sets out a minimum leverage ratio of 5.00% on a solo and consolidated basis and shall be complied with at all times. The monitoring period has been set every quarter starting December 31, 2014 and extended until June 30, 2018 per BSP Circular No. 990, *Amendments to the Basel III Leverage Ratio Framework*, issued on January 22, 2018. Effective July 1, 2018, the monitoring of the leverage ratio was implemented as a Pillar I minimum requirement.

The Basel III leverage ratio intends to restrict the build-up of leverage to avoid destabilizing deleveraging processes which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based "backstop" measure. The Basel III leverage ratio is defined as the ratio of capital measure (Tier 1 Capital) and the exposure measure. Exposure measure includes: on-balance sheet exposures, securities financing transactions exposures and off-balance sheet.

The Group and Parent Company's Basel III leverage ratio as reported to the BSP are as follows:

	Group	Parent Company
2023:		
Tier 1 Capital	**P 129,512**	**P 126,082**
Exposure measure	**1,326,242**	**1,314,888**
	9.77%	**9.59%**
2022:		
Tier 1 Capital	P 100,102	P 95,708
Exposure measure	1,198,389	1,184,364
	8.35%	8.08%

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

5.4 Liquidity Coverage Ratio and Net Stable Funding Ratio

On March 10, 2016, the BSP issued Circular No. 905, *Implementation of Basel III Framework on Liquidity Standards - Liquidity Coverage Ratio and Disclosure Standards*, which provides the implementing guidelines on liquidity coverage ratio (LCR) and disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high-quality liquid assets to total net cash outflows, which should not be lower than 100.00%. Compliance with the LCR minimum requirement commenced on January 1, 2018 with the prescribed minimum ratio of 90.00% for 2018 and 100.00% effective January 1, 2019.

To promote the short-term resilience of the liquidity risk profile, the Bank maintains adequate stock of unencumbered high-quality liquid assets (HQLAs) that consists of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs under stressed conditions. The stock of liquid assets should enable the Bank to withstand significant liquidity shocks for at least 30 calendar days, which would give time for corrective actions to be taken by the Bank management and/or the BSP. Details of the Group's and Parent Company's LCR are summarized below.

	Group		Parent Company	
	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value
December 31, 2023				
Total stock of HQLA	**P 445,894**	**P 437,927**	**P 443,228**	**P 435,553**
Expected Net Cash Outflows*	**1,459,085**	**256,891**	**1,460,162**	**257,561**
Liquidity Coverage Ratio		**170.47%**		**169.11%**
December 31, 2022				
Total stock of HQLA	P 429,188	P 420,715	P 426,745	P 418,521
Expected Net Cash Outflows*	1,258,367	259,722	1,257,964	258,974
Liquidity Coverage Ratio		161.99%		161.61%

**Includes Restricted Term Deposits and Deposits pledged as collateral or under hold-out arrangements*

Net Stable Funding Ratio (NSFR), as detailed in BSP Circular No. 1007, *Implementing Guidelines on the adoption of the Basel III Framework on Liquidity Standards - Net Stable Funding Ratio*, measures the availability of medium and long-term stable funding to support illiquid assets and business activities on an on-going basis. It is an assessment of the level of sustainable funding required to reduce funding risk over a one-year time horizon. The NSFR complements the LCR, which promotes short-term resilience of the Group's liquidity profile.

To promote long-term resilience against liquidity risk, the Group maintains a stable funding profile in relation to the composition of its assets and off-balance sheet activities and seeks to meet this objective by limiting overreliance on short-term wholesale funding and promoting enhanced assessment of funding risk across all on- and off-balance sheet accounts.

Details of the Group's and Parent Company's Basel III NSFR are summarized in the succeeding page.

	Group	Parent Company
December 31, 2023		
Available stable funding	**P 760,231**	**P 755,299**
Required stable funding	**633,006**	**634,968**
Basel III NSFR	**120.10%**	**118.95%**
December 31, 2022		
Available stable funding	P 694,870	P 687,997
Required stable funding	553,443	554,141
Basel III NSFR	125.55%	124.16%

The Bank has complied with the daily minimum regulatory requirement of 100% for both ratios beginning in 2019.

CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

6.1 Carrying Amounts and Fair Values by Category

The following table summarizes the carrying amounts and corresponding fair values of financial assets and financial liabilities presented in the statements of financial position.

	Group			
	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
At amortized cost:				
Cash and cash equivalents	**P 250,108**	**P 250,108**	P 208,323	P 208,323
Investment securities - net	**236,527**	**213,708**	252,382	220,523
Loans and receivables - net	**622,149**	**640,850**	539,848	555,018
Other resources - net	**1,459**	**1,459**	1,204	1,204
	1,110,243	**1,106,125**	1,001,757	985,068
At fair value:				
Investment securities at FVTPL	**11,778**	**11,778**	7,037	7,037
Investment securities at FVOCI	**82,437**	**82,437**	114,946	114,946
	94,215	**94,215**	121,983	121,983
	P 1,204,458	**P 1,200,340**	P 1,123,740	P 1,107,051
Financial Liabilities				
At amortized cost:				
Deposit liabilities	**P 956,712**	**P 929,590**	P 857,244	P 857,299
Bills payable	**50,858**	**50,858**	66,660	66,660
Bonds payable	**34,939**	**34,356**	74,411	72,446
Accrued interest and other expenses	**10,745**	**10,745**	7,857	7,857
Other liabilities	**26,990**	**26,990**	25,333	25,333
	1,080,244	**1,052,539**	1,031,505	1,029,595
At fair value – Derivative financial liabilities	**1,690**	**1,690**	2,116	2,116
	P 1,081,934	**P 1,054,249**	P 1,033,621	P 1,031,711

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

	Parent Company			
	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
At amortized cost:				
Cash and cash equivalents	**P 247,941**	**P 247,941**	P 206,320	P 206,320
Investment securities - net	**235,732**	**213,097**	251,328	219,806
Loans and receivables - net	**615,901**	**633,825**	532,193	546,950
Other resources - net	**1,457**	**1,457**	1,202	1,202
	1,101,031	**1,096,320**	991,043	974,278
At fair value:				
Investment securities at FVTPL	**10,954**	**10,954**	6,139	6,139
Investment securities at FVOCI	**81,757**	**81,757**	114,265	114,265
	92,711	**92,711**	120,404	120,404
	P 1,193,742	**P 1,189,031**	P 1,111,447	P 1,094,682
Financial Liabilities				
At amortized cost:				
Deposit liabilities	**P 957,369**	**P 930,262**	P 857,639	P 857,694
Bills payable	**43,957**	**43,957**	58,391	58,391
Bonds payable	**34,939**	**34,356**	74,411	72,446
Accrued interest and other expenses	**10,475**	**10,475**	7,663	7,663
Other liabilities	**26,218**	**26,218**	24,287	24,287
	1,072,958	**1,045,268**	1,022,391	1,020,481
At fair value – Derivative financial liabilities	**1,690**	**1,690**	2,116	2,116
	P 1,074,648	**P 1,046,958**	P 1,024,507	P 1,022,597

Except for investment securities at amortized cost, deposit liabilities, loans and receivables, and bonds payable with fair value disclosed different from their carrying amounts, management considers that the carrying amounts of other financial assets and financial liabilities presented above which are measured at amortized cost, approximate the fair values either because those instruments are short-term in nature or the effect of discounting for those with maturities of more than one year is not material. The fair value information disclosed for the Group and Parent Company's investment securities at amortized cost and other financial assets and liabilities measured at fair value on a recurring basis are determined based on the procedures and methodologies discussed in Note 7.3.

6.2 Offsetting Financial Assets and Financial Liabilities

The following financial assets presented in the statements of financial position at gross amounts are covered by enforceable master netting arrangements and similar arrangements:

	Group				
			Related amounts not set off in the statements of financial position		
	Notes	Gross amounts recognized in the statements of financial position	Financial instruments	Collateral received	Net amount
December 31, 2023					
Loans and receivables – Receivable from customers	11	**P 621,922**	**(P 8,153)**	**P -**	**P 613,769**
Trading and investment securities – Investment securities at amortized cost	10	**236,527**	**(41,597)**	**-**	**194,930**
Other resources – Margin deposits	15	**243**	**-**	**(243)**	**-**
December 31, 2022					
Loans and receivables – Receivable from customers	11	P 543,346	(P 11,001)	P -	P 532,345
Trading and investment securities – Investment securities at amortized cost	10	252,382	(40,481)	-	211,901
Other resources – Margin deposits	15	240	-	(240)	-

	Parent Company				
			Related amounts not set off in the statements of financial position		
	Notes	Gross amounts recognized in the statements of financial position	Financial instruments	Collateral received	Net amount
December 31, 2023					
Loans and receivables – Receivable from customers	11	**P 615,240**	**(P 8,152)**	**P -**	**P 607,088**
Trading and investment securities – Investment securities at amortized cost	10	**235,732**	**(41,597)**	**-**	**194,135**
Other resources – Margin deposits	15	**243**	**-**	**(243)**	**-**
December 31, 2022					
Loans and receivables – Receivable from customers	11	P 535,576	(P 10,941)	P -	P 524,635
Trading and investment securities – Investment securities at amortized cost	10	251,328	(40,481)	-	210,847
Other resources – Margin deposits	15	240	-	(240)	-

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

The following financial liabilities presented in the statements of financial position at gross amounts are covered by enforceable master netting arrangements and similar agreements:

Group

	Notes	Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position – Financial instruments	Related amounts not set off in the statements of financial position – Collateral received	Net amount
December 31, 2023					
Deposit liabilities	17	**P 956,712**	**(P 8,153)**	**P -**	**P 948,559**
Bills payable	18	**50,858**	**(41,597)**	**-**	**9,261**
Other liabilities – Derivative financial liabilities	21	**1,690**	**-**	**(243)**	**1,447**
December 31, 2022					
Deposit liabilities	17	P 857,244	(P 11,001)	P -	P 846,243
Bills payable	18	66,660	(40,481)	-	26,179
Other liabilities – Derivative financial liabilities	21	2,116	-	(240)	1,876

Parent Company

	Notes	Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position – Financial instruments	Related amounts not set off in the statements of financial position – Collateral received	Net amount
December 31, 2023					
Deposit liabilities	17	**P 957,369**	**(P 8,152)**	**P -**	**P 949,217**
Bills payable	18	**43,957**	**(41,597)**	**-**	**2,360**
Other liabilities – Derivative financial liabilities	21	**1,690**	**-**	**(243)**	**1,447**
December 31, 2022					
Deposit liabilities	17	P 857,639	(P 10,941)	P -	P 846,698
Bills payable	18	58,391	(40,481)	-	17,910
Other liabilities – Derivative financial liabilities	21	2,116	-	(240)	1,876

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, each agreement between the Group and its counterparties allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis. However, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

For purposes of presenting the above information, the related amounts not set off in the statements of financial position pertains to: (a) hold-out deposits and equity securities which serve as the Group's collateral enhancement for certain loans and receivables; (b) collaterized bills payable under sale and repurchase agreements; and, (c) margin deposits which serve as security for outstanding financial market transactions and other liabilities. The financial instruments that can be set off are only disclosed to the extent of the amounts of the Group's obligations to counterparties.

FAIR VALUE MEASUREMENT AND DISCLOSURES

7.1 Fair Value Hierarchy

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

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

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

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

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

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

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3. Changes in assumptions could also affect the reported fair value of the financial instruments. The Group uses judgment to select a variety of valuation techniques and to make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

7.2 Financial Instruments Measured at Fair Value

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as of December 31, 2023 and 2022.

	Group			
	Level 1	Level 2	Level 3	Total
2023:				
Financial assets at FVTPL:				
Government securities	**P 9,647**	**P -**	**P -**	**P 9,647**
Equity securities	**783**	**-**	**-**	**783**
Corporate debt securities	**28**	**-**	**-**	**28**
Derivative assets	**10**	**1,310**	**-**	**1,320**
	10,468	**1,310**	**-**	**11,778**
Financial assets at FVOCI:				
Equity securities	**863**	**561**	**2,480**	**3,904**
Government securities	**65,962**	**-**	**-**	**65,962**
Corporate debt securities	**12,571**	**-**	**-**	**12,571**
	79,396	**561**	**2,480**	**82,437**
Total Resources at Fair Value	**P 89,864**	**P 1,871**	**P 2,480**	**P 94,215**
Derivative liabilities	**P -**	**P 1,690**	**P -**	**P 1,690**
2022:				
Financial assets at FVTPL:				
Government securities	P 3,883	P -	P -	P 3,883
Corporate debt securities	38	-	-	38
Equity securities	849	-	-	849
Derivative assets	20	2,247	-	2,267
	4,790	2,247	-	7,037
Financial assets at FVOCI:				
Equity securities	515	1,005	2,112	3,632
Government securities	53,492	-	-	53,492
Corporate debt securities	57,822	-	-	57,822
	111,829	1,005	2,112	114,946
Total Resources at Fair Value	P 116,619	P 3,252	P 2,112	P 121,983
Derivative liabilities	P 33	P 2,083	P -	P 2,116

	Parent Company			
	Level 1	**Level 2**	**Level 3**	**Total**
2023:				
Financial assets at FVTPL:				
Government securities	**P 9,615**	**P -**	**P -**	**P 9,615**
Corporate debt securities	**19**	**-**	**-**	**19**
Derivative assets	**10**	**1,310**	**-**	**1,320**
	9,644	**1,310**	**-**	**10,954**
Financial assets at FVOCI:				
Equity securities	**381**	**557**	**2,402**	**3,340**
Government securities	**65,962**	**-**	**-**	**65,962**
Corporate debt securities	**12,455**	**-**	**-**	**12,455**
	78,798	**557**	**2,402**	**81,757**
Total Resources at Fair Value	**P 88,442**	**P 1,867**	**P 2,402**	**P 92,711**
Derivative liabilities	**P -**	**P 1,690**	**P -**	**P 1,690**
2022:				
Financial assets at FVTPL:				
Government securities	P 3,834	P -	P -	P 3,834
Corporate debt securities	38	-	-	38
Equity securities	-	-	-	-
Derivative assets	20	2,247	-	2,267
	3,892	2,247	-	6,139
Financial assets at FVOCI:				
Equity securities	622	350	2,088	3,060
Government securities	53,492	-	-	53,492
Corporate debt securities	57,713	-	-	57,713
	111,827	350	2,088	114,265
Total Resources at Fair Value	P 115,719	P 2,597	P 2,088	P 120,404
Derivative liabilities	P 33	P 2,083	P -	P 2,116

Described below and in the succeeding page are the information about how the fair values of the Group's classes of financial assets and financial liabilities were determined.

(a) Government and Corporate Debt Securities

The fair value of the Group's government and corporate debt securities are categorized within Level 1 of the fair value hierarchy.

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

Fair values of peso-denominated government debt securities issued by the Philippine government, are determined based on the reference price per Bloomberg which used BVAL. These BVAL reference rates are computed based on the weighted price derived using an approach based on a combined sequence of proprietary BVAL algorithms of direct observations or observed comparables.

Fair values of actively traded corporate debt securities are determined based on their market prices quoted in the Philippine Dealing Holdings System or based on the direct reference price per Bloomberg at the end of each reporting period; hence, categorized within Level 1.

(b) Equity Securities

The fair values of certain equity securities classified as financial assets at FVTPL and at FVOCI as of December 31, 2023 and 2022 were valued based on their market prices quoted in the PSE at the end of each reporting period; hence, categorized within Level 1.

Level 2 category includes the Group's investments in proprietary club shares as their prices are not derived from a market considered as active due to lack of trading activities among market participants at the end of each reporting period.

For equity securities which are not traded in an active market and with fair value categorized within Level 3, their fair value is determined through valuation techniques such as net asset value method, dividend discounted model or market-based approach (price-to-book value method) using current market values of comparable listed entities.

The price-to-book value method used to value a certain equity security of the Parent Company uses the price-to-book ratio of comparable listed entities as multiple in determining the fair value adjusted by a certain valuation discount. The price-to-book ratio used in the fair value measurement as of December 31, 2023 and 2022 ranges from 0.25:1 to 3.72:1 and from 0.82:1 to 1.35:1, respectively. Increase or decrease in the price-to-book ratio and net asset value would result in higher or lower fair values, all else equal.

For a certain preferred equity security, the Group has used the discounted cash flow applying a discount rate of 7.4% and 9.2%, which is based on the latest available weighted cost of capital of the investee company, in 2023 and 2022, respectively, to determine the present value of future cash flows from dividends or redemption expected to be received from the instrument.

A reconciliation of the carrying amounts of Level 3 FVOCI equity securities at the beginning and end of 2023 and 2022 is shown below.

	Group		Parent Company	
	2023	2022	**2023**	2022
Balance at beginning of year	**P 2,112**	P 1,815	**P 2,088**	P 1,788
Fair value gains - net	**368**	297	**314**	300
Balance at end of year	**P 2,480**	P 2,112	**P 2,402**	P 2,088

There were neither transfers between the levels of the fair value hierarchy nor gains or losses recognized in the statements of profit or loss for Level 3 financial assets in 2023 and 2022.

(c) *Derivative Assets and Liabilities*

The fair value of the Group's derivative assets categorized within Level 1 is determined be the current mid-price based on the last trading transaction as defined by third-party market makers.

On the other hand, the fair values of certain derivative financial assets and liabilities categorized within Level 2 were determined through valuation techniques using net present value computation which makes use of the streams of cash flows related to the derivative financial instruments such as interest rate swaps and currency swaps.

7.3 Financial Instruments Measured at Amortized Cost for Which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Group and Parent Company's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

	Group			
	Level 1	**Level 2**	**Level 3**	**Total**
2023:				
Financial Assets:				
Cash and other cash items	**P 19,875**	**P -**	**P -**	**P 19,875**
Due from BSP	**151,762**	**-**	**-**	**151,762**
Due from other banks	**14,892**	**-**	**-**	**14,892**
Loans arising from reverse repurchase agreements	**35,799**	**- -**	**- -**	**35,799**
Interbank loans	**27,780**	**-**	**-**	**27,780**
Investment securities at amortized cost	**213,708**	**-**	**-**	**213,708**
Loans and receivables - net	**-**	**-**	**640,850**	**640,850**
Other resources - net	**-**	**-**	**1,459**	**1,459**
	P 463,816	**P -**	**P 642,309**	**P 1,106,125**
Financial Liabilities:				
Deposit liabilities	**P -**	**P -**	**P 929,590**	**P 929,590**
Bills payable	**-**	**-**	**50,858**	**50,858**
Bonds payable	**-**	**34,356**	**-**	**34,356**
Accrued interest and other expenses	**-**	**-**	**10,745**	**10,745**
Other liabilities	**-**	**-**	**26,990**	**26,990**
	P -	**P 34,356**	**P 1,018,203**	**P 1,052,539**

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

	Group			
	Level 1	Level 2	Level 3	Total
2022:				
Financial Assets:				
Cash and other cash items	P 18,078	P -	P -	P 18,078
Due from BSP	156,664	-	-	156,664
Due from other banks	5,836	-	-	5,836
Loans arising from reverse repurchase agreements	8,724	-	-	8,724
Interbank loans	19,021	-	-	19,021
Investment securities at amortized cost	220,523	-	-	220,523
Loans and receivables - net	-	-	555,018	555,018
Other resources - net	-	-	1,204	1,204
	P 428,846	P -	P 556,222	P 985,068
Financial Liabilities:				
Deposit liabilities	P -	P -	P 857,299	P 857,299
Bills payable	-	-	66,660	66,660
Bonds payable	-	72,446	-	72,446
Accrued interest and other expenses	-	-	7,857	7,857
Other liabilities	-	-	25,333	25,333
	P -	P 72,446	P 957,149	P 1,029,595

	Parent Company			
	Level 1	Level 2	Level 3	Total
2023:				
Financial Assets:				
Cash and other cash items	**P 19,812**	**P -**	**P -**	**P 19,812**
Due from BSP	**150,771**	**-**	**-**	**150,771**
Due from other banks	**14,630**	**-**	**-**	**14,630**
Loans arising from reverse repurchase agreements	**34,948**	**-**	**-**	**34,948**
Interbank loans	**27,780**	**-**	**-**	**27,780**
Investment securities at amortized cost	**213,097**	**-**	**-**	**213,097**
Loans and receivables - net	**-**	**-**	**633,825**	**633,825**
Other resources - net	**-**	**-**	**1,457**	**1,457**
	P 461,038	**P -**	**P 635,282**	**P 1,096,320**
Financial Liabilities:				
Deposit liabilities	**P -**	**P -**	**P 930,262**	**P 930,262**
Bills payable	**-**	**-**	**43,957**	**43,957**
Bonds payable	**-**	**-**	**34,356**	**34,356**
Accrued interest and other expenses	**-**	**-**	**10,475**	**10,475**
Other liabilities	**-**	**-**	**26,218**	**26,218**
	P -	**P -**	**P 1,045,268**	**P 1,045,268**

	Parent Company			
	Level 1	Level 2	Level 3	Total
2022:				
Financial Assets:				
Cash and other cash items	P 18,024	P -	P -	P 18,024
Due from BSP	155,340	-	-	155,340
Due from other banks	5,383	-	-	5,383
Loans arising from reverse repurchase agreements	8,552	-	-	8,552
Interbank loans	19,021	-	-	19,021
Investment securities at amortized cost	219,806	-	-	219,806
Loans and receivables - net	-	-	546,950	546,950
Other resources - net	-	-	1,202	1,202
	P 426,126	P -	P 548,152	P 974,278
Financial Liabilities:				
Deposit liabilities	P -	P -	P 857,694	P 857,694
Bills payable	-	-	58,391	58,391
Bonds payable	-	72,446	-	72,446
Accrued interest and other expenses	-	-	7,663	7,663
Other liabilities	-	-	24,287	24,287
	P -	P 72,446	P 948,035	P 1,020,481

The following are the methods used to determine the fair value of financial assets and financial liabilities not presented in the statements of financial position at their fair values:

(a) *Due from BSP and Other Banks, and Loans and Receivables Arising from Reverse Repurchase Agreements*

Due from BSP pertains to deposits made to the BSP for clearing and reserve requirements, overnight and term deposit facilities, while loans and receivables arising from reverse repurchase agreements pertain to loans and receivables from BSP arising from overnight lending from excess liquidity. Due from other banks includes items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on the discounted cash flows using prevailing money market interest rates for debt with similar credit risk and remaining maturity, which for short-term deposits approximate the nominal value.

(b) *Investment Securities at Amortized Cost*

The fair value of investment securities at amortized cost consisting of government securities and corporate debt securities is determined based on reference prices appearing in Bloomberg.

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

(c) Deposits Liabilities and Borrowings

The estimated fair value of demand deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The Level 2 fair value of bonds payable and subordinated debt is determined based on the average of ask and bid prices as appearing on Bloomberg. For bills payable categorized within Level 3, fair value is determined based on their discounted amount of estimated future cash flows expected to be received or paid, or based on their cost which management estimates to approximate their fair values.

(d) Other Resources and Other Liabilities

Due to their short duration, the carrying amounts of other resources and liabilities in the statements of financial position are considered to be reasonable approximation of their fair values.

