CTBC BANK
中國信託銀行

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO ALL STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the annual meeting of the stockholders of **CTBC BANK (PHILIPPINES) CORP.** will be held on **June 27, 2024, Thursday, at 9:30 AM.** VENUE: CTBC Bank HR Training Room, 22nd Floor, Fort Legend Tower, 31st Street corner 3rd Avenue, Bonifacio Global City, Taguig City 1634, Philippines.

AGENDA

The Agenda for the meeting will be as follows:

1. Call to Order
2. Certification by the Corporate Secretary on the Sending of Notices and Existence of a Quorum
3. Approval of Previous Minutes: Annual Stockholders' Meeting of July 5, 2023
4. Chairman's Address
5. President's Report and Approval of the Annual Report
6. Submission of Audited Financial Statements of the Bank and of the Trust and Investment Services Department as of December 31, 2023
7. Ratification of All Acts, Decisions and Proceedings of the Board of Directors, Committees and Management since the last Annual Meeting
8. Election of Members of the Board of Directors
9. Confirmation of Related Party Transations
10. Appointment of External Auditor for the Bank and the Trust and Investment Services Department
11. Other Matters as May Come Before the Meeting

Only stockholders of record at the close of business hours on **May 24, 2024** are entitled to notice of, and to vote at, this meeting.

Stockholders who do not expect to attend the meeting in person may send a duly signed and dated proxy letter to the Corporation at the 22nd Floor Fort Legend Towers, 3rd Avenue corner 31st Street, Bonifacio Global City, Taguig City, Philippines. Please submit your proxies to undersigned whose contact numbers are as follows: Landline: +63 (2) 8988 9287 local 6354; Fax: +63 (2) 8811 8571; Mobile: +63 (917) 577 8100; Email add: rolando.vicerra@ctbcbank.com.ph. All proxies shall be received by the Corporation on or before the close of business hours of June 11, 2024. Proxies submitted shall be validated by a Committee of Inspectors on June 18, 2024 at 10:00 o'clock in the morning at the same address. For corporate stockholders, the proxies should be accompanied by a Secretary's Certification on the appointment of the Corporation's authorized signatory.

To avoid inconvenience in registering your attendance at the meeting, please bring valid identification paper(s) containing a photograph and signature, e.g. passport, driver's license.

Taguig City. May 13, 2024.

Atty Roland V. Vicerra

Atty. Rolando V. Vicerra
Corporate Secretary

COVER SHEET

AS95088814A
S.E.C. Registration Number

CTBC BANK (PHILIPPINES) CORP.
Company's Full Name

Fort Legend Towers Third Avenue corner 31st Street Bonifacio Global City Taguig City
(Business Address: No. Street/ City/ Town / Province)

Alpha M. Tagle
Contact Person

88889287
Company Telephone Number

12	31	SEC 20-IS (Definitive Information Statement)	05	4
Month	Day	Form Type	Month	Day
Fiscal Year			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

sye/jps

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Sheet
   [✓] Definitive Information Sheet

2. Name of Registrant as specified in its Charter: **CTBC BANK (PHILIPPINES) CORP.**

3. Province, country and other jurisdiction or incorporation or organization: **Philippines**

4. SEC Identification Number: **AS9508814A**

5. BIR Tax Identification Code: **004-665-166-000**

6. Address of the Principal Office: **Fort Legend Towers, Third Avenue corner 31st Street, Bonifacio Global City, Taguig City**

   Postal Code: **1634**

7. Registrant's telephone number, including area code: **(632) 8988-9287**

8. Date, time and place of the meeting of security holders:

DATE:	June 27, 2024 (Thursday)
TIME:	9:30 AM
VENUE:	CTBC Bank HR Training Room 22nd Floor, Fort Legend Tower, 31st Street corner 3rd Avenue, Bonifacio Global City, Taguig City 1634, Philippines

9. Approximate date of which the Information Statement is to be first sent or given to security holders: ***June 3, 2024***

10. Securities registered pursuant to Sections 4 and 8 of the RSA:

    a. Authorized Capital Stock PhP4,000,000,000
       Common Shares 400,000,000 (PhP10.00 par value)

    b. Number of Shares Outstanding as of April 30, 2024:
       Common Shares 348,307,202 shares

    c. Amount of Debt Outstanding as of December 31, 2023
       (Total liabilities including deposits, bills payable, accrued expenses, etc.)
       Php66,241,662,430.

11. Are any of the registrant's securities listed in the Philippine Stock Exchange?

    _________ Yes ____✓____ No

TABLE OF CONTENTS

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

WE ARE NOT ASKING FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY

Item 1. *Date, Time and Place of Meeting of Security Holders.*

(a) Date : **June 27, 2024**
Time : **9:30 a.m.**
Place : **CTBC Bank HR Training Room**
22nd Floor, Fort Legend Tower, 31st Street corner 3rd Avenue, Bonifacio Global City, Taguig City 1634, Philippines

Principal Office: **Fort Legend Towers, Third Avenue corner 31st Street, Bonifacio Global City, Taguig City.**

(b) **APPROXIMATE DATE OF WHICH THE INFORMATION STATEMENT IS TO BE FIRST SENT OR GIVEN TO SECURITY HOLDERS: *June 3, 2024***

Item 2. *Dissenter's Right of Appraisal*

There is no matter that will be taken up at the meeting that will give rise to a possible exercise by security holders of their appraisal rights. However, in the instances mentioned by the Revised Corporation Code of the Philippines, the stockholders of the Bank have the right of appraisal provided that the procedures and the requirements of Title X thereof governing the exercise of appraisal right is complied with.

Item 3. *Interest of Certain Persons in or Opposition to Matters to be Acted Upon*

(a) There is no substantial interest, direct or indirect, by security holdings or otherwise, of any director or officer of CTBC Bank (Philippines) Corp. ("Bank" or "Corporation" or "Issuer" or "Registrant" for brevity).

(b) The Bank is not aware of any director or security holder who intends to oppose any action to be taken by the registrant during the stockholders' meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. *Voting Securities and Principal Holders Thereof*

(a) Number of Shares Outstanding as of April 30, 2024:

Common Shares: 348,307,202 shares

Number of Votes Entitled: **one (1) vote per share**

(b) **All stockholders of record at the close of business hours on May 24, 2024 are entitled to notice and to vote at the Annual Stockholders' Meeting.**

A copy of this SEC Form 20-IS shall likewise be distributed to stockholders of record as of **May 24, 2024** upon advice from our stock transfer agent.

(c) **Nomination and Election of Directors and Manner of Voting**

(1) In compliance with Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code (SRC), the Bank adopted in its By-Laws and Manual on Corporate Governance the requirement that the Bank's Nomination, Remuneration and Governance Committee (NRGC) shall review and evaluate the qualifications of all persons nominated to the Board as well as those other persons requiring the appointment by the Board of Directors [Article V Section 4 of the Amended By-Laws; Section IV.2 of the Manual on Corporate Governance].

(2) With respect to the election of directors, Article II Section 8 of the Amended By-Laws of the Corporation allows the shareholders to vote in person or by proxy and to accumulate their votes. Thus:

> "Section 8. Cumulative Voting for Election of Directors - In accordance with Section 24 of the Corporation Code, at each election for directors, every shareholder entitled to vote at such election shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected and for whose election he has a right to vote, or to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal, or by distributing such votes on the same principle among any number of candidates." [Article II Section 8 of the Amended By-Laws]

(3) On questions or matters submitted during the stockholders' meeting, stockholders are entitled to vote on a "one-vote per one share" basis. Thus:

> "Section 7. Voting of Shares in General - At each meeting of the stockholders, every stockholder entitled to vote on the particular question or matter involved shall be entitled to one (1) vote for each share of stock standing in his name on the books of the Bank at the time of closing of the transfer books for such meeting." [Article II Section 7 of the Amended By-Laws]

(d) **Security Ownership of Certain Record and Beneficial Owners and Management as of April 30, 2024**

1. **Security Ownership of Certain Record and Beneficial Owners of More than 5% as of April 30, 2024:**

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	CTBC Bank Co., Ltd. No. 168 Jingmao 2nd Road, Taipei, Taiwan, R.O.C.	CTBC Bank Co., Ltd.	Taiwanese	347,319,203	99.72%

CTBC Bank Co., Ltd. through a resolution of the Board of Directors, may authorize the Bank's Chairman, Mr. Cheng-Hsin Wang, or such other such person as it may deem fit to exercise the voting power over its shareholdings for and on its behalf.

CTBC Bank Co., Ltd. is wholly owned by CTBC Financial Holding Co., Ltd. (CTBC Holding).

The following are the major stockholders of CTBC Holding as of April 16, 2024:

SHAREHOLDER	PERCENTAGE
Citibank Taiwan in custody for the government of Singapore	3.89%
Yi Kao Investment Co., Ltd.	2.38%
Fubon Life Insurance Co., Ltd.	2.36%
Labor Pension Fund	2.10%
CTBC Bank Trust Account for CTBC Financial Holding Employee Welfare Savings Committee	2.07%
CTBC Bank Trust Account for CTBC Financial Holding and the Subsidiaries Employee Stock Ownership Trust	1.84%
Bank of Taiwan Co., Ltd.	1.54%
Citibank Taiwan in custody for Norges Bank	1.52%
Chuan Wei Investment Co., Ltd.	1.43%
Cathay Life Insurance Co., Ltd.	1.37%

Information on beneficial owners of the corporate stockholders of CTBC Holding and the complete list of the Top 20 stockholders is inaccessible considering that records are located in Taiwan.

2. **Security Ownership of Management as of April 30, 2024:**

a. **Directors**

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Cheng-Hsin Wang	1	Taiwanese	0%
Common	William B. Go	53	Filipino	0%
Common	Oliver D. Jimeno	1	Filipino	0%
Common	Jen-Wen Liao	1	Taiwanese	0%
Common	Jung-Hsin Suei	1	Taiwanese	0%
Common	Alexander A. Patricio	1	Filipino	0%
Common	Stephen D. Sy	1	Filipino	0%
Common	Luis Y. Benitez, Jr.	1	Filipino	0%

b. **Executive Officers as of April 30, 2024:**

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Oliver D. Jimeno	1	Filipino	0%

c. **Directors and Officers**

The aggregate shareholding of the directors and executive officers amounted to 60 shares of the Bank's total outstanding shares.

3. **Voting Trust Holder of 5% or More**

There are no voting trust holders of 5% or more.

4. **Change in Control**

There is no change in control of the Bank and no change in control has occurred since the beginning of the last fiscal year. Moreover, there is no arrangement which may result in a change of control of the Bank.

Item 5. *Directors and Executive Officers*

(a) Directors and Executive Officers

Name	Nationality	Age	Position	Period Served
Cheng-Hsin Wang	Taiwanese	70	Chairman	Dec. 16, 2021 to present
William B. Go	Filipino	84	Vice-Chairman	Sep. 1995 to present
Oliver D. Jimeno	Filipino	53	President and CEO	December 2, 2019 to present
Jen-Wen Liao	Taiwanese	57	Director	July 5, 2023 to present
Jung-Hsin Suei	Taiwanese	61	Director	July 5, 2023 to present
Alexander A. Patricio	Filipino	72	Independent Director	Dec. 12, 2018 to present
Stephen D. Sy	Filipino	73	Independent Director	July 25, 2019 to present
Luis Y. Benitez, Jr.	Filipino	76	Independent Director	June 24, 2021 to present

1. Board of Directors

The following are the incumbent members of the Board.

CHENG-HSIN WANG, Taiwanese, has been the Chairman of the Board since December 16, 2021. He obtained his Bachelor of Arts in Public Finance and Taxation degree from the National Chunghsin University, Taiwan, and Master of Science in Public Finance from National Chengchi University, Taiwan. He is currently a Consultant of Land and Houses Fund Management Co. Ltd., Director of Land and Houses Securities Public Co., Ltd., Consultant of CTBC Financial Holding Co., Ltd., and Instructor in Taiwan Academy of Banking and Finance. He was an Independent Director of Fubon Financial Holdings Co., Ltd. from 2016-2017, Chief Strategy Officer of Yuanta Financial Holding Co., Ltd. from 2014-2016, Chairman of Yuanta Life Insurance Co., Ltd. from 2014-2016, President of Yuanta Financial Holding Co., Ltd. from 2013-2014 and Chief Strategy Officer of Yuanta Financial Holding Co., Ltd. from 2008-2013. He is 70 years old.

WILLIAM B. GO, Filipino, has been the Vice Chairman of the Board since October 15, 2001. He also served as concurrent President & CEO from April 3, 2008 to January 31, 2009. A Certified Public Accountant, he earned his Bachelor of Science degree from the University of the East and a Master of Science in Business Administration degree from the University of Missouri in the United States. He is Chairman of Investors Securities, Inc., Serico, Inc., and Gama Enterprises, Inc.; Chairman and President of The BigBlue Sky Enterprises Inc, and GGS Holdings, Inc.; and holds various directorship positions in other institutions. He served as the President of Philippine Bank of Communication from 1985 to 1995. Mr. Go founded Chinatrust Philippines in 1995, and served as President until October 15, 2001, when he was elected Vice Chairman. He is 84 years old.

OLIVER D. JIMENO, was elected to the Board as Director on July 25, 2019 and President and CEO of CTBC Bank (Philippines) Corp. on December 2, 2019. He also served as Head of Treasury Group from 2009 to 2019. He obtained his Bachelor's degree in Business Administration and also Masters in Business Administration from the University of the Philippines. Mr. Jimeno has been with the Bank since December 1999, having served as Head of Treasury's Domestic Desk in the same year and Head of Liquidity and Balance Sheet Management Desk in 2005. Prior to joining CTBC Bank Philippines, he was a Swap Trader at PCI Bank and a Trust Marketing Officer at Citytrust. Mr. Jimeno is 53 years old.

JEN-WEN LIAO, Taiwanese, obtained his Master in Business Administration at the School of Business Administration, University of Michigan, USA. He is currently Director of Land and Houses Bank Public Company Limited (LH Bank), Head of International Credit Risk Management Division, CTBC Bank Co., Ltd. and Director of CTBC Bank Corp. (USA). Prior to joining CTBC Bank, he was Executive Director and Country Credit Officer for Hong Kong/Taiwan, Corporate & Investment Bank of JPMorgan Chase Bank from 2010 to 2019. He also served as Vice President and Deputy Chief Risk Officer, Group Risk Management Taiwan of Royal Bank of Scotland/ABN AMRO Bank from 2002 to 2010. He is 57 years old.

JUNG-HSIN SUEI, Taiwanese, obtained his Master in Business Administration at University of Dallas, USA. He is currently Head of Wealth Management Business Group in CTBC Bank Co., Ltd, Prior to that, he was Head of Wealth Management Division, Branch Channel Management Division, Private Wealth Management Division, Customer Development Division, Global Wealth Management Division, Product Planning Division. He is 61 years old.

Except for Jung-Hsin Suei, the foregoing directors are expected to be nominated for reelection at the meeting. The qualifications of the new nominee are as follows:

YA-LING CHIU, Taiwanese, obtained her Master in Business Administration at University of Minnesota, Twin Cities, USA. She is currently Deputy Chief Executive Officer of Retail Banking of CTBC Bank Co. Ltd., Head of International Retail Banking Group of CTBC Bank Co. Ltd, Head of International Wealth Management Business Division of CTBC Bank Co. Ltd, and Director of Land and Houses Bank Public Company Limited. Prior to joining CTBC Bank, she was Assistant Vice President of Financial Control Department of Citibank from 2000 to 2002 and Vice President of Financial Control Department of ABN AMRO Bank from 1998 to 1999. She is 55 years old.

All the foregoing directors were endorsed by the Nomination, Remuneration and Governance Committee for nomination. Once re-elected, the foregoing shall each hold office from date of elections until the next annual shareholders meeting or until his/her resignation as director, unless sooner terminated or removed in accordance with law.

1.1 Trainings and continuing education

The following are the trainings and continuing education attended by the directors who are expected to be nominated at the meeting:

CHENG-HSIN WANG		
TRAININGS IN BANKING AND OTHER RELATED FIELDS	**CONDUCTED BY**	**DATE TAKEN**
ENTERPRISE RISK MANAGEMENT	BAIPHIL	3/22/2024
ROLES, RESPONSIBILITIES AND LIABILITIES OF BOARD DIRECTORS	CENTER FOR GLOBAL BEST PRACTICES	9/11/2023
ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)	BAIPHIL	5/16/2023
ANTI-MONEY LAUNDERING/COMBAT TERRORIST FINANCING/COUNTERING PROLIFERATION FINANCING (AML/CTF/CPF)	DANTE T. FUENTES, CPA, CFE, CAMS	2/22/2023
ABCOMP WEBINAR: UPDATES ON INSTITUTIONAL RISK ASSESSMENT AND TARGETED FINANCIAL SANCTIONS	ABCOMP	7/20/2022
WEBINAR ON ENHANCED CORPORATE GOVERNANCE GUIDELINES	BAIPHIL	4/22/2022
ANTI-MONEY LAUNDERING/COMBATING FINANCING OF TERRORISM/COUNTERING PROLIFERATION FINANCING (AML/CFT/CPF)	DANTE T. FUENTES, CPA, CFE, CAMS	3/22/2022
CORPORATE GOVERNANCE	INSTITUTE OF CORPORATE DIRECTORS	12/7/2021
ANTI-MONEY LAUNDERING AND COUNTERING TERRORIST FINANCING (AML/CFT) BRIEFING	CTBC BANK (PHILIPPINES) CORP.	11/26/2021
NEW DIMENSION AND CHALLENGE OVER THE IMPACT FROM ON-LINE ECONOMY	TAIWAN INSTITUTE OF DIRECTORS	3/28/2017
GLOBAL TREND-RISKS AND OPPORTUNITIES	TAIWAN CORPORATE GOVERNANCE ASSOCIATION	3/24/2017

WILLIAM B. GO		
TRAININGS IN BANKING AND OTHER RELATED FIELDS	**CONDUCTED BY**	**DATE TAKEN**
STRATEGIC THINKING FOR BOARD DIRECTORS AND LEADERS	CENTER FOR GLOBAL BEST PRACTICES	11/17/2023
ROLES, RESPONSIBILITIES AND LIABILITIES OF BOARD DIRECTORS	CENTER FOR GLOBAL BEST PRACTICES	9/11/2023
ANTI-MONEY LAUNDERING/COMBAT TERRORIST FINANCING/COUNTERING PROLIFERATION FINANCING (AML/CTF/CPF)	DANTE T. FUENTES, CPA, CFE, CAMS	2/22/2023
IT SECURITY IN BANKING OPERATIONS	BAIPHIL	7/21/2022

IT SECURITY IN BANKING OPERATIONS	BAIPHIL	7/20/2022
ANTI-MONEY LAUNDERING/COMBATING FINANCING OF TERRORISM/COUNTER PROLIFERATION FINANCING (AML/CFT/CPF)	DANTE T. FUENTES, CPA, CFE, CAMS	3/22/2022
ANNUAL BRIEFING FOR CTBC BANK (PHILIPPINES) CORP. BOARD OF DIRECTORS ON AML/CFT/CPF UPDATES AND TRENDS FOR 2021	CTBC BANK (PHILIPPINES) CORP.	4/13/2021
BSP'S SUPERVISORY ASSESSMENT FRAMEWORK (SAFR)	CTBC BANK (PHILIPPINES) CORP.	10/22/2020
ANNUAL BRIEFING ON PHILIPPINE ANTI-MONEY LAUNDERING / COUNTERING THE FINANCING OF TERRORISM	CTBC BANK (PHILIPPINES) CORP.	8/28/2020
AML UPDATE: PHILIPPINE RISK ASSESSMENT AND EMERGING ANTI-MONEY LAUNDERING / COUNTER TERRORIST FINANCING TRAINING UPDATE IN SOME ASIAN COUNTRIES	CTBC BANK (PHILIPPINES) CORP.	9/19/2019
2019 PRE-STATE OF THE NATION ADDRESS/ECONOMIC AND INFRASTRUCTURE FORUM RE: "GAME CHANGING REFORMS FOR SUSTAINABLE DEVELOPMENT"	BSP/PHILIPPINES	7/1/2019
PHILIPPINES-UNITED STATES TRADE AND INVESTMENT FORUM	AMB. FRANK G. WISNER, MBC / PHILIPPINES	2/18/2019
ANNUAL BRIEFING ON PHILIPPINES ANTI-MONEY LAUNDERING ACT	CTBC BANK (PHILIPPINES) CORP.	9/26/2018
AML UPDATE: PHILIPPINE RISK ASSESSMENT AND EMERGING ANTI-MONEY LAUNDERING / COUNTER TERRORIST FINANCING TRAINING UPDATE IN SOME ASIAN COUNTRIES	CTBC BANK (PHILIPPINES) CORP.	9/26/2018
CHINA'S BELT + ROAD DIPLOMACY IMPLICATION ON GEOPOLITICS, ECONOMIC COOPERATION AND TRADE FRICTION	CITI GROUP (@MAKATI SHANGRILA, PHILIPPINES)	5/1/2018
TRADE AND INVESTMENT FORUM: UNITED STATES-PHILIPPINES BILATERAL TIES IN 2018	MAKATI BUSINESS CLUB (@PENINSULA MANILA, PHILIPPINES)	2/1/2018
GLOBAL OUTLOOK - RIDING ON THE WINDS OF CHANGES	BANK OF SINGAPORE (MAKATI SHANGRILA, PHILIPPINES)	1/1/2018
ANTI-MONEY LAUNDERING ACT	CTBC BANK (PHILIPPINES) CORP.	1/1/2018
FORUM ON GLOBAL GOVERNANCE AND THE WORLD ECONOMY - FEATURING FORMER US SECRETARY OF STATE MADELEINE ALBRIGHT	MANAGEMENT ASSOCIATION OF THE PHILIPPINES /ANC (@HOTEL SOFITEL PHILIPPINE PLAZA MANILA)	7/1/2017
OUTLOOK OF 2017 - MANILA LATE CYCLE STIMULUS: OPPORTUNITIES AMID UNCERTAINTY	CITI GROUP	1/12/2017

ANTI-MONEY LAUNDERING ACT	CTBC BANK (PHILIPPINES) CORP.	1/1/2017
ANTI-MONEY LAUNDERING ACT	CTBC BANK (PHILIPPINES) CORP.	1/1/2016
ANTI-MONEY LAUNDERING ACT	CTBC BANK (PHILIPPINES) CORP.	1/1/2015
ANTI-MONEY LAUNDERING & COUNTERING TERRORIST FINANCING SEMINARS	CTBC BANK (PHILIPPINES) CORP.	8/1/2014
AMLA TRAINING	CHINATRUST (PHILIPPINES) COMMERCIAL BANK	8/1/2013
AMLA TRAINING	CHINATRUST (PHILIPPINES) COMMERCIAL BANK	8/1/2012
AMLA TRAINING	CHINATRUST (PHILIPPINES) COMMERCIAL BANK	8/1/2011
CORPORATE GOVERNANCE FOR BANK DIRECTORS	INSTITUTE OF CORPORATE DIRECTORS	1/1/2003
EAST ASIA EXECUTIVE LEADERSHIP	HARVARD UNIVERSITY	1/1/1994

OLIVER D. JIMENO		
TRAININGS IN BANKING AND OTHER RELATED FIELDS	**CONDUCTED BY**	**DATE TAKEN**
ROLES, RESPONSIBILITIES AND LIABILITIES OF BOARD DIRECTORS	CENTER FOR GLOBAL BEST PRACTICES	9/11/2023
ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)	BAIPHIL	5/16/2023
ANTI-MONEY LAUNDERING/COMBAT TERRORIST FINANCING/COUNTERING PROLIFERATION FINANCING (AML/CTF/CPF)	DANTE T. FUENTES, CPA, CFE, CAMS	2/22/2023
2022 WHARTON OVERSEAS PROGRAM - INFO & SUPPORTS	CTBC CO., LTD.	11/17/2022
ABCOMP WEBINAR: UPDATES ON INSTITUTIONAL RISK ASSESSMENT AND TARGETED FINANCIAL SANCTIONS	ABCOMP	7/20/2022
ANTI-MONEY LAUNDERING/COMBATING FINANCING OF TERRORISM/COUNTER PROLIFERATION FINANCING (AML/CFT/CPF)	DANTE T. FUENTES, CPA, CFE, CAMS	3/22/2022
MENTORING OVERVIEW WORKSHOP	INTERNATIONAL BENCHMARK CONSULTING NETWORK, INC.	12/15/2021
TRAINING OF THIRD FIVE YEARS STRATEGIES	CTBC BANK (PARENT BANK)/WHARTON BUSINESS SCHOOL	12/10/2021
SCALING VENTURES: PRACTICING PLAYBOOK FOR PROFITABLE GROWTH	CTBC BANK (PARENT BANK)/WHARTON BUSINESS SCHOOL	10/6-7/2021
2021 AML/CFT TRAINING (REUTERS)	CTBC BANK (PHILIPPINES) CORP.	10/5/2021