7.4 Fair Value Disclosures for Investment Properties Carried at Cost

Details of Group's and Parent Bank's investment properties and the information about the fair value hierarchy as of December 31, 2023 and 2022 are shown in the succeeding page.

	Group			
	Level 1	**Level 2**	**Level 3**	**Total**
2023				
Land	P -	P -	P 10	P 10
Building and improvements	-	-	534	534
	P -	**P -**	**P 544**	**P 544**
2022				
Land	P -	P -	P 7,168	P 7,168
Building and improvements	-	-	1,520	1,520
	P -	P -	P 8,688	P 8,688

	Parent			
	Level 1	**Level 2**	**Level 3**	**Total**
2023				
Land	P -	P -	P 9	P 9
Building and improvements	-	-	534	534
	P -	**P -**	**P 543**	**P 543**
2022				
Land	P -	P -	P 6,843	P 6,843
Building and improvements	-	-	1,416	1,416
	P -	P -	P 8,259	P 8,259

The fair values of the Group and Parent Company's investment properties were determined based on the following approaches:

(a) *Fair Value Measurement for Land*

The Level 2 fair value of land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations as determined by an independent or internal appraiser. Under this approach, when sales prices and/or actual sales transaction of comparable land in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2.

On the other hand, if the observable and recent prices of the reference properties were adjusted for differences in key attributes such as property size, location and zoning, and accessibility, or any physical or legal restrictions on the use of the property, the fair value will be categorized as Level 3. The most significant input into this valuation approach is the price per square feet, hence, the higher the price per square feet, the higher the fair value.

(b) *Fair Value Measurement for Buildings and Improvements*

The Level 3 fair value of the buildings was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change in the valuation techniques for investment properties in both years.

8. SEGMENT INFORMATION

8.1 Business Segments

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

(a) *Retail* – principally handles the BCs offering a wide range of consumer banking products and services. Products offered include individual customer's deposits, credit cards, home and mortgage loans, auto, personal and microfinance loans, overdraft facilities, payment remittances and foreign exchange transactions. It also upsells bank products [unit investment trust funds (UITFs), etc.] and cross-sells bancassurance products. The segment includes the net assets of the servicing entity, RBSC, and portfolios of Rizal Microbank.

(b) *Corporate* – principally handles distinct customer segments: (i) conglomerates; (ii) large corporations; (iii) emerging corporates, which focus on large middle accounts often referred to as the "Next 500 Corporations"; (iv) Japanese multinationals with a strong presence in the country; (v) Filipino-Chinese businesses; and, (vi) Korean businesses. This segment includes portfolio of RCBC LFC.

(c) *Small and Medium Enterprises (SME)* – principally handles the financial needs of the country's small businesses or the SMEs and the Commercial Middle Market segments. The SME Banking Group provides a holistic approach serving both the financial (e.g., loans, deposits, investments, insurance, etc.) and non-financial needs (e.g., networking, financial literacy trainings, etc.) of client to help them grow their business. Clients are the entrepreneurs located in different parts of the country and spread in various industry sectors such as manufacturing, wholesale and retail trade, construction, hotels, agriculture, and healthcare, among others.

(d) *Treasury* – principally provides money market, trading and treasury services, as well as the management of the Group's funding operations by use of treasury bills, government securities and placements and acceptances with other banks, through treasury and wholesale banking.

(e) *Others* – consists of other subsidiaries except for RBSC and Rizal Microbank, which is presented as part of Retail, and RCBC LFC which is presented under Corporate.

These segments are the basis on which the Group reports its primary segment information. Other operations of the Group comprise the operations and financial control groups. Transactions between segments are conducted at estimated market rates on an arm's length basis.

Segment revenues and expenses that are directly attributable to primary business segment and the relevant portions of the Group's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment.

For secondary segments, revenues and expenses are attributed to geographic areas based on the location of the resources producing the revenues, and in which location the expenses are incurred.

There were no changes in the Group's operating segments in 2023 and 2022.

8.2 Analysis of Primary Segment Information

Primary segment information (by business segment) on a consolidated basis as of and for the years ended December 31, 2023, 2022 and 2021 follow:

	Retail	Corporate	SME	Treasury	Others	Total
2023:						
Revenues						
From external customers						
Interest income	**P 61,183**	**P 47,375**	**P 10,457**	**P 20,894**	**P 138**	**P 140,047**
Interest expense	**(35,960)**	**(25,639)**	**(9,867)**	**(16,450)**	**(9)**	**(87,925)**
Net interest income	**25,223**	**21,736**	**590**	**4,444**	**129**	**52,122**
Non-interest income	**9,859**	**5,647**	**284**	**933**	**1,092**	**17,815**
	35,082	**27,383**	**874**	**5,377**	**1,221**	**69,937**
Intersegment revenues						
Interest income	**-**	**4**	**4,386**	**-**	**28**	**4,418**
Non-interest income	**742**	**-**	**-**	**-**	**-**	**742**
	742	**4**	**4,386**	**-**	**28**	**5,160**
Total net revenues	**35,824**	**27,387**	**5,260**	**5,377**	**1,249**	**75,097**
Expenses						
Operating expenses excluding impairment, depreciation and amortization	**18,000**	**4,167**	**1,362**	**1,493**	**300**	**25,322**
Impairment losses – net	**5,015**	**1,022**	**692**	**11**	**(1)**	**6,739**
Depreciation and amortization	**1,685**	**800**	**76**	**23**	**24**	**2,608**
	24,700	**5,989**	**2,130**	**1,527**	**323**	**34,669**
Segment operating income	**P 11,124**	**P 21,398**	**P 3,130**	**P 3,850**	**P 926**	**P 40,428**
Total resources	**P 229,909**	**P 315,840**	**P 104,513**	**P 468,411**	**P 3,973**	**P 1,122,646**
Total liabilities	**P 701,541**	**P 500,825**	**P 128,867**	**P 90,495**	**P 558**	**P 1,422,286**
2022:						
Revenues						
From external customers						
Interest income	P 33,539	P 27,865	P 6,325	P 12,615	P 100	P 80,444
Interest expense	(14,272)	(14,491)	(4,258)	(7,674)	(7)	(40,702)
Net interest income	19,267	13,374	2,067	4,941	93	39,742
Non-interest income	8,152	6,671	240	673	1,075	16,811
	27,419	20,045	2,307	5,614	1,168	56,553
Intersegment revenues						
Interest income	-	5	2,372	-	13	2,390
Non-interest income	650	-	-	-	-	650
	650	5	2,372	-	13	3,040
Total net revenues	28,069	20,050	4,679	5,614	1,181	59,593
Expenses						
Operating expenses excluding impairment, depreciation and amortization	15,436	2,763	1,507	1,053	59	20,818
Impairment losses -net	3,529	1,544	400	19	214	5,706
Depreciation and amortization	1,239	880	27	23	23	2,192
	20,204	5,187	1,934	1,095	296	28,716
Segment operating income	P 7,865	P 14,863	P 2,745	P 4,519	P 885	P 30,877
Total resources	P 163,956	P 307,379	P 88,807	P 357,684	P 4,224	P 922,050
Total liabilities	P 570,994	P 417,070	P 107,165	P 43,284	P 571	P 1,139,084

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

	Retail	Corporate	SME	Treasury	Others	Total
2021:						
Revenues						
From external customers						
Interest income	P 22,901	P 21,285	P 5,164	P 5,613	P 91	P 55,054
Interest expense	(7,648)	(10,564)	(2,273)	(2,193)	(10)	(22,688)
Net interest income	15,253	10,721	2,891	3,420	81	32,366
Non-interest income	6,188	2,257	162	1,524	1,163	11,294
	21,441	12,978	3,053	4,944	1,244	43,660
Intersegment revenues						
Interest income	-	8	1,271	-	11	1,290
Non-interest income	564	-	-	-	-	564
	564	8	1,271	-	11	1,854
Total net revenues *(Balance forwarded)*	22,005	12,986	4,324	4,944	1,255	45,514
Expenses						
Operating expenses excluding impairment, depreciation and amortization	14,404	2,286	352	777	604	18,423
Impairment losses -net	4,718	954	256	14	106	6,048
Depreciation and amortization	1,200	694	27	51	24	1,996
	20,322	3,934	635	842	734	26,467
Segment operating income	P 1,683	P 9,052	P 3,689	P 4,102	P 521	P 19,047
Total resources	P 155,373	P 295,922	P 76,409	P 236,958	P 4,944	P 769,606
Total liabilities	P 450,053	P 352,807	P 88,464	P 23,076	P 1,395	P 915,795

8.3 Reconciliation

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements.

	2023	2022	2021
Revenues			
Total segment revenues	**P 75,097**	P 59,593	P 45,514
Elimination of intersegment revenues	**(25,100)**	(15,139)	(9,120)
Net revenues as reported in profit or loss	**P 49,997**	P 44,454	P 36,394
Profit or loss			
Total segment operating income	**P 40,428**	P 30,877	P 19,047
Elimination of intersegment profit	**(28,211)**	(18,797)	(11,964)
Group net profit as reported in profit or loss	**P 12,217**	P 12,080	P 7,083
Resources			
Total segment resources	**P 1,122,646**	P 922,050	P 769,606
Unallocated resources (elimination of intersegment liabilities)	**115,686**	232,058	189,527
Total resources	**P 1,238,332**	P 1,154,108	P 959,133
Liabilities			
Total segment liabilities	**P 1,422,286**	P 1,139,084	P 915,795
Unallocated liabilities (elimination of intersegment liabilities)	**(336,229)**	(101,337)	(67,742)
Total liabilities	**P 1,086,057**	P 1,037,747	P 848,053

8.4 Analysis of Secondary Segment Information

Secondary information (by geographical locations) as of and for the years ended December 31, 2023, 2022 and 2021 follow:

	Philippines	Asia and Europe	Total
2023:			
Statement of profit or loss			
Total income	**P 82,643**	**P 14**	**P 82,657**
Total expenses	**70,418**	**22**	**70,440**
Net profit (loss)	**P 12,225**	**(P 8)**	**P 12,217**
Statement of financial position			
Total resources	**P 1,238,229**	**P 103**	**P 1,238,332**
Total liabilities	**P 1,086,053**	**P 4**	**P 1,086,057**
Other segment information			
Depreciation and amortization	**P 3,365**	**P -**	**P 3,365**
2022:			
Statement of profit or loss			
Total income	P 59,057	P 16	P 59,073
Total expenses	46,971	22	46,993
Net profit (loss)	P 12,086	(P 6)	P 12,080
Statement of financial position			
Total resources	P 1,153,994	P 114	P 1,154,108
Total liabilities	P 1,037,741	P 6	P 1,037,747
Other segment information			
Depreciation and amortization	P 3,037	P -	P 3,037
2021:			
Statement of profit or loss			
Total income	P 44,660	P 14	P 44,674
Total expenses	37,569	22	37,591
Net profit (loss)	P 7,091	(P 8)	P 7,083
Statement of financial position			
Total resources	P 959,022	P 111	P 959,133
Total liabilities	P 848,048	P 5	P 848,053
Other segment information			
Depreciation and amortization	P 3,020	P -	P 3,020

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9. CASH AND CASH EQUIVALENTS

The components of Cash and Cash Equivalents follow:

	Group		Parent Company	
	2023	2022	**2023**	2022
Cash and other cash items	**P 19,875**	P 18,078	**P 19,812**	P 18,024
Due from BSP	**151,762**	156,664	**150,771**	155,340
Due from other banks	**14,892**	5,836	**14,630**	5,383
Loans arising from reverse repurchase agreements	**35,799**	8,724	**34,948**	8,552
Interbank loans receivables (see Note 11)	**27,780**	19,021	**27,780**	19,021
	P 250,108	P 208,323	**P 247,941**	P 206,320

Cash consists primarily of funds in the form of Philippine currency notes and coins, and includes foreign currencies acceptable to form part of the international reserves in the Group's vault and those in the possession of tellers, including ATMs. Other cash items include cash items other than currency and coins on hand, such as checks drawn on other banks or other branches after the clearing cut-off time until the close of the regular banking hours.

Due from BSP represents the aggregate balance of deposit accounts maintained with the BSP primarily to meet reserve requirements (see Note 17), to serve as clearing account for interbank claims and to comply with existing trust regulations.

Loans arising from repurchase agreements, which normally mature within 30 days, represent overnight placements with private entities where the underlying securities cannot be sold or repledged to parties other than the contracting party.

Due from BSP includes:

	Group		Parent Company	
	2023	2022	**2023**	2022
Demand deposit and secured settlement accounts	**P 83,701**	P 76,582	**P 82,771**	P 75,340
Term deposit	**68,000**	72,050	**68,000**	72,000
Overnight deposit	**61**	8,032	**-**	8,000
	P 151,762	P 156,664	**P 150,771**	P 155,340

The balance of Due from other banks account represents regular deposits with the following:

	Group		Parent Company	
	2023	2022	**2023**	2022
Foreign banks	**P 13,626**	P 4,689	**P 13,593**	P 4,681
Local banks	**1,266**	1,147	**1,037**	702
	P 14,892	P 5,836	**P 14,630**	P 5,383

Interest on placements with BSP and other banks, which is presented as Interest Income on Due from BSP and other banks in the statements of profit or loss, consist of:

	Group					
	2023		2022		2021	
BSP	**P**	**3,256**	P	1,037	P	755
Other banks		**387**		73		8
	P	**3,643**	P	1,110	P	763

	Parent Company					
	2023		2022		2021	
BSP	**P**	**3,248**	P	1,033	P	752
Other banks		**296**		44		3
	P	**3,544**	P	1,077	P	755

The Group's deposits in other banks and in BSP other than mandatory reserves earn annual interest of 0.00% to 6.68% and 0.00% to 6.30% in 2023, 0.00% to 1.60% and 1.50% to 4.80% in 2022, and 2.00% and 1.50% to 2.50% in 2021, respectively.

10. TRADING AND INVESTMENT SECURITIES

This account is comprised of:

	Group				Parent Company			
	2023		2022		**2023**		2022	
Financial assets at FVTPL	**P**	**11,778**	P	7,037	**P**	**10,954**	P	6,139
Financial assets at FVOCI		**82,437**		114,946		**81,757**		114,265
Investment securities at amortized cost		**236,527**		252,382		**235,732**		251,328
	P	**330,742**	P	374,365	**P**	**328,443**	P	371,732

10.1 Financial Assets at Fair Value Through Profit or Loss

Financial assets at FVTPL is composed of the following:

	Group				Parent Company			
	2023		2022		**2023**		2022	
Government securities	**P**	**9,647**	P	3,883	**P**	**9,615**	P	3,834
Derivative financial assets		**1,320**		2,267		**1,320**		2,267
Equity securities		**783**		849		**-**		-
Corporate debt securities		**28**		38		**19**		38
	P	**11,778**	P	7,037	**P**	**10,954**	P	6,139

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The carrying amounts of financial assets at FVTPL are classified as follows:

	Group		Parent Company	
	2023	2022	**2023**	2022
Held-for-trading	**P 10,458**	P 4,770	**P 9,634**	P 3,872
Derivative financial assets	**1,320**	2,267	**1,320**	2,267
	P 11,778	P 7,037	**P 10,954**	P 6,139

Equity securities are composed of listed shares of stock traded at the PSE. Dividend income earned on these equity securities amounted to P19 in 2023, P18 in 2022, and P22 in 2021 for the Group which are included as part of Miscellaneous income under the Other Operating Income account in the statements of profit or loss (see Note 24.1). There were no similar transactions for the Parent Company.

Treasury bills and other debt securities issued by the government and other private corporations earn annual interest as follows:

	2023	2022	2021
Peso denominated	**0.00% - 12.38%**	1.41% - 12.38%	1.37% - 8.12%
Foreign currency denominated	**0.00% - 9.63%**	0.28% - 9.63%	1.37% - 10.62%

Derivative instruments used by the Group include foreign currency short-term forwards, cross-currency swaps, debt warrants and options. Foreign currency forwards represent commitments to purchase/sell on a future date at a specific exchange rate. Foreign currency short-term swaps are simultaneous foreign currency spot and forward deals with tenor of one year.

Debt warrants attached to the bonds and other debt securities allows the Group to purchase additional debt securities from the same contracting issuer at the same price and yield as the initial purchased security. Option is a derivative financial instrument that specifies a contract between two parties for a future transaction on an asset at a reference price.

The aggregate contractual or notional amount of derivative financial instruments and the aggregative fair values of derivative financial assets and financial liabilities as of December 31 both in the Group and Parent Company's financial statements are shown below.

	Notional Amount	Fair Values	
		Assets	**Liabilities**
2023:			
Currency swaps and forwards	**P 213,972**	**P 1,217**	**P 1,447**
Interest rate swaps and futures	**5,199**	**79**	**59**
Debt warrants	**5,824**	**10**	**-**
Options	**560**	**14**	**-**
Credit default swap	**1,827**	**-**	**184**
	P 227,382	**P 1,320**	**P 1,690**

		Notional Amount		Fair Values Assets		Fair Values Liabilities
2022:						
Currency swaps and forwards	P	156,832	P	2,053	P	1,949
Interest rate swaps and futures		16,067		203		130
Debt warrants		5,864		9		-
Options		1,320		2		4
Credit default swap		613		-		33
	P	180,696	P	2,267	P	2,116

Derivative liabilities are shown as Derivative financial liabilities as part of Other Liabilities account in the statements of financial position (see Note 21). The significant portion of such derivative liabilities have maturity periods of less than a year.

Other information about the fair value measurement of the Group and Parent Company's financial assets at FVTPL are presented in Note 7.2.

10.2 Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets at FVOCI as of December 31 consist of:

		Group				Parent Company		
		2023		2022		**2023**		2022
Quoted equity securities	**P**	**1,483**	P	1,520	**P**	**937**	P	972
Unquoted equity securities		**2,421**		2,112		**2,403**		2,088
Government debt securities		**65,962**		53,492		**65,962**		53,492
Corporate debt securities		**12,571**		57,822		**12,455**		57,713
	P	**82,437**	P	114,946	**P**	**81,757**	P	114,265

The reconciliation of the carrying amounts of these financial assets are as follows:

		Group				Parent Company		
		2023		2022		**2023**		2022
Balance at the beginning	**P**	**114,946**	P	49,761	**P**	**114,265**	P	48,399
Additions		**442,380**		131,018		**442,360**		130,903
Disposals	**(**	**476,584)**	(	60,578)	**(**	**476,576)**	(	59,863)
Fair value gains (losses) – net		**1,695**	(	5,255)		**1,708**	(	5,174)
Balance at end of year	**P**	**82,437**	P	114,946	**P**	**81,757**	P	114,265

Unquoted equity securities include investments in non-marketable equity securities of private companies. The fair value of the Group's unquoted equity securities as of December 31, 2023 and 2022 is determined using the net asset value method, dividend discounted model, or a market-based approach (price-to-book value method); hence, categorized under Level 3 of the fair value hierarchy (see Note 7.2).

In 2023, 2022 and 2021, dividends recognized on equity securities amounting to P299, P293 and P83 by the Group and, P252, P227 and P39 by the Parent Company, respectively, which are included as part of Miscellaneous income under the Other Operating Income account in the statements of profit or loss (see Note 24.1).

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10.3 Investment Securities at Amortized Cost

Investment securities at amortized cost as of December 31 consist of:

	Group		Parent Company	
	2023	2022	**2023**	2022
Government securities	**P 211,451**	P 218,163	**P 210,566**	P 217,017
Corporate debt securities	**25,237**	34,382	**25,237**	34,382
	236,688	252,545	**235,803**	251,399
Allowance for impairment	**(161)**	(163)	**(71)**	(71)
	P 236,527	P 252,382	**P 235,732**	P 251,328

Interest rates per annum on government securities and corporate debt securities range from the following:

	2023	2022	2021
Peso denominated securities	**2.63% - 8.75%**	2.90% - 6.87%	2.63% - 5.26%
Foreign currency-denominated securities	**0.28% - 10.63%**	0.28% - 7.65%	0.18% - 7.65%

There is no disposal of HTC investment in 2023 and 2022. The decrease in the HTC portfolio is attributable to maturities in both years.

Certain government securities are deposited with the BSP as security for the Group's faithful compliance with its fiduciary obligations in connection with its trust operations (see Note 26).

As of December 31, 2023 and 2022, certain investment securities of both the Group and Parent Company were pledged as collateral for bills payable under repurchase agreements (see Note 18).

10.4 Interest Income from Trading and Investment Securities

Interest income from trading and investment securities recognized by the Group and Parent Company in 2023, 2022 and 2021 are shown below and in the succeeding page.

	Group		
	2023	2022	2021
Financial assets at FVTPL	**P 227**	P 150	P 96
Debt securities at FVOCI	**4,375**	2,094	1,343
Investment securities at amortized cost	**8,637**	7,511	3,009
	P 13,239	P 9,755	P 4,448

	Parent		
	2023	2022	2021
Financial assets at FVTPL	**P 227**	P 150	P 92
Debt securities at FVOCI	**4,369**	2,074	1,320
Investment securities at amortized cost	**8,575**	7,459	2,967
	P 13,171	P 9,683	P 4,379

10.5 Trading and Securities Gains (Losses)

The Group and the Parent Company recognized trading and securities gains (losses) in its trading or disposals of investment securities, including their fair value changes, in 2023, 2022, and 2021 are as follows:

	Group		
	2023	2022	2021
Profit or loss:			
Financial assets at FVTPL	**P 306**	(P 42)	P 309
Debt securities at FVOCI	**138**	5	554
	P 444	(P 37)	P 863
Other comprehensive income (loss):			
Equity securities at FVOCI	**P 263**	P 191	P 548
Debt securities at FVOCI	**1,432**	(5,446)	(823)
	P 1,695	(P 5,255)	(P 275)

	Parent		
	2023	2022	2021
Profit or loss:			
Financial assets at FVTPL	**P 306**	P 34	P 314
Debt securities at FVOCI	**123**	(12)	542
	P 429	P 22	P 856
Other comprehensive income (loss):			
Equity securities at FVOCI	**P 276**	P 272	P 490
Debt securities at FVOCI	**1,432**	(5,446)	(823)
	P 1,708	(P 5,174)	(P 333)

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11. LOANS AND RECEIVABLES

This account consists of the following:

	Group		Parent Company	
	2023	2022	**2023**	2022
Receivables from customers:				
Loans and discounts	**P 525,041**	P 465,160	**P 520,581**	P 459,956
Credit card receivables	**74,667**	50,380	**74,667**	50,380
Customers' liabilities on acceptances, import bills and trust receipts	**16,345**	22,587	**16,345**	22,587
Bills purchased	**3,894**	2,888	**3,894**	2,888
Lease contract receivables	**2,710**	3,084	**-**	-
Receivables financed	**91**	149	**-**	-
	622,748	544,248	**615,487**	535,811
Unearned discount	**(826)**	(902)	**(247)**	(235)
	621,922	543,346	**615,240**	535,576
Other receivables:				
Interbank loans receivables (see Note 9)	**27,780**	19,021	**27,780**	19,021
Accrued interest receivables	**9,519**	7,828	**9,306**	7,669
Accounts receivables [see Note 27.7(b)]	**5,425**	4,015	**4,748**	3,479
Sales contract receivables	**2,678**	689	**2,628**	557
	45,402	31,553	**44,462**	30,726
	667,324	574,899	**659,702**	566,302
Allowance for impairment (see Notes 4.4.9 and 16)	**(17,395)**	(16,030)	**(16,021)**	(15,088)
	P 649,929	P 558,869	**P 643,681**	P 551,214

Receivables from customers' portfolio earn average annual interest or range of interest as follows:

	2023	2022	2021
Loans and discounts:			
Philippine peso	**8.35%**	6.12%	7.37%
Foreign currencies	**6.25%**	4.92%	4.37%
Credit card receivables	**16.10% - 21.15%**	16.21% - 18.12%	14.23% - 18.87%
Lease contract receivables	**8.00% - 26.00%**	7.25% - 26.00%	8.00% - 26.00%
Receivables financed	**11.00% - 16.00%**	10.00% - 22.00%	11.00% - 22.00%

Effective November 3, 2020, interest rates and cash advance fees charged by the Parent Company to its credit card holders were updated to comply with BSP Circular No. 1098, *Ceiling on Interest of Finance Charges of Credit Card Receivables*. Interest or finance charges on all credit card transactions are not to exceed an annual interest rate of 24%, except credit card installment loans which shall be subject to monthly add-on rate not exceeding 1%. In addition, the maximum amount that can be charged for Cash Advances is capped at P200 (absolute amount) per transaction.

In January 2023, the BSP issued Circular No. 1165, *Amendments to the Ceiling on Interest or Finance Charges for Credit Card Receivables*, amending the cap on interest rate for credit cards back to an annual interest rate of 36%. The Parent Company updated its interest rates and cash advance fees accordingly.

In 2022, the Parent Company wrote off a 10-year UDSCL amounting to P989 bearing 6.44% interest per annum pertaining to an agreement entered into in June 2017 with a third party for the sale of various foreclosed real properties. Write-off amounting to P108 is included as part of Impairment losses in 2022 statement of profit or loss (see Note 16).

Also included in the Parent Company's accounts receivables is the amount due from RCBC JPL which was acquired from Rizal Microbank in 2015 amounting to P222. As of December 31, 2023 and 2022, the outstanding balance amounted to P92 and P127, respectively. The receivable amount is unsecured, noninterest-bearing and payable in cash on demand (see Note 27.2). The receivable has been appropriately provided with allowance for ECL.

Interest income earned by the Bank from its loans and other receivables is broken down as follows:

	Group		
	2023	2022	2021
Loans and discounts	**P 35,088**	P 27,068	P 25,827
Credit card receivables	**11,072**	6,289	4,890
Finance lease receivables	**323**	202	319
Others	**2,924**	1,411	864
	P 49,407	P 34,970	P 31,900

	Parent Company		
	2023	2022	2021
Loans and discounts	**P 34,861**	P 26,889	P 25,924
Credit card receivables	**11,072**	6,289	4,890
Others	**2,636**	1,189	281
	P 48,569	P 34,367	P 31,095

The breakdown of the receivables from customers' portfolio as to secured and unsecured follows:

	Group		Parent Company	
	2023	2022	**2023**	2022
Secured:				
Real estate mortgage	**P 184,910**	P 169,253	**P 183,828**	P 168,045
Chattel mortgage	**51,280**	44,003	**49,214**	41,542
Hold-out deposits	**8,153**	11,001	**8,152**	10,941
Other securities	**11,119**	11,286	**8,034**	7,938
	255,462	235,543	**249,228**	228,466
Unsecured	**366,460**	307,803	**366,012**	307,110
	P 621,922	P 543,346	**P 615,240**	P 535,576

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A reconciliation of the allowance for impairment on loans and receivables at the beginning and end of 2023 and 2022 is shown below (see Note 16).

	Group		Parent Company	
	2023	2022	**2023**	2022
Balance at beginning of year	**P 16,030**	P 18,264	**P 15,088**	P 17,339
Impairment losses during the year	**6,574**	5,259	**5,759**	5,043
Accounts written off and others	**(5,209)**	(7,493)	**(4,826)**	(7,294)
Balance at end of year	**P 17,395**	P 16,030	**P 16,021**	P 15,088

12. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The components of the carrying values of investments in and advances to subsidiaries and associates are as follows (refer to Note 1.2 for the effective percentage of ownership, line of business, and country of incorporation of subsidiaries and associates):

	Note	Group and Parent Company	
		2023	2022
Acquisition costs of associates:			
HCPI		**P 91**	P 91
LIPC		**57**	57
RTC	1.1	**40**	-
YCS		**4**	4
		192	152
Accumulated equity in changes in net assets:			
Balance at beginning of year		**227**	192
Share in net earnings for the year		**92**	32
Share in actuarial gains on defined benefit plan		**16**	4
Others		**(18)**	(1)
Balance at end of year		**317**	227
		P 509	P 379

	Parent Company	
	2023	2022
Acquisition costs of subsidiaries:		
RCBC Capital	**P 2,231**	P 2,231
Rizal Microbank	**1,253**	1,253
RCBC LFC	**1,987**	1,987
RCBC JPL	**403**	403
RCBC Forex	**150**	150
RCBC Telemoney	**72**	72
RCBC IFL	**58**	58
NPHI	**-**	609
Cajel	**-**	51
Total acquisition costs *(balance forwarded)*	**P 6,154**	P 6,814

	Parent Company 2023	Parent Company 2022
Total acquisition costs *(balance carried forward)*	**P 6,154**	P 6,814
Accumulated equity in changes in net assets:		
Balance at beginning of year	**(158)**	(120)
Share in net earnings (losses) for the year	**(249)**	122
Disposal of subsidiaries	**285**	-
Share in actuarial gains on defined benefit plan	**(42)**	-
Share in fair value loss on financial assets at FVOCI	**(13)**	(81)
Cash dividends	**(92)**	(71)
Others	**7**	(8)
Balance at end of year	**(262)**	(158)
Investments in subsidiaries	**5,892**	6,656
Investments in associates	**509**	379
	P 6,401	P 7,035

On March 27, 2023, the Bank's BOD approved the proposed sale and transfer to FLI of its ownership interest in NPHI and Cajel, subject to completion of FLI's due diligence and compliance with conditions to be agreed by the parties. NPHI and Cajel, as owners of certain parcels of land located in Bacoor, Cavite have joint development agreements with FLI, wherein FLI undertook to develop the land properties into an exclusive residential subdivision, now known as Princeton Heights.

On July 14, 2023, the Bank and FLI executed a Deed of Absolute Sale for the sale and transfer of the Bank's 100% ownership in NPHI and Cajel to FLI. The total consideration for the shares amounted to P544 for NPHI and P89 for Cajel. The sale resulted in a gain amounting to P243 presented as Gain on disposal of subsidiaries under Other Operating Income in the 2023 statement of profit or loss.

At the end of each reporting period, the Group has no material interest in unconsolidated structured entities.

Also, the Parent Company and its subsidiaries did not enter in any contractual arrangements to provide financial support to any entities under the Group.

The Parent Company earned dividends from its subsidiaries amounting to P92 and P71 in 2023 and 2022, respectively. No dividends were earned from associates for 2023 and 2022. Dividends receivable as of December 31, 2023 and 2022 both amounted to nil.

12.1 Information About Investments in Associates

The Parent Company, under a shareholder's agreement, agreed with another stockholder of HCPI to commit and undertake to vote, as a unit, the shares of stock thereof, which they proportionately own and hold, and to regulate the conduct of the voting and the relationship between them with respect to their exercise of their voting rights. As a result of this agreement, the Parent Company is able to exercise significant influence over the operating and financial policies of HCPI. Thus, HCPI has been considered by the Parent Company as an associate despite holding only 12.88% ownership interest.

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

The investments in LIPC and YCS have an aggregate carrying value of P11 as of December 31, 2023 and 2022, respectively, which are insignificant to the Group.

The table below presents the summary of the unaudited financial information of HCPI as of and for the years ended December 31, 2023 and 2022. HCPI uses a fiscal year ending March 31 as its reporting period.

	2023	2022
Financial position:		
Current assets	**P 10,066**	P 4,832
Noncurrent assets	**788**	1,101
Current liabilities	**6,822**	2,604
Noncurrent liabilities	**384**	403
Financial performance:		
Revenues	**19,920**	13,508
Gross income	**1,913**	952
Operating income	**835**	152
Net income	**690**	203
Other comprehensive loss	**-**	-
Total comprehensive income	**690**	203
Cash flows:		
Net cash from:		
Operating activities	**207***	55
Investing activities	**150***	731
Cash at the beginning	**774***	679
Cash at the end	**1,009***	1,465

**Based on the audited financial statements of HCPI for the fiscal year ended March 31, 2023*

The table presented below summarized the reconciliation of equity interest to HCPI as of December 31, 2023 and 2022.

	2023	2022
Net asset of HCPI	**P 3,648**	P 2,926
Proportion of interest	**12.88%**	12.88%
	470	377
Nominal goodwill in equity ownership	**2**	2
Carrying amount of investment	**P 472**	P 379

13. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of bank premises, furniture, fixtures and equipment at the beginning and end of 2023 and 2022 are shown below.

	Group					
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Right-of-use Asset	Total
December 31, 2023						
Cost	P -	P -	P 12,948	P 2,381	P 11,399	P 26,728
Accumulated depreciation and amortization	-	-	(9,407)	(1,209)	(6,983)	(17,599)
Net carrying amount	**P -**	**P -**	**P 3,541**	**P 1,172**	**P 4,416**	**P 9,129**
December 31, 2022						
Cost	P 918	P 2,385	P 12,537	P 1,900	P 9,842	P 27,582
Accumulated depreciation and amortization	-	(1,435)	(8,431)	(899)	(5,553)	(16,318)
Net carrying amount	P 918	P 950	P 4,106	P 1,001	P 4,289	P 11,264
January 1, 2022						
Cost	P 1,267	P 3,822	P 11,470	P 1,509	P 6,967	P 25,035
Accumulated depreciation and amortization	-	(1,742)	(6,697)	(595)	(3,341)	(12,375)
Net carrying amount	P 1,267	P 2,080	P 4,773	P 914	P 3,626	P 12,660

	Parent Company					
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Right-of-use Asset	Total
December 31, 2023						
Cost	P -	P -	P 7,997	P 2,212	P 11,437	P 21,646
Accumulated depreciation and amortization	-	-	(6,107)	(1,073)	(6,661)	(13,841)
Net carrying amount	**P -**	**P -**	**P 1,890**	**P 1,139**	**P 4,776**	**P 7,805**
December 31, 2022						
Cost	P 917	P 2,385	P 7,538	P 1,737	P 9,831	P 22,408
Accumulated depreciation and amortization	-	(1,436)	(5,526)	(772)	(5,128)	(12,862)
Net carrying amount	P 917	P 949	P 2,012	P 965	P 4,703	P 9,546
January 1, 2022						
Cost	P 1,222	P 3,788	P 8,828	P 1,411	P 7,134	P 22,383
Accumulated depreciation and amortization	-	(1,720)	(6,577)	(531)	(2,984)	(11,812)
Net carrying amount	P 1,222	P 2,068	P 2,251	P 880	P 4,150	P 10,571

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

A reconciliation of the carrying amounts of bank premises, furniture, fixtures and equipment at the beginning and end of 2023 and 2022 is shown below.

	Group					
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Right-of-Use Asset	Total
Balance at January 1, 2023, net of accumulated depreciation and amortization	P 918	P 950	P 4,106	P 1,001	P 4,289	P 11,264
Additions	-	1,551	1,532	633	1,557	5,273
Disposals	(918)	(2,488)	(1,095)	(152)	-	(4,653)
Depreciation and amortization charges for the period	-	(13)	(1,002)	(310)	(1,430)	(2,755)
Balance at December 31, 2023, net of accumulated depreciation and amortization	P -	P -	P 3,541	P 1,172	P 4,416	P 9,129
Balance at January 1, 2022, net of accumulated depreciation and amortization	P 1,267	P 2,080	P 4,773	P 914	P 3,626	P 12,660
Additions	1	389	605	632	2,023	3,650
Disposals	(350)	(1,306)	(479)	(241)	-	(2,376)
Depreciation and amortization charges for the period	-	(213)	(793)	(304)	(1,360)	(2,670)
Balance at December 31, 2022, net of accumulated depreciation and amortization	P 918	P 950	P 4,106	P 1,001	P 4,289	P 11,264

	Parent Company					
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Right-of-use Asset	Total
Balance at January 1, 2023, net of accumulated depreciation and amortization	P 917	P 949	P 2,012	P 965	P 4,703	P 9,546
Additions	-	103	704	625	1,606	3,038
Disposals	(917)	(1,039)	(248)	(150)	-	(2,354)
Depreciation and amortization charges for the period	-	(13)	(578)	(301)	(1,533)	(2,425)
Balance at December 31, 2023, net of accumulated depreciation and amortization	P -	P -	P 1,890	P 1,139	P 4,776	P 7,805

	Parent Company					
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Right-of-use Asset	Total
Balance at January 1, 2022, net of accumulated depreciation and amortization	P 1,222	P 2,068	P 2,251	P 880	P 4,150	P 10,571
Additions	1	291	577	382	1,845	3,096
Disposals	(306)	(1,306)	(271)	(56)	-	(1,939)
Depreciation and amortization charges for the period	-	(104)	(545)	(241)	(1,292)	(2,182)
Balance at December 31, 2022, net of accumulated depreciation and amortization	P 917	P 949	P 2,012	P 965	P 4,703	P 9,546

Under BSP rules, investments in bank premises, furniture, fixtures and equipment should not exceed 50% of the respective unimpaired capital of the Parent Company and its bank subsidiaries. As of December 31, 2023 and 2022, the Parent Company and its bank subsidiary have satisfactorily complied with this BSP requirement.

The cost of the Group and the Parent Company's fully depreciated bank premises, furniture, fixtures and equipment that are still in use in operations is P7,095 and P7,090, respectively, as of December 31, 2023, and P8,740 and P7,905, respectively, as of December 31, 2022. Moreover, no impairment losses were recognized for the Group and the Parent Company's Bank Premises, Furniture, Fixtures and Equipment in 2023, 2022 and 2021, respectively.

As part of strengthening the Parent Company's capital position, on September 30, 2022, the Parent Company sold and immediately leased back for five years a portion of its bank premises and investment properties pertaining to AT Yuchengco Centre (ATYC), with carrying amount of P1,501 and P1,361, respectively [see Notes 14 and 27.5(a)]. The sale qualified as a sale and leaseback and accounted under the applicable financial reporting standard (see Note 2.9). The total selling price amounted to P6,065, of which P2,426 is still outstanding as part of Loans and discounts under Loans and Receivables – net in the statements of financial position. The loan receivable from ATYCI is secured, bears 6.04% interest and payable in 3 years. The impairment loss recognized on this loan receivable under the Parent Company's ECL model amounted to P9 and P10 in 2023 and 2022, respectively. [see Notes 11 and 27.7(a)].

The gain on sale recognized over the aforementioned sale and leaseback transaction amounted to P2,352 and is reported as part of the Gain on assets sold – net under Other Operating Income in the 2022 statement of profit or loss. Right-of-use asset and lease liability recognized amounted to P760 and P1,611, respectively (see Note 21).

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

On March 16, 2023, the Bank transferred and leased back certain real estate properties with total net book value of P1,796 to Frame Properties, Inc. in exchange for 100% ownership in the latter, which was subsequently transferred to the post-employment defined benefit plan as contribution to the plan assets (Notes 23.2 and 27.5). The total fair value of shares received amounted to P6,208 resulting in a gain of P3,051 presented as part of Gain on assets sold – net under Other Operating Income in the 2023 statement of profit or loss. The sale qualified as a sale and leaseback and was accounted under the applicable financial reporting standard. Right-of-use asset and lease liability recognized amounted to P554 and P1,915, respectively.

The Group has leases for certain offices and branches. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected as a right-of-use asset and a lease liability as part of Bank Premises, Furniture, Fixtures and Equipment and Other Liabilities, respectively. The total short-term leases and leases of low-value entered into contract by the Parent Company amounted to P39 and P39 in 2023 and 2022, respectively. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

The table below describes the nature of the Company's leasing activities at December 31, 2023 and 2022:

	Number of right-of-use Assets leased		Range of remaining lease terms (in years)		Average remaining lease terms (in years)	
	2023	2022	**2023**	2022	**2023**	2022
Buildings	**10**	7	**2 to 4**	1 to 5	**2**	2
Warehouses	**11**	6	**1 to 2**	1 to 3	**3**	1
ATM batches	**21**	18	**1 to 5**	3 to 5	**3**	4
Branches	**433**	334	**1 to 11**	1 to 11	**4**	4

The lease liabilities are secured by the related underlying assets and are presented as part of Other Liabilities in the statements of financial position (see Note 21). The undiscounted maturity analysis of lease liabilities at December 31, 2023 and 2022 are as follows:

	Within 1 Year	Within 2 Years	Within 3 Years	Within 4 Years	Within 5 Years	More than 5 Years	Total
2023:							
Group							
Lease payments	P 2,107	P 2,064	P 1,470	P 1,158	P 228	P 499	P 7,526
Finance charges	(316)	(228)	(143)	(69)	(30)	(53)	(839)
Net present value	**P 1,791**	**P 1,836**	**P 1,327**	**P 1,089**	**P 198**	**P 446**	**P 6,687**
Parent Company							
Lease payments	P 2,217	P 2,174	P 1,563	P 1,215	P 238	P 422	P 7,829
Finance charges	(303)	(218)	(136)	(64)	(28)	(51)	(800)
Net present value	**P 1,914**	**P 1,956**	**P 1,427**	**P 1,151**	**P 210**	**P 371**	**P 7,029**

	Within 1 Year		Within 2 Years		Within 3 Years		Within 4 Years		Within 5 Years		More than 5 Years		Total
2022:													
Group													
Lease payments	P	1,458	P	1,296	P	1,096	P	895	P	610	P	884	P 6,239
Finance charges	(	222)	(	171)	(	125)	(	85)	(	53)	(	83)	(739)
Net present value	P	1,236	P	1,125	P	971	P	810	P	557	P	801	P 5,500
Parent Company													
Lease payments	P	1,495	P	1,328	P	1,156	P	980	P	698	P	973	P 6,630
Finance charges	(	215)	(	165)	(	122)	(	83)	(	51)	(	81)	(717)
Net present value	P	1,280	P	1,163	P	1,034	P	897	P	647	P	892	P 5,913

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over branches and offices, the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must ensure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying lease asset outright at the end of the lease, or to extend the lease for a further term. The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's regional markets strategy and the economic benefits of exercising the option exceeds the expected overall cost.

On January 1, 2021, the Parent Company and RCBC Realty Corporation renewed the terms for the lease of RCBC Plaza's several floors. The amendments in the terms include a new rental rate and extended term of five years based on the mutual agreement of both parties. In addition, the Parent Company has also entered a five-year lease agreement with ATYCI in October 2022 which is effective until September 30, 2027.

The total cash outflow in respect of leases in 2023, 2022 and 2021 amounted to P2,131, P2,265 and P1,360, respectively, for the Group, and P2,044, P2,189 and P1,205, respectively, for the Parent Company. Interest expense in relation to lease liabilities in 2023, 2022 and 2021 amounted to P335, P189 and P170, respectively, for the Group, and P362, P218 and P185, respectively, for the Parent Company and is presented as part of Interest Expense in the statements of profit or loss.

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

14. INVESTMENT PROPERTIES

Investment properties pertain to land, buildings or condominium units acquired by the Group, in settlement of loans from defaulting borrowers through foreclosure or dacion in payment and properties which are held for rental.

The gross carrying amounts and accumulated depreciation and impairment losses of investment properties at the beginning and end of 2023 and 2022 are shown below.

	Group			Parent Company		
	Land	Buildings	Total	Land	Buildings	Total
December 31, 2023						
Cost	**P 13**	**P 828**	**P 841**	**P 12**	**P 828**	**P 840**
Accumulated depreciation	**-**	**(294)**	**(294)**	**-**	**(294)**	**(294)**
Accumulated impairment (see Note 16)	**(4)**	**-**	**(4)**	**(3)**	**-**	**(3)**
Net carrying amount	**P 9**	**P 534**	**P 543**	**P 9**	**P 534**	**P 543**
December 31, 2022						
Cost	P 1,781	P 1,784	P 3,565	P 1,643	P 1,763	P 3,406
Accumulated depreciation	-	(675)	(675)	-	(665)	(665)
Accumulated impairment (see Note 16)	(22)	(252)	(274)	(1)	(252)	(253)
Net carrying amount	P 1,759	P 857	P 2,616	P 1,642	P 846	P 2,488
January 1, 2022						
Cost	P 1,658	P 3,096	P 4,754	P 1,518	P 3,070	P 4,588
Accumulated depreciation	-	(905)	(905)	-	(892)	(892)
Accumulated impairment (see Note 16)	(17)	(260)	(277)	(1)	(260)	(261)
Net carrying amount	P 1,641	P 1,931	P 3,572	P 1,517	P 1,918	P 3,435

The reconciliations of the carrying amounts of investment properties at the beginning and end of 2023 and 2022 follow:

	Group		Parent Company	
	2023	2022	**2023**	2022
Balance at January 1, net of accumulated depreciation and impairment	**P 2,616**	P 3,572	**P 2,488**	P 3,435
Additions	**689**	784	**677**	767
Disposals	**(316)**	(1,672)	**(293)**	(1,648)
Reclassification (see Note 15.1)	**(2,341)**	(10)	**(2,225)**	(10)
Depreciation charges for the year	**(104)**	(57)	**(103)**	(56)
Impairment losses	**(1)**	(1)	**(1)**	-
Balance at December 31, net of				

14.1 Additions, Disposals and Reclassification of Investment Properties

The Group and the Parent Company foreclosed real and other properties totaling P689 and P677, respectively, in 2023, and P784 and P767, respectively, in 2022, in settlement of certain loan accounts.

As of December 31, 2023, and 2022, foreclosed investment properties still subject to redemption period by the borrowers amounted to P634 and P918, respectively, for the Group and P602 and P894, respectively, for the Parent Company.

The total gain recognized by the Group and the Parent Company from disposals of investment properties amounted to P604 and P660, respectively, in 2023, and P510 and P502, respectively, in 2022, and P30 and P18, respectively, in 2021, which is presented as part of Gain on assets sold – net under Other Operating Income account in the statements of profit or loss.

14.2 Income and Expenses from Investment Properties Held for Rental

The Group and Parent Company earned rental income from investment properties amounting to P12 in 2023, P199 in 2022 and P229 in 2021, and are presented as part of Rentals under Miscellaneous Income account in the statements of profit or loss [see Notes 24.1 and 27.7(b)]. Expenses incurred by the Group and Parent Company in relation to the investment properties include taxes and licenses amounting to P98 in 2023, P48 in 2022 and P16 and P13, respectively, in 2021.