INCIDENT HANDLING AND REPORTING TRAINING	CTBC BANK (PHILIPPINES) CORP.	9/30/2021
OVERVIEW OF COACHING (MANCOM LEVEL) WORKSHOP	CTBC BANK (PHILIPPINES) CORP.	9/27/2021
2021 BUSINESS CONTINUITY AND INFORMATION SECURITY AWARENESS	CTBC BANK (PHILIPPINES) CORP.	9/22/2021
2021 FRAUD RISK MANAGEMENT AND WHISTLEBLOWING REFRESHER	CTBC BANK (PHILIPPINES) CORP.	9/10/2021
CREATING ACCURATE AND EFFECTIVE REPORT	CTBC BANK (PHILIPPINES) CORP.	8/24/2021
ABCOMP'S GENERAL MEMBERSHIP MEETING: BUILDING BETTER BANKERS: FOSTER A STRONGER KYE PROGRAM	ASSOCIATION OF BANK COMPLIANCE OFFICERS, INC	7/15/2021
2021 ANNUAL COMPLIANCE TRAINING	CTBC BANK (PHILIPPINES) CORP.	7/23/2021
2021 AML AND CFT ONLINE TRAINING	CTBC BANK (PHILIPPINES) CORP.	7/1/2021
2021 1ST TERM TAIWAN LAWS AND REGULATIONS	CTBC BANK (PHILIPPINES) CORP.	6/23/2021
2021 OPERATION RISK MANAGEMENT (ORM) ONLINE TRAINING	CTBC BANK (PHILIPPINES) CORP.	5/18/2021
ANNUAL BRIEFING ON AML/CFT/CPF UPDATES AND TRENDS FOR 2021	CTBC BANK (PHILIPPINES) CORP.	4/13/2021
2021 CTBC BANK SELF-INSPECTION TRAINING	CTBC BANK (PHILIPPINES) CORP.	3/18/2021
MEDIA/SPOKESPERSON TRAINING WORKSHOP	JJH VENTURES, INC.	3/3/2021
2021 REPUTATIONAL RISK MANAGEMENT COURSE ANNUAL REFRESHER	CTBC BANK (PHILIPPINES) CORP.	2/19/2021
ACHIEVING EXCELLENCE IN CUSTOMER SERVICE	CTBC BANK (PHILIPPINES) CORP.	2/2/2021
FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA)	CTBC BANK (PHILIPPINES) CORP.	1/28/2021
CRIMES AND LOSES	CTBC BANK (PHILIPPINES) CORP.	1/28/2021
2020 CTBC BANK SELF-INSPECTION/SELF-EVALUATION TRAINING	CTBC BANK (PHILIPPINES) CORP.	1/8/2021
DISCIPLINE AT WORK	CTBC BANK (PHILIPPINES) CORP.	12/21/2020
CTBC CORE VALUES: WORK ATTITUDE AND VALUES ENHANCEMENT	CTBC BANK (PHILIPPINES) CORP.	11/24/2020
ANTI-MONEY LAUNDERING (AML) AND COUNTER TERRORIST FINANCING (CTF) ANNUAL REFRESHER	CTBC BANK (PHILIPPINES) CORP.	11/23/2020
BUSINESS CONTINUITY AND INFORMATION SECURITY AWARENESS (BISA 2020) AND CERTIFICATION	CTBC BANK (PHILIPPINES) CORP.	11/23/2020

FRAUD RISK AWARENESS AND WHISTLE-BLOWING	CTBC BANK (PHILIPPINES) CORP.	11/23/2020
OPERATIONAL RISK MANAGEMENT	CTBC BANK (PHILIPPINES) CORP.	11/23/2020
BSP'S SUPERVISORY ASSESSMENT FRAMEWORK (SAFR)	CTBC BANK (PHILIPPINES) CORP.	10/22/2020
2020 ANNUAL COMPLIANCE TRAINING (EMPLOYEE COMPLIANCE AWARENESS, CORPORATE GOVERNANCE & BUSINESS ETHICS)	CTBC BANK (PHILIPPINES) CORP.	10/2/2020
ANNUAL BRIEFING ON PHILIPPINE ANTI-MONEY LAUNDERING / COUNTERING THE FINANCING OF TERRORISM	CTBC BANK (PHILIPPINES) CORP.	8/28/2020
PRODUCTIVITY AND PERFORMANCE MANAGEMENT	CTBC BANK (PHILIPPINES) CORP.	8/27/2020
1ST TERM: TAIWAN LAWS AND REGULATIONS	CTBC BANK (PHILIPPINES) CORP.	6/22/2020
COMPLIANCE E-COURSE (AML, FRAUD AWARENESS AND PREVENTION, ANTI-BRIBERY AND ANTI CORRUPTION, SANCTIONS, INFORMATION AND CYBER SECURITY, AND PERSONAL DATA PROTECTION)	CTBC BANK (PHILIPPINES) CORP.	10/10/2019
AML UPDATE: PHILIPPINE RISK ASSESSMENT AND EMERGING ANTI-MONEY LAUNDERING/COUNTER TERRORIST FINANCING TRAINING UPDATE IN SOME ASIAN COUNTRIES	CTBC BANK (PHILIPPINES) CORP.	9/19/2019
CORPORATE GOVERNANCE	INSTITUTE OF CORPORATE DIRECTORS	9/1/2019
WHARTON TRAINING IN PARENT BANK: LEADING AND INFLUENCING IN THE AGE OF NEUROSCIENCE	MICHAEL PLATT & MAURICE SCHWEITZER	5/8/2019
WHARTON HR TRAINING	CTBC BANK TAIWAN	5/7/2019
REPUTATIONAL RISK	ONLINE - CTBC BANK (PHILIPPINES) CORP.	4/30/2019
FRAUD RISK AWARENESS AND WHISTLE-BLOWING	ONLINE - CTBC BANK (PHILIPPINES) CORP.	11/23/2018
BUSINESS CONTINUITY AND INFORMATION SECURITY AWARENESS	ONLINE - CTBC BANK (PHILIPPINES) CORP.	10/1/2018
AMLA & CTF	ONLINE - CTBC BANK (PHILIPPINES) CORP.	10/1/2018
OPERATIONAL RISK MANAGEMENT	ONLINE - CTBC BANK (PHILIPPINES) CORP.	10/1/2018
BUSINESS ETHICS, CORPORATE GOVERNANCE AND CRIMES AND LOSSES	ONLINE - CTBC BANK (PHILIPPINES) CORP.	10/1/2018
REPUTATIONAL RISK	ONLINE - CTBC BANK (PHILIPPINES) CORP.	8/31/2018
CTBC MANAGEMENT DEVELOPMENT PROGRAM OF WHARTON	WHARTON SCHOOL OF BUSINESS - CTBC BANK (TAIPEI)	6/20/2018

OPERATIONAL RISK MANAGEMENT	ONLINE - CTBC BANK (PHILIPPINES) CORP.	10/5/2017
BUSINESS ETHICS AND CORPORATE GOVERNANCE	ONLINE - CTBC BANK (PHILIPPINES) CORP.	9/30/2017
AMLA ONLINE TRAINING	ONLINE - CTBC BANK (PHILIPPINES) CORP.	7/31/2017
CRIMES AND LOSES	ONLINE - CTBC BANK (PHILIPPINES) CORP.	7/31/2017
INFORMATION SECURITY AWARENESS	ONLINE - CTBC BANK (PHILIPPINES) CORP.	7/31/2017
SHORT TERM VISITING PROGRAM HOSTED BY STATE BANK OF INDIA	STATE BANK OF INDIA - PHILIPPINES	7/27/2017
2017 OVERSEAS ELITE WORKSHOP MIDLEVEL MANAGERS TRAINING PROGRAM	CTBC BANK TAIWAN	5/9/2017
TREASURY PRODUCTS AND SERVICES	CTBC BANK (PHILIPPINES) CORP.	3/27/2017
EMPLOYEE COMPLIANCE RESPONSIBILITIES	CTBC BANK (PHILIPPINES) CORP.	2/27/2017
ANNUAL TREASURER'S MEETING	CTBC BANK TAIWAN	12/8/2016
BLOOMBERG FX 2016 MANILA	AMADO TETANGCO - PHILIPPINES	1/1/2016
STRATEGIC THINKING AND MANAGEMENT SESSION	DR. WINSTON CONRAD PADOJINOG, DR. VICTOR ABOLA & DR. LUIS TONGCO, JR.	1/1/2016
AMLA ONLINE TRAINING	CTBC BANK (PHILIPPINES) CORP.	1/1/2016
THOMAS CHEN VISIT	CTBC BANK TAIWAN	1/1/2015
HEDGING AND HEDGE ACCOUNTING	PUNONGBAYAN & ARAULLO - PHILIPPINES	1/1/2015
ANTI-FRAUD AND WHISTLE-BLOWING POLICY & CRIMES AND LOSSES POLICY	CTBC BANK (PHILIPPINES) CORP.	1/1/2015
ISDA	CTBC BANK TAIWAN	1/1/2014
BEHAVIORAL INTERVIEWING	CTBC BANK (PHILIPPINES) CORP.	1/1/2014
TALK WITH VICE CHAIRMAN THOMAS CHEN	CTBC BANK TAIWAN	1/1/2014
LEADERSHIP TRAINING	CTBC BANK TAIWAN	1/1/2013
LEADERSHIP BOOT CAMP FOR MANCOM	CTBC BANK (PHILIPPINES) CORP.	1/1/2012
FX OPTIONS	LARRY HSU, MEI LEUNG, CLEMENTE LEE - CTBC BANK TAIPEI	1/1/2011
KEY MESSAGE AND MEDIA TRAINING WORKSHOP	CAROL ESPIRITU - PHILIPPINES	1/1/2011
THE ANTI-MONEY LAUNDERING ACT SEMINAR	ROWENA RUBIO - PHILIPPINES	1/1/2008
SEC LICENSING EXAM	SEC - PHILIPPINES	1/1/2008

ON-THE-JOB TRAINING IN CHINATRUST TAIPEI	CTBC BANK TAIWAN	1/1/2008
BUSINESS CONTINUITY PLANNING	CTBC BANK (PHILIPPINES) CORP.	1/1/2008
ADVANCED FINANCIAL ENGINEERING	CARL WALSH - PHILIPPINES	1/1/2008
2008 ANNUAL ACI PHILIPPINES CONVENTION	ACI - PHILIPPINES	1/1/2008
DISASTER RECOVERY TESTING	CTBC BANK (PHILIPPINES) CORP.	1/1/2007
IT SECURITY AWARENESS BRIEFING	CTBC BANK (PHILIPPINES) CORP.	1/1/2006
DISASTER RECOVERY TRAINING	CTBC BANK (PHILIPPINES) CORP.	1/1/2006
CUSTOMER SERVICE EXCELLENCE WORKSHOP	RENE DOMINGO - PHILIPPINES	1/1/2006

JEN-WEN LIAO		
TRAININGS IN BANKING AND OTHER RELATED FIELDS	**CONDUCTED BY**	**DATE TAKEN**
RE-ENGINEERING THE BUSINESS IMPACT ANALYSIS & RISK ASSESSMENT “PATH TO A GOOD BUSINESS CONTINUITY PLAN”	BAIPHIL	4/17/2024
ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING (AML/CTF) FUNDAMENTALS COURSE	ANTI-MONEY LAUNDERING COUNCIL	12/12/2023
ROLES, RESPONSIBILITIES AND LIABILITIES OF BOARD DIRECTORS	CENTER FOR GLOBAL BEST PRACTICES	9/11/2023
BEST PRACTICES OF EFFECTIVE BOARDS	CENTER FOR GLOBAL BEST PRACTICES	8/16/2023
CORPORATE GOVERNANCE ORIENTATION PROGRAM	INSTITUTE OF CORPORATE DIRECTORS	6/7/2023
CORPORATE GOVERNANCE	ALDRICH AND BONNEFIN PLC	12/12/2022
ANTI-MONEY LAUNDRY AND COUNTER TERRORIST FINANCING	CTBC BANK CO., LTD. (TAIWAN)	10/19/2022
WHARTON MANAGEMENT DEVELOPMENT PROGRAM	WHARTON BUSINESS SCHOOL	9/16/2022
DERIVATIVES PRODUCT TRAINING	TAIWAN ACADEMY FOR BANKING AND FINANCE	5/13/2022
PERSONAL DATA PROTECTION AND INFORMATION SECURITY AWARENESS	CTBC BANK CO., LTD. (TAIWAN)	4/13/2021
VOLKER RULES	CTBC BANK CO., LTD. (TAIWAN)	10/16/2020
EQUATOR PRINCIPLE	CTBC BANK CO., LTD. (TAIWAN)	8/19/2019
MARKET RISK FOR NON-MARKET RISK PROFESSIONALS	JPMORGAN CHASE BANK	9/1/2013

YA-LING CHIU		
TRAININGS IN BANKING AND OTHER RELATED FIELDS	**CONDUCTED BY**	**DATE TAKEN**
CORPORATE GOVERNANCE ORIENTATION PROGRAM	INSTITUTE OF CORPORATE DIRECTORS	4/24/2024
CORPORATE GOVERNANCE ORIENTATION PROGRAM	INSTITUTE OF CORPORATE DIRECTORS	4/23/2024
LEADING ORGANIZATIONAL CHANGE	WHARTON BUSINESS SCHOOL	8/23/2023
INNOVATION STRATEGY IN NEW MARKETS	WHARTON BUSINESS SCHOOL	9/7/2022
CORPORATE GOVERNANCE-THE PRACTICE OF BOARD OF DIRECTORS & SUPERVISORS	TAIWAN ACADEMY OF BANKING AND FINANCE	2/23/2021
CORPORATE GOVERNANCE-THE PRACTICE OF BOARD OF DIRECTORS & SUPERVISORS	TAIWAN ACADEMY OF BANKING AND FINANCE	9/2/2020
CORPORATE GOVERNANCE SERIES FORUM	TAIWAN ACADEMY OF BANKING AND FINANCE	8/29/2019

1.2 Directors disclosures on self-dealing and Related Party Transactions

For 2023, and to date, none of the foregoing directors have any self-dealing/related party transactions with the Bank directly by themselves.

2. Independent Directors

2.1 Incumbent Independent Directors

The following are the incumbent Independent Directors:

ALEXANDER A. PATRICIO, Filipino, is an independent director who assumed the post on December 12, 2018. He received his Bachelor of Science degree in Industrial Management Engineering from De La Salle University and Master in Business Management from the Asian Institute of Management. He is at present an Independent Director of the Intellicare Group and the Unicapital Group. He is also a Corporation Member of OMF Literature Inc., and a member of the Board of Trustees of Christ's Commission Fellowship Inc. He was Executive Vice President and Chief Risk Officer of Development Bank of the Philippines from 2013-2017; held various positions with ING Bank Philippines as Director/Country Risk Manager from 2012-2013, Director/Head of Corporate Lending from 2011-2012, and Director/Country Risk Manager from 1995-2011; Vice President and Senior Credit Officer/Head, Credit Policy and Risk Management Group of Citytrust Banking Corporation from 1991-1995; Vice President and Senior Risk manager of Citibank Australia Ltd., Melbourne from 1989-1991; Citibank Philippines, Makati from 1984-1989 and from 1976-1979; and Citibank Philippines-Cebu from 1979-1984. He is 72 years old.

STEPHEN D. SY, Filipino, is an independent director, who was elected to the Board on July 25, 2019. He obtained his Master of Science in Management from Stanford University, U.S.A. and his Bachelor of Science in Industrial Engineering from the University of the Philippines. He is currently President and CEO of the following companies: Focus Global Inc. from 1991 to present, SLA Prime Ventures Corp. from 2007 to present, and Focus Palantir Inc. from 2013 to present. He is also member of the Board of Director of Lian Hong Co., Inc. from 1980 to present and President & Chairman starting July 2021 to present. He is the Chairman/President of the following companies:

Focus Ventures Corp. from 1996 to present, Stellar Land Corp. from 1993 to present and Happy Estates International Inc. from 1990 to present. He is 73 years old.

LUIS Y. BENITEZ, JR., Filipino, is an independent director of the Bank, who was elected to the Board on June 24, 2021. He obtained his Master's Degree in Business Administration at Stern School of Business New York University, U.S.A. He is a graduate of Pacific Rim Bankers Program at University of Washington, U.S.A., and with Bachelor's degree in Business Administration Major in Accounting at University of the Philippines. He is a Certified Public Accountant. He is at present an Independent Director of Concepcion Industrial Corporation, Insular Health Care Inc. and Philippine First Insurance Co. He is an Independent Trustee of Insular Life Insurance Co. Ltd., and Senior Consultant of SM Investment Corp. He served various positions at SGV & Co., a member Firm of Ernst & Young Global Limited, as Vice Chairman from 2004 to 2007 and Senior Partner from 1978 to 2007. He is 76 years old.

2.2 Final List of Candidates for Independent Director

In accordance with the procedures prescribed in the Securities Regulation Code Rule 38.8, the Bank's Nomination, Remuneration and Governance Committee endorsed Messrs. Alexander A. Patricio (recommended by William B. Go, a director of the Bank), Stephen D. Sy (recommended by Jen-Wen Liao, also a director of the Bank) and Luis Y. Benitez, Jr. (recommended by Alexander A. Patricio, an independent director of the Bank), for nomination as Independent Directors. Mr. Alexander A. Patricio is not related to Mr. William Go. Mr. Stephen D. Sy is not related to Jen-Wen Liao and Mr. Luis Y. Benitez, Jr. is not related to Alexander A. Patricio.

These independent directors have met and continue to meet all the qualifications and possess none of the disqualifications of an Independent Director under the Bank's Code of Corporate Governance, Section 38 of the Securities Regulation Code and relevant BSP rules.

The qualifications of Messrs. Alexander A. Patricio, Stephen D. Sy and Luis Y. Benitez, Jr. are as aforestated.

The foregoing is the Final List of Candidates eligible for election as Independent Directors. No further nominations shall be entertained nor allowed on the floor during the actual annual stockholders' meeting pursuant to the 2015 Implementing Rules and Regulations of the Securities Regulations Code Rule 38.8.5.

2.3 Training and continuing education

The following are the trainings and continuing education attended by the foregoing directors who are expected to be nominated as Independent Directors at the meeting:

ALEXANDER A. PATRICIO		
TRAININGS IN BANKING AND OTHER RELATED FIELDS	**CONDUCTED BY**	**DATE TAKEN**
ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)	BAIPHIL	9/21/2023
ANTI-MONEY LAUNDERING/COMBAT TERRORIST FINANCING/COUNTERING PROLIFERATION FINANCING (AML/CTF/CPF)	DANTE T. FUENTES, CPA, CFE, CAMS	2/22/2023

9TH SEC -PSE CORPORATE GOVERNANCE FORUM	SECURITIES AND EXCHANGE COMMISSION	11/25/2022
GRI SUSTAINABILITY STRATEGY AND REPORTING	INSTITUTE OF CORPORATE DIRECTORS	9/9-11/2022
ANTI-MONEY LAUNDERING/COMBATING FINANCING OF TERRORISM/COUNTER PROLIFERATION FINANCING (AML/CFT/CPF)	DANTE T. FUENTES, CPA, CFE, CAMS	3/22/2022
8TH SEC-PSE CORPORATE GOVERNANCE FORUM	SECURITIES AND EXCHANGE COMMISSION	11/19/2021
ANNUAL BRIEFING ON AML/CFT/CPF UPDATES AND TRENDS FOR 2021	CTBC BANK (PHILIPPINES) CORP. - TAGUIG CITY, PHILIPPINES	4/13/2021
ANTI-MONEY LAUNDERING/COUNTER-TERRORIST FINANCING (AML/CTF)	CTBC BANK (PHILIPPINES) CORP. - TAGUIG CITY, PHILIPPINES	2/26/2021
BSP'S SUPERVISORY ASSESSMENT FRAMEWORK (SAFR)	CTBC BANK (PHILIPPINES) CORP. - TAGUIG CITY, PHILIPPINES	10/22/2020
ANNUAL BRIEFING ON PHILIPPINE ANTI-MONEY LAUNDERING / COUNTERING THE FINANCING OF TERRORISM	CTBC BANK (PHILIPPINES) CORP. - TAGUIG CITY, PHILIPPINES	8/28/2020
AML UPDATE: PHILIPPINE RISK ASSESSMENT AND EMERGING ANTI-MONEY LAUNDERING / COUNTER TERRORIST FINANCING TRAINING UPDATE IN SOME ASIAN COUNTRIES	CTBC BANK (PHILIPPINES) CORP. - TAGUIG CITY, PHILIPPINES	9/19/2019
ANNUAL BRIEFING ON PHILIPPINES ANTI-MONEY LAUNDERING ACT	CTBC BANK (PHILIPPINES) CORP. - TAGUIG CITY, PHILIPPINES	9/26/2018
AML UPDATE: PHILIPPINE RISK ASSESSMENT AND EMERGING ANTI-MONEY LAUNDERING / COUNTER TERRORIST FINANCING TRAINING UPDATE IN SOME ASIAN COUNTRIES	CTBC BANK (PHILIPPINES) CORP. - TAGUIG CITY, PHILIPPINES	9/26/2018
PROFESSIONAL DIRECTORS PROGRAM	INSTITUTE OF CORPORATE DIRECTORS - MAKATI, PHILIPPINES	1/1/2016
CORPORATE GOVERNANCE ORIENTATION PROGRAM	INSTITUTE OF CORPORATE DIRECTORS - MAKATI, PHILIPPINES	11/16/2016
DBP REPRESENTATIVE TO THE ASIAN BANKERS CONFERENCE	ASIAN BANKERS ASSOCIATION - TAIPEI, TAIWAN	1/1/2015
DBP REPRESENTATIVE TO THE ASIAN BANKERS CONFERENCE	ASIAN BANKERS ASSOCIATION - CEBU, PHILIPPINES	1/1/2014
ING REPRESENTATIVE TO THE ADB ANNUAL CONFERENCE	ASIAN BANKERS ASSOCIATION - MANILA, PHILIPPINES	1/1/2012
ING MARKET RISK CONFERENCE	ING BANK-NETHERLANDS - HUA HIN, THAILAND	1/1/2009
ING EQUATORIAL PRINCIPLES CONFERENCE	ING BANK-NETHERLANDS - HONGKONG	1/1/2008

ING FUNCTIONAL MANAGER PROGRAM, BOSSUM	ING BANK-NETHERLANDS - THE NETHERLANDS	1/1/2007
ING BASEL II CONFERENCE, AMSTERDAM, THE NETHERLANDS	ING BANK-NETHERLANDS - AMSTERDAM, THE NETHERLANDS	1/1/2006
ING CORPORATE CREDIT RISK MANAGEMENT CONFERENCE	ING BANK- SINGAPORE	1/1/2004
CHANGE-ABLE MANAGER PROGRAMME	ING BANK-NETHERLANDS, AMSTERDAM, THE NETHERLANDS	1/1/2003
ING ASIA RISK MANAGEMENT CONFERENCE	ING BANK-KUALA LUMPUR, MALAYSIA	1/1/2002
MODERN APPROACHES TO CREDIT RISK	EUROMONEY - TOKYO, JAPAN	1/1/2001
ING ASIA RISK MANAGEMENT CONFERENCE	ING BANK-SINGAPORE	1/1/2000
ING ADVANCED DERIVATIVES SEMINAR	ING BANK-TOKYO, JAPAN	1/1/2000
INSEAD (FRANCE) - ACHIEVING OUTSTANDING PERFORMANCE PROGRAM	INSEAD - FRANCE	1/1/1999
ING ASIA RISK MANAGEMENT CONFERENCE	ING BANK-THAILAND	1/1/1998
ING RISK MANAGEMENT CONFERENCE	ING BANK - AMSTERDAM, THE NETHERLANDS	1/1/1997
ING ASIA RISK MANAGEMENT CONFERENCE	ING BANK-INDONESIA	1/1/1997
ING ASIA RISK MANAGEMENT CONFERENCE	ING BANK- SINGAPORE	1/1/1996
ING TRADING RISK CONFERENCE AMSTERDAM / LONDON	ING BANK - AMSTERDAM, THE NETHERLANDS	1/1/1996
ING HEAD OFFICE RISK MANAGEMENT PROGRAM, AMSTERDAM	ING BANK - AMSTERDAM, THE NETHERLANDS	1/1/1995
VARIOUS EUROMONEY SEMINARS	EUROMONEY IN HONGKONG, SINGAPORE AND KUALA LUMPUR	1/1/1994
VARIOUS EUROMONEY SEMINARS	EUROMONEY IN HONGKONG, SINGAPORE AND KUALA LUMPUR	1/1/1993
VARIOUS EUROMONEY SEMINARS	EUROMONEY IN HONGKONG, SINGAPORE AND KUALA LUMPUR	1/1/1992
VARIOUS CITIBANK CREDIT/RISK MANAGEMENT/OPERATIONS/ INVESTMENT BANKING SEMINARS	CITIBANK, PHILIPPINES	1/1/1991
VARIOUS EUROMONEY SEMINARS	EUROMONEY IN HONGKONG, SINGAPORE AND KUALA LUMPUR	1/1/1991
VARIOUS CITIBANK CREDIT/RISK MANAGEMENT/OPERATIONS/ INVESTMENT BANKING SEMINARS	CITIBANK, PHILIPPINES	1/1/1990

VARIOUS CITIBANK CREDIT/RISK MANAGEMENT/OPERATIONS/ INVESTMENT BANKING SEMINARS	CITIBANK, PHILIPPINES	1/1/1989
VARIOUS CITIBANK CREDIT/RISK MANAGEMENT/OPERATIONS/ INVESTMENT BANKING SEMINARS	CITIBANK, PHILIPPINES	1/1/1988
VARIOUS CITIBANK CREDIT/RISK MANAGEMENT/OPERATIONS/ INVESTMENT BANKING SEMINARS	CITIBANK, PHILIPPINES	1/1/1987
VARIOUS CITIBANK CREDIT/RISK MANAGEMENT/OPERATIONS/ INVESTMENT BANKING SEMINARS	CITIBANK, PHILIPPINES	1/1/1986
VARIOUS CITIBANK CREDIT/RISK MANAGEMENT/OPERATIONS/ INVESTMENT BANKING SEMINARS	CITIBANK, PHILIPPINES	1/1/1985
VARIOUS CITIBANK CREDIT/RISK MANAGEMENT/OPERATIONS/ INVESTMENT BANKING SEMINARS	CITIBANK, PHILIPPINES	1/1/1984
VARIOUS CITIBANK CREDIT/RISK MANAGEMENT/OPERATIONS/ INVESTMENT BANKING SEMINARS	CITIBANK, PHILIPPINES	1/1/1983
VARIOUS CITIBANK CREDIT/RISK MANAGEMENT/OPERATIONS/ INVESTMENT BANKING SEMINARS	CITIBANK, PHILIPPINES	1/1/1982
VARIOUS CITIBANK CREDIT/RISK MANAGEMENT/OPERATIONS/ INVESTMENT BANKING SEMINARS	CITIBANK, PHILIPPINES	1/1/1981
VARIOUS CITIBANK CREDIT/RISK MANAGEMENT/OPERATIONS/ INVESTMENT BANKING SEMINARS	CITIBANK, PHILIPPINES	1/1/1980
VARIOUS CITIBANK CREDIT/RISK MANAGEMENT/OPERATIONS/ INVESTMENT BANKING SEMINARS	CITIBANK, PHILIPPINES	1/1/1979

STEPHEN D. SY		
TRAININGS IN BANKING AND OTHER RELATED FIELDS	**CONDUCTED BY**	**DATE TAKEN**
CYBERSECURITY GOVERNANCE, RISK, AND COMPLIANCE	BAIPHIL	12/15/2023
ANTI-MONEY LAUNDERING/COMBAT TERRORIST FINANCING/COUNTERING PROLIFERATION FINANCING (AML/CTF/CPF)	DANTE T. FUENTES, CPA, CFE, CAMS	2/22/2023
WEBINAR ON ENHANCED CORPORATE GOVERNANCE GUIDELINES	BAIPHIL	4/22/2022
ANTI-MONEY LAUNDERING/COMBATING FINANCING OF TERRORISM/COUNTER PROLIFERATION FINANCING (AML/CFT/CPF)	DANTE T. FUENTES, CPA, CFE, CAMS	3/22/2022
THE PHILIPPINES' FATF JOURNER: FROM TECHNICAL COMPLIANCE TO EFFECTIVENESS	ASSOCIATION OF BANK COMPLIANCE OFFICERS, INC.	9/27/2021