15. OTHER RESOURCES

Other resources consist of the following:

		Group		Parent Company	
	Notes	**2023**	2022	**2023**	2022
Assets held-for-sale and disposal group	15.1	**P 4,503**	P 3,440	**P 4,027**	P 2,665
Creditable withholding taxes		**4,280**	3,257	**4,262**	3,211
Net defined benefit asset	23.2, 27.5	**2,665**	-	**2,665**	-
Prepaid expenses	15.2	**1,645**	1,795	**1,417**	1,573
Software – net	15.3	**1,237**	1,362	**1,235**	1,359
Branch licenses	15.4	**1,000**	1,000	**1,000**	1,000
Refundable and other deposits		**955**	803	**953**	801
Deferred charges		**660**	547	**657**	529
Unused stationery and supplies		**618**	559	**609**	545
Goodwill	15.5	**426**	426	**269**	269
Margin deposits	15.6	**243**	240	**243**	240
Returned checks and other cash items		**221**	80	**221**	80
Miscellaneous	15.7	**1,992**	1,287	**1,837**	721
		20,445	14,796	**19,395**	12,993
Allowance for impairment	15.1, 15.5	**(1,068)**	(1,223)	**(890)**	(1,066)
		P 19,377	P 13,573	**P 18,505**	P 11,927

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

15.1 Assets Held-for-Sale and Disposal Group

Assets held-for-sale represents assets that are approved by management to be immediately sold in its present condition and management believes that the sale is highly probable at the time of reclassification. Asset held-for-sale and disposal group consists of the following:

	Group		Parent Company	
	2023	2022	**2023**	2022
Equity securities	**P 1,809**	P 1,894	**P 1,809**	P 1,889
Foreclosed automobiles	**713**	918	**380**	546
Foreclosed real properties	**1,981**	628	**1,838**	230
	4,503	3,440	**4,027**	2,665
Allowance for impairment	**(881)**	(1,048)	**(861)**	(1,048)
Balance at end of year	**P 3,622**	P 2,392	**P 3,166**	P 1,617

On May 29, 2023, the Bank's BOD approved the sale of its consolidated ROPA, recognized as part of Investment properties. The program consists of three phases of execution, namely; (a) the sale of high-end properties; (b) the sale of a property in Tarlac, and (c) the sale of consolidated ROPA nationwide, which includes properties of both the Bank and its subsidiaries. The carrying values of these investment properties which were reclassified to assets held for sale amounted to P831, while the related appraised values amounted to P5,131. Further reclassification of investment properties with carrying value of P1,394 and appraised value of P3,103 was made during the last quarter of 2023 as part of the commitment of the Bank to dispose of the properties to comply with the constitutional requirements on land ownership of the Bank after additional investment of SMBC (see Notes 1.1 and 22.5).

During 2023, the Bank partially disposed of aforementioned properties with a total carrying value of P427 for a gross consideration of P3,236, resulting in a gain amounting to P2,809, which was presented as part of Gain on assets sold – net under Other Operating Income in the 2023 statement of profit or loss.

The Bank targets to dispose of the remaining properties during the first half of the year 2024. Disposal of the assets on a business as usual basis via auctions and negotiated sales are still underway. The Parent Bank is also negotiating for a possible bulk purchase of the assets. The viability and acceptability of these options are still being studied.

Recovery on assets held for sale for Group and Parent amounted to nil and P135 in 2023 and 2022, respectively, and are presented as part of the Impairment losses – net on non-financial asset (see Note 16).

15.1.1 HHIC Equity Securities

In May 2019, RCBC, together with other local banks, entered into a Detailed Implementing Agreement with Hanjin Heavy Industries and Construction Philippines, Inc. (HHIC-Phil), a subsidiary of Hanjin Heavy Industry Co., Ltd. (HHIC-Korea), a Korean shipbuilding company, to convert a part of the former's debt into a 20% stake in HHIC-Korea (see Note 28.2). Accordingly, in June 2019, the Bank received 7,100,129 common shares representing 8.53% ownership in HHIC-Korea in settlement of HHIC-Phil's gross outstanding loan amounting to USD63.5 million or P3,286. In 2023 and 2022, the Parent Company recognized impairment of the HHIC-Korea equity securities amounting to P160 and P516, respectively, which are included as part of Impairment Losses – net in the statements of profit or loss (see Note 16). There is no similar transaction in 2021.

As of December 31, 2023, with the Bank's BOD approval, the Bank commits to sell the HHIC-Korea shares through an active disposal plan which the Bank estimates that it will take more than a year to complete the sale, but nothing will preclude the Bank from selling it sooner given the availability of a buyer. This is covered by the exception in PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, which states that an extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset. As a result, the carrying amount of the investment is measured at the lower of their carrying amount, immediately prior to its classification as held-for-sale and its fair value less costs to sell.

15.2 Prepaid Expenses

Prepaid expenses include prepayments for insurance, taxes and licenses, and software maintenance.

15.3 Software

A reconciliation of the carrying amounts of software at the beginning and end of 2023 and 2022 is shown below.

	Group		**Parent Company**	
	2023	2022	**2023**	2022
Balance at beginning of year	**P 1,362**	P 1,338	**P 1,359**	P 1,332
Additions	**381**	334	**362**	333
Amortization	**(506)**	(310)	**(486)**	(306)
Balance at end of year	**P 1,237**	P 1,362	**P 1,235**	P 1,359

Amortization charges for software are included as part of Depreciation and Amortization account in the statements of profit or loss.

15.4 Branch Licenses

Branch licenses represent the rights granted by the BSP to the Parent Company in 2015 to establish a certain number of branches in the restricted areas in the country. Branch licenses are annually tested for impairment either individually or at the CGU level, as appropriate when circumstances indicate that the intangible asset may be impaired.

Branch licenses is subject to annual impairment testing and whenever is an indication of impairment. The recoverable amount used to determine impairment on the branch licenses was based on Value-in-Use (VIU) calculation computed through discounting the five-year cash flow projections from financial budgets approved by the Parent Company's senior management covering a five-year period. The recoverable amount was computed by determining the excess of the projected interest income from the projected interest expense. The Group also considered key assumptions in determining cash flow projections which includes discount rates and growth rates. Future cash flows and growth rates were based on experience, strategies developed, and prospects. The discount rate applied to cash flow projections is 9.52% and 10.91% in 2023 and 2022, respectively, while the growth rate used to extrapolate cash flows covering a five-year period is 5.64% and 5.67%, in 2023 and 2022, respectively.

15.5 Goodwill

The Parent Company recognized goodwill amounting to P269 which arose from its acquisition of the net assets of another bank in 1998 from which it had expected future economic benefits and synergies that will result from combining the operations of the acquired bank.

Goodwill is subject to annual impairment testing and whenever there is an indication of impairment. In 2023 and 2022, the Parent Company engaged a third party consultant to perform an independent impairment testing of goodwill. The recoverable amount of the CGU has been based on VIU calculation using the cash flow projections from financial budgets approved by the Parent Company's senior management covering a five-year period. The Group also considered key assumptions in determining cash flow projections which includes discount rates and growth rates. Future cash flows and growth rates were based on experience, strategies developed, and prospects.

The discount rate used for the computation of the net present value is the cost of equity and was determined by reference to comparable entities within the industry. In 2023 and 2022, the discount rate applied to cash flow projections is 11.05% and 13.86%, respectively, while the growth rate used to extrapolate cash flows beyond five-year period is 6.18% and 5.67% for 2023 and 2022, respectively. On the basis of the report of the third-party consultant dated February 1, 2024 and January 18, 2023 with valuation date as of the end of 2023 and 2022, respectively, the Group has assessed that the recoverable amount of the goodwill is higher than its carrying value. Accordingly, no impairment loss is required to be recognized in the statements of profit or loss in both years.

In addition, the goodwill pertaining to the acquisition of Rizal Microbank amounting to P157 was fully provided with impairment in 2011.

15.6 Margin Deposits

Margin deposits serve as security for outstanding financial market transactions and other liabilities. These are designed to provide additional credit risk protection for counterparty exposures.

15.7 Miscellaneous

Miscellaneous account includes various deposits, advance rentals, service provider fund, trading right and other assets.

16. ALLOWANCE FOR EXPECTED CREDIT LOSS AND IMPAIRMENT

Changes in the amounts of allowance for impairment are summarized below.

	Notes	Group 2023	Group 2022	Parent Company 2023	Parent Company 2022
Balance at beginning of year					
Loans and receivables	11	**P 16,030**	P 18,264	**P 15,088**	P 17,339
Investment securities at amortized cost	10.3	**163**	147	**71**	52
Loan commitments	21	**214**	145	**214**	145
Investment properties	14	**274**	277	**253**	261
Other resources - net	15	**1,223**	1,268	**1,066**	1,135
		17,904	20,101	**16,692**	18,932
Impairment losses – net:					
Loans and receivables	11	**6,574**	5,259	**5,759**	5,043
Investment securities at amortized cost	10.3	**(2)**	19	**-**	19
Loan commitments	4.4	**105**	69	**105**	69
Investment properties	14	**1**	1	**1**	-
Other resources - net	15	**210**	358	**209**	358
		6,888	5,706	**6,074**	5,489
Charge-offs and other adjustments during the year		**(5,860)**	(7,903)	**(5,477)**	(7,729)
Balance at end of year					
Loans and receivables	11	**17,395**	16,030	**16,021**	15,088
Investment securities at at amortized cost	10.3	**161**	163	**71**	71
Loan commitments	21	**304**	214	**304**	214
Investment properties	14	**4**	274	**3**	253
Other resources - net	15	**1,068**	1,223	**890**	1,066
		P 18,932	P 17,904	**P 17,289**	P 16,692

17. DEPOSIT LIABILITIES

The following is the breakdown of deposit liabilities (see also Note 27.3):

	Group 2023	Group 2022	Parent Company 2023	Parent Company 2022
Demand	**P 214,395**	P 174,563	**P 215,284**	P 175,230
Savings	**287,738**	246,242	**287,776**	246,524
Time	**450,999**	430,357	**450,729**	429,803
Long-term Negotiable Certificate of Deposits (LTNCD)	**3,580**	6,082	**3,580**	6,082
	P 956,712	P 857,244	**P 957,369**	P 857,639

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

The Parent Company's LTNCD as of December 31, 2023 and 2022 are as follows:

Issuance Date	Maturity Date	Coupon Interest	2023	2022
September 28, 2018	March 28, 2024	5.50%	**P 3,580**	P 3,580
August 11, 2017	February 11, 2023	5.50%	**-**	2,502
			P 3,580	P 6,082

The Parent Company's LTNCD were used in the expansion of its term deposit base to support long-term asset growth and for other general funding purposes.

The Group's deposit liabilities bear annual interest as follows:

	2023	2022	2021
Demand, Savings and Time deposits	**0.10% - 6.50%**	0.07% - 6.13%	0.10% - 6.00%

The total interest expense incurred by the Group and the Parent Company on deposit liabilities are as follows:

	Group		
	2023	2022	2021
Time	**P 22,389**	P 7,995	P 2,639
Savings	**3,388**	894	597
Demand	**2,044**	868	524
LTNCD	**214**	300	299
	P 28,035	P 10,057	P 4,059

	Parent Company		
	2023	2022	2021
Time	**P 22,402**	P 7,987	P 2,632
Savings	**3,392**	895	597
Demand	**2,048**	873	528
LTNCD	**214**	300	299
	P 28,056	P 10,055	P 4,056

Non-FCDU deposit liabilities, including tax exempt LTNCDs, of the Parent Company And Rizal Microbank is subject to reserve requirement of 14% and 4%, respectively, based on BSP regulations effective July 31, 2020. In 2023, BSP reduced the reserve requirements for both the Parent Company and Rizal Microbank effective June 30 by 250 basis points and 100 basis points, respectively. The reserve requirement ratio for the Parent Company and Rizal Microbank is at 9.5% and 2%, and 12% and 3% in 2023 and 2022, respectively.

Peso-denominated LTNCDs of the Parent Company are subject to reserve requirement equivalent of 4% in both years. As of December 31, 2023 and 2022, the Group is in compliance with such regulatory reserve requirements.

Under BSP Circular No. 1063, *Reduction in Reserve Requirements*, cash in vault and regular reserve deposit accounts with BSP are excluded as eligible forms of compliance for the reserve requirements. The required reserve shall only be kept in the form of demand deposit accounts with the BSP. Available reserves consist of Due from BSP amounting to P83,701, P76,582, and P65,074 for the Group and P82,771, P75,340, and P63,931 for the Parent Company as of December 31, 2023, 2022 and 2021, respectively (see Note 9).

18. BILLS PAYABLE

This account consists of borrowings from:

	Group		Parent Company	
	2023	2022	**2023**	2022
Foreign banks	**P 36,653**	P 40,482	**P 36,653**	P 40,482
Local banks	**14,165**	26,178	**7,304**	17,909
Others	**40**	-	**-**	-
	P 50,858	P 66,660	**P 43,957**	P 58,391

Borrowings from foreign and local banks are subject to annual fixed interest rates as follows:

	2023	2022	2021
Group			
Peso denominated	**3.00% - 8.00%**	4.66% - 8.00%	4.15% - 7.50%
Foreign currency denominated	**2.50% - 6.42%**	0.0001% - 0.725%	0.0001% - 0.725%
Parent Company			
Peso denominated	**-**	4.66% - 4.96%	4.66% - 4.96%
Foreign currency denominated	**2.50% - 6.42%**	0.0001% - 0.725%	0.0001% - 0.725%

The total interest expense incurred by the Group on the bills payable amounted to P2,449 in 2023, P824 in 2022, and P420 in 2021. The total interest expense incurred by the Parent Company on the bills payable amounted to P2,042 in 2023, P420 in 2022, and P22 in 2021.

As of December 31, 2023 and 2022, bills payable availed under repurchase agreements amounting to P29,797 and P58,391, respectively, are secured by the Group and Parent Company's investment securities (see Note 10.3). Investment securities used as collateral to the bills payable are government securities and corporate debt securities that are measured at amortized cost. The average interest rate is 2.80% in 2023, 4.05% in 2022, and 8.60% in 2021 for government securities, and 3.70% in 2022 and 3.10% in 2021 for corporate debt securities. Average remaining terms before maturity of these investment securities as of 2023, 2022, and 2021 is 13 years, 3 years, and 4 years, respectively, for government securities, and 7 years, and 12 years for corporate debt securities in 2022 and 2021, respectively. There are no corporate debt securities collaterals in 2023.

19. BONDS PAYABLE

The composition of this account for the Group and the Parent Company follows:

Issuance Date	Maturity Date	Coupon Interest	Face Value (in millions)		Outstanding Balance 2023		Outstanding Balance 2022	
February 21, 2022	May 21, 2024	3.00%	P	14,756	**P**	**14,756**	P	14,756
March 31, 2021	September 30, 2023	3.20%	P	13,743		**-**		13,743
March 31, 2021	June 30, 2026	4.18%	P	4,130		**4,130**		4,130
September 11, 2019	September 11, 2024	3.05%	$	300		**16,053**		16,727
March 15, 2018	March 16, 2023	4.13%	$	450		**-**		25,055
					P	**34,939**	P	74,411

On February 21, 2022, the Parent Company issued unsecured Peso-denominated Senior Notes with principal amount and outstanding balance as of December 31, 2022 of P14,756 bearing an interest of 3.00% per annum. The senior notes will mature on May 21, 2024.

On March 31, 2021, the Parent Company issued unsecured Peso-denominated Senior Notes with outstanding balance as of December 31, 2022 of P13,743 and P4,130 bearing an interest of 3.20% and 4.18% per annum, respectively, payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year. The P13,743 senior notes matured last September 30, 2023, while the remaining note will mature on June 30, 2026.

In September 2019, the Parent Company issued unsecured US$-denominated Senior Notes with principal amount of US$300 bearing an interest of 3.05% per annum, payable semi-annually in arrears every March 11 and September 1 of each year. The senior notes, unless redeemed, will mature on September 11, 2024. As of December 31, 2023 and 2022, the peso equivalent of this outstanding bond issue amounted to P16,053 and P16,727, respectively.

In March 2018, the Parent Company issued unsecured US$-denominated Senior Notes with principal amount of US$450 bearing an interest of 4.13% per annum, payable semi-annually in arrears every March 16 and September 16 of each year. The senior notes, matured last March 16, 2023.

The debt issue cost incurred in 2023 and 2022 is nil and P111, respectively. The unamortized debt issue cost as of December 31, 2023 and 2022 amounted to P43 and P150, respectively. The related amortization of unamortized debt issue cost is recorded as part of Interest Expense in the statements of profit or loss.

The interest expense incurred on these bonds payable amounted to P1,768 in 2023, P3,397 in 2022, and P3,503 in 2021. The Group and Parent Company recognized foreign currency exchange losses related to these bonds payable amounting to P450, and P2,312 in 2023 and 2021, respectively, while P567 foreign currency exchange gains in 2022. Foreign currency exchange losses are netted against foreign exchange gains presented under Other Operating Income account in the statements of profit or loss.

20. ACCRUED INTEREST, TAXES AND OTHER EXPENSES

The composition of this account follows:

	Group		Parent Company	
	2023	2022	**2023**	2022
Accrued expenses	**P 5,550**	P 4,492	**P 5,286**	P 4,302
Accrued interest	**5,195**	3,365	**5,187**	3,361
Taxes payable	**1,337**	571	**1,313**	529
	P 12,082	P 8,428	**P 11,786**	P 8,192

Accrued expenses represent mainly the accruals for utilities, employee benefits and other operating expenses. Accrued interest primarily includes unpaid interest on deposit liabilities, bills payable and bonds payable at the end of each reporting period.

21. OTHER LIABILITIES

Other liabilities consist of the following:

		Group		Parent Company	
	Notes	**2023**	2022	**2023**	2022
Accounts payable	27.7(c)	**P 10,197**	P 7,756	**P 9,769**	P 7,041
Lease liabilities	13	**6,687**	5,500	**7,029**	5,913
Bills purchased – contra		**2,673**	2,113	**2,673**	2,113
Manager's checks		**1,878**	1,680	**1,878**	1,680
Derivative financial liabilities	10.1	**1,690**	2,116	**1,690**	2,116
Outstanding acceptances payable		**1,467**	4,587	**1,467**	4,587
Unclaimed balances-deposit		**1,398**	1,128	**1,320**	1,128
Withholding taxes payable		**1,108**	714	**1,101**	708
Unearned income		**824**	602	**819**	589
Deposit on lease contracts		**796**	776	**18**	33
Other credits		**381**	432	**381**	432
ECL provisions on loan commitments	4.4.9(c)	**304**	214	**304**	214
Sundry credits		**269**	355	**268**	357
Payment orders payable		**147**	241	**147**	241
Due to BSP		**108**	66	**108**	66
Post-employment defined benefit obligation	23.2	**40**	1,986	**-**	1,972
Guaranty deposits		**6**	66	**6**	66
Advance rentals		**1**	10	**1**	10
Miscellaneous		**1,492**	662	**1,594**	566
		P 31,466	P 31,004	**P 30,573**	P 29,832

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

Miscellaneous liabilities include due to treasury, government-related contributions, and other miscellaneous liabilities.

Interest expense incurred on other liabilities for 2023, 2022 and 2021 amounted to P80, P11 and P15 for the Group, and P80, P11 and P15 for the Parent Company, respectively.

22. EQUITY

22.1 Capital Stock

Preferred and common stock represent the nominal value of shares of stock that have been issued (see Notes 22.2 and 22.3).

Capital paid in excess of par includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares of stock are deducted from capital paid in excess of par, net of any related income tax benefits (see Note 22.2).

The movements in the outstanding capital stock of the Parent Company are as follows:

	Number of Shares		
	2023	2022	2021
Preferred stock – voting, non-cumulative non-redeemable, participating, convertible into common stock – P10 par value			
Authorized – 200,000,000 shares			
Issued and outstanding			
Balance at beginning and end of year	**267,410**	267,410	267,410
Common stock – P10 par value			
Authorized:			
Balance at beginning and end of year	**2,600,000,000**	2,600,000,000	2,600,000,000
Issued and outstanding:			
Balance at beginning of year	**2,037,478,896**	2,037,478,896	1,935,628,896
Issuance of new shares	**168,619,976**	-	-
Reissuance of shares during the year	**213,437,248**	-	101,850,000
Balance at end of year	**2,419,536,120**	2,037,478,896	2,037,478,896

As of December 31, 2023, and 2022, there are 746 and 748 holders of the Parent Company's listed shares holding an equivalent of 93.00% of the Parent Company's total issued and outstanding shares, respectively. Such listed shares closed at P23.00 and P23.70 per share for years December 31, 2023 and 2022, respectively.

In 1986, the Parent Company listed its common shares with the PSE. The historical information on the Parent Company's issuance of common shares arising from the initial and subsequent public offerings, including private placements is presented in the succeeding page.

Issuance	Subscriber	Issuance Date	Number of Shares Issued
Initial public offering	Various	November 1986	1,410,579
Stock rights offering	Various	April 1997	44,492,908
Stock rights offering	Various	July 1997	5,308,721
Stock rights offering	Various	August 1997	830,345
Stock rights offering	Various	January 2002	167,035,982
Stock rights offering	Various	June 2002	32,964,018
Follow-on offering	Various	March 2007	210,000,000
Private placement	International Finance Corporation (IFC)	March 2011	73,448,275
Private placement	Hexagon Investments B.V.	September 2011	126,551,725
Private placement	PMMIC	March 2013	63,650,000
Private placement	IFC Capitalization Fund	April 2013	71,151,505
Private placement	Cathay	April 2015	124,242,272
Stock rights offering	Various	July 2018	535,710,378
Private placement	SMBC	July 2021	101,850,000
Private placement	SMBC	July 2023	382,057,224

On May 29, 2006, the Parent Company's stockholders approved the issuance of up to 200,000,000 convertible preferred shares with a par value of P10 per share, subject to the approval, among others, by the PSE. The purpose of the issuance of the convertible preferred shares is to raise the Tier 1 capital pursuant to BSP regulations, thereby strengthening the capital base of the Parent Company and allowing it to expand its operations. On February 13, 2007, the PSE approved the listing application of the underlying common shares for the 105,000 convertible preferred shares, subject to the compliance of certain conditions of the PSE.

Preferred shares have the following features:

(a) Entitled to dividends at floating rate equivalent to the three-month LIBOR plus a spread of 2.0% per annum, calculated quarterly;

(b) Convertible to common shares at any time after the issue date at the option of the Parent Company at a conversion price using the adjusted net book value per share of the Parent Company based on the latest available financial statements prepared in accordance with PFRS, adjusted by local regulations;

(c) Non-redeemable; and,

(d) Participating as to dividends on a pro rata basis with the common stockholders in the surplus of the Parent Company after dividend payments had been made to the preferred shareholders.

On June 28, 2010, the Parent Company's stockholders owning or representing more than two-thirds of the outstanding capital stock confirmed and ratified the approval by the majority of the BOD on their Executive Session held on May 21, 2010, the proposed increase in Parent Company's authorized capital stock and removal of pre-emptive rights from holders of capital stock, whether common or preferred, to subscribe for or to purchase any shares of stock of any class, by amending the Parent Company's Articles of Incorporation.