BUILDING BETTER BANKERS: FOSTERING A STRONGER KYE PROGRAM	ASSOCIATION OF BANK COMPLIANCE OFFICERS, INC.	7/15/2021
GOVERNANCE CHAMPIONS: HOW INDEPENDENT DIRECTORS CREATE VALUE	MANAGEMENT ASSOCIATION OF THE PHILIPPINES	7/13/2021
ANNUAL BRIEFING ON AML/CFT/CPF UPDATES AND TRENDS FOR 2021	CTBC BANK (PHILIPPINES) CORP.	4/13/2021
BSP'S SUPERVISORY ASSESSMENT FRAMEWORK (SAFR)	CTBC BANK (PHILIPPINES) CORP.	10/22/2020
ANNUAL BRIEFING ON PHILIPPINE ANTI-MONEY LAUNDERING / COUNTERING THE FINANCING OF TERRORISM	CTBC BANK (PHILIPPINES) CORP.	8/28/2020
AML UPDATE: PHILIPPINE NATIONAL RISK AND EMERGING ANTI-MONEY LAUNDERING/COUNTER TERRORIST FINANCING TRENDS UPDATE IN SOME ASIAN COUNTRIES	CTBC BANK (PHILIPPINES) CORP.	9/19/2019
CORPORATE GOVERNANCE PROGRAM FOR DIRECTORS	INSTITUTE OF CORPORATE DIRECTORS/PHILIPPINES	7/10/2019
ASIA-PACIFIC SECURITY RISK TO GROWING REGIONAL TRADE	AUSTRALIAN AMBASSADOR STEVEN ROBINSONS/PHILIPPINES	4/25/2019
SPECIAL ECONOMIC BRIEFING	FINANCE SECRETARY CARLOS DOMINGUEZ III, MBC/PHILIPPINES	2/27/2019
FEAR AND OPPORTUNITY: TRANSFORMING PHILIPPINE BUSINESS	JUSTO ORTIZ, MBC/PHILIPPINES	2/11/2019
INNOVATION	DR. HITENDRA PATEL, MBC/PHILIPPINES	11/6/2018
INVESTMENT COMPETITIVENESS	LILIA DE LIMA, MBC/PHILIPPINES	10/17/2018
BENEFITS AND DISPUTE: PHILIPPINE PARTICIPATION IN CHINA'S BELT AND ROAD	NEDA DIRECTOR GENERAL ERNESTO PERNIA/PHILIPPINES	2/21/2018
TRADE AND INVESTMENT FORUM: US-PHILIPPINES BILATERAL TIES IN 2018	SECRETARY RAMOS LOPEZ, SECRETARY BENJAMIN DIOKNO, GOVERNOR NESTOR ESPENILLA JR., MBC/PHILIPPINES	2/20/2018
2017 ASEAN BUSINESS AND INVESTMENTS SUMMIT	ASEAN BUSINESS ADVISORY COUNCIL/PHILIPPINES	11/12/2017
PHILIPPINE-UK RELATIONS	BRITISH AMBASSADOR DANIEL PRUCE, MBC/PHILIPPINES	11/7/2017
THE PHILIPPINE BANKING INDUSTRY: A DECADE OF SUCCESS AMIDST CHANGES IN POLITICAL AND GLOBAL ECONOMIC LANDSCAPES	BSP GOVERNOR AMANDO TETANGCO JR., JOINT BAP-MBC/PHILIPPINES	5/24/2017
A NEW ERA OF PHILIPPINES-JAPAN RELATIONS	JAPANESE AMBASSADOR KAZUHIDE ISHIKAWA, MBC/PHILIPPINES	3/24/2017
US-PHILIPPINES RELATIONS	US AMBASSADOR SUNG KIM, MBC/PHILIPPINES	1/31/2017

10-POINT ECONOMIC AGENDA OF THE INCOMING DUTERTE ADMINISTRATION	NEDA DIRECTOR GENERAL ERNESTO PERNIA/PHILIPPINES	6/23/2016

LUIS Y. BENITEZ, JR.		
TRAININGS IN BANKING AND OTHER RELATED FIELDS	**CONDUCTED BY**	**DATE TAKEN**
BEST PRACTICES OF EFFECTIVE BOARDS	CENTER FOR GLOBAL BEST PRACTICES	8/16/2023
ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)	BAIPHIL	5/16/2023
ANTI-MONEY LAUNDERING/COMBAT TERRORIST FINANCING/COUNTERING PROLIFERATION FINANCING (AML/CTF/CPF)	DANTE T. FUENTES, CPA, CFE, CAMS	2/22/2023
ABCOMP WEBINAR: UPDATES ON INSTITUTIONAL RISK ASSESSMENT AND TARGETED FINANCIAL SANCTIONS	ABCOMP	7/20/2022
2022 ANNUAL CORPORATE GOVERNANCE SEMINAR	BDO UNIBANK, INC.	7/20/2022
ANTI-MONEY LAUNDERING/COMBATING FINANCING OF TERRORISM/COUNTER PROLIFERATION FINANCING (AML/CTF/CPF) BRIEFING	DANTE T. FUENTES, CPA,CFE,CAMS	3/22/2022
MAP GENERAL MEMBERSHIP MEETING ON "GOVERNANCE CHAMPIONS: HOW INDEPENDENT DIRECTORS CREATE VALUE"	MANAGEMENT ASSOCIATION OF THE PHILIPPINES	7/13/2021
ANTI-MONEY LAUNDERING AND COUNTERING TERRORIST FINANCING (AML/CTF) BRIEFING	CTBC BANK (PHILIPPINES) CORP.	6/11/2021
CORPORATE GOVERNANCE TRAINING	INSTITUTE OF CORPORATE DIRECTORS	10/23/2020
AMLA TRAINING	BANGKO NG KABUHAYAN (RURAL BANK)	1/20/2020
CORPORATE GOVERNANCE TRAINING	INSTITUTE OF CORPORATE DIRECTORS	8/15/2019
CORPORATE GOVERNANCE TRAINING	INSTITUTE OF CORPORATE DIRECTORS	9/6/2018
CORPORATE GOVERNANCE TRAINING	INSTITUTE OF CORPORATE DIRECTORS	12/14/2017

2.4 Independent Directors disclosures on self-dealing and Related Party Transactions

For 2023, and to date, none of the foregoing directors have any self-dealing/related party transactions with the Bank directly by themselves.

3. Brief Description of Material Legal Proceedings to which the Bank or Its Subsidiary is a Party

Except for cases or proceedings, which are incidental to its business such as suits for sum of money, foreclosures, writs of possession, employee relations, and other cases arising from loan transactions and operations, the Bank has no material pending legal proceedings for or against it.

Neither is the Bank aware of any material proceedings to be contemplated by government authorities or any other entity.

4. Executive Officers

The following are the Bank's executive officers:

OLIVER D. JIMENO, Filipino, holds a Master's and Bachelor's degree in Business Administration from the University of the Philippines. He was appointed as President and CEO of CTBC Bank (Philippines) Corp. on December 02, 2019. Mr. Jimeno has been with the Bank since December 1999, having served as Head of Treasury's Domestic Desk in 1999 and Head of the Liquidity and Balance Sheet Management Desk in 2005, before eventually being appointed as the Bank's Treasurer in 2009. Prior to joining CTBC Bank Philippines, he was a Swap Trader at PCIBank and a Trust Marketing Officer at Citytrust. Mr. Jimeno is 53 years old.

NENGSHIH WANG, a.k.a. Arthur Wang, Taiwanese, joined CTBC Bank (Philippines) Corp. as Deputy Chief Executive Officer on July 24, 2019. He was previously with Sydney Representative Office of CTBC Bank Co. Ltd where he was Chief Representative. Prior to his assignment in Australia, Arthur held several positions at CTBC Bank Co. Ltd., most recently as SVP and Head of SME Marketing Department. He also brings in extensive experience in Debt Capital Markets from his position as Director of ABN AMRO Bank N.V. (Taipei Branch). Arthur holds a Business Administration degree in Transportation and Communication Management from National Cheng Kung University as well as a Master's degree in Business Administration from University of Wisconsin-Madison. He is 57 years old.

ERIBERTO LUIS S. ELIZAGA, Filipino, earned his AB Economics degree from the Ateneo De Manila University. He is Executive Vice President and Head of Institutional Banking Group. His career in the banking industry spans over 30 years. Prior to joining CTBC Bank, he was the Corporate Banking Head of Philippine Bank of Communications (2015) and most recently, East West Banking Corporation (2018). Before joining PBCOM, Luis spent 15 years of his career with Security Bank during which time he held numerous senior leadership roles. He likewise had stints with Standard Chartered Bank (1996), Union Bank of the Philippines (1993) and Philippine Commercial International Bank (1987). Luis is 60 years old.

JEREVEN B. ADRIANO, Filipino, earned his Bachelor of Science in Entrepreneurial Management degree from Polytechnic University of the Philippines. He re-joined CTBC Bank Philippines on September 4, 2020 as First Vice President and Head of Information Technology Group and was promoted to Senior Vice President on February 01, 2022. He has more than 25 years of working experience from different banking institutions. His banking career started when he joined Metropolitan Bank and Trust Company (1995), followed by his stint with MBTC Technology Inc. (2002). He was assigned in various roles of increasing responsibility from Business Analyst to Senior Business Analyst and eventually Department Head. He joined Maybank Philippines Inc. where he served as the IT Lead for Community Financial Services Regional Programs (2012) and Business Analysis and Support Department Head (2014). In 2016, he joined PNB Savings Bank as Information Technology Division Head. Prior to joining CTBC Bank in 2020, he was the

Deputy Information Technology Group Head and Applications Development and Support Division Head of Philippine National Bank. He is 51years old.

LOLITO RAMON A. CERRER, JR., a.k.a. Jun Cerrer, Filipino, earned his AB Philosophy degree from the Ateneo De Manila University. In April 2017, he was appointed as the Senior Vice President and Consumer Finance Sales Unsecured Head. Prior to joining CTBC Bank, he was the Head of Personal Loans of Security Bank, a role he performed for five years. He likewise had stints at Philippine Savings Bank, APEX Distributors Inc., Metrovet Philippines, Century Canning Corporation, Universal Food Corporation and Philippines Commercial International Bank. At the early part of his career, Jun taught philosophy at the Holy Apostles Senior Seminary. Jun is 61 years old.

JUSTINE BENEDICT G. DELA ROSA, Filipino, acquired his AB Economics degree and BS Management of Financial Institutions degree from De La Salle University. He is Senior Vice President and Head of Treasury Group. His career in banking started in 1997, when he was selected to be part of Solid Bank's Officer Development Program. Upon completion of the program, he chose to start a career in Treasury as a Liquidity Trader. In his more than 18 years with CTBC Bank, he has quickly moved up the corporate ladder and has assumed positions of increasing responsibility. From being a Department Head of Trading Desk in 2006, Mr. Dela Rosa was appointed as Treasury Group Head last December 02, 2019. He is 49 years old.

REMO ROMULO M. GARROVILLO, JR., Filipino, holds an AB Economics degree from Ateneo de Manila University. He is Senior Vice President and Head of Retail Banking Group. He joined CTBC Bank on December 09, 2014 as Head of Global Transaction and Other Banking Channels followed by his appointment as full-fledged Retail Banking Group Head effective July 25, 2019. Prior to CTBC Bank, he was Director of Merchant Acquisition of Globe Telecom. He started his banking career at Union Bank of the Philippines in 1999, initially as Customer Service Officer and later on as Cash Solutions Manager. In 2003, he joined Philippine National Bank (PNB) as Assistant Vice President and Head of its e-Business Solutions Division. After his three-year stint with PNB, he moved to East West Banking Corporation in 2006 where he was Head of the Product Development and Marketing Support Division. In 2007, he joined Rizal Commercial Banking Corporation (RCBC) as Assistant Vice President of Channel Management and Product Development. He left RCBC as Senior Vice President and Head of Global Transactions Services. Mr. Garrovillo is 45 years old.

RAFAEL V. RUFINO III, Filipino, holds a degree in Commerce from De La Salle University. Mr. Rufino was first introduced to the banking profession in 1991 when he joined the Private Development Corporation of the Philippines (PDCP) initially as an Account Analyst and later on as an e-Business Banking Unit Head. He spent the next 11 years with the institution, which was later renamed PDCP Bank, then 1st E-Bank, before joining CTBC Bank in 2003. At CTBC, Mr. Rufino further expanded and solidified his knowledge of the credit process as a result of his being assigned in various roles of increasing responsibility from Account Officer to Credit Officer to Credit Control Department Head and eventually Group Head. He is currently Senior Vice President and the Chief Risk Officer of the Bank. He is 55 years old.

JIMMY ARSENIO Y. SAMONTE, Filipino, obtained his Bachelor's degree in Commerce, Major in Accountancy (*cum laude*) from the University of Santo Tomas and is a Certified Public Accountant. Jimmy also attended the Banking Intermediate Industry Training School at the Center for Professional Education of Arthur Andersen and Co. in Illinois, USA. He is Senior Vice President and Head of Internal Audit. He also served as the Bank's Compliance Officer from 2000 to 2001. Prior to joining the Bank, he was Audit Manager of the Financial Services Group of Sycip, Gorres, Velayo & Co. (SGV & Co.), a member firm of Ernst & Young Global Limited. He has been with the Bank since October 1998. Jimmy is 54 years old.

ANDREW A. FALCON, Filipino, is a Certified Public Accountant. He earned his Bachelor's degree in Business Administration and Accountancy from the University of the Philippines. He joined CTBC Bank as Vice President and Head of Financial Control Department in June 2014. Andrew quickly distinguished himself through his acute analytical skills and strategic thinking. His ability to forecast market trends and implement sound financial strategies facilitated his rapid ascent through various leadership roles. Hence, after steering the Financial Control Department for more than three years, he was appointed Officer-in-Charge of Finance and Corporate Affairs Group in October 2017. He was promoted to First Vice President and full-fledged Group Head in January 2018 and in March 2024, Andrew was again promoted as Senior Vice President. Prior to joining the Bank, Mr. Falcon had stints in SGV and Co., Globe Telecom, Inc., Philippine Batteries Inc., Philippine Savings Bank and the latest of which was with FedEx as Controller. He is 42 years old.

MARY ANNE G. BERNAL, Filipino, obtained her Bachelor's Degree in Economics from University of Sto. Tomas. She was first exposed to the banking industry when she joined China Banking Corporation as an Account Analyst in 1993 and later on in her career assumed a supervisory role. After her 9-year stint with China Banking Corporation, she moved to CTBC Bank in 2002. In her more than 18 years with CTBC Bank, she has consistently moved up the corporate ladder and assumed positions of higher responsibility. From being a Credit Officer to Liquidity Officer in 2009, she currently holds the position of Senior Vice President and Head of Liquidity and Balance Sheet Department under Treasury Group. Ms. Bernal is 50 years old.

MARIA ALICIA C. MARASIGAN, Filipino, earned her Bachelor's Degree in Commerce from St. Scholastica's College Manila and her Master's Degree in Business Administration from the Ateneo De Manila University. She joined CTBC Bank in 2021 as Senior Vice President and Head of the Banking Operations Group. Her banking career started when she joined Philippine Savings Bank as Credit Analyst. After her 10-year career with Philippine Savings Bank, she moved to Planters Development Bank in 2003 where her last role was Corporate Salary Loan Unit Head. From 2007 to 2012, she was with Premiere Bank (acquired by Security Bank) as Corporate Salary Loan Department Head and later on as Senior Assistant Vice President and Seafarers Loan Team Head. In 2014, she served as Transformation and Strategy Head of Maybank Philippines, Inc. and later on assumed the Central Operations Group Head position before joining CTBC Bank. Ms. Marasigan is 50 years old.

MICHAEL C. ALBOTRA, Filipino, holds a degree in Bachelor of Arts Major in Economics from University of Asia and the Pacific. He is Senior Vice President and Head of Top Tier Department under Institutional Banking Group. Prior to joining CTBC Bank in 2021, he was Senior Vice President and Head of Corporate Banking Department of Mizuho Bank, LTD. He also had stints with HSBC Philippines as Vice President for Commercial Banking and HSBC Savings Bank (Phil) Inc. as Vice President and Corporate Banking Head. In 2008, he joined United Coconut Planters Bank as Assistant Vice President and Senior Relationship Manager under Corporate Wholesale Banking Group. Previous to this position in United Coconut Planters Bank, he served Bank of Commerce from 2000 to 2008 as Unit Head and later on appointed as Assistant Vice President of Private Banking Group. He also worked for almost 2 years at Urban Bank as Marketing Associate which started his banking profession and soon after promoted to Marketing Officer. Mr. Albotra is 46 years old.

CARINA FRANCESCA C. UY, Filipino, earned her Bachelor of Arts Major in Communication Arts from St. Paul College of Manila and her Master's in Business Administration from the Graduate School of Business and Economics of the De La Salle University. Carina is an accomplished financial executive who has led in the realms of account relationship, remedial recovery and asset management. Prior to joining CTBC Bank in 2022 as Senior Vice President and Head of Middle Market Department under Institutional Banking Group, she served as First Vice President and Group Head of Corporate and Investment Banking Group of United Coconut Planters Bank. She likewise held several roles in various local, financial institutions including Account Management Head of Pilipinas Bank, Account Officer of Financiera Manila, Inc, Account Officer of Pacific Orient Finance Corp, Staff Assistant of International Corporate Bank and Staff Assistant of Asia Pacific Finance Corporation. Ms. Uy is 64 years old.

(b) Significant Employees

There is no significant employee who is not an Executive Officer and who is expected to make significant contribution to the business.

(c) Family Relationships

No family relationship exists among the Bank's directors and executive officers.

(d) Certain Relationships and Related Transactions

The Bank, in its regular course of trade and business, enters into transactions with its Directors, Officers, Stockholders, and Related Interests (DOSRI) involving mainly loans and these are disclosed to the *Bangko Sentral ng Pilipinas* (BSP) in accordance with the Manual of Regulations for Banks.

All transactions of the Bank, whether with DOSRI, related parties or non-related parties, are conducted and entered in the Bank's best interest and on "arm's length basis".

There are no parties that fall outside the definition of "Related Parties" under PAS 24 with whom the Bank or its related parties have a relationship that enables such parties to negotiate terms and material transactions that may not be available from other more clearly independent parties on an "arm's length basis".

Note 25 page 96 of the Bank's Audited Financial Statements for the fiscal year ended as of December 31, 2023, attached as Exhibit 2 of this Report, discusses the nature of such Related Party Transactions, which discussion is incorporated hereto by reference.

Disclosures required by Annex 68-J of the amended Securities Regulation Code Rule 68 and 68.1 are in Part II, Schedules A to G of said Audited Financial Statements.

(e) Involvement in Certain Legal Proceedings of Directors and Officers

To the knowledge and/or information of the Bank, none of the nominees for election as director, nor any of the Bank's executive officers, during the last five (5) years and up to this date, has had any involvement in the following: (a.) Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (b.) Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses; (c.) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any time of business, securities, commodities or banking activities; and (d.) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

Item 6. *Compensation of Directors and Executive Officers*

1. Compensation of Directors & Officers

Summary Compensation Table of Executive Officers

	IN MILLION PESOS			
Name	Annual Salary	Bonus	Others	Total
2022				
Executives (5)	45.94	36.62	2.07	84.64
2023				
Executives (5)	51.72	40.84	1.90	94.46
2024				
Executives (5)	50.52	46.39	1.90	98.80
(Estimate)				
Officers Unnamed	44.17	22.20		66.37

The named Executive Officers receive salaries, bonuses and other usual bank benefits that are also included in the amounts stated above. Aside from these, they have no other compensation plan or arrangement with the Bank.

Chief Executive Officer and four other most highly compensated executive officers:

Oliver D. Jimeno	President and CEO
Nengshih (Arthur) Wang	Executive Vice President
Eriberto Luis S. Elizaga	Executive Vice President
Michael C. Albotra	Senior Vice President
Jereven B. Adriano	Senior Vice President

1.2 Summary of Compensation Table of Directors

Each director receives a monthly professional fee for attending Board and committee meetings. This is also in consideration of their valuable contributions in the formulation of the Bank's overall strategy.

The total per diem and attending fee paid to the directors for their attendance in Board meetings amounted to P8.53 million; P9.65 million; and P10.94 million in 2023, 2022 and 2021 respectively. For 2024, approximately P8.69 million will be paid to the directors.

In accordance with paragraph 4 of Section 29 of the Revised Corporation Code, the total compensation received by each of the Directors for 2023 are as follows:

Name	Total
*Cheng-Hsin Wang	-0-
*Oliver Jimeno	-0-
*Jen-Wen Liao	-0-
*Jung-Hsin Suei	-0-
William B. Go	Php 1,837,195.50
Alexander A. Patricio	Php 2,321,491.50
Stephen D. Sy	Php 2,087,187.50
Luis Y. Benitez, Jr.	Php 2,280,345.50

*Cheng-Hsin Wang, Jen-Wen Liao and Jung-Hsin Suei, waived their Directors' Fees. President and CEO Oliver Jimeno did not receive any compensation as Board and Committee member.

2. Employment Contract and Termination of Employment and Change-in-Control Arrangements

There is no formal employment contract between the Bank and the named executive officers covering compensation package. The said executive officers, just like other officers and employees, are also entitled to standard fringe benefits granted by the Bank such as coverage under the Bank's non-contributory Retirement Plan and Group Life Insurance.

3. Warrants and Options Outstanding

There are no warrants or options held by Bank's officers and directors.

Similarly, there are also no actions to be taken as regards any bonus, profit sharing, pension or retirement plan, granting of any option, warrant, or right to purchase shares between the Bank and its directors and officers.

Item 7. *Independent Public Accountants*

For the calendar years 2023, 2022, and 2021 RGM, the local firm of KPMG International has been appointed as the Bank's external auditor. Vanessa P. Macamos has been the certifying partner from RGM since 2017, in compliance with the 7-year rotation requirement.

For calendar year 2024, the Bank's Board of Directors in its meeting held on April 25, 2024, appointed R.G. Manabat and Co. (RGM) (Ms. Vanessa Macamos) the local firm of KPMG International as the external auditor for the Bank and the Trust and Investments Department, respectively, subject to ratification by the shareholders in the scheduled meeting.

RGM will be present at the Annual Stockholders' Meeting. They will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

The Bank has no disagreement with any of its external auditors in any matter of accounting principle, practice, or financial disclosures.

INFORMATION ON INDEPENDENT ACCOUNTANT
(EXTERNAL AUDIT FEES (MC No. 14, Series of 2004)

(a) Audit and Audited-Related Fees

The Bank paid the following audit fees to R.G. Manabat & Co (RGM) and for the fiscal year indicated:

Fiscal Year	Amount
RGM	
For 2021 paid in 2021	Php1,288,000.00
For 2021 paid in 2022	Php1,551,200.00
For 2022 paid in 2022	Php1,391.040.00
For 2022 paid in 2023	Php2,134,664.00
For 2023 paid in 2023	Php1,481,200.00
For 2023 paid in 2024	Php1,633,180.00

To date, RGM has unbilled charges for 2023 audit amounting to Php227,976.00.

(b) Tax & Other Fees

There are no fees paid to tax and other related services.

(c) Audit Committee's Approval Policies and Procedures for the above services

The engagement of the services of the Bank's external auditor is evaluated by the Audit Committee. Consistent with the provisions of the Code of Corporate Governance and the Bank's Audit Committee Charter, the appointment of the external auditor is nominated by the Audit Committee for Board approval and subsequently for the ratification/approval by the shareholders. Annex "C" discusses the composition of the Audit Committee.

Item 8. *Compensation Plans* – NOT APPLICABLE

C. <u>ISSUANCE AND EXCHANGE OF SECURITIES</u>

Item 9. *Authorization or Issuance of Securities Other than for Exchange* – NOT APPLICABLE

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Item 10. *Modification or Exchange of Securities* – NOT APPLICABLE

Item 11. *Financial and Other Information*

(a) Brief Description of the General Nature and Scope of the Business of the Registrant, attached as **Annex "A"**;
(b) Market Information, Dividends, and Top 20 Stockholders, attached as **Annex "B"**;
(c) Discussion of Compliance with leading practice on Corporate Governance, attached as **Annex "C"**;
(d) Management's Discussion and Analysis or Plan of Operation, attached as **Annex "D"**;

(e) Statement of Management Responsibility for Financial Statements, attached as **Annex "E"**;
(f) Audited Financial Statements for the fiscal year ended as of December 31, 2023, attached hereto as **Annex "F"**;
(g) Unaudited Financial Statements as of the end of March 31, 2024, attached as **Annex "F-1"**;
(h) As part of the Bank's corporate governance practice which requires an evaluation of relationship on a regular basis, the RGM was appointed as the external auditor for the calendar years 2023 and 2024.

Item 12. *Mergers, Consolidations, Acquisitions and Similar Matters* – NOT APPLICABLE

Item 13. *Acquisition or Disposition of Property*

Except for the acquisition of properties in connection with ordinary course of business or disposition of real and other properties owned or acquired (ROPOA) and non-performing loans (NPL), there are no actions to be taken as regards acquisition or disposition of properties.

Item 14. *Restatement of Accounts* – NOT APPLICABLE

D. OTHER MATTERS

Item 15. *Action with Respect to Reports*

The following are the matters pertaining to reports which will be submitted to the shareholders for action:

1. Approval of the Minutes of Annual Stockholders' Meeting of July 5, 2023 attached as **Annex "G"**. Action on the minutes will not constitute approval or disapproval of any of the matters referred to in the said minutes but will most likely be approved thereof as written as traditionally done, or at most correction or modification thereof may be made prior to actual approval.

2. Submission of Audited Financial Statements of the Bank as of 31 December 2023 (Annex F).

Item 16. *Matters Not Required to be Submitted* – NOT APPLICABLE

Item 17. *Amendment of Charter, By-Laws or Other Documents* – NOT APPLICABLE

Item 18. *Other Proposed Actions*.

The following are the other proposed actions which will be submitted to the shareholders for action:

1. Election of Members of the Board of Directors.

   Majority of the incumbent directors are expected to be re-nominated during the annual meeting.

2. Appointment of External Auditor for the Bank and the Trust and Investment Services Department for the Calendar Year 2024.

The Bank's Board of Directors in its meeting held on April 25, 2024 appointed R.G. Manabat and Co. (RGM) the local firm of KPMG International as the external auditor for the Bank and the Trust and Investments Department, respectively, for calendar year 2024 subject to ratification by the shareholders in the scheduled meeting.

3. Ratification of All Acts, Decisions and Proceedings of the Board of Directors, Committees and Management since the last Annual Meeting.

All the actions of Management and the Board of Directors were done in accordance with the general or specific resolutions of the Board of Directors. Among the significant actions undertaken which were endorsed by Management and approved by the Board of Directors (or approved by a Committee then noted or confirmed by the Board of Directors as may be proper), are as follows: i. approval of items for the 2024 stockholders' meeting such as date of meeting, record date, endorsement of nominees for directors, including the final list of candidates for independent directors; ii. appointments to the Committees; iii. Appointment of directors and executive officers.

4. Confirmation of Related Party Transaction/s.

The Board in its meetings held on July 6, 2023 and August 24, 2023, approved the credit facilities in favor of CTBC BANK CO., LTD. The Board approval is subject to the confirmation of the stockholders pursuant to BSP Circular 895 Series of 2015 Guidelines on Related Party Transactions, particularly Section X146.2, to wit:

Section x146.2 Duties and Responsibilities/Roles and Functions.

(a) Board Duties and Responsibilities. The board of directors shall have the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of depository creditors and other stakeholders. Towards this end, the board of directors shall carry out the following duties and responsibilities:

x x x

2. To approve all material RPTs, those that cross the materiality threshold, and write-off of material exposures to related parties, and submit the same for confirmation by majority vote of the stockholders in the annual stockholders' meeting. Any renewal or material changes in the terms and conditions of RPTs shall also be approved by the board of directors.

All final decisions of the board on material RPTs, including important facts about the nature, terms, conditions, original and outstanding individual and aggregate balances, justification and other details that would allow stockholders to make informed judgment as to the reasonableness of the transaction, must be clearly disclosed during stockholders meetings and duly reflected in the minutes of board and stockholders' meetings.

Information on the credit facilities are as follows:

BORROWER	:	CTBC BANK CO. LTD
FACILITY	:	1) USD0.7 Million Pre-Settlement Risk Line (PHP Securities Trading) 2) USD1.1 Million Pre-Settlement Risk Line (USD Securities Trading) 3) USD 7.0 Million Pre-Settlement Risk Line (Foreign Exchange) 4) USD29.0 Million Settlement Risk Line 5) USD14.0 Million Standby Letter of Credit Line
PURPOSE OF CREDIT FACILITY	:	Facility 1-4: To facilitate the trading of securities and foreign exchange currencies with CTBC Bank Co. Ltd., Taipei and its branches. Facility 5: The Standby Letter of Credit shall be used as collateral for credit facilities to be extended by lending units of CTBC Bank (Philippines) Corp. to their clients.
BENEFICIARY		Not Applicable
AMOUNT	:	Total Credit limit is USD51.8Million
TERM	:	12 months
INTEREST	:	Not Applicable
SECURITY/COLLATERAL SUPPORT HELD	:	Clean
REPAYMENT SOURCES	:	Working Capital
JUSTIFICATION / CREDIT BASIS	:	1) Long term credit rating of A1 from Moody's, A from S&P and A from Fitch, all with stable outlook. 2) Ranked no. 1 in Taiwan and no. 158 in the world in terms of Tier 1 Capital per The Banker, July 2022 issue 3) Satisfactory dealings
REASON FOR DOSRI/ RPT	:	CTBC Bank (Philippines) Corp. is 99.72% owned by CTBC Bank Co., Ltd.
RELATED PARTY TRANSACTION	:	Is the Facility for confirmation by the shareholders? (Please refer to your Unit's Guidelines.) Yes ■ No ☐ If Yes, Relationship Manager/Account Officer shall ensure that the Facility/ies or any amendment/s will be part of the Agenda for confirmation in the next shareholders' meeting.
INFORMATION ON BORROWER'S RELATIVE CREDIT TERMS COMPARISON		Not Applicable

BORROWER	:	CTBC BANK CO. LTD.
FACILITY	:	Proposed increase in Standby Letter of Credit (SBLC) Facility from current USD14Million to USD35Million (incremental of USD21Million).
PURPOSE OF CREDIT FACILITY	:	Rationale for the proposed amount of USD35Million : (1) USD20Million to support Facility of Sen Yeh Philippines; (2) about USD10Million for prospective customers of Taiwan Desk; and (3) about USD5Million to be made available for prospective transactions from other teams in CTBC PH, that would require Parent Bank to issue the SBLC
BENEFICIARY		NA
AMOUNT	:	-Proposed SBLC Limit at USD35Million -Total Credit Facility for CTBC Bank Co Ltd. is now at USD72.762Million
TERM	:	Up to 36 months
INTEREST	:	Not Applicable
SECURITY/COLLATERAL SUPPORT HELD	:	Clean
REPAYMENT SOURCES	:	Working Capital
JUSTIFICATION / CREDIT BASIS	:	1) Long term credit rating of A1 from Moody's, A from S&P and A from Fitch, all with stable outlook. 2) Ranked no. 1 in Taiwan and no. 158 in the world in terms of Tier 1 Capital per The Banker, July 2022 issue 3) Satisfactory dealings
REASON FOR DOSRI/ RPT	:	CTBC Bank (Philippines) Corp. is 99.72% owned by CTBC Bank Co., Ltd.
RELATED PARTY TRANSACTION	:	Is the Facility for confirmation by the shareholders? (Please refer to your Unit's Guidelines.) Yes ■ No If Yes, Relationship Manager/Account Officer shall ensure that the Facility/ies or any amendment/s will be part of the Agenda for confirmation in the next shareholders' meeting.
INFORMATION ON BORROWER'S		Not Applicable

RELATIVE CREDIT TERMS COMPARISON		

Item 19. *Voting Procedures.*

(a) **Vote required for approval or election**

The actions to be taken shall only require the vote of security holders representing at least a majority of the issued and outstanding capital stock entitled to vote.

(b) **Method by which votes will be counted**

Straight and Cumulative Voting

In all items for approval except election of directors, each share of stock entitles its registered owner to one vote. With respect to election of directors, a security holder shall have cumulative voting rights under Article II, Section 8 of the amended By-Laws as previously stated.

Representatives of the Bank's stock transfer agent, Stock Transfer Service, Inc. shall be authorized to count the votes cast.

SIGNATURE PAGE

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES REGULATION CODE, THE ISSUER HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED HEREUNTO DULY AUTHORIZED.

After reasonable inquiry and to the best of our knowledge and belief, we certify that the information set forth in this report is true, complete and correct.

This report is signed in the City of Taguig on May 15, 2024.

CTBC BANK (PHILIPPINES) CORP.
Issuer
By:

Atty. Rolando V. Vicerra
ATTY. ROLANDO V. VICERRA
Corporate Secretary
TIN: 177-772-258

UNDERTAKING

The Bank shall provide, without charge to any person upon a written request directed to Atty. Rolando V. Vicerra, FVP & Head-Legal Department & Corporate Secretary at the 22nd Floor, Fort Legend Towers, Third Avenue corner 31st Street, Bonifacio Global City, Taguig City, a copy of the registrant's annual report on SEC Form 17A. At the discretion of the management, a charge may be made for exhibits, provided that such charge is limited to reasonable expenses incurred by the registrant in furnishing such exhibits.

ANNEX "A"

BRIEF DESCRIPTION OF THE GENERAL NATURE AND SCOPE OF BUSINESS OF THE REGISTRANT

(1) Description of Business

Business Development. CTBC Bank (Philippines) Corp. ("Bank") is the Philippine subsidiary of CTBC Bank Co., Ltd. ("CTBC Ltd.") of Taiwan.

The Bank was incorporated on September 7, 1995 initially as Access Banking Corporation, and commenced operation on September 26, 1995 as a domestic commercial bank. The Bank has an authorized capital stock of P3.0 Billion.

On November 22, 1995, the Monetary Board approved the investment of CTBC Ltd. in sixty percent ("60%") of the voting stock of Access Banking Corporation through the outright purchase of fifty percent ("50%") or P487.5 Million of its P975.0 million outstanding voting stock and an additional subscription of P262.5 million of the P275.0 million additional voting stock issued. On January 8, 1996, the Bank's name was changed to Chinatrust (Philippines) Commercial Bank Corporation.

In line with the capital build-up program of the Bank, its Board of Directors approved in 1997 the issuance of 25 million common shares at P10.00 per share from its authorized capital stock via a stock rights offering to existing stockholders. This entitled the existing shareholders to subscribe to one (1) common share for every five (5) shares held. As of December 31, 1997, the stock rights offering was fully subscribed; partial payment to the subscription amounted to P209.99 million which resulted in the Bank's attainment of its P1.647 Billion capital, fully complying with minimum capital requirements of BSP of P1.625 billion by the end of the year. On March 31, 1998, all subscriptions to the stock rights were fully paid. On April 23, 1998, the SEC approved the stock rights offering.

On June 2, 1999, the Bank's share was listed in the Philippine Stock Exchange ("PSE") through an Initial Public Offering ("IPO") of 37,500,000 common shares from its unissued authorized capital stock. The proceeds of the IPO were utilized for branch expansion and investment in information technology.

In December 2000, CTBC Ltd. substantially increased its equity in the Bank through the acquisition of shares held by a minority group, thus controlling approximately 91% of the Bank's capital stock, compared to 57% prior to the acquisition. A further acquisition of shares held by the public representing 9% of the Bank's equity was made by CTBC Ltd. in January 2001 through a tender offer at a price of PhP19.00 per share, the same price at which the shares from the minority group was acquired. That year, CTBC Ltd. held 99.41% of the Bank's outstanding capital stock.

On August 25, 2005, the Board of Directors of the Bank declared 15% stock dividends out of its unissued shares. It was subsequently approved by the shareholders in a special meeting called for the same purpose on December 22, 2005. The BSP later approved the 15% stock dividend on February 20, 2006. On April 4, 2006, 28,124,997 common shares representing the 15% stock dividends were issued to the Bank's shareholders and simultaneously listed with the PSE.

On March 30, 2007, the Bank's Board of Directors once again made another 15% stock dividend declaration, to be paid out of the Bank's unissued shares. The same was ratified by the shareholders during the Bank's annual shareholders' meeting held on June 28, 2007, and subsequently approved by the BSP on September 20, 2007. On November 15, 2007, an additional 32,343,734 common shares representing 15% stock dividends were listed in the PSE and issued to the Bank's stockholders of record as of record date.

On December 23, 2011, the Bank a filed Petition for Voluntary Delisting at the Philippine Stock Exchange ("PSE"). Pursuant to the PSE Voluntary Delisting Rules, a tender offer was conducted by the Bank at a tender offer price of Php26.14. The PSE in its Memorandum No. 2012-0010 dated February 20, 2012 approved the Petition for Voluntary Delisting effective February 24, 2012.

On September 19, 2013, the SEC approved the amendment to Article FIRST of the Bank's Articles of Incorporation amending the Bank's name to CTBC Bank (Philippines) Corp. The Bank started using the new corporate name effective October 30, 2013.

On July 25, 2019, the shareholders approved the amendment to Article SEVENTH of the Articles of Incorporation increasing the authorized capital stock from 3 Billion Pesos to 4 Billion Pesos and increasing the common stock from 300,000,000 to 400,000,000, in connection with the Bank's Capital Build Up Program to comply with the Bangko Sentral Ng Pilipinas Circular No. 854 Series of 2014 on Minimum Capitalization of Banks. The shareholders also approved the issuance to Parent Bank CTBC Bank Co., Ltd. of the following shares at the share price of Php29.755: the 484,920 Treasury Shares, the remaining 51,031,269 from the unissued common shares, and 48,307,202 common shares from the increase in the authorized capital stock subject to the approval of the Securities and Exchange Commission to said amendment in the Bank's Articles of Incorporation. The Bank entered into subscription agreements dated September 12, 2019 with CTBC Bank Ltd. for the said shares. The subscriptions were fully paid. The Bank issued the Treasury Shares and the remaining unissued common shares so that the shareholdings of CTBC Bank Ltd. increased from 99.60% to 99.67% of the Bank's outstanding shares. On March 6, 2020, the Securities and Exchange Commission approved the aforestated amendment to Article SEVENTH of the Articles of Incorporation. The Bank thus issued the 48,307,202 common shares from the increase in its authorized capital stock so that the shareholdings of CTBC Bank Ltd., further increased from 99.67% to 99.72%.

On July 5, 2023 the shareholders re-elected the following as members of the Board: Cheng-Hsin Wang, William B. Go, and Oliver D. Jimeno. Similarly re-elected were Independent Directors Alexander A. Patricio, Stephen D. Sy, and Luis Y. Benitez, Jr. Elected as new members of the Board were Jen-Wen Liao and Jung-Hsin Suei.

Based on the data as of December 31, 2023 issued by Bangko Sentral ng Pilipinas, out of the forty five (45) universal and commercial banks operating in the Philippines, the Bank ranked 23rd in terms of Total Assets; 20th in terms of Total Loans; 25th in terms of Total Deposits; and 23rd in terms of Total Capital.

(2) Business of Issuer

Products and Services. As a full-service commercial bank, the Bank offers various products and services, such as the following:

PESO DEPOSITS
Savings Account
- Regular
- My First Saves

Checking Account
- Regular
- CheckLite
- Ultimate Earner

Time Deposit

FOREIGN CURRENCY DEPOSITS
Dollar Savings Account
Dollar Time Deposit
Third Currency Deposits

CARD PAYMENTS
Visa Debit and Cash Card
Co-Branded Cash Cards

CONSUMER LOANS
My Family Home Loan
Salary Stretch Unsecured Personal Loan (Public and Corp PL)
Credit Facilities Secured by Deposit and Government Securities

CREDIT FACILITIES & CORPORATE LOANS
Short-term Loan
Term Loan
Domestic Letter of Credit
Import Letter of Credit
Standby Letter of Credit
Trust Receipt
Export Packing Credit
Export Bills Purchase
Discounting Facilities
Domestic Bills Purchase
Small and Medium Enterprise (SME) Business Loan

CASH MANAGEMENT SERVICES
Account Information Management
- NetBanking (Retail and Corporate)
- E-Mail Statement

Disbursement Management
- Cash Card Reloading
- Payroll
- Ultimate CheckWriter

TREASURY SERVICES
Foreign Exchange
- Spot
- Forward
- FX Swaps
- Cross Currency Swaps
- Interest Rate Swaps
- Options

Peso Fixed Income
- Treasury Bills
- Fixed Rate Treasury Notes
- Retail Treasury Bonds
- Global Peso Notes
- Peso Corporate Bonds
- Peso Short Term Commercial Papers

Dollar Fixed Income
- ROP Bonds
- Other Sovereign Bonds
- Dollar Philippine Corporate Bonds

TRUST AND INVESTMENT SERVICES
CTBC Bank Peso Unit Investment Trust Fund
- Money Market Fund
- Balanced Feeder Fund
- Stock Index Feeder Fund

Employee Retirement Benefit Plan Management
Investment Management Account
Personal Management Trust
Escrow Agency
Mortgage Trust Indenture

REMITTANCE SERVICES
Inward Remittances
Outward Remittances

TRADE SERVICES
Letters of Credit
- Import Letters of Credit
- Domestic Letters of Credit
- Standby Letters of Credit
- Bank Guarantee

Shipping Guarantee
Import Bills Negotiation
Loans Against Trust Receipts
Documentary Collections – Import and Domestic

Customs Duties
BIR eFPS
BancNet eGov (SSS, Pag-IBIG and PhilHealth)
MC Bulk Preparation
Local and Global Remittances (IBFT, PESONet, RTGS, PDDTS, Swift)

Receivables Management
Collection Service Facility
Post-Dated Check Warehousing
Ultimate Money Mover (Deposit Pick-up)
BancNet Bills Payment
Bills Payment (Merchant Biller)
Motorized Cash, Check and Document Pick- up and Delivery Services

Merchant Acquiring
BancNet Point-of-Sale (POS)

Document Against Payment (D/P)
Document Against Acceptance (D/A)
Open Account (O/A)
Direct Remittance (D/R)
Advance Import Payments (AIP)

Export LC Advising
Export Bills Negotiation (LC and Non-LC)

From the foregoing products and services, the Bank's revenues are categorized into three (3) major segments, namely: (1) Portfolio Products; (2) Transactional Banking Products; and (3) Exposure Management Products. The remaining revenues are classified under Others. Portfolio Product revenues consist of spreads earned on loans. Transactional Banking Product revenues consist of spreads earned on deposits as well as fees earned from cash management products and trade services. Exposure Management Product revenues consist of income earned from the investment portfolio and trading activities. Other revenues consist of fees earned on trust services, gain on sales of acquired assets, service fees and charges earned on all other banking activities. The contributions of the 3 major segments in terms of percentage to the Bank's total revenues during the last two years are as follows:

Major Segment	***2022***	***2023***
Portfolio Products	**49.72%**	**50.75%**
Transactional Banking Products	**24.67%**	**34.86%**
Exposure Management Products	**13.55%**	**4.44%**

Status of New Products or Services. The Bank received BSP's approval in January 2024 to provide value-added service of Motorized Cash, Check and Document Pick-up and Delivery Service for its clients with greater convenience and wider service coverage area.

The Bank launched the Motorized Check Collection Service. The new collection services will not require any system development or Capex as this only involves motorized collection of checks from customers through an outsourced service provider. Target customers would cover the Bank's Corporate/Business Segment. Payment to OSP will be on a per Trip Basis and will be charged as Opex under the unit's PCC Code. Client will need to maintain the required ADB for such service, which will be covered by a Service Agreement.

Distribution Network. As part of its channel upgrade and enhancement in providing easy, convenient, and quick electronic services for customer's banking needs, the Bank completed replacing its 43 ATM terminals in 2023. Likewise, some products can be accessed through internet and mobile banking channels and other electronic channels i.e. interactive voice response system, internet and short message system

(SMS). As of December 2023, the Bank has a total of 25 branches, with Main Office branch located in Bonifacio Global City, Taguig.

Competition. The Bank faces competition from both domestic and foreign banks that operate in the Philippines. In the light of such competitive environment, the Bank focuses on key businesses to include consumer finance, the trading of fixed-income instruments and foreign exchange, the Taiwanese business, and selective corporate lending. By being a specialist, it is able to properly concentrate its resources and capital to ensure service excellence and good risk management and corporate governance. The Bank likewise adopts applicable business models from its parent bank and custom fits these to local market conditions. These efforts make the Bank a strong player in its chosen businesses.

Sources and availability of raw materials and the names of principal supplier. - **Not applicable.**

Dependence upon a single/few customers. **– Not applicable.**

Transactions with and/or dependence on related parties**.** Except in the ordinary course of business such as DOSRI transactions and employee loans, there are no transactions with and/or dependence on related parties.

Trademarks, Licenses, Franchises., etc. The Bank is the owner of the marks "CTBC", "We Are Family" and "Salary Stretch". As to other licenses, the Bank is a registered Government Securities Eligible Dealer (GSED) with Broker Dealer of Securities Functions.

Effect of existing or probable government regulations. As a domestic commercial bank, the Bank is governed by the rules and regulations of the BSP. The Bank observes and complies with all government laws, rules and regulations that exist.

Amount spent on research and development**.** There are no major expenses on research and development activities and these are just incorporated into the ordinary business expense of the Bank.

Cost and effect of compliance with environmental laws. - **Not applicable.**

Number of Employees. As of March 31, 2024, the Bank had seven hundred forty-seven (747) employees composed of 455 officers and 292 staff, with 704 regular employees and 43 probationary employees. The Bank has no existing employees' union. It has also no collective bargaining agreement.

Major Business Risks. The Bank's business activities are exposed to a variety of financial risks – credit risk, market risk, liquidity risk, interest rate risk, and operational risk. The Bank is strongly committed to judiciously managing risks. For this purpose, it has put in place the necessary processes and platforms that enable it to prudently manage all categories of risk. It is the presence of this risk infrastructure and consciousness that has made the Bank a meaningful player in businesses where the required core competency is astute risk management capability. The Bank's risk management programs seek to mitigate potential adverse effects on its financial performance.

Market risk is the risk that the value of a currency position or financial instrument will be adversely affected by changes in the level, volatility or correlation of market risk factors, such as interest rates (including credit spread), foreign exchange, equities and commodities. The Bank's market risk originates from its holdings in its foreign exchange instruments, debt securities and derivatives. The Bank utilizes market risk factor sensitivities as a tool to manage market risk. Market risk factor sensitivities of a position are defined as a change in the value of a position caused by a unit shift in a given market factor. The Market Risk Management Department implements a trading risk limits that is in line with the Bank's risk appetite. The Bank also maintains a rigid system of loss limits that prompt management to immediately act in the event that these limits are breached. These actions may include, but are not limited to, the partial liquidation of existing positions in order to cut losses. The objective of these limits is to ensure that losses, if any, will be limited to what the Bank's earning capability can sufficiently cover.

Credit risk is the risk that a borrower /obligor, guarantor, debtor or counterparty, or issuer of a security held by the Bank will not pay the obligation when it falls due. The Bank manages its credit risk by setting limits for individual borrowers and group of borrowers. It also places a cap on exposures to top borrowers, specific products, identified market segments, selected industries and loan tenors. The Bank likewise monitors borrower-specific credit exposures, and continually assesses the creditworthiness of counterparties. In addition, the Bank obtains security where appropriate, enters into collateral arrangements with counterparties and limits the duration of the exposures.

Liquidity risk is the risk that the Bank will be unable to meet its obligations as they fall due at a reasonable cost within a reasonable timeframe. To effectively manage liquidity risk, the Bank diversifies its funding sources and maintains a set of prudent liquidity risk limits, liquidity indicators, maturity gap analysis, and maximum cumulated outflows per tenor bucket. In addition, the Bank maintains sufficient cash and marketable securities, ensuring the availability of funding through an adequate amount of committed credit facilities and having the ability to close out market positions.

Interest rate risk in banking book is the risk to future earnings or equity arising from the movement of interest rates. The Bank is exposed to interest rate risk as a result of mismatches of interest rate repricing of assets and liabilities. The Bank measures the impact of 1 basis point change in interest rate on net interest income (NII) and that on economic value of equity (EVE). The analysis of such impact on NII (1bp△NII) focuses on changes in interest income and expense within a year, hence, a short-term perspective. The analysis of such impact on EVE (1bp△EVE) is of a long-term perspective as it focuses on changes of economic value which will become net interest income received every year later on. Accordingly, both delta Net Interest Income and delta Economic Value of Equity limits in relation to the interest rate sensitivity of the banking book have been established by Management.

In addition to financial risks, the Bank is exposed to operational risks. **Operational risk** is defined as the risk of loss arising from direct or indirect loss from inadequate or failed internal processes, people and systems, or from external events. The Direct Loss results primarily from an operational failure while the Indirect Loss relates to the impact of operational risk on other risks such as Market, Credit or Liquidity Risk. The Bank ensures that specific business policies, processes, procedures and staff are in place to manage overall operational risks by way of identifying, assessing, controlling, mitigating, monitoring and reporting risk events. The Bank also manages other types of risks such as regulatory, reputational risk, strategic risk, legal risk, and environmental and social (E&S) risks.

ANNEX "B"

MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

1. Market Information

The PSE in its Memorandum No. 2012-0010 dated February 20, 2012 approved the Petition for Voluntary Delisting effective February 24, 2012. Market prices of the Bank's shares since 1st quarter of 2010 to 1st quarter of 2012 are as follows:

QUARTER	HIGH	LOW
1Q '12	25.50	20.00
4Q'11	28.00	19.00
3Q'11	21.00	20.00
2Q '11	22.00	21.00
1Q '11	21.00	21.00
4Q'10	23.50	21.00
3Q'10	22.00	20.00
2Q '10	22.00	15.25
1Q '10	25.00	24.00

As of February 20, 2012, which is the last trading date prior the effective date of delisting at the PSE, the information showed a closing price of P20.00.

There was no sale of any securities made by the Bank within the last three (3) years.

2. Holders

The number of shareholders of record as of April 30, 2024 is 111.

Common Shares outstanding as of April 30, 2024 are 348,307,202.

The Top 20 Stockholders of record as of April 30, 2024 are as follows:

Name	Number of Shares Held	% to Total
CTBC Bank Co., Ltd.	347,319,203	99.72
Ma. Asuncion M. Ortoll	241,551	00.07
Alfonso Lao	185,150	00.05
Arlene Ravalo Ulanday &/Or Bethel Ann Ravalo &/Or Eliodoro Ravalo	75,000	00.02
Chen Li Mei	65,992	00.02
Bettina V. Chu	31,078	00.01
Carlos M. Ortoll	26,838	00.01
Ma. Beatriz Ortoll-Manahan	26,838	00.01
Ma. Elena Ortoll-Mijares	26,838	00.01
Jose Antonio M. Ortoll	26,838	00.01
Ma. Marta M. Ortoll	26,838	00.01
Martin M. Ortoll	26,838	00.01
Ma. Teresa Ortoll-Garcia	26,838	00.01
Regan C. Sy	26,450	00.01

PCD Nominee Corporation (Filipino)	13,795	00.00
Bernardito U. Chu	13,225	00.00
Ching L. Tan	13,225	00.00
Guat Tioc Chung	13,225	00.00
Razul Z. Requesto	13,225	00.00
Oliverio Guison Laperal	13,225	00.00

3. Dividends

The Bank declared 15% stock dividends last August 25, 2005, which was subsequently approved by its shareholders on December 22, 2005. The BSP later approved the 15% stock dividend on February 20, 2006. On April 4, 2006, 28,124,997 common shares representing the 15% stock dividends were paid to the Bank's shareholders and simultaneously listed with the PSE.

On March 30, 2007, the Bank's Board of Directors once again made another 15% stock dividend declaration, to be paid out of the Bank's unissued shares. The same was ratified by the shareholders during the Bank's annual shareholders' meeting held on June 28, 2007, and subsequently approved by the BSP on September 20, 2007. On November 15, 2007, an additional 32,343,734 common shares representing 15% stock dividends were listed in the PSE and issued to the Bank's stockholders of record as of record date.

Any dividend declaration to be made by the Bank is subject to approval by the BSP and SEC. At the regular meeting of the BOD held on June 23, 2015, the BOD approved the restriction of the full amount of retained earnings for the following purposes: i) to comply with minimum capital requirement set forth under BSP Circular No. 854; ii) to comply with the requirements of the ICAAP pursuant to BSP Circular No. 639; and iii) to provide for buffer in preparation for BASEL III requirements.