The proposed P16,000 authorized capital stock is divided into the following classes of stocks:

(a) 1,400,000,000 common shares with a par value of ten pesos (P10.00) per share.

(b) 200,000,000 preferred shares with a par value of ten pesos (P10.00) per share.

The removal of pre-emptive rights was approved by the BSP and SEC on October 20, 2010 and November 4, 2010, respectively. On the other hand, the increase in authorized capital stock of the Parent Company was approved by the BSP and SEC on August 24, 2011 and September 16, 2011, respectively.

On June 27, 2022, the Bank amended its AOI to delete Articles four and seven of the AOI stating the term of existence of the Bank and transfer of voting stocks to foreign nationals, respectively to allow foreign ownership of the bank to exceed 40% and to be consistent with R.A. No. 11232, which grants perpetual corporate terms. The amendment of AOI was approved by BSP and SEC on August 26, 2022 and September 30, 2022, respectively (see Note 1.1).

On November 2, 2022, the Bank's BOD approved the increase in shareholding of SMBC, an existing shareholder of 4.99% of the total outstanding common stock of the Bank, to 20% through the combined sale of subscription of an aggregate of 382 common stock to SMBC, partly coming from the reissuance of treasury shares and issuance of new common stock, at the price of P71 per share for a total consideration amounting to P27,125. The additional capital infusion was made on July 31, 2023 [see Notes 22.2 and 27.7(d)].

22.2 Issuance of Common Shares

The capital infusion from SMBC on July 31, 2023 involved issuance of common shares amounting to P1,686 and reissuance of the treasury at cost amounting to P9,287 [see Notes 22.3 and Note 27.7(d)]. This resulted in a net increase of the additional paid in capital account of the Bank amounting to P15,735, coming from the excess of the consideration received over the par value of common stock and cost of treasury shares amounting to P16,152 and directly attributable transaction costs amounting to P417.

On July 22, 2019, the effective date of merger, the Parent Company issued 315,287,248 common shares in exchange of the transfer of net assets of RSB at carrying value. The Parent Company recognized P10,507 as additional paid-in capital, which pertains to the difference between the par value of the shares issued and the carrying value of the net assets of RSB.

On November 27, 2017, the BOD of the Parent Company approved the increase in the Parent Company's authorized capital through the increase in the authorized common stock from 1,400,000,000 shares to 2,600,000,000 shares at P10 par value per share or for a total capital stock of P14,000 to P26,000. The BOD also approved the amendment of the Parent Company's Articles of Incorporation for the principal purpose of reflecting the said increase in authorized capital. These resolutions were approved by the Parent Company's stockholders representing at least two-thirds of its outstanding capital stock in a special meeting held on January 29, 2018. In the same meeting, the Parent Company's BOD approved the stock rights offering (Rights Offer) to be subscribed out of the increase in the authorized capital. The increase in authorized capital stock and the Rights Offer were approved by the BSP and SEC on June 29, 2018 and July 4, 2018, respectively. The offering of the stock rights representing 535,710,378 common shares (with equivalent amount of P5,357) occurred from June 25 to June 29, 2018 and the shares were listed at the PSE on July 16, 2018. The Rights Offer and issuance generated P15,000 proceeds, reduced by P217 issue costs; hence, resulting in P9,426 excess of consideration received over par value recognized in Capital Paid in Excess of Par account.

In 2015, the Parent Company issued common shares to Cathay at P64 per share for a total issue price of P7,951. This issuance resulted in the recognition of Capital Paid in Excess of Par amounting to P6,709 reduced by the total issuance cost of P222. The acquisition involves Cathay: (i) acquiring from Hexagon Investments B.V., an entity controlled by funds managed by CVC Asia Pacific Limited, 118,935,590 secondary shares at P64 per share, pursuant to a Sale and Purchase Agreement; (ii) acquiring 36,724,138 secondary common shares from IFC Capitalization Fund also at P64 per share, pursuant to a Sale and Purchase Agreement; and, (iii) entering into a shareholders agreement with PMMIC and the Parent Company.

In 2013, the Parent Company issued common shares to PMMIC and IFC Capitalization Fund at P64 and P58 per share for a total issue price of P4,074 and P4,127, respectively. These issuances resulted in the recognition of Capital Paid in Excess of Par amounting to P3,437 and P3,415, respectively, reduced by total issuance costs of P101.

22.3 Treasury Shares

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Parent Company's equity holder until the shares are cancelled, reissued or disposed of.

On July 31, 2023, as a result of the capital infusion of SMBC, the Bank reissued 213,437,248 treasury shares at cost of P43.51 per share or P9,287 (see Notes 22.1 and 22.2).

On July 23, 2021, the Parent Company sold 101,850,000 shares to SMBC at P44.00 per share. This came from the treasury shares resulting from the merger of Parent Company and RSB. The sale of shares held by the Parent Company in treasury is equivalent to 4.999% of the total outstanding Common Stock. The issuance resulted in a recognition of additional Capital Paid in Excess of Par amounting to P50. In 2021, the Parent Company incurred expenses related to the issuance amounting to P113 which was charged to equity resulting in a P63 net decrease in the Capital Paid in Excess of Par. In 2022, the Parent Company incurred additional expenses amounting to P12 in relation to this treasury shares reissuance and this was charged against the 2022 Capital Paid in Excess of Par account.

In 2019, subsequent to the effective date of the merger, the Parent Company acquired the 315,287,248 common shares issued in exchange of the net assets of RSB equal to the Parent Company's investment in RSB as at December 31, 2018.

On September 23, 2011, the Parent Company issued 5,821,548 common shares (equivalent of 18,082,311 preferred shares and with total par value of P58) from the treasury account reissuance (with total cost of P182) and an additional 120,730,177 common stock (with total par value of P1,207) from unissued portion of the increase in authorized capital stock on September 23, 2011 to Hexagon Investments B.V. that is equivalent to approximately 15.00% of the outstanding common shares. The issuance resulted in the recognition of additional Capital Paid in Excess of Par amounting to P2,264.

On March 17, 2011, the Parent Company issued 73,448,275 common shares, comprising of 50,427,931 treasury shares reissuance (with total cost of P771) and 23,020,344 unissued stock (with total par value of P230), to IFC Capitalization Fund for a total consideration of P2,130 representing 7.20% ownership interest. The issuance resulted in the recognition of additional Capital Paid in Excess of Par amounting to P1,078.

22.4 Hybrid Perpetual Securities

Hybrid perpetual securities are non-cumulative, unsecured, subordinated capital securities which qualify as AT1 capital under Basel III standards.

In August 27, 2020, the Parent Company issued US$300 non-cumulative, unsecured, subordinated capital securities which qualify as AT1 capital under Basel III standards. As of December 31, 2023 and 2022, the hybrid perpetual securities amounted to P14,463, net of issuance costs.

The capital securities are perpetual in respect of which there is no fixed redemption date. The Parent Company may redeem the capital securities only in certain circumstances as described in the conditions of the securities and with prior written consent of BSP. Distributions are non-cumulative and payable semi-annually in arrear at a rate of 6.5%. Certain conditions provide for circumstances under which the Parent Company will not be obliged to pay any distribution on the applicable payment date.

The proceeds of the hybrid perpetual securities are used to support and finance medium-term to long-term asset growth, loans to customers, other general corporate purposes and to maintain sufficient buffers above the minimum capital thresholds required by BSP.

22.5 Surplus and Dividend Declarations

The details of the cash dividend distributions follow:

Date Declared	Dividend Per Share	Dividend Total Amount	Record Date	Date Approved by BOD	Date Paid/Payable
February 22, 2021	0.0560	0.01	March 21, 2021	February 22, 2021	March 31, 2021
February 22, 2021*	-	472.40	February 26, 2021	February 22, 2021	February 26, 2021
April 26, 2021	0.4850	938.78	May 10, 2021	April 26, 2021	May 25, 2021
April 26, 2021	0.4850	0.13	May 10, 2021	April 26, 2021	May 25, 2021
May 31, 2021	0.0559	0.01	June 21, 2021	May 31, 2021	June 25, 2021
July 26, 2021*	-	486.04	August 26, 2021	July 26, 2021	August 26, 2021
August 31, 2021	0.0545	0.01	September 21, 2021	August 31, 2021	September 24, 2021
November 29, 2021	0.0537	0.01	December 21, 2021	November 29, 2021	December 24, 2021
January 31, 2022*	-	500.57	February 28, 2022	January 31, 2022	February 28, 2022
February 28, 2022	0.0553	0.01	March 21, 2022	February 28, 2022	March 23, 2022
March 28, 2022	0.6180	1,259.16	April 11, 2022	March 28, 2022	April 27, 2022
March 28, 2022	0.6180	0.17	April 11, 2022	March 28, 2022	April 27, 2022
May 30, 2022	0.0748	0.02	June 21, 2022	May 30, 2022	June 23, 2022
July 25, 2022*	-	547.59	August 26, 2022	July 25, 2022	August 26, 2022
August 30, 2022	0.1047	0.03	September 21, 2022	August 30, 2022	September 22, 2022
November 28, 2022	0.1407	0.04	December 21, 2022	November 28, 2022	December 27, 2022
January 30, 2023*	-	534.98	February 27, 2023	January 30, 2023	February 27, 2023
February 27, 2023	0.1685	0.05	March 21, 2023	February 27, 2023	March 23, 2023
March 27, 2023	1.0800	2,200.48	April 13, 2023	March 27, 2023	April 27, 2023
March 27, 2023	1.0800	0.29	April 13, 2023	March 27, 2023	April 27, 2023
May 29, 2023	0.1789	0.05	June 21, 2023	May 29, 2023	June 26, 2023
July 31, 2023*	-	553.41	August 27, 2023	July 31, 2023	August 27, 2023
August 29, 2023	0.1920	0.05	September 21, 2023	August 29, 2023	September 25, 2023
November 29, 2023	0.1870	0.05	December 21, 2023	November 29, 2023	December 29, 2023

**Dividends for Hybrid Perpetual Securities*

In 2015, the BSP, through the MB, approved the liberalized rules for banks and quasi-banks on dividend declaration. The policy requires that dividend declaration be immediately recognized as a liability upon the approval of the BOD and that it be disclosed in the statement of changes in equity.

A portion of the Parent Company's surplus corresponding to the equity in net earnings of certain subsidiaries and associates amounted to P5,727 and P5,885 as of December 31, 2023 and 2022, respectively, and treasury shares of the Parent Company amounting to nil and P9,287 as of December 31, 2023 and 2022, respectively.

22.6 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the statements of changes in equity of the Group and Parent Company at their aggregate amount under Revaluation Reserves account are shown below.

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

	Revaluation of Financial Assets at FVOCI	Accumulated Translation Adjustments on Foreign Operations	Actuarial Gains (Losses) on Defined Benefit Plan	Total
Balance as of January 1, 2023	(P 4,866)	P 54	(P 1,580)	(P 6,392)
Actuarial gains on defined benefit plan	-	-	(1,350)	(1,350)
Fair value gain on financial assets at FVOCI	1,695	-	-	1,695
Other comprehensive income (loss)	1,695	-	(1,350)	345
Transfers of fair value gain on financial assets at FVOCI to surplus	3	-	-	3
Balance as of December 31, 2023	**(P 3,168)**	**P 54**	**(P 2,930)**	**(P 6,044)**
Balance as of January 1, 2022	P 389	P 54	(P 2,366)	(P 1,923)
Actuarial gains on defined benefit plan	-	-	786	786
Fair value loss on financial assets at FVOCI	(5,255)	-	-	(5,255)
Other comprehensive income (loss)	(5,255)	-	786	(4,469)
Balance as of December 31, 2022	(P 4,866)	P 54	(P 1,580)	(P 6,392)
Balance as of January 1, 2021	P 664	P 54	(P 2,788)	(P 2,070)
Actuarial gains on defined benefit plan	-	-	422	422
Fair value loss on financial assets at FVOCI	(275)	-	-	(275)
Other comprehensive income (loss)	(275)	-	422	147
Balance as of December 31, 2021	P 389	P 54	(P 2,366)	(P 1,923)

22.7 Appropriation for General Loan Loss Reserves

Pursuant to the requirements of the BSP under Circular No. 1011, the Group shall recognize general loan loss provisions equivalent to one percent of all outstanding loans as of the end of the reporting period, except for accounts considered as credit risk-free under the existing BSP regulations. In cases when the computed allowance for ECL on those exposures is less than one percent of the general loan loss provisions required, the deficiency is recognized through appropriation from the Group's available Surplus. Such appropriation is considered as Tier 2 capital subject to the limit provided under the CAR framework. The outstanding balance of appropriation for General Loan Loss Reserves as of December 31, 2023 and 2022 amounted to P4,599 and P3,824 for the Group, and P4,589 and P3,823 for the Parent Company, respectively. The additional appropriation made in 2023 amounted to P775 and P766 respectively, for the Group and Parent Company.

22.8 Reserve for Trust Business

Reserve for trust business representing the accumulated amount set aside by the Group under existing regulations requiring the Parent Company to appropriate and transfer to surplus 10% of its net profits accruing from their trust business until the surplus shall amount to 20% of the regulatory capital. The reserve shall not be paid out in dividends, but losses accruing in the course of the trust business may be charged against this account.

22.9 Other Reserves

Other reserves refer to the amount attributable to the Parent Company arising from the changes in the ownership of the Non-controlling Interest (NCI) in the Group.

As of December 31, 2023 and 2022, this account consists of reserves arising from the acquisition of RCBC LFC amounting to P86 for both years.

In 2022, the Parent Company has acquired remaining interest to Rizal Microbank making it a wholly-owned subsidiary of the Parent Company (see Note 1.2). This acquisition resulted in the reduction of Other Reserves and NCI accounts amounting to P11 and P10, respectively. There is no similar transaction in 2023.

23. EMPLOYEE BENEFITS

23.1 Short-Term Employee Benefits

Expenses recognized for salaries and other employee benefits are shown below.

	Group		
	2023	2022	2021
Short-term employee benefits	**P 6,732**	P 6,100	P 5,888
Post-employment defined benefits	**418**	463	483
	P 7,150	P 6,563	P 6,371

	Parent Company		
	2023	2022	2021
Short-term employee benefits	**P 5,938**	P 5,368	P 5,247
Post-employment defined benefits	**383**	426	439
	P 6,321	P 5,794	P 5,686

23.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Parent Company and certain subsidiaries maintain a funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by the Parent Company's Trust and Investment Group (TIG), covering all regular full-time employees. The Parent Company's TIG manages the fund in coordination with the Parent Company's Retirement Plan Committee (RPC), Trust Committee and the respective committees of the subsidiaries which act in the best interest of the plan assets and are responsible for setting the investment policies.

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

The normal retirement age of the Group's employees ranges between 55 to 60 but the plan also provides for an early retirement at age 50 to 55 with a minimum of 10 to 20 years of credited service. The maximum retirement benefit is the lump sum equivalent to two months pay per year of continuous employment based on the employees' salary at retirement. Any fraction of a year shall be computed proportionately.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the post-employment benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation reports obtained from independent actuaries in 2023 and 2022.

The amounts of post-employment benefit obligation (asset) recognized in the financial statements are determined as follows:

	Group		Parent Company	
	2023	2022	**2023**	2022
Present value of the obligation	**P 5,932**	P 5,130	**P 5,603**	P 4,857
Fair value of plan assets	**(9,697)**	(3,145)	**(9,407)**	(2,885)
Effect of asset ceiling test	**1,140**	1	**1,139**	-
Deficiency (excess) of plan assets	**(P 2,625)**	P 1,986	**(P 2,665)**	P 1,972

The Group and Parent Company's post-employment defined benefit plan is included under Other Resources and Other Liabilities as of December 31, 2023. The post-employment defined benefit plan is included under Other Liabilities as of December 31, 2022 (see Notes 15 and 21).

The movements in the present value of the defined benefit obligation follow:

	Group		Parent Company	
	2023	2022	**2023**	2022
Balance at beginning of year	**P 5,130**	P 5,604	**P 4,857**	P 5,309
Current and past service cost	**418**	463	**383**	426
Interest expense	**382**	280	**361**	266
Business combinations	**-**	(11)	**-**	-
Remeasurements – actuarial gains arising from changes in:				
– financial assumptions	**301**	(730)	**271**	(700)
– experience adjustments	**201**	(44)	**207**	(57)
– demographic assumptions	**(1)**	(1)	**-**	-
Benefits paid by the plan	**(499)**	(431)	**(476)**	(387)
Balance at end of year	**P 5,932**	P 5,130	**P 5,603**	P 4,857

The movements in the fair value of plan assets are presented below.

	Group		Parent Company	
	2023	2022	**2023**	2022
Balance at beginning of year	**P 3,145**	P 3,104	**P 2,885**	P 2,822
Interest income	**451**	152	**430**	139
Gains on plan assets (excluding amounts included in net interest)	**275**	7	**293**	25
Contributions paid into the plan	**6,326**	313	**6,275**	286
Business combination	**(1)**	-	**-**	-
Benefits paid by the plan	**(499)**	(431)	**(476)**	(387)
Balance at end of year	**P 9,697**	P 3,145	**P 9,407**	P 2,885

On March 16, 2023, the Bank transferred and leased back certain real estate properties to Frame Properties, Inc. for a 100% ownership in the latter, which was subsequently transferred to the post-employment defined benefit plan as contribution to the plan assets (see Notes 13 and 27.5). There are no similar transactions in 2022.

The composition of the fair value of plan assets at the end of each reporting period by category and risk characteristics is shown below.

	Group		Parent Company	
	2023	2022	**2023**	2022
Cash and cash equivalents	**P 701**	P 556	**P 644**	P 506
Debt securities:				
Government bonds	**243**	105	**230**	-
Corporate debt securities	**208**	337	**62**	300
Equity securities:				
Transportation and communication	**514**	185	**514**	185
Financial intermediaries	**420**	1,256	**418**	1,256
Diversified holding companies	**201**	89	**200**	89
Electricity, gas and water	**138**	133	**137**	133
Quoted equity securities	**23**	30	**-**	-
Others	**50**	56		11
Unquoted long-term equity investments	**6,929**	139	**6,927**	139
UITF	**260**	256	**260**	256
Investment properties	**7**	7	**7**	7
Loans and receivables	**8**	4	**8**	3
Others	**(5)**	(8)	**-**	-
	P 9,697	P 3,145	**P 9,407**	P 2,885

The fair values of the above debt securities and quoted equity securities are determined based on market prices in active markets. Long-term equity investments represent investment in corporations not listed in active and organized markets. Fair values are determined based on the book value per share based on latest audited financial statements of the investee company. The fair value of the UITF is determined based on the net asset value per unit of investment held in the fund.

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

The fair value of the plan assets is at Level 1 in the fair value hierarchy except for UITF which are at Level 2 and unquoted long-term equity investments, loans and receivables, investment properties and other investments which are at Level 3.

The net gains on plan assets are as follows:

	Group		Parent Company	
	2023	2022	**2023**	2022
Interest income	**P 451**	P 152	**P 430**	P 139
Fair value gains - net	**275**	7	**293**	25
Actual gains - net	**P 726**	P 159	**P 723**	P 164

The amounts of post-employment benefit expense recognized in the profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are determined below as follows:

	Group		
	2023	2022	2021
Reported in profit or loss:			
Current and past service cost	**P 418**	P 463	P 483
Net interest expense	**(69)**	141	113
	P 349	P 604	P 596
Reported in other comprehensive income:			
Actuarial gains (losses) arising from changes in:			
– Financial assumptions	**(P 301)**	P 730	P 80
– Experience adjustments	**(201)**	44	254
– Demographic assumptions	**1**	1	1
Effect of asset ceiling test	**(1,140)**	-	(1)
Gains on plan assets (excluding amounts included in net interest)	**275**	7	91
	(P 1,366)	P 782	P 425

	Parent Company		
	2023	2022	2021
Reported in profit or loss:			
Current service costs	**P 383**	P 426	P 439
Net interest expense	**(69)**	127	112
	P 314	P 553	P 551
Reported in other comprehensive income:			
Actuarial gains (losses) arising from changes in:			
– Financial assumptions	**(P 271)**	P 700	P 28
– Experience adjustments	**(207)**	57	248
– Demographic assumptions	**-**	-	1
Changes in effect of asset ceiling	**(1,139)**	-	-
Gains on plan assets (excluding amounts included in net interest)	**293**	25	98
	(P 1,324)	P 782	P 375

Current service costs, including the effect of curtailment and past service cost, form part of Employee Benefits under the Other Operating Expenses account, while net interest expense or income is presented as part of Interest Expense on Bills payable and other borrowings in the statements of profit or loss.

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of post-employment obligation, the following ranges of actuarial assumptions were used:

	2023	2022	2021
Group			
Discount rates	**6.28% - 7.00%**	7.22% - 7.56%	4.98% - 5.09%
Expected rate of salary increases	**4.00% - 8.00%**	5.00% - 8.00%	3.50% - 8.00%
Parent Company			
Discount rates	**6.88%**	7.44%	5.01%
Expected rate of salary increases	**5.00%**	5.00%	4.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at the Group's normal retiring age of 60 is based on the 2017 Philippine Intercompany Mortality table. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Group and Parent Company to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Rate Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan.

Currently, the plan assets of the Group and Parent Company are significantly invested in equity and debt securities, while the Group and Parent Company also invests in cash and cash equivalents and other investments. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Group and Parent Company's long-term strategy to manage the plan efficiently.

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants during their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the post-employment plan are described below and in the succeeding page.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2023 and 2022:

	Group		
	Impact on Post-employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
2023:			
Discount rate	+/-1 %	**(P 462)**	**P 537**
Salary growth rate	+/-1 %	**565**	**(495)**
2022:			
Discount rate	+/-1 %	(P 437)	P 506
Salary growth rate	+/-1 %	513	(449)

	Parent Company		
	Impact on Post-employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
2023:			
Discount rate	+/- 1%	**(P 469)**	**P 543**
Salary growth rate	+/- 1%	**548**	**(481)**
2022:			
Discount rate	+/- 1%	(P 413)	P 477
Salary growth rate	+/- 1%	484	(425)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the sensitivity analysis, the present value of the defined benefit obligation at the end of each reporting period has been calculated using the projected unit credit method, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Parent Company through its RPC in coordination with the Parent Company's TIG, ensures that the investment positions are managed considering the computed retirement obligations under the retirement plan. This strategy aims to match the plan assets to the retirement obligations due by investing in assets that are easy to liquidate (i.e., government securities, corporate bonds, equities with high value turnover).

As the Group's retirement obligations are in Philippine peso, all assets are invested in the same currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations. In view of this, various investments are made in a portfolio that may be liquidated within a reasonable period of time.

A large portion of the plan assets as of December 31, 2023 and 2022 consists of equity securities with the balance invested in fixed income securities and cash and cash equivalents. The Group believes that equity securities offer the best returns over the long term with an acceptable level of risk.

(iii) Funding Arrangements and Expected Contributions

The plan is currently overfunded by P1,560 and P1,615 in 2023 for the Group and Parent Company, respectively, based on the latest funding actuarial valuations in 2023.