ANNEX "C"

DISCUSSION ON COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

The Bank has a Manual of Corporate Governance which is regularly updated to align with the industry's best and leading practices on corporate governance and comply with latest relevant regulatory issuances.

Conformably with existing rules and regulations, its Articles of Incorporation and By-Laws, the Bank's Manual on Corporate Governance has Board level committees organized to assist it in governance matters***.*** These are the following: (1) Executive Committee; (2) Nomination, Remuneration and Governance Committee; (3) Audit Committee; (4) Risk Management Committee; and (5) Trust Committee.

- The Executive Committee is headed by Cheng-Hsin-Wang as Chairman, with William B. Go, Oliver D. Jimeno and Jen-Wen Liao as Members. It is authorized to act on behalf of the full Board as to urgent matters that arise between its regular meetings. The committee shall have the power to direct and transact all business and affairs of the Bank which otherwise may come to the Board except as limited by the Bank's Articles of Incorporation or By-Laws or by applicable law or regulation on decisions on any matter related to mergers and acquisitions of the Bank, to issuance of debts instruments and of share capital of the Bank. It is also authorized to act immediately in order to protect the Bank or its important interests from loss or damage and these acts and decisions shall be reported and ratified at the next board meeting. In 2023, ExCom had a total of 86 meetings. As meetings are numerous, summation of attendance per Director per month is as follows:

Executive Committee Members	Meetings Attended per Director over Meetings Held per Month												Percentage of Attendance for 2023
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Cheng-Hsin Wang	6/6	8/8	10/10	7/7	7/7	10/10	5/5	5/5	6/6	7/7	6/6	9/9	100%
William B. Go	6/6	8/8	10/10	7/7	7/7	10/10	5/5	5/5	6/6	7/7	6/6	9/9	100%
Oliver Jimeno	6/6	8/8	10/10	7/7	7/7	10/10	5/5	5/5	6/6	7/7	6/6	9/9	100%
Jui-Cheng Huang a.k.a Kevin Huang	6/6	7/8	7/10	5/7	7/7	10/10	N/A						88%
Jen-Wen Liao*	N/A						5/5	4/5	6/6	7/7	6/6	9/9	97%

*Elected Director effective July 5, 2023

- The Nomination, Remuneration and Governance Committee is headed by Independent Director Stephen D. Sy as Chairman, with Cheng-Hsin Wang, William B. Go, Alexander A. Patricio, and Luis Y. Benitez, Jr. as Members. The NRGC which also functions as the Bank's "Committee on Corporate Governance" and "Compensation and Remuneration Committee", oversees the nomination process for members of the board of directors and or positions appointed by the Board of Directors, continuing education program for the board of directors, performance evaluation process and the design and operation of the remuneration and other incentives policy. The NRGC attendance records in 2023 were logged as follows:

Nomination, Remuneration and Governance Committee	Date of Meetings						Percentage of Attendance for 2023
	7-Mar	8-May	5-Jul	24-Aug	26-Oct	23-Dec	
Stephen D. Sy	√	√	√	√	√	√	100%
Cheng-Hsin Wang	√	√	√	√	√	√	100%
William B. Go	√	X	√	√	√	√	83%
Alexander A. Patricio	√	√	√	√	√	√	100%
Luis Y. Benitez, Jr.	√	X	√	√	X	√	67%

- The Audit Committee is headed by Independent Director Luis Y. Benitez, Jr. as Chairman, with Alexander A. Patricio and Jung-Hsin Suei as Members. The members of the Audit Committee shall have adequate understanding or competence at most of the Bank's operations, financial management systems and environment and preferably with accounting, auditing or related financial management expertise and experience. The Audit Committee shall be responsible for overseeing senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It shall ensure that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiencies and effectiveness of operations and safeguarding of assets. Duties and responsibilities of the committee are as follows: (a) Oversee the financial reporting framework; (b) Monitor and evaluate the adequacy and effectiveness of the internal control system; (c) Oversee the internal and external audit functions; (d) Oversee the compliance function; (e) Oversee the implementation of corrective actions on significant findings and recommendations made by internal and external auditors and regulatory bodies; (f) Investigate significant issues/concerns raised and (g) Establish whistleblowing mechanism. The AC attendance records in 2023 were logged as follows:

Audit Committee Members	Date of Meetings						Percentage of Attendance for 2023
	7-Mar	8-May	6-Jul	24-Aug	26-Oct	13-Dec	
Luis Y. Benitez, Jr.	√	X	√	√	√	√	83%
Alexander A. Patricio	√	√	√	√	√	√	100%
Li-Hsuan Juan	√	√	N/A				100%
Jung-Hsin Suei*	N/A		√	√	√	X	75%

*Elected Director effective July 5, 2023

- The Risk Management Committee is headed by Alexander Patricio as Chairman, with Director Jung-Hsin Suei, and Independent Directors Stephen Sy and Luis Y. Benitez, Jr., as Members. Responsible for the development and oversight of the Bank's Risk Management Program, the Risk Management Committee oversees the system of limits to discretionary authority that the Board delegates to management. It is tasked to ensure that the system remains effective, that the limits are observed, and that immediate corrective actions are taken whenever limits are breached. To achieve this, the Committee takes on the critical role of identifying and evaluating the Bank's risk exposures, ensuring that the appropriate risk management strategies and plans are in place and ready to be executed as necessary, and evaluating the risk management plan to ensure its continued relevance, comprehensiveness, and effectiveness. Hand in hand with the Chief Risk Officer which functions under the auspices of the Committee, it performs oversight functions in managing credit, market, liquidity, operational risks, IT Steering Committee, and Information Security Office. The RMC attendance records in 2023 were logged as follows:

Risk Management Committee Members	Date of Meetings						Percentage of Attendance for 2023
	7-Mar	8-May	6-Jul	24-Aug	26-Oct	13-Dec	
Alexander A. Patricio	√	√	√	√	√	√	100%
Stephen D. Sy	√	√	√	√	√	√	100%
Luis Y. Benitez, Jr.	√	√	√	√	√	√	100%
Li-Hsuan Juan	√	√	N/A				100%
Jung-Hsin Suei*	N/A		√	√	√	√	100%

*Elected Director effective July 5, 2023

- The Trust Committee is headed by Cheng-Hsin Wang as Chairman, with William B. Go, Oliver D. Jimeno, Jen-Wen Liao and the Trust Officer as Members. It is a special committee which reports directly to the Board of Directors and is primarily responsible for overseeing the fiduciary activities of the Bank in discharging its function. The committee: (1) ensures that fiduciary activities are conducted in accordance with applicable laws, rules and regulations and prudent practices; (2) ensures that policies and procedures that translate the Board's objectives and risk tolerance into prudent operating standards are in place and continue to be relevant, comprehensive and effective; (3) oversees the implementation of the risk management framework and ensures that internal controls are in place relative to fiduciary activities; (4) adopts an appropriate organizational structure/staffing pattern and operating budget that shall enable the Trust Department to effectively carry out its functions; (5) oversees and evaluates the performance of the Trust Officer; (6) conducts regular meetings at least once every quarter or more frequently as necessary, depending on the size and complexity of the fiduciary business; and (7) report regularly to the Board of Directors on matters arising from fiduciary activities. The Trust Committee attendance records in 2023 were logged as follows:

Trust Committee Members	Date of Meetings						Percentage of Attendance for 2023
	7-Mar	8-May	5-Jul	24-Aug	26-Oct	13-Dec	
Cheng-Hsin Wang	√	√	√	√	√	√	100%
William B. Go	√	X	√	√	√	√	83%
Jui-Cheng Huang a.ka. Kevin Huang	√	√	N/A				100%
Jen-Wen Liao*	N/A		√	√	√	√	100%
Oliver D. Jimeno	√	√	√	√	√	X	83%
Gerardo V. Bien (Trust Officer)	√	√	√	√	√	√	100%

*Elected Director effective July 5, 2023

Board Meetings. In 2023, the Board had six (6) regular meetings, in addition to the annual stockholders' meeting and organizational meeting. Attendance record to Board Meetings in 2023 are summarized below:

Name of Directors	Dates of Meetings							
	07 Mar 2023	08 May 2023	05 July 2023		06 July 2023	24 Aug 2023	26 Oct 2023	13 Dec 2023
	(Regular Meeting)	(Regular Meeting)	(Annual Stockholders' Meeting)	(Organizational Meeting)	(Regular Meeting)	(Regular Meeting)	(Regular Meeting)	(Regular Meeting)
Cheng-Hsin Wang	✓	✓	✓	✓	✓	✓	✓	✓
William B. Go	✓	X	✓	✓	✓	✓	✓	✓
Oliver D. Jimeno	✓	✓	✓	✓	✓	✓	✓	✓
Li-Hsuan Juan	✓	✓	N/A					
Jui-Cheng Huang a.k.a. Kevin Huang	✓	✓	N/A					
Jen-Wen Liao	N/A		✓	✓	✓	✓	✓	✓
Jung-Hsin Suei	N/A		✓	✓	✓	✓	✓	X
Alexander A. Patricio	✓	✓	✓	✓	✓	✓	✓	✓
Stephen D. Sy	✓	✓	✓	✓	✓	✓	✓	✓
Luis Y. Benitez, Jr.	✓	✓	✓	✓	✓	✓	✓	✓

The Bank is generally in compliance with leading practices on good corporate governance. Taking into account global best practices, the Bank constantly updates its tools for monitoring the performance of the Board and individual Board members, and the process by which it determines whether a director conducts fair business transactions, devotes necessary time and attention to discharge his duties, acts judiciously, exercises independent judgment, has working legal knowledge affecting the Bank, observes confidentiality and ensures soundness, effectiveness and adequacy of the Bank's risk management system and control environment.

The Bank has neither knowledge of any instance of non-compliance with its Manual of Corporate Governance by the Board of Directors or its members, nor by the Bank's officers or employees.

The Bank is committed to ensuring that the corporate governance framework supports the equitable treatment of all shareholders, including minority shareholders. All shareholders are entitled to have the opportunity to obtain effective redress for any violation of their rights.

CORPORATE GOVERNANCE SCORECARD/SELF-ASSESSMENT
GOVERNANCE SELF-RATING SYSTEM / PERFORMANCE EVALUATION

The Board, using such resources or methods as it determines, is responsible to annually assess the effectiveness of the Board, Board Committees and each Director's contribution. The purpose of the evaluation process is to increase the overall effectiveness of the Board, not to target individual Board members. The Directors participate in the evaluation. Each Director evaluates the performance of the Board as a whole, as an individual director, the Chairman of the Board, the Chief Executive Officer and Board Committees. The assessments are made as derived from the Board of Directors and Directors' Duties and Responsibilities as stated in the Bank's Corporate Governance Manual and in the respective Committee Charters, as well as best practices standards. The results of the evaluation are used constructively by the Nomination, Remuneration and Governance Committee to discuss improvements with the Board and to provide developmental feedback to individual Directors.

For 2023, performance evaluation was conducted in December of the same year under the supervision of the Chief Compliance Officer.

ANNEX "D"

MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

FY 2023 Compared to FY 2022

The Bank's resources started strong with Php69.7 billion and ended even stronger with Php77.0 billion. The growth of Php7.3 billion were attributed to Loans and Investments in Securities, which improved by Php3.0 billion and Php4.2 billion, respectively. Corporate loans grew by Php2.3 billion while Retail loans improved by Php1.7 billion. These movements, coupled with increase in market rates, translated to a 50.6% increase or Php1.4 billion, in the Interest Income from Loans and Receivables. Interest income from Securities also went up by Php204 million owing to Investment Securities at Amortized Cost. Total Deposits increased by Php2.8 billion or 6% year on year, with Php1.1 billion coming from low cost and Php1.7 billion coming from high cost. Similar to loans and receivables, interest rate hikes contributed to the spike in interest expense, which increased by Php847 million to Php1.25 billion coming from last year's Php400 million. Also due to funding requirements, total Bills Payable increased from Php8.3 billion to Php13.5 billion, or 63.3% increase year on year. This resulted to a Php302 million increase in interest expense from Bills Payable. Interest income from Interbank loans decreased by Php4 million, relative to the decrease in of Interbank loans volume by Php497 million. Due from BSP and due from other banks increased to Php3.4 billion and Php1.1 billion from Php3.2 billion and Php875 million, respectively. This translated to additional interest income of Php2 million. Ultimately, net interest income improved by Php443 million or 16%. Moreover, Trading and Securities gain – net recovered three-folds from a loss last year of Php38 million to a gain of Php78 million. On the other hand, Foreign Exchange gain – net plummeted to Php69 million from Php285 million, or a 76% decrease year on year, due to unfavorable market condition.

For the year ended 2023, the bank registered Php10 million net income after tax, 97% lower year on year, notwithstanding the exceptional loan bookings that generated the highest revenue since inception. Total provision for impairment and credit losses ended at Php962 million, Php399 million or 71% higher year on year, and already represented a quarter of the bank's total revenue of Php3.8 billion. The increased provision is attributed to specific loan accounts, which also resulted to an increase in the Bank's Non-Performing Loans (NPL) ratio – net of 2.2% versus last year's 1.4%. Operating expenses, excluding provision, also increased by Php292 million, attributable to maintenance and volume-driven expenses.

The bank's performance resulted to a Return on Equity (ROE) of 0.1% and Return on Assets (ROA) of 0.01%. The NPL coverage – net went down from 223.2% last year to 144.2% at year end. The Bank's capital adequacy ratio stood at 15.7% as of December 31, 2023.

FY 2022 Compared to FY 2021

Financial highlights of the Bank's Balance Sheet and Income Statement.

The bank surpassed the pre-pandemic level of its loans and deposits in 2022. It also achieved its highest level of total assets, which stood at almost Php70 billion at year end.

	2022	2021	2020	2019	YoY (2022 vs 2021)	3Yr CAGR
Total Assets	69,718,622,280	52,907,035,050	51,451,654,830	55,666,781,081	32%	8%
Loans and Receivables - net	46,286,030,421	31,012,510,260	30,728,342,120	36,987,482,471	49%	8%
Deposits	46,444,412,375	37,340,057,849	34,268,058,814	37,685,524,645	24%	7%
Net Interest Income	2,758,205,017	2,389,095,722	2,520,481,928	2,278,588,945	15%	7%
Pretax Income	501,246,564	126,686,417	206,299,178	360,211,660	296%	12%

Total resources of the bank ended at Php69.7 billion, which represents 32% year on year growth. The increase in total assets mostly came from Loans and Receivables – net, which grew by Php15.3 billion, or 49% year on year. The bank's funding sources also went up with Deposit Liabilities increasing by Php9.1 billion, the Bank's Bills Payable also soared by Php6.2billion to Php8.3 billion at year end. These balance sheet account movements generated Php2.8 billion Net Interest Income for the year, a 15% growth or equivalent to Php369 million. Interest Income received from Loans and Receivables totaled to Php2.7 billion, Php511 million better than last year. Meanwhile, interest expense from deposits increased by 143% from Php164 million, to Php400 million this year. Moreover, interest expense on Bills Payable climbed to Php117 million, which is 170% higher year on year.

Investment Securities at Amortized Cost (AC) ended at Php11.1 billion, or Php4.4 billion higher year on year, while Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) ended at Php4.3 billion or Php1.1 billion lower than last year. Financial Assets at Fair Value through Profit or Loss (FVPL) declined from Php700 million to Php314 millio. All in all, interest income earned from investment securities went up by 55%, attributable to increase in average volume. Both Due from BSP and Due from Other Banks declined, from Php4.7 billion to 3.2 billion and Php1.2 billion to Php875 million, respectively. Consequently, Interest Income received from Deposits with BSP and other Banks dropped by Php14 million, from Php32 million to Php18 million. On the other hand, Foreign exchange gain surged by 325%, from Php67 million to Php285 million.

As a result of improved Operating Income and low utilization of Operating Expenses, including Provision for Losses, the Bank ended up strong with Php333 million Net Income after tax, which was 28 times higher year on year. The Bank's performance translated to a 3.1% Return on Equity (ROE) and 0.5% Return on Assets (ROA). However, total Equity decreased, from Php10.7 billion to Php10.5 billion this year, mainly coming from higher Unrealized Loss on Financial Assets at FVOCI amounting to (Php659) million at year-end. Net Remeasurement Loss on Retirement Liability also increased from (Php93) million to (Php106) million. Cumulative Translation adjustments also dropped to (Php14) million from positive Php3 million last year. Notwithstanding higher loan volume, Non-Performing Loans (NPL) ratio – net greatly improved to 1.4% as of December 31, 2022 from 2.3% as of December 31, 2021 due to better asset quality. The NPL coverage - net also increased from 162.7% to 223.2%, while the Bank's capital adequacy ratio stood at 17.6% as of year-end.

FY 2021 Compared to FY 2020

The bank recorded Php52.9 billion total Assets as at December 31, 2021, Php1.5 billion increase year on year, primarily from Due from BSP and other Banks, and Investment Securities at Amortized Cost (AC). The growth in Investment Securities at AC amounting to Php3.5 billion resulted to Php1.1 billion increase in its average balance, which then led to Php41.8 million or 35.7% increase in the interest income for Investment Securities at AC year on year. On the contrary, the interest income for Deposit with BSP and other Banks declined by Php1.0 million despite the increase in Due from BSP and other Banks amounting to Php1.2 billion or 24.7%, this is basically due to tapering BSP rates. Interbank loans receivable, Financial Assets at Fair Value through Profit and Loss (FVTPL) and Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) all dropped by Php502.1 million, Php400.9 million and Php2.5 billion, respectively. The decrease in Interbank loans receivable by 41.9% have aligned to its reported interest income of Php11.8 million, which is lower by 43.0% year on year. The lower financial assets at FVTPL also recorded a slide in its interest income by Php7.5 million or a decrease of 29.0%. The Loans and Receivables slightly moved up by Php284.2 million, however, the average loan balance still declined by Php3.9 billion, mainly from the Middle Market segment. This caused the interest income for Loans and Receivables to also contract by 16.5% or Php442.8 million.

Total Liabilities of the Bank increased by Php1.7 billion, from Php40.5 billion to Php42.2 billion, mainly on account of higher Deposits. Total Deposits improved from Php34.3 billion to Php37.3 billion, or Php3.1 billion increase year on year, concentrating on low cost deposits, which contributed Php2.4 billion in the increase. Despite the increase in volume, the interest expense on Deposit Liabilities dropped by Php210.0 million or 56.1% due to the drop on interest rates. Financial liabilities at Fair Value through Profit or Loss (FVTPL), Outstanding Acceptances, as well as Manager's Check, contracted by Php105.6 million, Php174.6 million and Php87.2 million, respectively, year on year. Bills payable decreased from Php2.9 billion to Php2.0 billion, basically from the termination of the Bank's peso long term borrowing. The interest expense on Bills payable and other borrowings also decreased by 60.1% or Php65.2 million year on year, in line with the decrease in volume and interest rates. Total Equity of the bank declined by Php247.6 million attributable to the Net Unrealized Loss on Financial Assets at FVOCI, which recorded a net loss of Php223.7 million this year compared to a net gain of Php65.9 million last December

2020. Conversely, Net Unrealized Loss on Retirement Obligation recovered by Php27.1 million, from 119.9 million loss to Php92.9 million loss this year. Likewise, Cumulative translation adjustment (CTA) also improved by Php3.6 million year on year.

The bank posted an Php11.5 million net income after tax for the year 2021, 93.9% or Php174.9 million decrease from last year. The result was greatly affected by the Net Trading and Securities loss amounting to Php62.8 million this year compared to the gain of Php348.4 million last year. Also, the CREATE Law resulted to a one-time adjustment in Deferred Income Tax as the Bank's Deferred Tax Assets need to be recognized at 25% from a previous rate of 30%. This caused the Provision for Income Tax to increase by Php95.3 year-on-year, causing a huge drop in the Bank's after-tax income. The Bank's performance resulted to a 0.11% Return on Equity (ROE) and 0.02% Return on Assets (ROA).

Non-performing loans (NPL) ratio – Net improved to 2.3% as of December 31, 2021 from 2.7% in December 31, 2020. The NPL coverage - Net also increased to 162.7% from 129.7% as of end of last year. The Bank's capital adequacy ratio stood at 26.92% as of year-end.

Comparison of Interim Periods

The Bank's total assets stood at Php77.0 billion as of December 31, 2023, 11% higher compared to the Php68.3 billion recorded for the first nine months of 2023.

Cash and Other Cash items went up by Php306 million or 38% due to the higher level of cash requirements due to the holiday seasons. Due from BSP increased by 6% driven by higher level of overnight facility placements maintained with BSP. Moreover, Due from Other Banks increased by Php211 million or 19% as a result of the net movements in the balances maintained with various local and foreign banks.

Financial Assets at Fair Value Through Profit or Loss increased by Php49 million due to trading-related activities of the Bank. Financial assets at fair value through profit or loss (FVTPL) grew by Php1.5 billion, from Php5.0 billion to Php6.5 billion on account of higher volume of debt securities particularly government bonds. Also, Investment securities at amortized cost went up by Php516 million due to purchases made during the period. The total securities portfolio accounted for 26% of the banks total resources.

Net loans and receivables, went up by Php5.8 billion or 12% driven by the growth in corporate loans portfolio.

The Bank's deposit level was at Php49.2 billion, up by 4% mainly from the Php2.6 billion increase in Time deposits. Meanwhile, the combined demand and savings deposit went down by Php620 million. Similarly, Financial Liabilities at Fair Value through Profit or Loss (FVTPL) went down by 40% or Php27 million during the quarter. Bills payable increased by Php6.5 billion due to additional borrowings of the bank to meet its funding requirements during the quarter. Additionally, Outstanding acceptances and Accrued Interest, Taxes and Other Expenses went up by Php341 million and Php83 million, respectively. On the other hand, Other liabilities went down by Php160 million.

Total equity decreased to Php10.7 billion, Php73 million lower compared to Php10.8 billion as at September 30, 2023. Retained Earnings went down by Php262 million due to higher provision at the end of the period. This was slightly offset by the decrease in Net unrealized losses on financial assets at FVOCI amounting to Php246 million arising from the mark-to-market revaluation of the Bank's FVOCI securities. Cumulative translation adjustment was 64% higher at Php14 million due to exchange rate difference arising from the conversion of income and expenses related to foreign currency-denominated positions to base currency.

The Bank posted a Net interest income of Php841 million for the last three months of 2023. Total interest income increased by Php52 million, mainly from Interest income from loans and receivables which went up by 5% or Php52 million. Likewise, Interest income from investment securities went up by Php14 million due to higher securities volume. On the contrary, Interest income from interbank loans receivable and financial assets at FVTPL decreased by Php13 million and Php2 million, respectively. Total Interest Expense increased by Php39 million from prior quarter. Interest Expense on Deposit Liabilities increased by Php5 million due to increase in volume of high yielding deposits on a quarter-on-quarter basis. Additionally, interest expense from bills payable and other borrowings went up by Php34 million or 36% due to higher borrowing transactions.

Total non-interest income for the quarter reached Php116 million, which represents a growth of 6% or Php7 million, primarily from the Php36 million increase from trading and securities activities. This was partly offset by the decrease from Service fee and commission amounting to Php25 million due to higher syndication fees booked from preceding quarter. Foreign exchange gains were higher by Php3 million due to revaluation. Meanwhile, Miscellaneous income was lower by Php7 million or 25%.

Total Provision for impairment and credit losses amounted to Php544 million, higher by Php329 million, mainly due to the bank's proactive stance towards the current economic environment. The Bank's operating expense, excluding provision, were kept under control at Php689 million, with only 4% increase or Php24 million. Compensation and fringe benefits, Security, messengerial and janitorial expenses and Depreciation and amortization went down by Php16 million, Php5 million and Php3 million, respectively. Occupancy and other equipment related cost went up by Php10 million due to increase in software maintenance. Furthermore, Miscellaneous expense increased by Php39 million mainly from losses recognized from obsolete assets.

The Bank registered an 11% or Php83 million increase in net income compared to the last quarter of 2022. Total interest income increased by 27% or Php281 million driven by the growth in volume and better yields. Interest income on loans and receivables was higher by 29% or Php247 million and interest income on trading and investment securities also increased by 24% or Php38 million. Interest expense for deposits was higher by 64% or Php131 million as compared to the Php206 million booked on the last quarter of 2022. Moreover, Interest expense on bills payable went up by Php68 million due to volume related growth. Total non-interest income was at Php116 million, 38% down from Php188 million registered on the same quarter last 2022. Decrease was noted from foreign exchange gains which registered a decrease of 96% or Php103 million. Conversely, trading and securities gain increased by Php47 million from a loss of Php0.2 million on the same quarter last year.

Provision for impairment and credit losses was at Php544 million, which was 107% higher from the Php263 million booked during the last quarter of 2022. Movements in various expense lines were noted but resulted to a minimal increase of 3%.

Key Financial Indicators

The following ratios are used to assess the performance of the Bank presented on a comparable basis:

	December 31, 2023	December 31, 2022	December 31, 2021
Return on Average Equity (ROE)	0.1%	3.1%	0.1%
Return on Average Assets (ROA)	0.01%	0.5%	0.0%
Cost-to-Income Ratio	71.0%	69.0%	76.0%

	December 31, 2023	December 31, 2022	December 31, 2021
Non-Performing Loan Ratio (NPL)	2.2%	1.4%	2.3%
Non Performing Loan Cover	144.2%	223.2%	162.7%
Capital Adequacy Ratio	15.7%	17.6%	26.9%

The manner by which the Bank calculates the above indicators is as follows:

- Return on Average Equity ---- Net Income divided by average total capital funds for the period indicated
- Return on Average Assets ---- Net Income divided by average total resources for the period indicated
- Cost to income ratio --- Total Operating expenses divided by the sum of net interest income plus other income
- Non-Performing Loan Ratio --- Total non-performing loans divided by gross loan portfolio
- Non-Performing Loan Cover --- Total allowance for probable loan losses divided by total non-performing loans
- Capital Adequacy Ratio --- Total capital divided by risk-weighted assets

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2023

Liquidity Ratios
The ratios for the years 2023 and 2022 are as follows:

	2023	2022
Current assets	**P41,435,536,349**	P31,815,730,289
Current liabilities	**57,150,372,449**	50,839,973,301
Ratio of current assets to current liabilities	**72.5%**	62.6%
Net liquid assets[1]	**P7,877,965,152**	P7,604,202,520
Total deposits	**49,248,341,196**	46,444,412,375
Ratio of net liquid assets to total deposits	**16.0%**	16.4%

Solvency Ratio
The ratios for the years 2023 and 2022 are as follows:

	2023	2022
Total liabilities	**P66,241,662,430**	P59,184,854,764
Total equity	**10,738,831,328**	10,533,767,516
Ratio of debt to equity	**616.8%**	561.9%

Assets to Equity Ratio
The ratios for the years 2023 and 2022 are as follows:

	2023	2022
Total assets	**P76,980,493,758**	P69,718,622,280
Total equity	**10,738,831,328**	10,533,767,516
Ratio of total assets to equity	**716.8%**	661.9%

Interest Rate Coverage Ratio
The ratios for the years 2023 and 2022 are as follows:

	2023	2022
Income before interest and taxes	**P1,819,278,627**	P1,047,573,987
Interest expense	**1,692,457,236**	546,327,423
Interest coverage ratio	**107.5%**	191.7%

Profitability Ratios

The ratios for the years 2023 and 2022 are as follows:

	2023	2022
Net income	**P10,434,854**	P333,176,300
Average total equity[2]	**10,636,299,422**	10,599,530,596
Return on average equity	**0.1%**	3.1%
Net income	**P10,434,854**	P333,176,300
Average total assets[2]	**73,349,558,019**	61,312,828,665
Return on average assets	**0.01%**	0.5%
Net interest income	**P3,201,682,433**	P2,758,205,017
Average interest earning assets[2]	**68,366,141,971**	55,784,174,708
Net interest margin on average earning assets	**4.7%**	4.9%

[1/] Net liquid assets consist of cash, due from BSP, due from other banks, interbank loans, securities held for trade and available for sale less derivatives liabilities and interbank borrowings.

[2/] Average balances were determined using the ending balances of December 31, 2022 and December 31, 2023

Additional Management Discussion and Analysis (for those with variances of more than 5% December 31, 2023 vs. December 31, 2022)

Balance Sheet –

Cash and other cash items increased by Php208 million year on year, from Php607 million to Php815 million. Meanwhile, Investment properties decreased by 71% or Php215 million mainly due to the transfer of several foreclosed accounts to Philippine Veterans Bank ("Trustee"). These accounts are now classified under Other Assets in the financial statements, and as a result, Other assets line increased from Php907 million to Php1.0 billion at year end. Deferred Tax assets increased by Php113 million primarily due to higher loss allowances. On the other hand, Property and Equipment went down by Php65 million due to lower Right of Use assets.

Outstanding Acceptances went up by Php129 million, relative to the increase of customers liability under acceptances in loans and receivables line. Managers check also increased from Php50 million to Php74 million. Similarly, Accrued interest, taxes and other expenses spiked by 17.7%, from 712 million to 838 million. The movement is mostly from interest payable and retirement liability, which went up by Php114 million and Php39 million respectively. Financial liabilities at FVTPL and Income Tax payable decreased to Php66 million and Php21 million, from Php130 million and Php23 million, respectively. Moreover, Accounts Payable - Remittance dropped by Php721 million year on year, major reason for the decrease of Other Liabilities by 36% or Php1.2 billion. Net Unrealized Loss on Financial Assets at FVOCI improved by Php240 million, from Php659 million loss to Php419 million loss at year end. On the contrary, the Net Remeasurement Loss on Retirement Liability went up to Php156 million loss from Php106 million loss.

Income Statement -

Service fees and commission increased by Php21 million or 8.4%, while Miscellaneous income dropped to Php131 million from Php180 million last year due to lower fair value gains on foreclosed assets and recovery from written off loans. Interest expense on lease liabilities declined by Php2 million.

Various operating expense lines increased year on year. Taxes and licenses went up by Php45 million owing to volume related taxes, GRT and DST went up by Php34 million and Php17 million respectively. Security, messengerial and janitorial expenses, as well as Occupancy and other equipment-related costs jumped by Php48 million and Php54 million, respectively. Depreciation and Amortization of computer software costs are relatively flat, due to its normal course, with only Php9 million and Php4 million increase, or 5.5% and 6.4%, respectively. Management & other professional fees, Postage and cable, and Banking and supervision fees increased by Php23 million, Php10 million and Php8 million, respectively. These movements resulted to the increase of Miscellaneous expense line, from Php314 million last year to Php400 million this year, or 27% increase year on year. Income taxes decreased from Php168 million to Php116 million due to lower taxable income this year.

Additional Management Discussion and Analysis (for those with variances of more than 5% December 31, 2022 vs. December 31, 2021)

Balance Sheet –

Interbank Loans Receivable declined by Php127 million, from Php696 million to Php569 million. Conversely, Investment Properties ended up at Php305 million, with 87% increase from last year. Similarly, Other Assets went up by Php446 million, from Php461 million to Php907 million. Increase is mainly from miscellaneous assets that include hardware and systems pending implementation.

Outstanding Acceptances, Manager's Checks and Accrued Interest, Taxes and Others ended up at Php217 million, Php50million and Php712 million, respectively. Income Tax Payable increased by Php18 million, from Php5 million to Php23 million. Moreover, Other Liabilities also increased by Php1.3 billion or 61% year on year. These are generally from Accounts Payable to customers account for payroll and inward remittances and Bills Purchased account.

Income Statement -

Interest income on Interbank Loans receivable increased by 32%, from Php12 million to Php16 million, despite lower volume. Service fees and commission income, as well as the Miscellaneous Income went up by Php33 million and Php69 million, respectively. Syndication fees, like upfront fees and arrangement fees from Corporate Banking, contributed to the Php33 million increase in commission income. Miscellaneous income includes higher recovery from written off accounts and unrealized fair value gains on foreclosed assets. On the other hand, Trading and Securities ended up at a loss amounting to (Php38) million, but still better than last year by Php25 million.

Total Operating Expenses excluding Impairment losses went up by 15% year on year. Compensation and fringe benefits increased by 16% or Php168 million. Taxes and licenses also grew by Php60 million attributed to GRT and DST on account of higher revenue and deposit volume. Security, Messengerial and Janitorial expenses ended up at Php152 million, while Amortization of Computer Software costs at Php65 million. Miscellaneous expenses increased by Php45 million or 17% mainly due to business insurance fees and management and other professional fees. Meanwhile, a 7% increase in Impairment Losses was noted despite the higher loan volume year on year. Income taxes grew by Php53 million mainly on account of higher revenue resulting to higher taxable income.

Additional Management Discussion and Analysis (for those with variances of more than 5% December 31, 2021 vs. December 31, 2020)

Balance Sheet –

Other resources of the Bank grew by Php56.3 million or 13.9% year on year, mainly attributable to the payment for the new core banking system of the bank, booked temporarily at Miscellaneous Assets awaiting to go live. Meanwhile, Deferred Income Tax moved from Php596.7 million to Php524.4 million, 12.1% or Php72.3 million decrease year on year as a result of CREATE law. Also, Investment Properties dropped by Php19.2 million compared with last year due to various sale of ROPA.

Accrued Interest, Accrued Taxes and Retirement Liability dropped by Php19.6 million, Php40.3 million and Php47.5 million, respectively, year on year. Accrued Interest and Accrued Taxes declined due to lower rates. The decrease in Retirement Liability is associated with the actuarial gain recognized for the year.

Income Statement (variance analysis for December 31, 2021 vs. December 31, 2020)

The Bank's Net Interest Income is down by 5.2% or Php131.4 million compared with same period last year. The decrease in total Interest Expense by Php265.7 million was not able to offset the total drop in total Interest Income by Php397.1 million. On the contrary, Interest Expense on Lease Liabilities increased by Php9.4 million mainly due to the escalation of rent in Head Office.

Service fees and commission income jumped to Php218.6 million from Php184.9 million, a Php33.7 million up year on year as the BSP restriction on collection of various service charges for the greater part of 2020 have been lifted. The Foreign Exchange gain – net improved by Php33.6 million due to income from revaluation, which increased by Php75.9 million this year. But this was partly offset by the loss in derivatives, which recognized Php14.8 loss this year compared to Php26.6 gain last year. Miscellaneous Income increased by Php21.2 million mainly from the recovery from written-off accounts.

Better asset quality was noticed with the drop in Provision for impairment and credit losses, from Php828.8 million to Php528.2 million recognized this year. Occupancy and other equipment-related costs also declined by Php15.9 million year on year mostly from Rent and Repairs and Maintenance accounts. Moreover, Taxes and Licenses dropped from Php274.3 million to Php245.6 million owing to lower Gross Receipts Tax. Similarly, Miscellaneous expenses declined by Php39.0 million primarily from lower Cash Card expenses, Management and Other Professional fees and Promotional and Advertising expenses, which were lower by Php13.6 million, P13.1 million and Php8.1 million, respectively. Conversely, Amortization of software licenses were up by Php6.1 million, while Depreciation and amortization increased by Php13.7 million due to higher Depreciation of Right-of-Use (ROU) Asset.

3. Plan of Operations

The Bank aims to continuously add value to its stakeholders by constantly growing its resources as the country gradually enters the new normal. The Bank aims to achieve better efficiency by expanding its digital footprints across various products and different areas of operations. The Bank has further strengthened its risk management in the areas of cyber security and asset quality. The Bank intends to improve market position and profitability by continuous expansion of its retail and corporate loan portfolio. Institutional Banking Group (IBG) aims to grow both the top tier, middle market, and SM segment while Treasury Group will continue to focus on the expansion of client-based revenue both in the corporate and retail market. In addition, Retail Banking Group will continue to expand its Personal Loan and Mortgage Loan business by maximizing its channels and improving its geographic reach.

ANNEX “E”

STATEMENT OF MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL STATEMENTS

CTBC BANK
中國信託銀行

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **CTBC BANK (PHILIPPINES) CORP.** (the Bank) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2023, 2022 and 2021, in accordance with 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 Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

R.G. Manabat & Co., the independent auditor, appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

CHENG-HSIN WANG
Chairman

OLIVER D. JIMENO
President and Chief Executive Officer

ANDREW A. FALCON
First Vice-President
Chief Financial Officer

Signed this March 6, 2024

SUBSCRIBED AND SWORN to before me this _______ day of MAR 06 2024 __________ 2024 affiants exhibiting to me their Government Issued I.D., as follows:

NAMES	GOVERNMENT ISSUED I.D. / TIN	DATE/PLACE OF ISSUE
CHENG-HSIN WANG		
OLIVER D. JIMENO		
ANDREW A. FALCON		

Doc. No. 162;

Page No. 34;

Book No. XI;

Series of 2024.

ATTY. MARY ANGELINE S. TOL
NOTARY PUBLIC FOR TAGUIG CITY
UNTIL DECEMBER 31, 2024
APPT. NO. 96 (2023-2024) / ROLL NO. 51630
PTR NO. A-6123638 / 01-02-24 / TAGUIG CITY
IBP NO. 378683 / 12-26-23 / CAVITE
MCLE COMPLIANCE NO. VII-0000589 / 9-30-22
22F Fort Legend Tower, 31st St., cor. 3rd Ave.,
BGC, Taguig City

ANNEX “F”

AUDITED FINANCIAL STATEMENTS OF THE BANK AS OF 31 DECEMBER 2023

CTBC BANK (PHILIPPINES) CORPORATION

FINANCIAL STATEMENTS
December 31, 2023 and 2022

With Independent Auditors' Report

KPMG

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and the Stockholders
CTBC Bank (Philippines) Corporation
Fort Legend Towers, Third Avenue corner 31st Street
Bonifacio Global City, Taguig City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CTBC Bank (Philippines) Corporation (the Bank), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of income, statements of other 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, comprising material accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the 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.

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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 Philippine Financial Reporting Standards, 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 Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

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 Philippine Standards on Auditing 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 Philippine Standards on Auditing, 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 Bank's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Bank 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.

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.

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1074 in Note 28 and Revenue Regulations 15-2010 in Note 29 to the financial statements is presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Bank. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS
Partner
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BSP Accreditation No. 102309-BSP, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
Tax Identification No. 920-961-311
BIR Accreditation No. 08-001987-038-2022
Issued June 27, 2022; valid until June 27, 2025
PTR No. MKT 10075185
Issued January 2, 2024 at Makati City

March 6, 2024
Makati City, Metro Manila

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BY: ERWIN PACINIO
DOCUMENT PROCESSING AND QUALITY ASSURANCE DIVISION

BIR - RBU

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REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING
WITH THE BUREAU OF INTERNAL REVENUE

The Board of Directors and the Stockholders
CTBC Bank (Philippines) Corporation
Fort Legend Towers, Third Avenue corner 31st Street
Bonifacio Global City, Taguig City

We have audited the accompanying financial statements of CTBC Bank (Philippines) Corporation (the Bank) as at and for the year ended December 31, 2023, on which we have rendered our report dated March 6, 2024.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager, or principal stockholders of the Bank.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS
Partner
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DOCUMENT PROCESSING AND QUALITY ASSURANCE DIVISION

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

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SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR

The Board of Directors and the Stockholders
CTBC Bank (Philippines) Corporation
Fort Legend Towers, Third Avenue corner 31st Street
Bonifacio Global City, Taguig City

We have audited the accompanying financial statements of CTBC Bank (Philippines) Corporation (the Bank) as at and for the year ended December 31, 2023, on which we have rendered our report dated March 6, 2024.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the Bank has a total number of seventy-nine (79) stockholders owning one hundred (100) or more shares each.

R.G. MANABAT & CO.

Vanessa P. Macamos
VANESSA P. MACAMOS
Partner
CPA License No. 0102309
BSP Accreditation No. 102309-BSP, Group A, valid for five (5) years
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March 6, 2024
Makati City, Metro Manila

CTBC BANK (PHILIPPINES) CORPORATION
STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2023	2022
ASSETS			
Cash and Other Cash Items	*17, 27*	**P814,714,838**	P607,134,739
Due from Bangko Sentral ng Pilipinas (BSP)	*5, 17, 27*	**3,426,463,360**	3,184,802,214
Due from Other Banks	*5, 17, 27*	**1,109,317,042**	875,457,113
Interbank Loans Receivable	*5*	**71,789,090**	568,621,519
Financial Assets at Fair Value through Profit or Loss (FVTPL)	*5, 7, 17, 27*	**538,339,517**	314,332,276
Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)	*5, 7, 17, 27*	**6,491,930,161**	4,326,771,520
Investment Securities at Amortized Cost	*5, 7*	**12,843,192,633**	11,077,099,087
Loans and Receivables	*5, 8*	**49,265,854,007**	46,286,030,421
Property and Equipment	*9, 17*	**687,967,864**	752,873,797
Investment Properties	*10, 17*	**89,426,159**	304,891,415
Deferred Tax Assets - net	*17, 21*	**627,004,365**	513,886,120
Other Assets	*11*	**1,014,494,722**	906,722,059
		P76,980,493,758	P69,718,622,280
LIABILITIES AND EQUITY			
LIABILITIES			
Deposit Liabilities	*5, 6, 17, 27*		
Demand		**P11,453,319,207**	P10,265,550,511
Savings		**9,236,892,387**	9,359,554,769
Time		**28,558,129,602**	26,819,307,095
		49,248,341,196	46,444,412,375
Financial Liabilities at FVTPL	*17, 26, 27*	**65,936,713**	130,366,861
Bills Payable	*14, 17, 27*	**13,517,179,143**	8,275,600,000
Outstanding Acceptances	*17, 27*	**345,662,618**	216,915,898
Manager's Checks	*17, 27*	**74,139,847**	49,785,432
Accrued Interest, Taxes and Other Expenses	*15*	**837,565,469**	711,708,730
Income Tax Payable	*17*	**21,313,524**	23,012,531
Other Liabilities	*16*	**2,131,523,920**	3,333,052,937
		66,241,662,430	59,184,854,764

Forward

		December 31	
	Note	2023	2022
EQUITY			
Capital Stock	*18*	**P3,483,072,020**	P3,483,072,020
Additional Paid-in Capital	*18*	**2,027,481,501**	2,023,691,478
Restricted Retained Earnings	*18*	**5,811,988,782**	5,801,553,928
Statutory Reserve	*18*	**4,981,159**	4,981,159
Cumulative Translation Adjustments		**(14,224,835)**	(13,767,018)
Net Unrealized Loss on Financial Assets at FVOCI	*7*	**(418,804,130)**	(659,285,390)
Net Remeasurement Loss on Retirement Liability	*19*	**(155,663,169)**	(106,478,661)
		10,738,831,328	10,533,767,516
		P76,980,493,758	P69,718,622,280

See Notes to the Financial Statements.

CTBC BANK (PHILIPPINES) CORPORATION
STATEMENTS OF INCOME

	Note	2023	2022	2021
			Years Ended December 31	
INTEREST INCOME CALCULATED USING THE EFFECTIVE INTEREST METHOD				
Loans and receivables	8	P4,131,974,719	P2,744,530,802	P2,233,244,002
Investment securities	7	688,726,586	514,229,788	330,953,087
Deposits with BSP and other banks		20,192,930	18,046,635	31,606,711
Interbank loans receivable		11,413,932	15,522,150	11,763,844
INTEREST INCOME ON FINANCIAL ASSETS AT FVTPL	7	41,831,502	12,203,065	18,341,606
		4,894,139,669	3,304,532,440	2,625,909,250
INTEREST EXPENSE				
Deposit liabilities	13	1,247,081,612	400,192,606	164,530,266
Bills payable and other borrowings	14	418,774,876	117,175,888	43,343,642
Lease liabilities	20	26,600,748	28,958,929	28,939,620
		1,692,457,236	546,327,423	236,813,528
NET INTEREST INCOME		3,201,682,433	2,758,205,017	2,389,095,722
Service fees and commission income	22	273,241,705	251,985,496	218,558,325
Foreign exchange gain - net		69,279,302	284,592,031	66,939,307
Trading and securities gain (loss) - net	7	78,230,632	(38,091,216)	(62,838,244)
Miscellaneous - net	22	130,674,192	180,223,308	110,834,837
TOTAL OPERATING INCOME		3,753,108,264	3,436,914,636	2,722,589,947
Compensation and fringe benefits	19	1,245,238,734	1,201,190,431	1,033,435,715
Impairment losses	10, 12	962,140,521	563,438,397	528,192,344
Taxes and licenses	21	351,335,198	305,881,132	245,585,017
Depreciation and amortization	9, 10	178,341,603	168,974,266	163,778,803
Occupancy and other equipment-related costs	20	220,014,697	165,644,912	159,015,895
Security, messengerial, janitorial expenses and other fees	22	200,191,500	151,788,525	136,372,179
Amortization of computer software costs	11	69,210,415	65,021,032	60,520,444
Miscellaneous	22	399,814,205	313,729,377	269,003,133
TOTAL OPERATING EXPENSES		3,626,286,873	2,935,668,072	2,595,903,530
INCOME BEFORE INCOME TAXES		126,821,391	501,246,564	126,686,417
INCOME TAXES	21	116,386,537	168,070,264	115,227,603
NET INCOME		P10,434,854	P333,176,300	P11,458,814
BASIC/DILUTED EARNINGS PER SHARE	23	P0.03	P0.96	P0.03

See Notes to the Financial Statements.

BUREAU OF INTERNAL REVENUE
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CTBC BANK (PHILIPPINES) CORPORATION
STATEMENTS OF OTHER COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	2023	2022	2021
NET INCOME FOR THE YEAR		**P10,434,854**	P333,176,300	P11,458,814
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR				
Items that may not be reclassified to profit or loss				
Net unrealized gain on equity financial assets at FVOCI	*7*	**1,845,000**	657,500	447,500
Net remeasurement gain (loss) on retirement liability - net of tax	*19*	**(49,184,508)**	(13,610,507)	27,054,450
		(47,339,508)	(12,953,007)	27,501,950
Items that may be reclassified to profit or loss				
Net unrealized gain (loss) on debt financial assets at FVOCI	*7*	**238,636,260**	(436,200,151)	(290,107,849)
Cumulative translation adjustments		**(457,817)**	(16,479,030)	3,576,123
		238,178,443	(452,679,181)	(286,531,726)
		190,838,935	(465,632,188)	(259,029,776)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**P201,273,789**	(P132,455,888)	(P247,570,962)

See Notes to the Financial Statements.

CTBC BANK (PHILIPPINES) CORPORATION
STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31

	Note	Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Restricted Retained Earnings (Note 18)	Statutory Reserve (Note 18)	Cumulative Translation Adjustments	Net Unrealized Gain (Loss) on Financial Assets at FVOCI (Note 7)	Net Remeasurement Loss on Retirement Liability (Note 19)	Total
Balance at January 1, 2023		P3,483,072,020	P2,023,691,478	P5,801,553,928	P4,981,159	(P13,767,018)	(P659,285,390)	(P106,478,661)	P10,533,767,516
Net income for the year		-	-	10,434,854	-	-	-	-	10,434,854
Other Comprehensive Income (Loss) for the Year		-	-	-	-	-	-	-	-
Items that may not be reclassified to profit or loss									
Net unrealized gain on equity financial assets at FVOCI	*7*	-	-	-	-	-	1,845,000	-	1,845,000
Net remeasurement loss on retirement liability	*19*	-	-	-	-	-	-	(49,184,508)	(49,184,508)
Items that may be reclassified to profit or loss									
Net unrealized loss on debt financial assets at FVOCI	*7*	-	-	-	-	-	238,636,260	-	238,636,260
Cumulative translation adjustments		-	-	-	-	(457,817)	-	-	(457,817)
Total Other Comprehensive Income (Loss)		-	-	-	-	(457,817)	240,481,260	(49,184,508)	190,838,935
Total Comprehensive Income for the year		-	-	10,434,854	-	(457,817)	240,481,260	(49,184,508)	201,273,789
Restricted Stock Award	*18*	-	3,790,023	-	-	-	-	-	3,790,023
Balance at December 31, 2023		P3,483,072,020	P2,027,481,501	P5,811,988,782	P4,981,159	(P14,224,835)	(P418,804,130)	(P155,663,169)	P10,738,831,328

Forward

Years Ended December 31

	Note	Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Restricted Retained Earnings (Note 18)	Statutory Reserve (Note 18)	Cumulative Translation Adjustments	Net Unrealized Gain (Loss) on Financial Assets at FVOCI (Note 7)	Net Remeasurement Loss on Retirement Liability (Note 19)	Total
Balance at January 1, 2022		P3,483,072,020	P2,022,761,750	P5,468,377,628	P4,981,159	P2,712,012	(P223,742,739)	(P92,868,154)	P10,665,293,676
Net income for the year		-	-	333,176,300	-	-	-	-	333,176,300
Other Comprehensive Income (Loss) for the Year									
Items that may not be reclassified to profit or loss									
Net unrealized gain on equity financial assets at FVOCI	7	-	-	-	-	-	657,500	-	657,500
Net remeasurement loss on retirement liability	19	-	-	-	-	-	-	(13,610,507)	(13,610,507)
Items that may be reclassified to profit or loss									
Net unrealized loss on debt financial assets at FVOCI	7	-	-	-	-	-	(436,200,151)	-	(436,200,151)
Cumulative translation adjustments		-	-	-	-	(16,479,030)	-	-	(16,479,030)
Total Other Comprehensive Income (Loss)		-	-	-	-	(16,479,030)	(435,542,651)	(13,610,507)	(465,632,188)
Total Comprehensive Income for the year		-	-	333,176,300	-	(16,479,030)	(435,542,651)	(13,610,507)	(132,455,888)
Restricted Stock Award	18	-	929,728	-	-	-	-	-	929,728
Balance at December 31, 2022		P3,483,072,020	P2,023,691,478	P5,801,553,928	P4,981,159	(P13,767,018)	(P659,285,390)	(P106,478,661)	P10,533,767,516

Years Ended December 31

	Note	Capital Stock (Note 18)	Additional Paid-In Capital (Note 18)	Restricted Retained Earnings (Note 18)	Statutory Reserve (Note 18)	Cumulative Translation Adjustments	Net Unrealized Gain (Loss) on Financial Assets at FVOCI (Note 7)	Net Remeasurement Loss on Retirement Liability (Note 19)	Total
Balance at January 1, 2021		P3,483,072,020	P2,022,761,750	P5,456,918,814	P4,981,159	(P864,111)	P65,917,610	(P119,922,604)	P10,912,864,638
Net income for the year		-	-	11,458,814	-	-	-	-	11,458,814
Other Comprehensive Income (Loss) for the Year									
Items that may not be reclassified to profit or loss									
Net unrealized loss on equity financial assets at FVOCI	7	-	-	-	-	-	447,500	-	447,500
Net remeasurement gain on retirement liability	19	-	-	-	-	-	-	27,054,450	27,054,450
Items that may be reclassified to profit or loss									
Net unrealized loss on debt financial assets at FVOCI	7	-	-	-	-	-	(290,107,849)	-	(290,107,849)
Cumulative translation adjustments		-	-	-	-	3,576,123	-	-	3,576,123
Total other comprehensive income (loss)		-	-	-	-	3,576,123	(289,660,349)	27,054,450	(259,029,776)
Total comprehensive income for the year		-	-	11,458,814	-	3,576,123	(289,660,349)	27,054,450	(247,570,962)
Balance at December 31, 2021		P3,483,072,020	P2,022,761,750	P5,468,377,628	P4,981,159	P2,712,012	(P223,742,739)	(P92,868,154)	P10,665,293,676

See Notes to the Financial Statements.