The maturity profile of undiscounted expected benefit payments from the end of each reporting period follows:

	Group		Parent Company	
	2023	2022	**2023**	2022
Less than one year	**P 416**	P 264	**P 405**	P 240
More than one year to five years	**1,966**	1,608	**1,850**	1,560
More than five years to ten years	**4,906**	4,139	**4,683**	4,047
More than ten to fifteen years	**23**	24	**-**	-
More than fifteen years	**22**	20	**-**	-
	P 7,333	P 6,055	**P 6,938**	P 5,847

The Group and Parent Company expect to contribute P60 and nil, respectively, to the plan in 2024.

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

24. MISCELLANEOUS INCOME AND EXPENSES

These accounts consist of the following:

24.1 Miscellaneous Income

	Notes	Group 2023		Group 2022		Group 2021	
Recoveries from written off assets		**P**	**600**	P	486	P	223
Rentals	14.2		**424**		872		926
Gain on extinguishment of loan			**390**		890		-
Dividend income	10.1, 10.2		**318**		311		105
Others			**77**		145		211
		P	**1,809**	P	2,704	P	1,465

	Notes	Parent Company 2023		Parent Company 2022		Parent Company 2021	
Recoveries from written off assets		**P**	**600**	P	486	P	223
Gain on extinguishment of loan			**390**		890		-
Dividend income	10.2		**252**		227		39
Rentals	14.2, 27.7(b)		**57**		261		287
Others			**74**		148		26
		P	**1,373**	P	2,012	P	575

In 2022, the Parent Company received the full payment of its outstanding receivables from HHIC-Phil. The excess of the settlement amount over the carrying value of loans receivable amounting to P890 was recognized as Gain on extinguishment of loan. This amount is net of Asset Purchase Agreement-related taxes and fees amounting to P390. In 2023, the Bank recovered the amount from HHIC-Phil and was recognized as Gain on extinguishment of loan under Miscellaneous income in the statement of profit or loss.

Miscellaneous income classified as Others includes rebates, penalty charges and other income items that cannot be appropriately classified under any of the foregoing income accounts.

24.2 Miscellaneous Expenses

	Group		
	2023	2022	2021
Insurance	P **1,821**	P 1,543	P 1,215
Credit card-related expenses	**1,756**	1,302	1,114
Service and processing fees	**845**	776	540
Litigation/assets acquired expenses	**823**	600	739
Communication and information services	**631**	582	604
Management and other professional fees	**539**	505	514
Advertising and publicity	**501**	322	324
Banking fees	**417**	376	319
Employee activities	**302**	315	308
Stationery and office supplies	**208**	140	118
Information services	**204**	111	122
Donation and charitable contribution	**182**	107	79
Transportation and travel	**167**	225	133
Other outside services	**132**	122	135
Representation and entertainment	**51**	55	15
Fines and penalties	**33**	137	178
Membership fees	**22**	21	17
Christmas expenses	**14**	13	6
Others	**635**	695	369
	P 9,283	P 7,947	P 6,849

	Parent Company		
	2023	2022	2021
Insurance	P **1,819**	P 1,541	P 1,213
Credit card-related expenses	**1,744**	1,279	1,655
Service and processing fees	**1,581**	1,418	540
Litigation/assets acquired expense	**818**	589	729
Communication and information services	**604**	552	572
Advertising and publicity	**499**	318	321
Management and other professional fees	**495**	465	438
Banking fees	**412**	370	316
Employee activities	**300**	314	306
Stationery and office supplies	**204**	135	115
Information services	**204**	110	121
Transportation and travel	**151**	213	126
Other outside services	**132**	122	135
Donations and charitable contributions	**108**	106	79
Representation and entertainment	**42**	48	11
Fines and penalties	**31**	136	173
Membership fees	**20**	19	16
Christmas expenses	**14**	13	6
Others	**613**	660	324
	P 9,791	P 8,408	P 7,196

The Group's other expenses are composed of freight, various processing fees, fines and penalties, and seasonal giveaways. The Group and Parent Company's other expenses also include fees for records, facilities and management services to a related party under common control amounting to P387, P362, and P298 in 2023, 2022 and 2021, respectively (see Note 27).

25. INCOME AND OTHER TAXES

Under Philippine tax laws, the regular banking unit (RBU) of the Parent Company and its domestic subsidiaries are subject to percentage and other taxes (presented as Taxes and Licenses in the statements of profit or loss), as well as income taxes. Percentage and other taxes paid consist principally of the gross receipts tax (GRT) and documentary stamp tax (DST).

RA No. 9238, which was enacted on February 10, 2004, provides for the reimposition of GRT on banks and non-bank financial intermediaries performing quasi-banking functions and other non-bank financial intermediaries beginning January 1, 2004.

The recognition of liability of the Parent Company and certain subsidiaries for GRT is based on the related regulations issued by the tax authorities.

Income taxes include the regular corporate income tax (RCIT), and final tax paid at the rate of 20%, which represents the final withholding tax on gross interest income from government securities and other deposit substitutes.

Interest allowed as a deductible expense is reduced by an amount equivalent to certain percentage of interest income subjected to final tax. Minimum corporate income tax (MCIT) of 1% or 2% on modified gross income is computed and compared with the RCIT. Any excess of the MCIT over the RCIT is deferred and can be used as a tax credit against regular income tax liability in the next three consecutive years. In addition, ordinarily, the Group's net operating loss carry over (NOLCO) is allowed as a deduction from taxable income in the next three consecutive years.

However, pursuant to Section 4 (bbb) of Bayanihan to Recover as One (BARO) Act and as implemented under Revenue Regulation 25-2020, the net operating losses of a business or enterprise incurred for taxable years 2021 and 2022 can be carried over as a deduction from gross income for the next five consecutive taxable years following the year of such loss.

Effective May 2004, RA No. 9294 restored the tax exemption of FCDUs and offshore banking units (OBUs). Under such law, the income derived by the FCDU from foreign currency transactions with non-residents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10% gross income tax.

Interest income on deposits with other FCDUs and offshore banking units is subject to 15.0% final tax effective January 1, 2018.

In 2023, 2022 and 2021, the Group opted to continue claiming itemized deductions for income tax purposes.

The Parent Company's foreign subsidiaries are subject to income and other taxes based on the enacted tax laws of the countries and/or jurisdictions where they operate.

__25.1 Current and Deferred Taxes__

On March 26, 2021, R.A. No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, as amended, was signed into law and shall be effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Company.

- RCIT was reduced from 30% to 25% starting July 1, 2020;
- MCIT was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,
- The allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax.

Starting July 1, 2023, corporations, excluding non-profit proprietary educational institutions and hospitals, and non-resident foreign corporations, will be subject to the original 2% MCIT rate based on their gross income.

As a result of the application of the lower RCIT rate of 25% starting July 1, 2020, the current income tax expense and income tax payable, as presented in the 2020 annual income tax return of the Parent Company, would be lower by P165 and P151, respectively, than the amount presented in the 2020 financial statements and such amount was charged to 2021 profit or loss.

In 2021, the recognized net deferred tax assets as of December 31, 2020 was remeasured using the 25% tax rate. This resulted in a decline in the recognized deferred tax asset as of December 31, 2020 by P508 and P460 for the Group and Parent, respectively, and such was recognized in the 2021 profit or loss. There are no similar transactions in 2022 and 2023.

The tax expense as reported in the statements of profit or loss consists of:

	Group		
	2023	2022	2021
Current tax expense:			
Final tax	**P 2,659**	P 1,564	P 635
Excess MCIT over RCIT	**452**	252	228
RCIT at 25%	**222**	286	192
Adjustment in 2020 income taxes due to change in income tax rate	**-**	-	(165)
	3,333	2,102	890
Deferred tax income arising from:			
Origination and reversal of temporary differences	**(2,035)**	(534)	(670)
Effect of change in income tax rate	**-**	-	508
	(2,035)	(534)	(162)
	P 1,298	P 1,568	P 728

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	Parent Company		
	2023	2022	2021
Current tax expense:			
Final tax	**P 2,578**	P 1,553	P 618
Excess MCIT over RCIT	**431**	251	226
RCIT at 25%	**117**	209	80
Adjustment in 2020 income taxes due to change in income tax rate	**-**	-	(151)
	3,126	2,013	773
Deferred tax income arising from:			
Origination and reversal of temporary differences	**(1,843)**	(495)	(708)
Effect of change in income tax rate	**-**	-	460
	(1,843)	(495)	(248)
	P 1,283	P 1,518	P 525

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in profit or loss is as follows:

	Group		
	2023	2022	2021
Tax on pretax profit at at 25%	**P 3,379**	P 3,412	P 1,952
Adjustments for income subjected to lower income tax rates	**(2,702)**	(399)	(108)
Adjustment in 2020 income taxes due to change in income tax rate	**-**	-	343
Tax effects of:			
Non-deductible expenses	**1,268**	504	406
Non-taxable income	**(699)**	(562)	(680)
Unrecognized temporary differences	**(692)**	(852)	(396)
Excess MCIT over RCIT	**431**	252	228
FCDU income	**296**	(780)	(402)
Recognition of previously unrecognized deferred tax asset	**-**	-	(614)
Others	**17**	(7)	(1)
	P 1,298	P 1,568	P 728

	Parent Company		
	2023	2022	2021
Tax on pretax profit at at 25%	**P 3,375**	P 3,399	P 1,902
Adjustments for income subjected to lower income tax rates	**(2,757)**	(397)	(104)
Adjustment in 2020 income taxes due to change in income tax rate	**-**	-	309
Tax effects of:			
Non-deductible expenses	**1,227**	481	239
Unrecognized temporary differences	**(684)**	(925)	(404)
Non-taxable income	**(605)**	(511)	(627)
Excess MCIT over RCIT	**431**	251	226
FCDU income	**296**	(780)	(402)
Recognition of previously unrecognized deferred tax asset	**-**	-	(614)
	P 1,283	P 1,518	P 525

The deferred tax assets of the Group recognized in the consolidated statements of financial position as of December 31, 2023 and 2022 relate to the operations of the Parent Company and certain subsidiaries as shown in the succeeding page.

	Statements of Financial Position		Statements of Profit or Loss		
	2023	2022	**2023**	2022	2021
Allowance for impairment	**P 3,360**	P 2,925	**P 435**	P 140	(P 49)
Post-employment benefit obligation	**1,387**	83	**1,304**	(19)	(36)
Excess MCIT over RCIT	**990**	538	**452**	252	281
NOLCO	**38**	194	**(156)**	161	(34)
Deferred tax assets – net	**P 5,775**	P 3,740			
Deferred tax income – net			**P 2,035**	P 534	P 162

The deferred tax assets of the Parent Company recognized in its statements of financial position as of December 31, 2023 and 2022 is shown below.

	Statement of Financial Position		Statements of Profit of Loss		
	2023	2022	**2023**	2022	2021
Allowance for impairment	**P 3,018**	P 2,747	**P 271**	P 99	(P 33)
Post-employment benefit obligation	**1,387**	91	**1,296**	(15)	22
Excess MCIT over RCIT	**908**	477	**431**	251	226
NOLCO	**38**	193	**(155)**	160	33
Deferred tax assets	**P 5,351**	P 3,508			
Deferred tax income – net			**P 1,843**	P 495	P 248

The Parent Company and certain subsidiaries have not recognized deferred tax assets on certain temporary differences since management believes that the Parent Company and certain subsidiaries may not be able to generate sufficient taxable profit in the future against which the tax benefits arising from those deductible temporary differences, NOLCO and other tax credits can be utilized.

The unrecognized deferred tax assets relate to the following:

	Group		Parent Company	
	2023	2022	**2023**	2022
Allowance for impairment	**P 1,551**	P 1,551	**P 759**	P 1,190
Post-employment benefit obligation	**406**	406	**-**	402
NOLCO	**221**	221	**-**	-
Excess MCIT over RCIT	**33**	33	**-**	-
	P 2,211	P 2,211	**P 759**	P 1,592

Consequently, deferred tax liabilities were also not recognized on certain taxable temporary differences as the settlement of those can be offset by the available deductible temporary differences in the future.

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In addition, deferred tax liabilities on accumulated translation adjustments, relating to its foreign subsidiaries were not recognized since their reversal can be led, and it is probable that the temporary difference will not reverse in the foreseeable future.

NOLCO can be claimed as deduction from future taxable income within three and five years from the year the taxable loss was incurred. In accordance with BARO Act, NOLCO incurred in 2020 and 2021 can be claimed as a deduction from the gross income until 2025 and 2026, respectively. The details of the Group's NOLCO are shown in the succeeding page.

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2023	P 209	P -	P -	P 209	2026
2022	749	490	-	259	2025
2021	416	316	-	100	2026
2020	25	-	-	25	2025
	P 1,399	**P 806**	**P -**	**P 593**	

The details of the Parent Company's NOLCO are shown below:

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2022	P 640	P 490	P -	P 150	2025
2021	132	132	-	-	2026
	P 772	**P 622**	**P -**	**P 150**	

The breakdown of the Group's excess MCIT over RCIT with the corresponding validity periods follows:

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2023	P 438	P -	P -	P 438	2026
2022	264	-	-	264	2025
2021	230	-	-	230	2024
2020	8	-	8	-	2023
	P 940	**P -**	**P 8**	**P 932**	

The breakdown of the Parent Company's excess MCIT over RCIT with the corresponding validity periods follows:

Inception Year	Amount	Utilized	Expired	Balance	Expiry Year
2023	P 431	P -	P -	P 431	2026
2022	251	-	-	251	2025
2021	226	-	-	226	2024
	P 908	**P -**	**P -**	**P 908**	

25.2 Supplementary Information Required Under Revenue Regulation No. 15-2010

The Bureau of Internal Revenue (BIR) issued RR 15-2010 on November 25, 2010 which require certain tax information to be disclosed as part of the notes to financial statements. Such supplementary information is, however, not a required part of the basic financial statements prepared in accordance with PFRS; it is neither a required disclosure under the SEC rules and regulations covering form and content of financial statements under the Revised Securities Regulation Code Rule 68.

The Parent Company presented this tax information required by the BIR as a supplemental schedule filed separately from the basic financial statements.

26. TRUST OPERATIONS

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

Securities and properties (other than deposits) held by the Parent Company in fiduciary or agency capacity for its customers are not included in the financial statements, since these are not resources of the Parent Company. The Group and Parent Company's total trust resources amounted to P155,705 and P143,170 as of December 31, 2023 and 2022, respectively (see Note 33).

Investment in government securities which are shown as part of Investment securities at amortized cost (see Note 10.3) with a total face value of P1,324 and P1,489 as of December 31, 2023 and 2022, respectively, for both the Group and the Parent Company are deposited with the BSP as security for faithful compliance with fiduciary obligations.

Income from trust operations, shown as Trust fees under Other Operating Income account, amounted to P423, P415 and P392 in 2023, 2022 and 2021, respectively, in the Group and Parent Company's statements of profit or loss.

On November 28, 2022, the Parent Company's BOD approved the spin-off of the Bank's Trust operations into a separate corporate entity, which materialized on March 27, 2023 when RTC was incorporated to become a separate trust corporation, which commenced operations in January 2, 2024 (see Note 1.1).

27. RELATED PARTY TRANSACTIONS

The Group and Parent Company's related parties include its ultimate parent company, subsidiaries, associates, entities under common ownership, key management personnel and others.

The RPT Committee, which meet monthly and as necessary, review proposed RPT within the materiality threshold to determine whether or not the transaction is on terms no less favorable to the Group than terms available to any unconnected third party under the same or similar circumstances. On favorable review, the RPT Committee endorse transactions to the BOD for approval.

All material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. Transactions amounting to 10% or more of the consolidated total resources based on the latest audited consolidated financial statements entered into with related parties are considered material

A summary of the Group and Parent Company's transactions and outstanding balances of such transactions with related parties as of and for the years ended December 31, 2023, 2022 and 2021 is presented below.

		Group					
		2023		2022		2021	
	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Stockholders							
Due from other banks	27.1	**P 1,860**	**P 1,896**	(P 2,299)	P 36	(P 5)	P 2,335
Loans and receivables	27.2	**-**	**-**	(96)	-	(55)	96
Deposit liabilities	27.3	**840**	**3,510**	670	2,670	745	2,000
Bills payable	27.6	**14,160**	**14,160**	-	-	-	-
Interest expense on deposits	27.3	**60**	**-**	46	-	15	-
Cash received from issuance of shares of stock	22.3	**9,287**	**-**	-	-	4,369	-
Interest income from loans and receivables	27.2	**-**	**-**	-	-	9	-
Associates							
Loans and receivables	27.2	**104**	**104**	-	-	(203)	-
Deposit liabilities	27.3	**553**	**669**	33	116	(984)	83
Interest expense on deposits	27.3	**12**	**-**	2	-	1	-
Sale of investment securities	27.4	**4,410**	**-**	-	-	-	-
Purchase of investment securities	27.4	**1,414**	**-**	-	-	-	-
Related Parties Under Common Ownership							
Loans and receivables	27.2	**(424)**	**3,173**	2,782	3,597	(2,818)	815
Deposit liabilities	27.3	**6,204**	**13,229**	4,009	7,025	397	3,016
Interest income from loans and receivables	27.2	**176**	**-**	98	-	37	-
Interest expense on deposits	27.3	**105**	**-**	56	-	24	-
Gain on assets sold	27.7(a)	**3,106**	**-**	2,352	-	-	-
Occupancy and equipment-related expenses	27.7(b)	**1,436**	**-**	6,997	2,426	967	-
Miscellaneous expenses – others	24.2	**387**	**-**	362	-	298	-

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December 31, 2023 and 2022 and 2021

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		Group					
		2023		2022		2021	
	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Key Management Personnel							
Loans and receivables	27.2	**P 7**	**P 41**	P 14	P 34	(P 8)	P 20
Deposit liabilities	27.3	**337**	**762**	106	425	75	319
Interest expense on deposits	27.3	**7**	**-**	4	-	2	-
Salaries and employee benefits	27.7(g)	**582**	**-**	565	-	538	-
Other Related Interests							
Loans and receivables	27.2	**2,506**	**23,421**	1,903	20,915	10,466	19,012
Deposit liabilities	27.3	**(54)**	**13,752**	8,372	13,806	914	5,434
Interest income from loans and receivables	27.2	**855**	**-**	824	-	716	-
Interest expense on deposits	27.3	**133**	**-**	137	-	33	-
Occupancy and equipment-related expenses	27.7(b)	**434**	**-**	-	-	-	-
Other resources – net	15.1	**2,673**	**2,139**	-	-	-	-

		Parent Company					
		2023		2022		2021	
	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Stockholders							
Due from other banks	27.1	**P 1,860**	**P 1,896**	(P 2,299)	P 36	(P 5)	P 2,335
Loans and receivables	27.2	**-**	**-**	(96)	-	(55)	96
Deposit liabilities	27.3	**840**	**3,510**	670	2,670	745	2,000
Bills payable	27.6	**14,160**	**14,160**	-	-		-
Interest expense on deposits	27.3	**60**	**-**	46	-	15	-
Cash received from reissuance of treasury shares	22.3	**9,287**	**-**	-	-	4,269	-
Interest income from loans and receivables	27.2	**-**	**-**	-	-	9	-

		Parent Company					
		2023		2022		2021	
	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Subsidiaries							
Loans and receivables	27.2	**40**	**40**	-	-	-	-
Deposit liabilities	27.3	**426**	**1,919**	(1,159)	1,493	2,211	2,652
Interest expense on deposits	27.3	**8**	**-**	6	-	6	-
Dividend	12	**92**	**-**	71	-	524	-
Rental income	27.7(a)	**68**	**-**	62	-	60	-
Occupancy and equipment-related expenses	27.7(a)	**473**	**-**	436	-	420	-
Service and processing fees	27.7(b)	**744**	**-**	650	-	564	-
Sale of investment securities	27.4	**828**	**-**	1,780	-	1,034	-
Purchase of investment securities	27.4	**2**	**-**	620	-	497	-
Assignment of receivables	11	**(22)**	**105**	-	127	(20)	127
Associates							
Loans and receivables	27.2	**104**	**104**	-	-	(203)	-
Deposit liabilities	27.3	**553**	**669**	15	116	(984)	101
Interest expense on deposits	27.3	**12**	**-**	2	-	1	-
Sale of investment securities	27.4	**4,410**	**-**	-	-	-	-
Purchase of investment securities	27.4	**1,414**	**-**	-	-	-	-
Related Parties Under Common Ownership							
Loans and receivables	27.2	**(424)**	**3,173**	2,782	3,597	(2,818)	815
Deposit liabilities	27.3	**6,204**	**13,229**	2,112	7,025	(1,483)	4,913
Interest income from loans and receivables	27.2	**176**	**-**	98	-	37	-
Interest expense on deposits	27.3	**105**	**-**	56	-	24	-
Gain on assets sold	27.7(a)	**3,106**	**-**	2,352	-	-	-
Occupancy and equipment-related expenses	27.7(b)	**1,433**	**-**	6,985	2,426	961	-
Miscellaneous expenses – others	24.2	**387**	**-**	362	-	298	-

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		Parent Company					
		2023		2022		2021	
	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Key Management Personnel							
Loans and receivables	27.2	**P 4**	**P 30**	P 11	P 26	P 14	P 15
Deposit liabilities	27.3	**345**	**758**	107	413	62	306
Interest expense on deposits	27.3	**7**	**-**	4	-	2	-
Salaries and employee benefits	27.7(g)	**395**	**-**	334	-	335	-
Other Related Interests							
Loans and receivables	27.2	**2,501**	**23,399**	1,886	20,898	10,466	19,012
Deposit liabilities	27.3	**(49)**	**13,749**	5,794	13,798	3,484	8,004
Interest income from loans and receivables	27.2	**854**	**-**	823	-	716	-
Interest expense on deposits	27.3	**133**	**-**	137	-	33	-
Occupancy and equipment-related expenses	27.7(b)	**432**	**-**	-	-	-	-
Other resources – net	15.1	**2,673**	**2,139**	-	-	-	-

27.1 Due from Other Banks

The outstanding balances for due from other banks with certain Directors, Officers, Stockholders and Related Interests (DOSRIs) as of and for the periods ended December 31, 2023, 2022 and 2021 amounted to P1,896, P36, and P2,335, respectively.