CTBC BANK (PHILIPPINES) CORPORATION
STATEMENTS OF CASH FLOWS

	Note	2023	2022	2021
			Years Ended December 31	
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income taxes		**P126,821,391**	P501,246,564	P126,686,417
Adjustments for:				
Amortization of net discount on financial assets at FVOCI and investment securities at amortized cost		**1,353,027,619**	(85,465,788)	27,171,730
Impairment losses	10, 12	**962,140,521**	563,438,397	528,192,344
Depreciation and amortization	9, 10	**178,341,603**	168,974,266	163,778,803
Foreign exchange revaluation (gain) loss on bills payable		**(156,138,833)**	159,402,000	119,040,000
Foreign exchange revaluation (gain) loss on financial assets at FVOCI and investment securities at amortized cost		**71,491,563**	(353,260,729)	(261,530,880)
Amortization of computer software costs	11	**69,210,415**	65,021,032	60,520,444
Retirement benefit expense	19	**36,523,706**	37,494,024	41,657,798
Write-off of computer software	11, 22	**34,492,894**	-	-
Accretion of interest on lease liabilities	20	**26,600,748**	28,958,929	28,939,620
Realized gain (loss) on sale on financial assets at FVOCI	7	**(26,384,610)**	44,989,750	2,282,200
Unrealized gain on investment properties	22	**(14,764,746)**	(34,549,528)	-
Mark-to-market (gain) loss on financial assets at FVTPL	7	**(12,663,088)**	(8,946,359)	13,327,748
Loss (gain) on disposal of computer software		**1,091,328**	5,461,335	-
Restricted stock award	18	**3,790,023**	929,728	-
Loss (gain) on disposal of foreclosed assets	22	**2,523,573**	(5,168,087)	(6,371,132)
Dividend income	22	**(280,000)**	(280,000)	(2,145,000)
Gain on disposal of property and equipment	22	**(164,302)**	-	(67,566)
Foreign exchange revaluation (gain) loss on interbank loans receivable	12	**(14,961)**	91,057	(21,755)
Income before income taxes before changes in operating assets and liabilities		**2,655,644,844**	1,088,336,591	841,460,771
Changes in operating assets and liabilities:				
Decrease (increase) in amounts of:				
Financial assets at FVTPL		**(211,344,153)**	394,209,957	387,534,533
Loans and receivables		**(3,923,806,420)**	(15,973,350,918)	(815,344,958)
Other assets		**49,276,424**	(469,489,965)	(107,245,681)
Increase (decrease) in amounts of:				
Deposit liabilities		**2,803,928,821**	9,104,354,526	3,071,999,035
Financial liabilities at FVTPL		**(64,430,148)**	4,127,391	(105,552,245)
Outstanding acceptances		**128,746,720**	209,932,508	(174,649,210)
Manager's checks		**24,354,415**	13,646,479	(87,174,501)
Accrued taxes and other expenses		**86,852,998**	77,369,897	(59,834,520)
Other liabilities		**(1,150,494,338)**	1,320,417,350	(75,975,796)
Net cash generated from (used in) operations		**398,729,163**	(4,230,446,184)	2,875,217,428
Contribution to the plan assets	19	**(63,099,308)**	(37,349,043)	(41,677,634)
Income taxes paid		**(214,808,954)**	(135,379,551)	(57,954,998)
Net cash provided by (used in) operating activities		**120,820,901**	(4,403,174,778)	2,775,584,796

Forward

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
RECEIVED
APR 11 2024
BY ERWIN PACINIO
DOCUMENT PROCESSING AND QUALITY ASSURANCE DIVISION

	Note	2023	Years Ended December 31 2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Financial assets at FVOCI		**(P13,149,191,282)**	(P8,348,610,000)	(P12,971,598,000)
Investment securities at amortized cost		**(14,717,312,110)**	(4,120,662,705)	(3,623,241,500)
Property and equipment	9	**(77,641,407)**	(108,867,183)	(37,004,325)
Computer software costs	11	**(31,534,564)**	(46,787,462)	(9,546,309)
Proceeds from disposals of:				
Financial assets at FVOCI		**9,863,179,638**	3,657,002,896	6,239,808,850
Foreclosed assets		**3,761,518**	22,905,585	39,538,261
Property and equipment		**4,382,560**	4,588,507	9,861,740
Investment securities at amortized cost		**-**	-	-
Proceeds from maturities of:				
Financial assets at FVOCI		**838,758,551**	5,415,215,000	9,076,860,000
Investment securities at amortized cost		**12,060,301,460**	20,000,000	274,995,000
Dividends received	22	**280,000**	280,000	2,145,000
Net cash used in investing activities		**(5,205,015,636)**	(3,504,935,362)	(998,181,283)
CASH FLOWS FROM FINANCING ACTIVITIES				
Settlement of bills payable		**(193,435,705,983)**	(70,006,065,254)	(36,117,888,015)
Availments of bills payable		**198,833,423,959**	76,082,303,254	35,129,571,500
Payment of lease liabilities	20	**(126,684,250)**	(122,394,332)	(113,340,818)
Net cash provided by (used in) financing activities		**5,271,033,726**	5,953,843,668	(1,101,657,333)
EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS		**(457,817)**	(16,479,030)	3,576,123
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**186,381,174**	(1,970,745,502)	679,322,303
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
Cash and other cash items		**607,134,739**	598,248,744	589,312,970
Due from BSP		**3,184,802,214**	4,720,099,954	3,781,208,825
Due from other banks		**875,457,113**	1,192,416,156	958,810,394
Interbank loans receivable - gross		**568,701,000**	696,075,714	1,198,186,076
		5,236,095,066	7,206,840,568	6,527,518,265
CASH AND CASH EQUIVALENTS AT END OF YEAR				
Cash and other cash items	17	**814,714,838**	607,134,739	598,248,744
Due from BSP	17	**3,426,463,360**	3,184,802,214	4,720,099,954
Due from other banks	17	**1,109,317,042**	875,457,113	1,192,416,156
Interbank loans receivable - gross		**71,981,000**	568,701,000	696,075,714
		P5,422,476,240	P5,236,095,066	P7,206,840,568
CASH FLOWS FROM INTEREST				
Interest received		**P4,812,632,004**	P3,227,371,140	P2,717,245,477
Interest paid		**(1,551,861,132)**	(437,926,044)	(227,455,064)
		P3,260,770,872	P2,789,445,096	P2,489,790,413

See Notes to the Financial Statements.

CTBC BANK (PHILIPPINES) CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

1. Organization

CTBC Bank (Philippines) Corporation (the "Bank") is a 99.72%-owned entity of CTBC Bank Co. Ltd., formerly Chinatrust Commercial Bank Ltd. ("Parent Bank"), a Taiwan-based commercial bank. The ultimate parent of the Bank is CTBC Financial Holding Co., Limited (formerly Chinatrust Financial Holding Co., Ltd.) which was incorporated in Taiwan. The Bank was incorporated as a domestic commercial bank on September 7, 1995 under the name of Access Banking Corporation and started business operations on September 26, 1995. The term of existence of the Bank is fifty (50) years from the date of incorporation.

It was renamed as Chinatrust (Philippines) Commercial Bank Corporation in January 1996. On October 30, 2013, the Bank changed its corporate name to CTBC Bank (Philippines) Corporation.

The Bank was organized to provide commercial banking services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury, foreign exchange, and trust services. In addition, the Bank is licensed to engage in regular financial derivatives as a means of reducing and managing the Bank's and its customers' foreign exchange exposure.

The Bank's principal place of business is located at Fort Legend Towers, Third Avenue corner 31st Street, Bonifacio Global City, Taguig City.

The Bank's common shares were listed in the Philippines Stock Exchange (PSE) in June 1999. On October 7, 2011, the Board of Directors (BOD) authorized the Bank to file a petition for voluntary delisting with the PSE and to purchase the outstanding shares through a tender offer in accordance with the rules of the PSE and Philippine Securities and Exchange Commission (SEC). On December 15, 2011, the Bank obtained approval for the delisting and share buyback through a special stockholders' meeting as required by the Bank's By-Laws. On December 19, 2011, the Bank received the approval of the Monetary Board for the delisting and share buyback. As of January 27, 2012, common shares held by minority stockholders amounting to P12.7 million were tendered to and reacquired by the Bank. On February 8, 2012, the PSE approved the Bank's petition for voluntary delisting. Official delisting of the Bank's shares from the Trading Board became effective on February 24, 2012. As at December 31, 2023 and 2022, the Bank remains as a SEC-registered issuer of securities to the public.

The Bank received its Foreign Currency Deposit Unit (FCDU) license and launched its FCDU operations on December 28, 1995. The Bank received its Expanded FCDU license on November 22, 1995. The Bank has authority to engage in trust operations as approved by Monetary Board in its Resolution No. 765 dated July 31, 1996.

2. Basis of Preparation and Statement of Compliance

Statement of Compliance
The financial statements of the Bank have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs which are issued by the Philippine Financial Reporting Standards Council (FRSC) consist of PFRSs, Philippine Accounting Standards (PAS) and Philippine Interpretations.

Basis of Measurement
These financial statements have been prepared on a historical cost basis except for the following items:

Items	Measurement Bases
Financial assets and liabilities at fair value through profit or loss (FVTPL)	Fair value
Financial assets at fair value through other comprehensive income (FVOCI)	Fair value
Net retirement liability	Present value of the defined benefit obligation less fair value of plan assets
Lease liability	Present value of the lease payments not yet paid discounted using the Bank's incremental borrowing rate

The financial statements of the Bank include the accounts maintained in the Regular Banking Unit (RBU) and the FCDU. These financial statements are the combined financial information of these units after eliminating inter-unit accounts.

Functional and Presentation Currency
The functional currency of RBU and FCDU is the Philippine Peso (PHP) and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in PHP (see Note 3 on foreign currency translation).

The financial statements of the Bank are presented in PHP. All financial information presented in PHP has been rounded off to the nearest peso, except as otherwise indicated.

Presentation of Financial Statements
The Bank presents its statements of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 17.

Approval of Issuance of Financial Statements
Under Section 17.2 (a) of the Securities Regulation Code (SRC), issuers of securities that have sold a class of their securities pursuant to a registration under Section 12 of the SRC are required to comply with the reportorial requirements under SRC Rule 20; provided, however, that the obligation of such issuers to file reports shall be suspended for any fiscal year after the year such registration became effective if such issuer, as of the first day of any such fiscal year, has less than one hundred (100) holders of such class of securities and it notifies the Commission of such. As of December 31, 2023 and 2022, the Bank has retained one hundred eleven (111) shareholders, which requires it to comply with the reportorial requirements under SRC Rule 20.

These financial statements have been reviewed, approved and authorized for issue by the Board of Directors (BOD) on March 6, 2024.

3. Material Accounting Policies

Except for the changes explained in the foregoing, the accounting policies set out below have been applied consistently to all years presented in these financial statements.

Adoption of Amendments to Standards and Framework
The Bank has adopted the amendments on the Disclosure of Accounting Policies (*Amendments to PAS 1 Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements*) starting January 1, 2023 and accordingly, changed its accounting policy. The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;

- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures, assisting companies to provide useful, entity-specific accounting policy information that users need to understand other income in the financial statements.

The Bank reviewed the accounting policies and although the amendments did not result in any changes to the accounting policies themselves, updates were made to the accounting policy information disclosed in Note 3, *Material Accounting Policies* in certain instances in line with the amendments.

Foreign Currency Transactions and Translation
Transactions in foreign currencies are initially recorded at the functional rate of exchange at the date of transaction.

Foreign currency-denominated monetary assets and liabilities in the RBU and FCDU are translated into their respective functional currencies based on the Bankers Association of the Philippines (BAP) closing rate prevailing as at the reporting date and foreign currency-denominated income and expenses are translated at the BAP closing rate prevailing as at the date of transaction. Foreign exchange differences arising from foreign currency transactions and translation of foreign currency-denominated assets and liabilities are credited to or charged against the statements of income in the period in which the rates change.

Foreign currency-denominated non-monetary items that are measured at historical cost are translated using the exchange rate at the transaction date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

FCDU

As at the reporting date, the monetary assets and liabilities of the FCDU of the Bank are translated from its functional currency into its equivalent in PHP, the presentation currency, at the BAP closing rate prevailing at the reporting date. Foreign currency-denominated non-monetary items that are measured at historical cost are translated using the exchange rate at the transaction date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The income and expenses are translated using the BAP weighted average rate for the year. Foreign exchange differences arising from translation of the FCDU balances to the presentation currency are taken directly to "Cumulative translation adjustments" in the statements of other comprehensive income (OCI). Upon disposal of the FCDU or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in the statements of OCI is recognized in the statements of income.

Financial Instruments

Recognition and Initial Measurement

The Bank recognizes a financial asset or a financial liability on the trade date when it becomes a party to the contractual provisions of the financial instrument. Purchases or sales of financial assets that require delivery of asset within the time frame established by regulation or convention in the marketplace are recognized on the trade date. Deposits, amounts due to and from BSP and other banks and loans and receivables are recognized when cash is received by the Bank or advanced to the customers.

A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issuance.

Classification and Measurement

Financial Assets

The Bank classifies its financial assets in the following categories: financial assets at amortized cost, financial assets at FVOCI or financial assets at FVTPL.

Debt Instruments

Financial Assets at Amortized Cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest (SPPI).

Debt financial assets meeting these criteria are measured initially at fair value plus transaction costs. These financial assets are subsequently measured at amortized cost using the effective interest method less any loss allowance. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is recognized under "Interest income calculated using the effective interest method" in the statements of income. The losses arising from impairment of financial assets at amortized cost are recognized in "Impairment losses" in the statements of income.

When such financial assets are sold or disposed of under specific circumstances, the gain or loss is recognized as "Trading and securities gain (loss) - net" in the statements of income.

The Bank's financial assets at amortized cost include cash and other cash items, due from BSP, due from other banks, interbank loans receivable, investment securities at amortized cost, loans and receivables, and returned checks and other cash items and rental deposits included under "Other assets" in the statements of financial position.

Financial Assets at FVOCI
A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- the contractual terms of the financial asset give rise on specific dates to cash flows that are SPPI.

Debt financial assets meeting these criteria are measured initially at fair value plus transaction costs. These instruments are subsequently measured at fair value with gains and losses due to changes in fair value recognized under "Net unrealized gain (loss) on financial assets at FVOCI" in the statements of OCI. Interest earned on these instruments is recognized under "Interest income calculated using the effective interest method" in the statements of income.

Financial Assets at FVTPL
All other financial assets not measured at amortized cost or at FVOCI are classified as measured at FVTPL.

This category includes held-for-trading (HFT) investments and derivative assets.

a. *HFT Investments*
   HFT investments are recorded in the statements of financial position at fair value. Changes in fair value relating to the held-for-trading positions are recognized in "Trading and securities gain (loss) - net" in the statements of income. Interest earned is recorded under "Interest income on financial assets at FVTPL" in the statements of income.

b. Derivative Assets
   The Bank is counterparty to derivative contracts, such as forwards and cross-currency swaps. These derivatives are entered into as a service to customers, as a means of reducing or managing their respective foreign exchange exposures and for trading purposes. Such derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value.

Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting cash flow hedges and hedges in net investment in foreign operation) are taken directly to "Foreign exchange gain - net" in the statements of income. Derivatives are carried as assets when the fair value is positive.

The method of recognizing fair value gains and losses depends on whether derivatives are held-for-trading or are designated as hedging instruments, and if the latter, the nature of the risks being hedged.

The Bank's derivative transactions include cross-currency swap and forward contracts.

The Bank may, at initial recognition, irrevocably designate financial assets that are debt instruments as measured at FVTPL, subject to the following requirements:

- The Bank has in place appropriate risk management systems including related risk management policies, procedures, and controls; and

- The Bank applies the fair value option only to instruments for which fair values can be reliably estimated.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Equity Instruments
Financial assets that are equity instruments shall be classified under any of the following categories:

a. Financial assets measured at FVTPL which shall include financial assets HFT; or

b. Financial assets at FVOCI which shall consist of:

   i. Equity instruments that are irrevocably designated at FVOCI at initial recognition that are neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which PFRS 3, *Business Combinations* applies; or

   ii. Financial assets mandatorily measured at fair value. These include investments in equity instruments which do not have quoted price in an active market for an identical instrument.

In limited circumstances, PFRS 9 permits an entity to use the cost as an appropriate estimate of the fair value of unquoted equity investments on cases such as:

- When insufficient more recent information is available to measure fair value; or

- When there is a wide range of possible fair value measurements and cost represents the best estimate of fair value in the range.

Dividends earned from equity instruments are recognized in “Miscellaneous - net” in the statements of income when the Bank’s right to receive payment has been established.

Business Model in Managing Financial Assets
The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio operation and the operation of those policies in practice. In particular, whether management’s strategy focuses in earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Bank's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

- the frequency, volume and timing of sales in prior periods, the reason for such sales and its expectation about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

Sale of financial assets under the business model of held-to-collect is permitted under these circumstances:

- Sales of assets before maturity date is immaterial or infrequent and is due to reasons such as:

    - Credit deterioration of obligor/issuer
    - Change of tax treatment
    - Switch of eligible assets that better meet the regulatory compliance objective
    - Excess assets no longer required for meeting regulatory ratio/limit as a result of material balance sheet change

Each sale must be pre-approved by the Treasury Group Head and the Chief Financial Officer. In consideration of market movements that may affect sales, pre-approvals must be completed within one business day.

Recurring sales under the business model of held-to-collect-and-sell are permitted as long as any of the following conditions are met:

- sale of securities sold have been held for at least 30 days to realize capital gain or loss. There is no limitation on the number or the contract size of sale;

- approval of the Treasury Group Head has been obtained for the sale of securities that have been held for less than 30 days, unless the sale is due to any of the following, in which case, the holding period requirement is not necessary:

    - credit deterioration of the issuer;
    - liquidity stress;
    - undue market risk; or

- excess assets no longer required for regulatory purposes; and

- other reasons for the approval of sale of securities that have been held for less than 30 days such as to adjust or re-balance the Bank's net risk and value realization per security should be approved by the Treasury Group Head and sale of securities do not exceed five times in a calendar year.

Assessment of Whether Contractual Cash Flows are Solely Payments of Principal and Interest

For the purposes of assessment, principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money.

Financial Liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or at FVTPL.

Financial liabilities are classified and subsequently measured at amortized cost using the effective interest method, except for financial liabilities measured at FVTPL. Financial liabilities measured at FVTPL consist of: (a) financial liabilities HFT, including derivative liabilities that are not accounted for as hedging instruments; and (b) financial liabilities designated at fair value through profit or loss.

The Bank may, at initial recognition, irrevocably designate financial liabilities as measured at FVTPL.

The Bank's financial liabilities at amortized cost include deposit liabilities, bills payable, outstanding acceptances, manager's checks, accrued interest and other expenses (except retirement liability, accrued taxes and other non-financial accruals) and other liabilities (except withholding taxes payable and provision for liability).

Financial liabilities at FVTPL include derivative liabilities held-for-trading arising from cross-currency swap and forward contracts. Similar to derivative assets, any gains or losses arising from changes in fair values of derivative liabilities are taken directly to "Foreign exchange gain - net" in the statements of income. Derivatives are carried as liabilities when the fair value is negative.

Reclassification of Financial Assets and Financial Liabilities

Financial assets are reclassified when, and only when, the Bank changes its business model for managing financial assets in accordance with the provisions of PFRS 9. Reclassifications other than due to change in business model are not permitted.

A change in the Bank's business model is expected to be very infrequent and must be determined as a result of external and internal changes that are significant to the Bank's operations and demonstrable to external parties. Hence, such change in business model must be approved by the Bank's management and such fact properly documented.

A change in the objective of the Bank's business model must be effected before the reclassification date.

The Bank does not effect a reclassification within the period of change in the business model. Any reclassification of financial assets due to change in business model should take effect from the beginning of the next reporting period of the Bank's financial statements; provided, that the change in business model be disclosed in the financial statements in the period of change consistent with PFRS 7which require among others the disclosure of objectives, policies and processes for managing the risk from financial instruments and any changes to those objectives, policies and procedures.

Financial liabilities are not reclassified.

Impairment of Financial Assets
At each reporting date, the Bank uses the expected credit loss (ECL) model in the assessment of the losses from financial assets such as due from BSP, due from other banks, interbank loans receivable, financial assets at FVOCI - debt securities, investment securities at amortized cost, loans and receivables and off-balance sheet credit commitments and financial guarantees not measured at FVTPL.

ECL is a forward-looking approach in measuring the difference between the cash flows that are due to the Bank in accordance with the contractual terms of a financial instrument and the cash flows that the Bank expects to receive. The Bank considers the past events, the current situation and the forecast of future economic conditions to identify whether the credit risk of financial instruments have been significantly increased since the initial recognition. The ECL model considers losses from initial recognition and at each reporting date. Three stages of impairment are used for the entire financial asset that serves as an objective basis in determining significant increase in credit risk.

The definitions of the stages are as follows:

- Stage 1 - recognition of 12-month ECL when asset is originated or purchased, except for a purchased or originated credit-impaired financial asset;

- Stage 2 - recognition of collective and individual lifetime ECL when credit quality of financial asset deteriorates significantly; and

- Stage 3 - individual lifetime ECL when credit losses are incurred or asset is credit impaired.

Stage 3 classified assets are assessed using the specific impairment methodology for corporate loans.

The Bank uses three variables in computing the ECL:

- Probability of Default (PD) or the likelihood of a customer defaulting;

- Loss Given Default (LGD) which means how much exposure is expected to be lost if customer defaults; and

- Exposure at Default (EAD) or the outstanding amount of obligation at time of default which covers both the principal and the accrued interest.

For purchased or originated credit assets that are credit-impaired at initial recognition, the Bank calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

Detailed discussions on the recognition and measurement of ECL in relation to credit risk management practices are disclosed in Note 5.

Modification of Financial Assets and Financial Liabilities
Financial Assets
If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and

- other fees are included in the statements of income as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original EIR of the asset and recognizes the resulting adjustment as a modification gain or loss in the statements of income. For floating-rate financial assets, the original EIR used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as “Interest income calculated using the effective interest method” in the statements of income.

Derecognition of Financial Instruments

Financial Assets

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of the ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of: (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that had been recognized in the statements of income.

Any cumulative gain or loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in the statements of income on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability. The Bank enters into transactions whereby it transfers assets recognized on its statements of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognized. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the derecognition criteria. An asset or liability is recognized for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial Liabilities

Financial liabilities are removed from the statements of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognized in the statements of income.

Determination of Fair Value
The Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e., the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in the statements of income on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, due from BSP, due from other banks and interbank loans receivable that are convertible to known amounts of cash with original maturities of three months or less from dates of placements and that are subject to insignificant risk of changes in value.

Cash and cash equivalents are carried at amortized cost in the statements of financial position.

Property and Equipment and Right-of-Use Assets

Depreciable properties which include bank premises, furniture, fixtures and equipment, leasehold rights and improvements, computer and transportation equipment are stated at cost less accumulated depreciation and amortization and accumulated impairment loss, if any. Except for right-of-use assets presented under bank premises, the initial costs of property and equipment consists of purchase price, including import duties, taxes, and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of the equipment when the cost is incurred and if the recognition criteria are met, but excludes repairs and maintenance cost. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Right-of-use assets are presented together with property and equipment in the statements of financial position. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimate of costs dismantle and remove any improvements made to branches or office premises, less any incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or to the end of lease term. The right-of-use assets are stated at cost less accumulated depreciation, less accumulated impairment loss, if any.

The Bank does not recognize right-of-use assets for leases with term of 12 months or less and leases of low-value assets. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Depreciation and amortization of owned assets is calculated using the straight-line method over the estimated useful lives of the depreciable assets. Leasehold rights and improvements are amortized over the shorter of the term of the related lease or the estimated useful lives of the leasehold improvements.

The range of estimated useful lives of the owned depreciable assets follows:

	Number of Years
Bank premises (except right-of-use assets)	30
Right-of-use assets	3 - 10
Transportation equipment	5
Furniture, fixtures and equipment	5
Computer equipment	3
Leasehold rights and improvements	3 - 5

The depreciation and amortization method and useful life are reviewed periodically to ensure that the method and the period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset') is recognized in the statements of income in the reporting period the asset is derecognized.

Foreclosed Properties - Investment Properties and Properties under Trustee

Foreclosed properties are measured initially at cost including transaction costs. A foreclosed property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of the asset cannot be measured reliably, in which case the investment property acquired is measured at the carrying amount of asset given up. Foreclosed properties are classified under "Investment properties" in the statements of financial position unless transferred to a trustee bank. In which case, the foreclosed properties are classified under "Other assets" account in the statements of financial position. Subsequent to initial recognition, depreciable foreclosed properties are carried at cost less accumulated depreciation and impairment loss, if any.

Expenditures incurred after the foreclosed properties have been put into operations, such as repairs and maintenance costs, are normally charged to operations in the period in which the costs are incurred.

Transfers are made to foreclosed 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. Transfers are made from foreclosed properties when there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sell.

Depreciation is calculated on a straight-line basis over the estimated remaining useful life from the time of acquisition of the foreclosed properties. The estimated useful lives of the Bank's foreclosed properties range from 10 to 40 years. The period and method of depreciation are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of foreclosed properties.

Foreclosed properties are derecognized when they have either been disposed of or when the foreclosed property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an foreclosed properties are recognized in the statements of income in the year of retirement or disposal.

Computer Software Costs

Computer software costs (included under "Other assets" in the statements of financial position) are costs incurred relative to the development of the Bank's software. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Costs are amortized on a straight-line basis over five to eight years and are included under "Amortization of computer software costs" in the statements of income.

Costs associated with maintaining the computer software programs are recognized as expense when incurred.

Impairment of Non-financial Assets

Property and Equipment, Investment Properties, and Computer Software Costs

At each reporting date, the Bank assesses whether there is any indication that its property and equipment, investment properties and computer software costs are impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of recoverable amount. Recoverable amount is the higher of a non-financial asset's fair value less costs to sell and its value in use and is determined for an individual non-financial asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs.

Where the carrying amount of a non-financial asset exceeds its recoverable amount, the non-financial asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is charged to "Impairment losses" in the statements of income in the year in which it arises. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of income. After such a reversal, any depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Financial Guarantee Contracts

In the ordinary course of business, the Bank gives financial guarantees consisting of letters of credit, letters of guarantees and acceptances. Financial guarantees are those issued by the Bank to creditors as allowed under existing rules and regulations whereby it guarantees third party obligations by signing a guarantor in the contract or agreement. Letters of credit are commitments under which, over the duration of the commitment, the bank is required to provide a loan or credit with pre-specified terms to the customer. The nominal contractual value of financial guarantees are not reflected in the statement of financial position.

Service fees and commission income will be recognized upon booking of the guarantee.

Revenue Recognition

Interest Income

Effective Interest Rate

Interest income and expense are recognized in the statements of income using the effective interest rate method. When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all the contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted EIR is calculated using estimated future cash flows including ECL.

Calculation of Interest Income
The effective interest rate of a financial asset is calculated on initial recognition. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then 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 the 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 improves.

Presentation
Interest income presented under “Interest income calculated using the effective interest method” in the statements of income includes interest earned on financial assets at amortized cost and at FVOCI.

Interest income on financial assets at FVTPL is presented under “Interest income on financial assets at FVTPL” in the statements of income.

Service Fees and Commission Income
The Bank earns fee and commission income from the diverse range of services it provides to its customers. Fees arising from negotiating or participating in the negotiation of a transaction for a third party - such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses - are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance, such as corporate finance fees, and loan syndication fees are recognized in the statements of income as the related services are performed. Service charges and penalties relating to loan receivable and deposit transactions are recognized only upon collection or accrued when there is reasonable degree of certainty as to its collectability.

The Bank disaggregates its service fees and commission income arising from contracts with customers into major service lines and into reportable segments (see Note 24).