27.2 Loans and Receivables

The summary of the Group and Parent Company's significant transactions and the related outstanding balances for loans and receivables with its related parties as of and for the years ended December 31, 2023, 2022 and 2021 are as follows:

	Group			
Related Party Category	**Issuances**	**Repayments**	**Interest Income**	**Loans Outstanding**
2023:				
Stockholders	P -	P -	P -	P -
Associates	104	-	-	104
Related parties under common ownership	700	1,124	176	3,173
Key management personnel	21	14	-	41
Other related interests	7,820	5,314	855	23,421
	P 8,645	**P 6,452**	**P 1,031**	**P 26,739**
2022:				
Stockholders	P -	P 96	P -	P -
Related parties under common ownership	5,360	2,578	98	3,597
Key management personnel	16	2	-	34
Other related interests	4,276	2,373	824	20,915
	P 9,652	P 5,049	P 922	P 24,546
2021:				
Stockholders	P -	P 55	P 9	P 96
Associates	-	203	-	-
Related parties under common ownership	360	3,178	37	815
Key management personnel	2	10	-	20
Other related interests	12,827	2,361	716	19,012
	P 13,189	P 5,807	P 762	P 19,943

	Parent Company			
Related Party Category	**Issuances**	**Repayments**	**Interest Income**	**Loans Outstanding**
2023:				
Stockholders	P -	P -	P -	P -
Subsidiaries	40	-	-	40
Associates	104	-	-	104
Related parties under common ownership	700	1,124	176	3,173
Key management personnel	4	-	-	30
Other related interests	7,797	5,296	854	23,399
	P 8,645	**P 6,420**	**P 1,030**	**P 26,746**

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	Parent Company			
Related Party Category	Issuances	Repayments	Interest Income	Loans Outstanding
2022:				
Stockholders	P -	P 96	P -	P -
Related parties under common ownership	5,360	2,578	98	3,597
Key management personnel	12	1	-	26
Other related interests	4,247	2,361	823	20,898
	P 9,619	P 5,036	P 921	P 24,521
2021:				
Stockholders	P -	P 55	P 9	P 96
Associates	-	203	-	-
Related parties under common ownership	360	3,178	37	815
Key management personnel	15	1	-	15
Other related interests	12,827	2,361	716	19,012
	P 13,202	P 5,798	P 762	P 19,938

In the ordinary course of business, the Group has loan transactions with each other, their other affiliates, and with certain DOSRIs. Under existing policies of the Group, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

As of December 31, 2023, 2022 and 2021, the Group and Parent Company is in compliance with these regulatory requirements.

As of December 31, 2023, 2022 and 2021, the Group has not recognized impairment loss on loans and receivables from DOSRI.

27.3 Deposit Liabilities

The summary of the Group and Parent Company's significant transactions and the related outstanding balances for deposit liabilities with its related parties as of and for the years ended December 31, 2023, 2022 and 2021 are as follows (see Note 17):

	Group			
Related Party Category	**Deposits**	**Withdrawals**	**Interest Expense**	**Outstanding Balance**
2023:				
Stockholders	P 10,505	P 9,665	P 60	P 3,510
Associates	49,646	49,093	12	669
Related parties under common ownership	200,946	194,742	105	13,229
Key management personnel	862	525	7	762
Other related interests	192,634	192,688	133	13,752
	P 454,593	**P 446,713**	**P 317**	**P 31,922**

Related Party Category	Group Deposits	Withdrawals	Interest Expense	Outstanding Balance
2022:				
Stockholders	P 10,299	P 9,629	P 46	P 2,670
Associates	48,691	48,658	2	116
Related parties under common ownership	198,903	194,894	56	7,025
Key management personnel	844	738	4	425
Other related interests	191,435	183,063	137	13,806
	P 450,172	P 436,982	P 245	P 24,042
2021:				
Stockholders	P 10,349	P 9,604	P 15	P 2,000
Associates	50,457	51,459	1	83
Related parties under common ownership	199,399	200,899	24	3,016
Key management personnel	840	765	2	319
Other related interests	186,805	185,891	33	5,434
	P 447,850	P 448,618	P 75	P 10,852

Related Party Category	**Parent Company** **Deposits**	**Withdrawals**	**Interest Expense**	**Outstanding Balance**
2023:				
Stockholders	P 10,505	P 9,665	P 60	P 3,510
Subsidiaries	144,725	144,299	8	1,919
Associates	49,646	49,093	12	669
Related parties under common ownership	200,946	194,742	105	13,229
Key management personnel	862	517	7	758
Other related interests	192,634	192,683	133	13,749
	P 599,318	**P 590,999**	**P 325**	**P 33,834**
2022:				
Stockholders	P 10,299	P 9,629	P 46	P 2,670
Subsidiaries	141,887	143,046	6	1,493
Associates	48,673	48,658	2	116
Related parties under common ownership	197,006	194,894	56	7,025
Key management personnel	845	738	4	413
Other related interests	188,857	183,063	137	13,798
	P 587,567	P 580,028	P 251	P 25,515
2021:				
Stockholders	P 10,349	P 9,604	P 15	P 2,000
Subsidiaries	143,387	141,176	6	2,652
Associates	48,173	49,157	1	101
Related parties under common ownership	195,506	196,989	24	4,913
Key management personnel	825	763	2	306
Other related interests	187,707	184,223	33	8,004
	P 585,947	P 581,912	P 81	P 17,976

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Deposit liabilities transactions with related parties have similar terms with third party depositors.

27.4 Sale and Purchase of Securities

The Parent Company and certain subsidiaries engage in the trading of investment securities as counterparties to the transaction. These transactions are priced similar to transactions with other counterparties outside the Group and there are no unsettled transactions as of the end of each reporting period.

27.5 Retirement Fund

The Parent Company and certain subsidiaries' retirement funds covered under their post-employment plan maintained for qualified employees are administered and managed by the Parent Company's TIG in accordance with the respective trust agreements covering the plan.

The retirement funds have transactions with the Group and Parent Company as of December 31, 2023, 2022 and 2021 as follows:

	Group		Parent Company	
Nature of Transactions	Net Amount of Transaction	Outstanding Balance	Net Amount of Transaction	Outstanding Balance
2023:				
Investment in common shares of Parent Company	**(P 862)**	**P 393**	**(P 862)**	**P 387**
Investments in corporate debt securities of Parent Company	**(2)**	**-**	**-**	**-**
Deposits with the Parent Company	**4**	**38**	**(4)**	**-**
Fair value gains	**(12)**	**-**	**(12)**	**-**
Interest income	**2**	**-**	**-**	**-**
Post-employment benefit asset	**3,127**	**2,665**	**3,127**	**2,665**
2022:				
Investment in common shares of Parent Company	P 215	P 1,255	P 214	P 1,249
Investments in corporate debt securities of Parent Company	(2)	2	-	-
Deposits with the Parent Company	(49)	34	(49)	4
Fair value gains	1	-	191	-
Interest income	1	-	-	-
2021:				
Investment in common shares of Parent Company	P 23	P 1,040	P 58	P 1,035
Investments in corporate debt securities of Parent Company	(558)	4	(498)	-
Deposits with the Parent Company	46	83	30	53
Fair value gains	58	-	58	-

On March 16, 2023, the Bank transferred and leased back certain real estate properties to Frame Properties, Inc. for a 100% ownership in the latter, which was subsequently transferred to the post-employment defined benefit plan as contribution to the plan assets (see Notes 13 and 23.2). The sale qualified as a sale and leaseback and was accounted under PFRS 16. Right-of-use asset and lease liability recognized amounted to P554 and P1,915, respectively. Lease payments made on the lease amounted to P321 during 2023.

The carrying amount and the composition of the plan assets as of December 31, 2023, 2022 and 2021 are disclosed in Note 23.2. Investments in corporate debt securities include LTNCD issued by the Parent Company.

The information on the Group and Parent Company's contributions to the retirement fund and benefit payments through the fund are disclosed in Note 23.2.

The retirement fund neither provides any guarantee or surety for any obligation of the Group nor its investments in its own shares of stock covered by any restriction and liens.

27.6 Bills Payable

The outstanding balances for bills payable with its related parties as of and for the periods ended December 31, 2023 amounted to P14,160. There are no similar transactions as of December 31, 2022 and 2021.

27.7 Other Related Party Transactions

(a) Sale of ATYC to ATYCI

In 2022, the Parent Company sold to ATYCI and immediately leased back from the later a portion of its bank premises and investment properties pertaining to ATYC (see Notes 13 and 14).

(b) Lease Contracts with ATYCI and RRC and Sublease Agreement with Subsidiaries

The Parent Company and certain subsidiaries occupy several floors of RCBC Plaza as leaseholders of RRC [see Note 28.3(b)]. In October 2022, the Parent Company entered into a five-year lease agreement with ATYCI [see Notes 13 and 27.5 (a)]. Amortization of right-of-use of asset amounted to P719 and P400 for the years ended December 31, 2023 and 2022, respectively, and are presented as part of Depreciation and Amortization account in the statements of profit or loss. The Parent Company's lease contract with RRC and ATYCI is effective until December 31, 2025 and September 30, 2027, respectively.

The Parent Company entered into sublease agreements with certain subsidiaries which occupy several floors of RCBC Plaza. Rental income by Parent Company related to these sublease arrangements is included as part of Rentals under the Miscellaneous income account in the statements of profit or loss (see Notes 14.2 and 24.1). The outstanding receivable on the lease contracts, if any, is presented as part of Accounts receivable under Loans and Receivables account in the statements of financial position (see Note 11). The related outstanding receivable is unsecured, noninterest-bearing and payable in cash on demand. Management believes that the receivables on the sublease agreements are fully recoverable.

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

(c) Service Agreement with RBSC

The Parent Company has Service Agreement (the Agreement) with RBSC, wherein RBSC shall provide the Parent Company with marketing, distribution, technical, collection and selling assistance and processing services in connection with the operation of the Parent Company's credit card, and personal and salary loans business. The total service processing fees incurred by the Parent Company is recognized as part of the Service and processing fees under the Miscellaneous expenses account in the statements of profit or loss (see Note 24.2). The outstanding payable related to the service agreement is presented as part of Accounts payable under Other Liabilities account in the statements of financial position (see Note 21). The related outstanding payable is unsecured, noninterest-bearing and payable in cash on demand.

(d) Increase in Shareholding of SMBC

On November 2, 2022, the Bank's BOD approved the increase in shareholding of SMBC, an existing shareholder of 4.99% of the total outstanding common stock of the Bank, to 20% through the combined sale of subscription of an aggregate of 382 common stock to SMBC, partly coming from the reissuance of treasury shares and issuance of new common stock, at the price of P71 per share. The additional capital infusion was made on July 31, 2023 (see Notes 22.1 and 22.2).

(e) Donation of Properties from NPHI to RCBC

On July 7, 2023, NPHI executed a deed of donation transferring to the Parent Bank certain real estate properties with a carrying amount of P2. On November 6, 2023, these properties were subsequently sold by the Parent Bank to PMMIC for a total consideration amounting to P57.

(f) Sale of Tarlac Property to a Subsidiary of HOI

On December 29, 2023, the Parent Company sold a property located in Tarlac with a selling price of P2,673 and a carrying amount of P385 resulting to a P2,288 gain, presented as part of Gain on assets sold – net under Other Operating Income in the 2023 statement of profit or loss (see Note 15.1).

(g) Key Management Personnel Compensation

The breakdown of key management personnel compensation follows:

	Group		
	2023	2022	2021
Short-term employee benefits	**P 566**	P 555	P 526
Post-employment defined benefits	**16**	10	12
	P 582	P 565	P 538

	Parent Company		
	2023	2022	2021
Short-term employee benefits	**P 395**	P 334	P 335

28. COMMITMENTS AND CONTINGENCIES

In the normal course of operations of the Group and Parent Company, there are various outstanding commitments and contingent liabilities such as guarantees, commitments to extend credit, tax assessments, claims from customers and third parties, etc., with amounts not reflected in the financial statements. Management does not anticipate losses from these transactions that will adversely affect the Group's and Parent Company's operations.

In the opinion of management, the suits and claims arising from the normal course of operations of the Group and Parent Company that remain unsettled, if decided adversely, will not involve sums that would have material effect on the Group's and Parent Company's financial position or operating results.

28.1 Alleged Unauthorized Transfer of Funds – Bank of Bangladesh

In February 2016, four (4) allegedly unauthorized fund transfers were made into four (4) accounts with the Bank from Bangladesh Bank's account with the Federal Reserve Bank of New York (NY Fed), before being further dispersed to other banks and casinos. In August 2016, the MB imposed a P1 billion fine upon the Bank, which it paid in full, without any effect on its ability to perform its existing obligations or its operations.

28.1.1 U.S. Litigation relating to the Bangladesh Bank Incident

Failing to prosecute the Bank under the Federal Racketeer Influence and Corrupt Organizations Act, Bangladesh Bank initiated a second complaint before the New York State Court (NY State Court) on May 27, 2020. The Bank has since sought the dismissal of this second case, citing (a) New York's lack of personal jurisdiction over it; (b) the impropriety of New York as a forum, given the ongoing related proceedings in the Philippines and the location of material witnesses/evidence; and (c) the untenable nature of the fraud charge against the Bank due to the lack of any fiduciary duty to Bangladesh Bank.

In a Decision/Order dated January 13, 2023, the NY State Court denied the Bank's Motion to Dismiss, ruling, among others, that (a) it has jurisdiction over the case, as the Bank's mere act of maintaining correspondent accounts in New York is purportedly tantamount to conducting business in the said jurisdiction; (b) it is irrelevant that the Bank was not the entity which initiated the transfer of funds; (c) the NY State Court will properly focus on the theft which occurred in New York and not the laundering of the funds stolen; and (c) the location of the witnesses/documents favor New York.

The Bank timely filed its Answer within the extension period granted by the NY State Court. The Bank likewise participated in the May 16, 2023 court-mandated mediation; which, however, failed and was terminated. The parties are currently availing of the different modes of discovery as directed by the NY State Court.

28.1.2 U.S. Appellate Litigation at the Supreme Court of the State of New York Appellate Division, First Judicial Department (the NY Appellate Division, First Judicial Department) relating to the Bangladesh Bank Incident

The Bank filed its appeal on the aforecited January 13, 2023 Decision/Order of the NY State Court, and timely filed its Appellant's Brief on July 19, 2023. The Bank argued that, in denying its Motion to Dismiss, the NY State Court practically reversed its earlier Decision/rulings on the very same issues which had resulted in the dismissal of the case against the Philippine casinos.

The Bank further pointed out that (a) the NY Appellate Division, First Judicial Department in Bangladesh Bank v. Rizal Commercial Banking Corp. 216 AD 3d590 (the Bloomberry case) has affirmed (1) the correctness of the aforesaid dismissal, as with the NY State Court's ruling that New York does not have a substantial nexus to the action; and (2) that the Philippines is a viable alternate forum; and (b) given the lack of material distinction between the facts/circumstances of the now-final Decision in the Bloomberry case and the Bank's case, the assailed NY State Court's Decision/Order dated January 13, 2023 violates the said judicial precedent and must be set aside.

Bangladesh Bank, on the other hand, (a) made it appear that the NY Fed was the target of the supposed conspirators when (1) its Complaint states otherwise; and (2) the NY Fed, in the Bloomberry case, stated that there was no evidence of any attempt to actually penetrate the Federal Reserve System or that the same was compromised; (b) now claimed that it is a quasi in rem resident of New York via its ownership of a bank account in New York with hundreds of millions of dollars; and (c) tried to downplay the significance of the Bloomberry case Decision, claiming that the Philippine casinos were involved in money laundering while the Bank was involved in the conspiracy and theft of funds.

28.1.3 Philippine Litigation Relating to the Bangladesh Bank Incident

After initially issuing differing rulings on whether Bangladesh Bank was properly served with summons and even dismissing the case, the Makati Trial Court, in its Resolution dated May 31, 2023, (a) reinstated the same; and (b) deputized Bangladesh Bank's Philippine counsel to serve summons upon its client, citing Sec. 13, Rule 14 of the 2019 Amendments to the 1997 Rules of Civil Procedure. The Makati Trial Court reiterated this ruling in its Resolution dated October 11, 2023, which denied Bangladesh Bank's Motion for Reconsideration.

Except for the above-mentioned proceedings, the Bank is not aware of any suits and claims by or against it or its subsidiaries, which if decided adversely, would have a material effect on its financial position or operating results.

28.2 HHIC-Phil Rehabilitation Proceedings

On January 9, 2019, HHIC-Phil filed a Petition for corporate rehabilitation under R.A. No. 10142, the *Financial Rehabilitation and Insolvency Act of 2010*, which was given due course by the Regional Trial Court, Branch 72, Olongapo City (the "Rehabilitation Court").

After negotiating with HHIC-Phil/HHIC-Korea, which resulted in the creditors or Rehabilitation Court-approved Modified Rehabilitation Plan with Clarifications ("MRP-C"), the Bank and four (4) other creditor banks successfully negotiated the sale of the Subic Shipyard/certain other assets to third-party buyers, as called for by the MRP-C. In the Order dated December 6, 2021, the Rehabilitation Court approved the Asset Purchase Agreement ("APA") dated October 5, 2021.

In April 2022, the outstanding loan obligation of HHIC-Phil to the Bank has been fully settled.

Except for the above-mentioned proceedings, the Bank is not aware of any suits and claims by or against it or its subsidiaries, which if decided adversely, would have a material effect on its financial position or operating results.

28.3 Lease Commitments – Group as a Lessor

a. Finance Lease

The Group, as a lessor, enters into finance leases covering various equipment and vehicles with lease term ranging one to more than five years. To manage its risks over these finance leases, the Group retains its legal title over the underlying assets and are used as securities over the finance lease receivables. The Group's future minimum lease payments receivable (MLPR) under this finance lease together with the present value of net minimum lease payments receivable (NMLPR) are shown below:

	2023		2022	
	Future MLPR	**PV of NMLPR**	Future MLPR	PV of NMLPR
Within one year	**P 244**	**P 233**	P 923	P 867
After one year but not more than two years	**521**	**474**	571	503
After two years but not more than three years	**622**	**531**	252	209
After three years but not more than four years	**143**	**117**	69	54
After four years but not more than five years	**289**	**222**	25	18
More than five years	**13**	**10**	3	2
Total MLPR	**1,832**	**1,587**	1,843	1,653
Unearned lease income	**(245)**	**-**	(190)	-
Present value of MLPR	**P 1,587**	**P 1,587**	P 1,653	P 1,653

The only change in the carrying amount of the net investment in finance leases during the year is the amortization of finance income. The net investment relating to this finance lease is presented as Lease contract receivables under Loans and Receivables account in the statements of financial position (see Note 11). The interest income from the finance leases amount to P323, P202, and P319 in 2023, 2022 and 2021, respectively and is presented as part of is recognized as part of Interest Income in the statements of profit or loss (see Note 11).

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

b. *Operating Lease*

Prior to the sale of the ATYC, the Group and Parent Company has entered into various lease contracts related to this property, with lease terms ranging from one to five years and with monthly rent depending on market price with 6% escalation rate every year. Moreover, RRC entered into several lease agreements for lease of machineries and equipment for a period of one to more than five years. Total rent income earned from these leases amounted to P424, P872, and P926 in 2023, 2022, and 2021, respectively, which are presented as Rentals under the Miscellaneous Income account in the statements of profit or loss (see Note 24.1).

The Group is subject to risk incidental to the leasing operations which include, among others, changes in the market rental rates, inability to renew leases upon lease expiration and inability to collect rent from lessees due to bankruptcy or insolvency of lessees. To mitigate these risks, lessees pay guarantee deposit ranging from 10% to 20% of the value of the leased assets, which is forfeited in case a lessee pre-terminates without prior notice or before the expiry of lease terminate without cause.

There are no variable lease rentals as of December 31, 2023, 2022, and 2021.

The Group's and Parent Company's future minimum rental receivables under this non-cancellable operating lease arrangement are as follows:

	Group		
	2023	2022	2021
Within one year	**P 338**	P 598	P 1,347
After one year but not more than two years	**312**	444	959
After two years but not more three five years	**126**	392	718
After three years but not more than four years	**31**	173	583
After four years but not more than five years	**7**	13	257
More than five years	**-**	-	45
	P 814	P 1,620	P 3,909

	Parent Company		
	2023	2022	2021
Within one year	**P -**	P -	P 498
After one year but not more than two years	**-**	-	421
After two years but not more three five years	**-**	-	269
After three years but not more than four years	**-**	-	182
After four years but not more than five years	**-**	-	72
More than five years	**-**	-	13
	P -	P -	P 1,455

28.4 Capital Commitments

As of December 31, 2023 and 2022, the Group and Parent bank has no contractual commitment for the acquisition of Bank premises, furniture, fixtures and equipment, Intangible assets, and Investment properties (see Notes 13, 14 and 15).

29. EARNINGS PER SHARE

The following shows the Group's profit and per share data used in the basic and diluted EPS computations for the three years presented:

	2023	2022	2021
Net profit attributable to Parent Company's shareholders	**P 12,218**	P 12,080	P 7,082
Dividends paid to preferred shareholders and distributions allocated to holders of hybrid perpetual securities	**(1,068)**	(1,037)	(964)
	11,150	11,043	6,118
Weighted average number of outstanding common shares of stock	**2,198**	2,037	1,979
Basic and diluted EPS	**P 5.07**	P 5.42	P 3.09

The convertible preferred shares did not have a significant impact on the EPS for each of the periods presented. The Group and the Parent Company has no potential dilutive shares as of the end of each reporting period.

30. SUPPLEMENTARY INFORMATION TO STATEMENTS OF CASH FLOWS

Significant non-cash transaction of the Group and the Parent Company includes additional leases under PFRS 16 as discussed in Notes 13 and 27; disposals of bank premises and investment properties as discussed in Notes 13 and 14; sale and leaseback of properties to Frame Properties, Inc. for a 100% ownership which was subsequently transferred to retirement fund as discussed in Notes 13 and 27.4; reclassifications between investment properties to NCAHS as discussed in Notes 14 and 15; additions of real properties, chattel properties and other assets through foreclosures, dacion in payment and repossessions as discussed in Notes 14.1 and 15; and, partial settlement of certain loan in exchange of equity securities as discussed in Note 15.

In 2023, the Parent Company sold a property located in Tarlac with a total selling price of P2,673, which is paid partly in cash and through issuance of sales contract receivables [see Notes 14, 15 and 27.7 (f)]. In 2022, the Parent Company disposed of a portion of its bank premises and investment properties with total selling price P6,065, which is paid partly in cash and through issuance of notes receivables [see Notes 11, 13, 14 and 27.7(a)].

On July 14, 2023, the Parent Company sold NPHI and Cajel to FLI for a total consideration price of P544, broken down into cash amounting to P190 and loans receivable amounting to P364 (see Note 12).

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

Presented below is the reconciliation of the Group and Parent Company's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Group				
	Bills Payable (see Note 18)	**Bonds Payable (see Note 19)**	**Lease Liabilities (see Note 21)**	**Hybrid Perpetual Securities (see Note 22.4)**	**Total Financing Activities**
Balance at January 1, 2023	P 66,660	P 74,411	P 5,500	P 14,463	P 161,034
Cash flow from financing activities:					
Availments/proceeds from issuance	15,333	-	-	-	15,333
Payments/redemption	(29,767)	(39,041)	(2,131)	-	(70,939)
Non-cash financing activities:					
Additional lease liabilities	-	-	2,983	-	2,983
Foreign exchange (losses)	(1,368)	(450)	-	-	(1,818)
Amortization of discount and interest	-	19	335	-	354
Balance at December 31, 2023	**P 50,858**	**P 34,939**	**P 6,687**	**P 14,463**	**P 106,947**
Balance at January 1, 2022	P 55,904	P 87,215	P 4,050	P 14,463	P 161,632
Cash flow from financing activities:					
Availments/proceeds from issuance	62,142	14,756	-	-	76,898
Payments/redemption	(52,865)	(31,170)	(2,265)	-	(86,300)
Non-cash financing activities:					
Additional lease liabilities	-	-	3,526	-	3,526
Foreign exchange gains	1,479	3,567	-	-	5,046
Amortization of discount and interest	-	43	189	-	241
Balance at December 31, 2022	P 66,660	P 74,411	P 5,500	P 14,463	P 161,034
Balance at January 1, 2021	P 13,167	P 90,439	P 4,385	P 14,463	P 122,454
Cash flow from financing activities:					
Availments/proceeds from issuance	148,820	17,873	-	-	166,693
Payments/redemption	(104,018)	(18,810)	(1,360)	-	(124,188)
Non-cash financing activities:					
Additional lease liabilities	-	-	855	-	855
Foreign exchange gains	(2,065)	(2,312)	-	-	(4,377)
Amortization of discount and interest	-	25	170	-	195
Balance at December 31, 2021	P 55,904	P 87,215	P 4,050	P 14,463	P 161,632

	Parent Company				
	Bills Payable (see Note 18)	Bonds Payable (see Note 19)	Lease Liabilities (see Note 21)	Hybrid Perpetual Securities (see Note 22.4)	Total Financing Activities
Balance at January 1, 2023	P 58,391	P 74,411	P 5,913	P 14,463	P 153,178
Cash flow from financing activities:					
Availments/proceeds from issuance	15,333	-	-	-	15,333
Payments/redemption	(28,399)	(39,491)	(2,044)	-	(69,934)
Non-cash financing activities:					
Additional lease liabilities	-	-	2,976	-	2,976
Lease termination	-	-	(178)	-	(178)
Foreign exchange losses	(1,368)	(450)	-	-	(1,818)
Amortization of discount and interest	-	19	362	-	381
Balance at December 31, 2023	**P 43,957**	**P 34,489**	**P 7,029**	**P 14,463**	**P 99,938**
Balance at January 1, 2022	P 46,399	P 87,215	P 4,479	P 14,463	P 152,556
Cash flow from financing activities:					
Availments/proceeds from issuance	55,380	14,756	-	-	70,136
Payments/redemption	(44,867)	(31,170)	(2,189)	-	(78,226)
Non-cash financing activities:					
Additional lease liabilities	-	-	3,551	-	3,551
Foreign exchange gains	1,479	3,567	-	-	5,046
Amortization of discount and interest	-	43	72	-	115
Balance at December 31, 2022	P 58,391	P 74,411	P 5,913	P 14,463	P 153,178
Balance at January 1, 2021	P 4,200	P 90,439	P 4,319	P 14,463	P 113,421
Cash flow from financing activities:					
Availments/proceeds from issuance	142,675	17,873	-	-	160,548
Payments/redemption	(98,411)	(18,810)	(1,205)	-	(118,426)
Non-cash financing activities:					
Additional lease liabilities	-	-	1,180	-	1,180
Foreign exchange losses	(2,065)	(2,312)	-	-	(4,377)
Amortization of discount and interest	-	25	185	-	210
Balance at December 31, 2021	P 46,399	P 87,215	P 4,479	P 14,463	P 152,556

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

31. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled:

	2023					
	Group			Parent Company		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Assets						
Cash and other cash items	P 19,875	P -	P 19,875	P 19,812	P -	P 19,812
Due from BSP	94,369	57,393	151,762	93,714	57,057	150,771
Due from other banks	14,526	366	14,892	14,630	-	14,630
Loans and receivables arising from reverse repurchase agreements	35,799	-	35,799	34,948	-	34,948
Interbank loans receivables	27,780	-	27,780	27,780	-	27,780
Financial assets at FVTPL	7,166	4,612	11,778	6,342	4,612	10,954
Financial assets at FVOCI - net	2,256	80,181	82,437	3,814	77,943	81,757
Investments at amortized cost - net	4,385	232,142	236,527	386	235,346	235,732
Loans and other receivables - net	68,481	553,668	622,149	67,251	548,650	615,901
Other resources - net	1,459	-	1,459	1,457	-	1,457
	276,096	928,362	1,204,458	270,134	923,608	1,193,742
Non Financial Assets						
Investment in subsidiaries and associates - net	-	509	509	-	6,401	6,401
Bank premises, furnitures, fixtures and equipment - net	-	9,129	9,129	-	7,805	7,805
Investment properties - net	-	543	543	-	543	543
Deferred tax asset - net	-	5,775	5,775	-	5,351	5,351
Other resources - net	12,764	5,154	17,918	12,523	4,525	17,048
	12,764	21,110	33,874	12,523	24,625	37,148
	P 288,860	P 949,472	P 1,238,332	P 282,657	P 948,233	P 1,230,890
Financial Liabilities						
Deposit liabilities	P 199,862	P 756,850	P 956,712	P 199,179	P 758,190	P 957,369
Bills payable	44,991	5,867	50,858	42,314	1,643	43,957
Bonds payable	30,809	4,130	34,939	30,809	4,130	34,939
Accrued interest and other expenses	5,985	4,760	10,745	5,695	4,780	10,475
Other liabilities	19,252	9,428	28,680	18,665	9,243	27,908
	300,899	781,035	1,081,934	296,662	777,986	1,074,648
Non Financial Liabilities						
Accrued interest and other expenses	1,337	-	1,337	1,311	-	1,311
Other liabilities	2,747	39	2,786	2,665	-	2,665
	4,084	39	4,123	3,976	-	3,976
	P 304,983	P 781,074	P 1,086,057	P 300,638	P 777,986	P 1,078,624

	2022					
	Group			Parent Company		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Assets						
Cash and other cash items	P 18,078	P -	P 18,078	P 18,024	P -	P 18,024
Due from BSP	112,871	43,793	156,664	111,089	44,251	155,340
Due from other banks	5,080	756	5,836	5,383	-	5,383
Loans and receivables arising from reverse repurchase agreements	8,724	-	8,724	8,552	-	8,552
Interbank loans receivables	19,021	-	19,021	19,021	-	19,021
Financial assets at FVTPL	5,568	1,469	7,037	4,670	1,469	6,139
Financial assets at FVOCI - net	74,914	40,032	114,946	74,914	39,351	114,265
Investments at amortized cost - net	30,482	221,900	252,382	29,508	221,820	251,328
Loans and other receivables - net	54,815	485,033	539,848	53,294	478,899	532,193
Other resources - net	1,204	-	1,204	1,202	-	1,202
	330,757	792,983	1,123,740	325,657	785,790	1,111,447
Non Financial Assets						
Investment in subsidiaries and associates - net	-	379	379	-	7,035	7,035
Bank premises, furnitures, fixtures and equipment - net	-	11,264	11,264	-	9,546	9,546
Investment properties - net	-	2,616	2,616	-	2,488	2,488
Deferred tax asset-net	-	3,740	3,740	-	3,508	3,508
Other resources - net	7,155	5,214	12,369	7,033	3,692	10,725
	7,155	23,213	30,368	7,033	26,269	33,302
	P 337,912	P 816,196	P 1,154,108	P 332,690	P 812,059	P 1,144,749
Financial Liabilities						
Deposit liabilities	P 206,160	P 651,084	P 857,244	P 205,432	P 652,207	P 857,639
Bills payable	59,419	7,241	66,660	57,137	1,254	58,391
Bonds payable	38,823	35,588	74,411	38,824	35,587	74,411
Accrued interest and other expenses	3,365	4,492	7,857	3,361	4,302	7,663
Other liabilities	14,919	10,414	25,333	14,303	9,984	24,287
	322,686	708,819	1,031,505	319,057	703,334	1,022,391
Non Financial Liabilities						
Accrued interest and other expenses	571	-	571	529	-	529
Other liabilities	1,997	3,674	5,671	1,904	3,641	5,545
	2,568	3,674	6,242	2,433	3,641	6,074
	P 325,254	P 712,493	P 1,037,747	P 321,490	P 706,975	P 1,028,465

32. OTHER MATTERS

32.1 Impact of Global Conflicts

The ongoing Russia-Ukraine war since February 24, 2022 led to higher global crude oil and other commodity prices in 2022 which partly bloated the Philippines' imports and trade deficit to record levels. This resulted in elevated inflation worldwide which triggered aggressive Federal rate hikes that supported a strong U.S. dollar earlier in 2022.

This event prompted BSP to implement local policy rate hikes totaling 350 basis points in 2022 and another 50 bps this February 2023 to temper the high domestic inflation and be in sync with US Federal hikes to help manage the peso exchange rate. Further, the BSP also made a surprise 25 basis points off-cycle rate hike effective October 27, 2023, after the Israel-Hamas war started on October 7, 2023; for a total of rate hikes of 450 basis points since May 2022.

The increase in BSP policy rates resulted in higher cost of deposits. It has also led to unrealized mark-to-market losses in FVOCI portfolio which fluctuates according to market condition; unless sold, these losses are recorded as part of the other comprehensive income or loss under Statement of comprehensive income.

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

The Group has implemented strategies to mitigate the increase in cost by issuances of loans with higher rates and growing low-cost deposits. BSP policy rates are also seen to come down in the second half of 2024 as inflation decelerates.

32.2 Issuance of Sustainability Bonds

On January 10, 2024, the Group priced a US$400 5-year Senior Unsecured Fixed Rate Sustainability Bonds via a drawdown under its US$3,000 Medium Term Note Program.

The net proceeds from the issue of the Notes will be applied by the Group to support and finance its loans to customers or its own operating activities in eligible green and social categories as defined in the Group's Sustainable Finance Framework.

32.3 Dividend Declaration on Hybrid Perpetual Securities

On January 29, 2024, the BOD approved the dividend declaration amounting to US$9.75 payable on February 27, 2024. This dividend declaration is relative to the Bank's US$300 non-cumulative hybrid perpetual securities payable on a semi-annual basis.

33. SUPPLEMENTARY INFORMATION REQUIRED BY THE BSP

Presented below are the supplementary information required by the BSP under Section 174 (Appendix 55) of the BSP MORB to be disclosed as part of the notes to financial statements based on BSP Circular No. 1074, *Amendments to Regulations on Financial Audit of Banks.*

(a) *Selected Financial Performance Indicators*

The following basic ratios measure the financial performance of the Group and the Parent Company:

	Group		
	2023	2022	2021
Return on average equity			
Net profit / Average total equity	**9.53%**	11.24%	6.71%
Return on average resources			
Net profit / Average total resources	**1.06%**	1.20%	0.84%
Net interest margin			
Net interest income / Average interest earning resources	**3.43%**	3.70%	4.07%

	Parent Company		
	2023	2022	2021
Return on average equity			
Net profit / Average total equity	**9.52%**	11.24%	6.72%
Return on average resources			
Net profit / Average total resources	**1.07%**	1.21%	0.85%
Net interest margin			
Net interest income / Average interest earning resources	**3.39%**	3.70%	4.06%

(b) Capital Instruments Issued

(i) Common Stock

As of December 31, 2023, the Parent Company's common stock amounted to P24,195 representing 2,419,536,120 issued common shares as compared to December 31, 2022 common stock amounted to P22,509 representing 2,250,916,144 common shares.

On July 31, 2023, the Bank received a total consideration amount of P27,125 as a capital infusion coming from SMBC which involved issuance of common shares amounting to P1,686 and reissuance of the treasury at cost amounting to P9,287 (see Note 22.3). The investment of SMBC resulted in a net increase of the additional paid in capital account of the Bank amounting to P15,735, coming from the excess of the consideration received over the par value of common stock and cost of treasury shares amounting to P16,152 and directly attributable transaction costs amounting to P417.

(ii) Preferred Stock

As of December 31, 2023 and 2022, the Parent Company's issued and outstanding preferred stock amounted to P3 representing 267,410 preferred shares. These preferred shares are voting, non-cumulative, non-redeemable, participating and convertible into common stock.

(iii) Hybrid Perpetual Securities

In August 27, 2020, the Parent Company issued US$300 non-cumulative, unsecured, subordinated AT1 capital securities. The capital securities are perpetual in respect of which there is no fixed redemption date. The Parent Company may redeem the capital securities only in certain circumstances as described in the conditions of the securities and with prior written consent of BSP. Distributions are non-cumulative and payable semi-annually in arrear at a rate of 6.5%. Certain conditions provide for circumstances under which the Parent Company will not be obliged to pay any distribution on the applicable payment date.

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

(c) Significant Credit Exposures for Loans

The Group and Bank's concentration of credit as to industry for its receivables from customers gross of allowance for ECL follows:

	Group			
	2023		2022	
	Amount	**Share**	Amount	Share
Consumer	**P 201,949**	**32%**	P 158,481	29%
Real estate, renting and other related activities	**100,918**	**16%**	80,276	15%
Electricity, gas and water	**70,407**	**11%**	73,970	14%
Wholesale and retail trade	**63,963**	**10%**	69,080	13%
Manufacturing (various industries)	**58,061**	**9%**	50,441	9%
Transportation and communication	**53,146**	**9%**	49,605	9%
Financial intermediaries	**49,479**	**8%**	39,878	7%
Agriculture, fishing, and forestry	**5,076**	**1%**	5,285	1%
Hotels and restaurants	**4,079**	**1%**	4,616	1%
Other community, social and personal activities	**2,847**	**1%**	2,817	1%
Mining and quarrying	**2,243**	**-**	1,193	-
Others	**9,754**	**2%**	7,704	1%
	P 621,922	**100%**	P 543,346	100%

	Parent Company			
	2023		2022	
	Amount	**Share**	Amount	Share
Consumer	**P 201,860**	**33%**	P 158,475	30%
Real estate, renting and other related activities	**99,982**	**16%**	79,139	15%
Wholesale and retail trade	**69,363**	**11%**	67,985	13%
Electricity, gas and water	**63,905**	**10%**	73,856	14%
Manufacturing (various industries)	**56,972**	**9%**	49,240	9%
Transportation and communication	**50,524**	**8%**	46,436	9%
Financial intermediaries	**49,477**	**8%**	39,872	7%
Agriculture, fishing, and forestry	**4,726**	**1%**	4,940	1%
Hotels and restaurants	**3,997**	**1%**	4,514	1%
Other community, social and personal activities	**2,838**	**1%**	2,734	-
Mining and quarrying	**2,077**	**-**	988	-
Others	**9,519**	**2%**	7,397	1%
	P 615,240	**100%**	P 535,576	100%

The BSP considers that loan concentration exists when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio plus the outstanding interbank loans receivable or 10% of Tier 1 capital.

As of December 31, 2023, 10% of Tier 1 capital of the Group and Parent Company amounted to P12,951 and P12,608, respectively. As of December 31, 2022, 10% of Tier 1 capital of the Group and Parent Company amounted to P10,010 and P9,571, respectively. The table below show the industry groups exceeding this level (amounts in millions).

	2023		2022	
	Group	**Parent**	Group	Parent
Consumer	**P 203,890**	**P 203,802**	P 158,481	P 158,475
Real estate, renting and other related activities	**98,976**	**98,041**	80,276	79,139
Electricity, gas and water	**70,407**	**63,905**	73,970	73,856
Wholesale and retail trade	**63,963**	**69,363**	69,080	67,985
Manufacturing (various industries)	**58,061**	**56,972**	50,441	49,240
Transportation and communication	**53,146**	**50,524**	49,605	46,436
Financial intermediaries	**49,479**	**49,477**	39,878	39,872

(d) *Credit Status of Loans*

The breakdown of receivable from customers as to status is shown below.

Group

	2023		
	Performing	**Non-performing**	**Total Loan Portfolio**
Gross carrying amount:			
Corporate	P 404,158	P 12,954	P 417,112
Consumer	194,878	9,932	204,810
	599,036	22,886	621,922
Allowance for ECL	(3,856)	(11,976)	(15,832)
Net carrying amount	**P 595,180**	**P 10,910**	**P 606,090**

	2022		
	Performing	Non-performing	Total Loan Portfolio
Gross carrying amount:			
Corporate	P 373,172	P 10,475	P 383,647
Consumer	148,777	10,922	159,699
	521,949	21,397	543,346
Allowance for ECL	(4,642)	(9,965)	(14,607)
Net carrying amount	P 517,307	P 11,432	P 528,739

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

Parent Company

	2023		
	Performing	**Non-performing**	**Total Loan Portfolio**
Gross carrying amount:			
Corporate	P 399,965	P 11,741	P 411,706
Consumer	193,949	9,585	203,534
	593,914	21,326	615,240
Allowance for ECL	(3,687)	(11,024)	(14,711)
Net carrying amount	**P 590,227**	**P 10,302**	**P 600,529**

	2022		
	Performing	Non-performing	Total Loan Portfolio
Gross carrying amount:			
Corporate	P 368,535	P 8,885	P 377,420
Consumer	147,235	10,921	158,156
	515,770	19,806	535,576
Allowance for ECL	(4,538)	(9,232)	(13,770)
Net carrying amount	P 511,232	P 10,574	P 521,806

NPLs included in the total loan portfolio of the Group and the Parent Company as of December 31 as reported to the BSP are presented below.

	Group		Parent Company	
	2023	2022	**2023**	2022
Gross NPLs	**P 22,886**	P 21,397	**P 21,326**	P 19,806
Allowance for impairment	**(11,976)**	(9,965)	**(11,024)**	(9,232)
	P 10,910	P 11,432	**P 10,302**	P 10,574

Under banking regulations, loan accounts shall be considered non-performing, even without any missed contractual payments, when they are considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal or interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Moreover, NPLs shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least 6 months; or (b) written-off. Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after they have become past due.

As of December 31, 2023, gross and net NPL ratios of the Group and the Parent Company as reported to BSP were 3.34% and 1.59%, and 3.15% and 1.52%, respectively. As of December 31, 2022, gross and net NPL ratios of the Group and the Parent Company as reported to BSP were 3.75% and 2.00%, and 3.52% and 1.88%, respectively. Most of the NPLs are secured by real estate or chattel mortgages.

The breakdown of restructured receivables from customers follows:

	Group				**Parent Company**			
		2023		2022		**2023**		2022
Loans and discounts	**P**	**4,786**	P	3,833	**P**	**2,383**	P	1,021
Credit card receivables		**-**		1		**-**		1
	P	**4,786**	P	3,834	**P**	**2,383**	P	1,022

Interest income from restructured receivables from customers amounted P112, P18, and P10 in 2023, 2022, 2021, respectively, for both the Group and the Parent Company.

(e) *Analysis of Loan Portfolio as to Type of Security*

The breakdown of the receivables from customers' portfolio as to secured and unsecured follows:

	Group				**Parent Company**			
		2023		2022		**2023**		2022
Secured:								
Real estate mortgage	**P**	**184,910**	P	169,253	**P**	**183,828**	P	168,045
Chattel mortgage		**51,280**		44,003		**49,214**		41,542
Hold-out deposits		**8,153**		11,001		**8,152**		10,941
Other securities		**11,119**		11,286		**8,034**		7,938
		255,462		235,543		**249,228**		228,466
Unsecured		**366,460**		307,803		**366,012**		307,110
	P	**621,922**	P	543,346	**P**	**615,240**	P	535,576

(f) *Information on Related Party Loans*

In the ordinary course of business, the Bank has loan transactions with each other, their other affiliates, and with certain DOSRI. Under existing policies of the Bank, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

Under the current BSP regulations, the amount of individual loans to a DOSRI, 70% of which must be secured, should not exceed the amount of the encumbered deposit and book value of the investment in the Bank and/or any of its lending and nonbank financial subsidiaries. In the aggregate, loans to DOSRIs, generally, should not exceed the total equity or 15% of the total loan portfolio of the Bank. However, non-risk loans are excluded in both individual and aggregate ceiling computation.

(Amounts in Millions of Philippine Pesos, Except Share and Per Share Data or As Indicated)

The following table shows the information relating to the loans, credit accommodations and guarantees to DOSRI, excluding loans granted as fringe benefits to officers which are excluded from the individual ceiling as of December 31 in accordance with BSP reporting guidelines:

	Group		Parent Company	
	2023	2022	**2023**	2022
Total outstanding DOSRI loans	**P -**	P -	**P -**	P -
Unsecured DOSRI	**-**	-	**-**	-
Past due DOSRI	**-**	-	**-**	-
Non-accruing DOSRI	**-**	-	**-**	-
Percent of DOSRI loans to total loan portfolio	**0.00%**	0.00%	**0.00%**	0.00%
Percent of unsecured DOSRI loans to total DOSRI loans	**0.00%**	0.00%	**0.00%**	0.00%
Percent of past due DOSRI Loans to total DOSRI	**0.00%**	0.00%	**0.00%**	0.00%
Percent of non-accruing DOSRI loans to total DOSRI loans	**0.00%**	0.00%	**0.00%**	0.00%

The following table shows the other information relating to the loans, other credit accommodations and guarantees granted to related parties (inclusive of DOSRI) as of December 31 as reported to the BSP:

	Group		Parent Company	
	2023	2022	**2023**	2022
Total outstanding Related Party loans	**P 26,739**	P 24,546	**P 26,746**	P 24,521
Unsecured Related Party	**19,268**	16,765	**19,257**	16,763
Past due Related Party	**1**	1	**1**	1
Percent of Related Party loans to total loan portfolio	**4.30%**	4.52%	**4.35%**	4.58%
Percent of unsecured Related Party loans to total Related Party loans	**72.06%**	68.30%	**72.00%**	68.36%
Percent of past due Related Party loans to total Related Party loans	**0.00%**	0.00%	**0.00%**	0.00%
Percent of non-accruing Related Party loans to total Related Party loans	**0.00%**	0.00%	**0.00%**	0.00%

In accordance with existing BSP regulations, the reported DOSRI performing loans exclude loans extended to certain borrowers before these borrowers became DOSRI. Under BSP regulations, total outstanding exposures to each of the Parent Company's subsidiaries and affiliates shall not exceed 10.0% of the Group's net worth, the unsecured portion of which shall not exceed 5.0% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20.0% of the net worth of the Parent Company.

As of December 31, 2023, 2022 and 2021, the Group and Parent Company is in compliance with these regulatory requirements.

As of December 31, 2023, 2022 and 2021, the Group has not recognized impairment loss on loans and receivables from DOSRI.

(g) Secured Liabilities and Assets Pledged as Security

Assets pledged as security for liabilities of the Group and Parent Company are shown below.

	2023	2022
Aggregate amount of secured liabilities	**P 29,797**	P 58,391
Aggregate amount of resources pledged as security	**P 41,597**	P 73,160

(h) Contingencies and Commitments Arising from Off-balance Sheet Items

The following is a summary of contingencies and commitments arising from transactions not given recognition in the statement of financial position, expressed at their equivalent peso contractual amounts as of December 31, 2023 and 2022:

	2023	2022
Outstanding guarantees issued	**P 205,268**	P 127,837
Trust Investment Group accounts	**155,705**	143,170
Derivative assets	**142,921**	111,212
Derivative liabilities	**84,461**	69,485
Unused commercial letters of credit	**25,079**	17,242
Spot exchange sold	**16,985**	6,493
Spot exchange bought	**16,980**	6,497
Inward bills for collection	**8,061**	18,451
Late deposits/payments received	**872**	642
Outward bills for collection	**1**	27
Others	**64**	64

Partners Through Generations

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