Trading and Securities Gain (Loss) - net
Trading and securities gain - net include all gains and losses from changes in fair value for financial assets at FVTPL and realized gains or losses on disposals of financial asset at FVTPL, debt financial assets at FVOCI and investment securities at amortized cost.

Foreign Exchange Gain - net
Foreign exchange gain - net consists of gains and losses due to the differences in exchange rate from translating transaction currency to functional currency in the statements of income.

Other Income
Income from sale of services is recognized upon rendition of the service. Income from sale of properties is recognized when the risks and rewards of ownership of the property are transferred, the amount of revenue can be estimated reliably and the collectability is reasonably assured.

Expense Recognition
Expenses are recognized in the statements of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in statements of income:

- on the basis of a direct association between the costs incurred and the earning of specific items of income;

- on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or

- immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Expenses in the statements of income are presented using the nature of expense method.

Income and expenses are presented on a net basis only when permitted by the accounting standards.

Leases
At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in PFRS 16.

Bank as Lessee
The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The initial amount of the right-of-use asset comprises the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimate of costs to restore the underlying asset, less any incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term. The right-of-use assets are stated at cost less accumulated depreciation and amortization, and accumulated impairment loss, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

(a) Fixed payments, including payments that may in form contain variability but in substance are unavoidable;
(b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(c) Amounts expected to be payable under a residual value guarantee; and

(d) Amounts expected for the exercise price under a purchased option, lease payments under an extension option and penalties for early termination, if the Bank is reasonably certain to exercise or early terminate.

The lease liability is measured by the effective interest method to recognize the interest expense and remeasured to reflect the changes as follows:

(a) The lease term changes;
(b) The future lease payment changes to reflect a change in an index or rate; or
(c) If there is a change in the estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured to reflect the above changes, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in statements of income if the carrying amount of the right-of-use has been reduced to zero.

The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

<u>Employee Benefits</u>

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Bank has a present or legal constructive obligation to pay this amount as a result of past service provided by the employees and the obligation can be estimated reliably.

Retirement Benefits

The Bank's personnel are covered by a funded noncontributory defined benefit retirement plan.

The Bank's net obligation in respect of the defined benefit plans is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Bank, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in the statements of OCI. The Bank determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. Current service cost and other income and expenses related to defined benefit plans are recognized in the statements of income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statements of income.

The Bank recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Share-based Payment Transactions
Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, and the corresponding increase in owners' equity is recognized. The vesting period is estimated based on the ultimate vesting conditions that must be satisfied. The vesting conditions include service conditions and performance conditions, including market conditions. In valuing equity-settled payments, no account is taken of any vesting conditions other than market conditions.

Income Taxes
Income tax comprises current, deferred and final taxes. Income tax is determined in accordance with Philippine tax law. Income tax is recognized in the statements of income, except to the extent that it relates to items recognized directly in equity. Tax on these items is recognized in the statements of OCI.

Current Income Tax
Current income tax is the expected tax payable on the taxable income for the period, using tax rates and laws that have been enacted or substantively enacted at the statements of financial position date, together with adjustments to tax payable in respect of prior years. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any.

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

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carry-forward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO) to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from MCIT and unused NOLCO can be utilized.

Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

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

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. These reflect uncertainty related to income taxes, if there is any.

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

Final Tax
Final tax is a kind of withholding tax which is prescribed on certain income payments and is not creditable against the income tax due of the payee on other income subject to regular rates of tax for the taxable year. Tax withheld constitutes the full and final payment of the tax due from the payee on the particular income subjected to final withholding tax.

Equity
Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to “Additional paid-in capital” account in the statements of financial position. Direct costs incurred related to equity issuance such as underwriting, accounting and legal fees, printing costs and taxes are charged to “Additional paid-in capital” account. If the additional paid-in capital is not sufficient, the excess is charged against the “Retained earnings” account.

Retained earnings represent accumulated earnings of the Bank less dividends declared, if any.

Restricted retained earnings represent the Bank’s accumulated retained earnings which is not available for distribution to shareholders as dividends since it is appropriated for minimum capital requirements per BSP Circular No. 854, BASEL III requirements, and ICAAP requirements per BSP Circular No. 639.

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

Diluted earnings per share is computed dividing net income for the year by the weighted average number of common shares outstanding during the year adjusted for the effects of any dilutive securities.

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

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

4. Significant Accounting Judgments and Estimates

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

The most significant areas where judgments and estimates have been made are set out below:

<u>Judgments</u>

Business Model Assessment

Debt securities held are classified based on the Bank's business models for managing the debt securities which are determined and assessed at the portfolio level that reflects how groups of debt securities are managed together to achieve the particular business objectives (e.g. to collect contractual cash flows or to trade to realize fair value changes) of the respective business model.

The Bank's business models for managing debt securities held determine the nature and source of the cash flows resulting from the investments. As such, the assessment of the business models for managing the debt securities is subject to judgment that is not determined by a single factor or activity. Instead, the Bank must consider all relevant evidence that is available at the date of the assessment.

Assessment of Whether Contractual Cash Flows are Solely Payments of Principal and Interest

The classification of a financial asset is based on whether, on specified dates, the contractual terms of the financial asset give rise to cash flows are SPPI on the principal amount outstanding. This involves assessment of whether the contractual cash flows that are SPPI are consistent with a basic lending arrangement. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest.

As such, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, the period for which the interest rate is set and the contractual terms that change the timing or amount of the cash flows.

Significant Increase in Credit Risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and credit assessment, including forward-looking information.

The Bank's qualitative and quantitative factors modelling in the determination of whether credit risk of a particular exposure is deemed to have increased significantly since initial recognition is disclosed in Note 5.

Determining Functional Currency
PAS 21 *The Effects of Changes in Foreign Exchange Rates* requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Bank considers the following:

- the currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);

- the currency in which funds from financing activities are generated; and

- the currency in which receipts from operating activities are usually retained.

Leases - Bank as Lessee
The Bank leases properties, land and buildings for the premises it uses for its operations.

In determining whether the Bank is a party to a lease contract as a lessee, the Bank assesses whether all of the three elements below are present:

- The contract has an identified asset;

- The Bank has the right to obtain substantially all of the economic benefits from the use of the identified asset; and

- The Bank has the right to direct the use of the identified asset.

<u>Estimates</u>
Incremental Borrowing Rate
The Bank estimates its discount rate on leases based on incremental borrowing rate. Incremental borrowing rate is the interest rate the Bank would have to pay over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Determining the incremental borrowing rate is a challenge to the Bank considering its limited debt arrangements with other banks. As such, an estimate of appropriate incremental borrowing rate is derived by averaging long-term negotiable certificate of deposit rates issued by peer banks from 12 months prior to the lease commencement date. Such estimate is determined by the Bank on a lease-by-lease basis.

In 2023 and 2022, new lease contracts were individually assessed for the determination of an appropriate incremental borrowing rate.

Impairment Losses on Financial Instruments
The Bank reviews its financial instruments monthly for the assessment of the sufficiency of the loss allowances recorded in the statements of financial position.

In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of qualitative and quantitative factors where different results may result in future changes to the loss allowances.

In addition to specific allowance against individually significant loans and receivables, the Bank also provides a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is done by considering information that is indicative of significant increases in credit risk on a group or sub-group of financial instruments.

As at December 31, 2023 and 2022, the loss allowance on financial instruments amounted to at P2.1 billion and P1.6 billion, respectively (see Note 12). This includes loss allowance on loans and receivables, interbank loans receivable, debt financial assets at FVOCI, investment securities at amortized cost and off-balance sheet commitments and contingencies.

As at December 31, 2023 and 2022, the carrying value of loans and receivables and interbank loans receivable, net of loss allowance, amounted to P49.3 billion and P46.3 billion (see Note 8); P71.8 million and P568.6 million, respectively (see Note 6).

As at December 31, 2023 and 2022, the loss allowance on off-balance sheet commitments and contingencies, investment securities at amortized cost and debt financial assets at FVOCI amounted to P28.2 million and P16.8 million; P12.7 million and P2.1 million; and P5.6 million and P0.8 million, respectively (see Note 12).

Determining Inputs into ECL Measurement Model
In computing the ECL, the Bank uses three variables: (a) PD; (b) LGD; and (c) EAD. The determination of the amounts of the variables involves identifying and documenting key drivers of credit risk and credit losses for each portfolio of financial instruments and using an analysis of historical data to estimate relationships between macro-economic variables and credit risk and credit losses. Identified drivers for credit risk include GDP growth, inflation and unemployment rate.

Detailed discussions on the Bank’s inputs to the ECL model are disclosed in Note 5.

Determining Fair Value of Financial Instruments
Where the fair values of financial assets and financial liabilities recorded on the statements of financial position or disclosed in the notes cannot be derived from active markets, they are determined using a variety of valuation techniques acceptable to the market as alternative valuation approaches that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in estimating fair values.

The evaluation includes considerations of liquidity and model inputs such as correlation and volatility.

Moreover, the Bank measures its unquoted equity securities at their carrying amounts since there were no readily available information sufficient to determine their fair values at the measurement date considering that these are not significantly affected by the changes in market conditions and passage of time.

Recognition of Deferred Tax Assets
Deferred tax assets are recognized for all unused tax losses and future tax credits to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The Bank did not recognize deferred tax assets as at December 31, 2023 and 2022 amounting to P63.66 million and P60.4 million, respectively (see Note 21).

Present Value of Defined Benefit Retirement Obligation
The present value of the defined benefit retirement obligation depends on a number of factors and assumptions such as discount rate and salary increase rate. These assumptions are described in Note 19 to the financial statements.

The Bank determines the appropriate discount rate at the end of each reporting period. It is the interest rate that should be used to determine the present value of estimated future cash outflows to settle the retirement obligations. In determining the appropriate discount rate, the Bank considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions. While it is believed that the Bank's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Bank's defined benefit retirement obligation.

The present value of the Bank's defined benefit retirement obligation amounted to P341.0 million and P270.2 million as at December 31, 2023 and 2022, respectively (see Note 19).

The net retirement liability of the Bank amounted to P145.5 million and P106.5 million as at December 31, 2023 and 2022, respectively (see Notes 15 and 19).

Impairment of Non-financial Assets
At each reporting date, the Bank assesses whether there is any indication of impairment on property and equipment and investment properties or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of the net recoverable amount.

The net recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the net recoverable amount is assessed as part of the cash-generating unit to which it belongs. Value in use is the present value of future cash flows expected to be derived from an asset or cash-generating unit while fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable and willing parties less any costs of disposal. Where the carrying amount of an asset exceeds its net recoverable amount, the asset is considered impaired and is written-down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

An impairment loss is charged against operations in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that the previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the net recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's net recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its net recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the statements of income.

After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

5. Financial Risk and Capital Management Objectives and Policies

The Bank is in the business of creating value out of taking risks. The Bank's major risks consist of Credit Risk, Market Risk, Liquidity Risk, Interest Risk, and Operational Risk. Other risks monitored include Strategic and Legal risks.

The major objective of the risk management of the Bank is to control the risk under the scope approved by the Board of Directors (BOD) by using effective management methods to utilize resource and create maximum economic profit.

Risk Management Structure
The BOD is ultimately responsible for oversight of the Bank's risk management process. It created the Risk Management Committee (RMC), a board-level independent committee with explicit authority and responsibility for managing and monitoring risks.

Risk Management Committee - Powers, Duties and Functions
The RMC shall be responsible for the development and oversight of the Bank's Risk Management Program. It shall provide general direction and define the risk philosophy of the Bank.

It shall oversee the system of limits to discretionary authority that the Board delegates to management, will ensure that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached.

The RMC shall review and approve the Bank's Internal Capital Adequacy Assessment Process (ICAAP). This also includes the review of the Bank's Risk Capital Framework (e.g. credit, market, liquidity and operational risks), including significant inputs and assumptions.

The following principles summarize the Bank's overall approach to risk management:

- The BOD provides the overall direction and supervision of the Bank's risk management;

- The key risks faced by the Bank - both financial and non-financial - are managed by appropriate functional levels within the Bank;

- The risk management functions are independent from the businesses and provide check-and-balance for risk taking units;

- Risk management involves managing the balance between risk and reward, to enable the Bank to fulfill its commitment to protect shareholder interest, as well as deliver value to the banking public, and comply with relevant regulations; and

- Risk management process is done via four steps: (1) *Risk Identification* - involves selecting the method for risk identification and describing the characteristics of risks; (2) *Risk Measurement* - refers to the establishing/maintenance of tools or methods to measure risk and identifying the responsible units that will ensure the effectiveness or appropriateness of the risk measurement tools or methods; (3) *Risk monitoring* - pertains to the setting up of assessment frequency, reviewing of risk status, and proposing and implementing of action plans; and (4) *Risk Reporting* - includes clearly defining the reporting mechanism, necessary content and relevant assessment mechanism.

<u>Credit Risk</u>
Credit risk is the risk that one party to a financial transaction will fail to honor an obligation and cause the Bank to incur a financial loss. Credit risk arises primarily from the Bank's corporate and retail loans (customer credit risk) and investment securities (counterparty credit risk).

With respect to customer credit risk for Institutional Banking, the Institutional Credit Management Group (ICMG) is mainly responsible for the following:

(a) safeguard the quality of the Bank's institutional loan portfolio; and

(b) provide support services to the lending units of the Bank.

To safeguard the quality of the loan portfolio of the Bank, ICMG performs the following functions:

(a) conduct pre-approval review of credit proposals of lending units;

(b) assist in structuring appropriate credit facilities;

(c) provide policy guidelines to the lending units in order to standardize the credit process;

(d) coordinate with the lending units on the required post-approval requirements (i.e., Interim Review, Account Planning, etc.) in the management of existing accounts;

(e) conduct regular meetings to discuss problem accounts;

(f) review/endorse loan loss provisions for problematic accounts; and

(g) provide senior management with reports pertaining to the quality of the loan portfolio.

Each credit proposal undergoes an evaluation process in order to determine its acceptability. The evaluation process involves the identification of credit risks after having assessed key factors including, management, appropriateness of credit facilities, terms and conditions, financial performance and condition, collateral and others.

The credit risk identification framework also consists of an internal risk rating system for corporate accounts that has a blend of both quantitative and qualitative factors. The Obligor Risk Rating (ORR) ranges from ORR 0 to 17, with ORR 0 being the lowest credit risk and 14 to 17 representing the classified grades.

One of the Bank's risk monitoring exercises is its semi-annual review of corporate accounts via annual review and interim review. For Watch-List (EW1) accounts, review should be conducted at least once every three (3) months. Interim review with an interval of 12 months are only allowed for accounts fully-secured by cash or government securities, accounts whose sole credit facility with the Bank is fully-secured by unconditional and irrevocable Sovereign Guarantee, or under a specific credit/product program. Interim review serves the purpose of monitoring the borrower's usage of fund, relationship with the Bank, updated financial performance, repayment capability, identification of major risks, outlook, etc. It also assesses account classification and/or ORR.

If deterioration in credit is identified, Institutional Banking Group (IBG) has the responsibility to include it in any of the Early Warning (EW) buckets. This calls for the submission of a Notification report, quarterly or more frequent interim review (for EW1 accounts), and Account Planning Reports (APR) for EW2 and EW3 accounts. If deemed appropriate, EW2 and EW3 accounts may be transferred to the Special Accounts Managers (SAM) for handling. Apart from these, the Relationship Manager (RM) who is responsible to improve business relationships with the Bank's clients and the Special Accounts Manager (for accounts that have been transferred) are required to provide updates during Credit Committee meetings.

The IBG RM or SAM and Litigation Head of the Legal Department are also required to report to the Credit Committee the status of the classified and EW accounts at least twice a month. Depending on the outstanding exposure of an EW2/EW3 account, the RM or SAM regularly prepares the Account Planning Reports for approval. The APR covers the loan details of the account including the outstanding principal, loan loss provision, the action plan and present status of the account which includes the progress diary enumerating the series of events that took place covering the account planning period and financial/operation analysis. The same APR is referenced for the corresponding BSP classification.

EW and NPL Accounts Report are also being prepared by Management Reporting Services Unit (MRSU) for senior management guidance covering the list of classified accounts and its corresponding loan loss provision.

The Head of Institutional Credit Control Department (ICCD) under ICMG reports regularly to the Credit Committee to discuss the corporate credit risk profile including but not limited to the past due loan, non-performing loan, concentration risk, action plan for each non performing account and their corresponding timeline. In addition, ICMG is also responsible for managing credit risk of Small and Medium Enterprise (SME) loans effective February 15, 2023.

On the Retail Banking side, the Retail Credit Management Group (RCMG) is responsible in managing retail credit risk that mainly arises from granting of loans for the personal consumption of the individual borrowers such as public loans, salary loans for employees of accredited corporate entities and housing or mortgage loans. RCMG was responsible in managing SME loans from October 2015 until February 14, 2023, before the product was transferred to ICMG.

For retail loans, risk is firstly assessed and managed by the design of product or testing programs. For public personal loans, the risk assessment is accomplished through the use of Application and Behavioral credit scorecards. For corporate personal loans and mortgage/housing loans, the risk assessment is performed through the implementation of risk caps (program and deviation) and execution of a risk criteria review process (rule-based criterion or eligibility criteria).

The Bank's internal risk rating for its retail accounts, referred to as Credit Risk Rating (CRR), ranges from CRR 1 to 20, with CRR 1 being the lowest credit risk.

In line with this approach, risk identification is performed through the following process workflow stages:

Process	Unsecured Personal Loan	Housing/ Mortgage Loan
Pre-screening	Y	Y
Duplicate check	Y	Y
Policy check	Y	Y
Credit risk scoring/rating	Y for Public Personal Loans	Y
Credit verification	Y	Y
Appraisal	N	Y
Deviation review	Y	Y
Approval/reject	Y	Y

In the execution of the above processes, functional segregation of processor, evaluator and approver responsibilities are observed. Approving authorities are granted based on qualification, competence and capacity. The approving authority hierarchy follows retail core credit policy set by the Parent Bank such that credit delegation is defined by credit officer and senior credit officer levels, by amounts and by risk level in evaluation and approval of its loan applications by product.

In addition, the RCMG also handles retail loan portfolio performance reviews and reporting through preparation of monthly asset quality reports, loan portfolio analyses and scorecard performance monitoring reports. Included in these periodic reports are through-the-door analysis, delinquency performance review, industry performance review, risk classification review, scorecard measurement benchmarks review as well as tracking of risk caps.

The Bank had carried out sensitivity analysis of key economic variables used in forward-looking measurement. The table below show the sensitivity of the Bank's expected credit losses to possible changes in key economic indicators.

	Economic Indicators Appreciates by	Effect on ECL	%	Economic Indicators Depreciates by	%	Effect on ECL
2023	**10%**	**(P73,092,815)**	**(9.56%)**	**(10%)**	**11.43%**	**P87,374,690**
2022	10%	(35,586,567)	(6.10%)	(10%)	5.19%	30,251,157

These functions enable the RCMG in the crafting of new and enhanced credit policies and processes that mitigates possible losses due to retail credit risk.

In 2022 and 2023, the Bank was able to observe accounts which have availed of the debt relief programs or showed signs of weakening of financial conditions since the start of the pandemic. These accounts were then re-assessed and timely classified thereby allowing the Bank to determine specific provisions for classified accounts based on probability of collection assumptions which takes into account the circumstances of the borrower, the industry, and the economy as a whole.

Counterparty Credit Risk
Credit risk with respect to investment securities, including derivative financial instruments, is generally limited to the carrying values (positive fair values for derivatives) reported in the statements of financial position. Counterparty credit risk could arise as a result of counterparties defaulting on their obligations to pay the principal and coupon (positive fair value at maturity for derivatives).

Maximum Exposure to Credit Risk after Collateral Held or Other Credit Enhancements
An analysis of the maximum exposure to credit risk after taking into account any, collateral held or other credit enhancements is shown below (in thousands):

		2023			
	Note	**Gross Maximum Exposure**	**Fair Value of Collateral**	**Net Exposure to Credit Risk**	**Financial Effect of Collateral or Credit Enhancements**
Credit Risk Exposure Relating to On-balance Sheet Assets are as Follows					
Financial assets at amortized cost:					
Due from BSP		**P3,426,463**	**P -**	**P3,426,463**	**P -**
Due from other banks		**1,109,317**	**-**	**1,109,317**	**-**
Interbank loans receivable - gross		**71,981**	**-**	**71,981**	**-**
Investment securities - gross	*7*	**12,855,880**	**-**	**12,855,880**	**-**
Loans and discounts - gross:	*8*				
Institutional banking		**40,660,548**	**2,973,633**	**37,686,915**	**2,973,633**
Retail banking		**5,259,923**	**-**	**5,259,923**	**-**
Mortgage banking		**4,057,932**	**2,538,961**	**1,518,971**	**2,538,961**
Small business loans		**457,332**	**452,267**	**5,065**	**452,267**
Accrued interest receivable		**660,506**	**-**	**660,506**	**-**
Other receivables		**205,635**	**-**	**205,635**	**-**
Other assets*		**53,595**	**-**	**53,595**	**-**
Subtotal		**68,819,112**	**5,964,861**	**62,854,251**	**5,964,861**
Financial assets at FVTPL:	*7*				
Quoted debt securities		**485,672**	**-**	**485,672**	**-**
Derivative assets		**52,667**	**-**	**52,667**	**-**
Subtotal		**538,339**	**-**	**538,339**	**-**
Financial assets at FVOCI:	*7*				
Quoted debt securities		**6,475,889**	**-**	**6,475,889**	**-**
		75,833,340	**5,964,861**	**69,868,479**	**5,964,861**
Credit Risk Exposures Relating to Off-balance Sheet Items are as Follows					
Credit commitments and other credit related liabilities		**6,141,200**	**-**	**6,141,200**	**-**
Total		**P81,974,540**	**P5,964,861**	**P76,009,679**	**P5,964,861**

		2022			
	Note	Gross Maximum Exposure	Fair Value of Collateral	Net Exposure to Credit Risk	Financial Effect of Collateral or Credit Enhancements
Credit Risk Exposure Relating to On-balance Sheet Assets are as Follows					
Financial assets at amortized cost:					
Due from BSP		P3,184,802	P -	P3,184,802	P -
Due from other banks		875,457	-	875,457	-
Interbank loans receivable - gross		568,701	-	568,701	-
Investment securities - gross	*7*	11,079,199	-	11,079,199	-
Loans and discounts - gross:	*8*				
Institutional banking		37,818,194	4,340,532	33,477,662	4,340,532
Retail banking		4,528,996	-	4,528,996	-
Mortgage banking		3,159,581	1,998,407	1,161,174	1,998,407
Small business loans		1,010,730	993,731	16,999	993,731
Accrued interest receivable		578,628	-	578,628	-
Other receivables		814,491	-	814,491	-
Other assets*		54,763	-	54,763	-
Subtotal		63,673,542	7,332,670	56,340,872	7,332,670

Forward

	Note	2022 Gross Maximum Exposure	Fair Value of Collateral	Net Exposure to Credit Risk	Financial Effect of Collateral or Credit Enhancements
Financial assets at FVTPL:	7				
Quoted debt securities		P199,382	P -	P199,382	P -
Derivative assets		114,950	-	114,950	-
Subtotal		314,332	-	314,332	-
Financial assets at FVOCI:	7				
Quoted debt securities		4,312,576	-	4,312,576	-
		68,300,450	7,332,670	60,967,780	7,332,670
Credit Risk Exposures Relating to Off-balance Sheet Items are as Follows					
Credit commitments and other credit related liabilities		3,371,466	-	3,371,466	-
Total		P71,671,916	P7,332,670	P64,339,246	P7,332,670

Includes returned checks and other cash items and rent deposit.

Other receivables include loans granted to employees, sales contract receivable and due from Integrated Credit and Corporate Services (ICCS). Other assets in the table above exclude non-financial assets such as computer software costs - net, prepaid expenses and other charges, net retirement asset and miscellaneous.

Contingent liabilities consist primarily of standby letters of credit, while commitments pertain to undrawn loan commitments for which the Bank is contractually obliged to extend once the borrowers draw on such commitments.

For financial instruments that are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the credit risk that could arise in the future as a result of changes in values.

For financial instruments that are measured at amortized cost, the carrying amount represents the maximum exposure to credit risk as at December 31, 2023 and 2022.

The table below sets out the principal types of collateral held against loans and receivables (in thousands):

	2023	2022
Property	**P4,975,267**	P4,208,728
Cash	**939,590**	3,085,965
Others	**50,004**	37,977
	P5,964,861	P7,332,670

Credit-related Commitments Risks

The Bank extends guarantees, commitment facilities, letters of credit and other off-balance sheet credit-related commitments that may require the Bank to make payments on the borrower's behalf. Such transactions expose the Bank to credit risks similar to loans and receivables and are monitored and managed by the Bank using the same credit risk control and management processes and policies.

Some consumer asset products under this nature are covered by documentations and drafts that are reviewed and prepared by Bank's lawyers and compliance officers to ensure that it is within acceptable risk and standards. Guarantees carry clauses that are all with reference to applicable laws, regulations, and approved guidelines and policies with some carrying expiry periods or validity to ensure that it is time bound and flexible enough to control losses from changes in external environment to include, among others, changing market conditions such as interest rates or pricing, and monetary policies.

Further details on these commitments are disclosed in Note 28.

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

Concentrations of risk are managed by counterparty and by industry sector.

An industry sector analysis of both the on- and off-balance sheet exposures, before taking into account collateral held or other credit enhancements, is as follows (in thousands):

	2023						
	Loans and Receivables		**Other Financial Assets**		**Off-Balance Sheet Exposures**		
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Total**
Manufacturing	**P13,211,454**	**26.8**	**P -**	**0.0**	**P807,841**	**12.5**	**P14,019,295**
Wholesale and retail	**9,732,192**	**19.8**	**-**	**0.0**	**1,490,406**	**23.2**	**11,222,598**
Financial intermediaries	**4,560,660**	**9.3**	**71,981**	**0.4**	**250,000**	**3.9**	**4,882,641**
Electricity, gas and water	**4,117,059**	**8.4**	**-**	**0.0**	**3,347,241**	**52.1**	**7,464,300**
Real estate, renting and business activities	**3,782,835**	**7.7**	**-**	**0.0**	**-**	**0.0**	**3,782,835**
Construction	**2,438,947**	**5.0**	**-**	**0.0**	**491,781**	**7.7**	**2,930,728**
Transport, storage and communications	**1,146,603**	**2.3**	**-**	**0.0**	**19,100**	**0.3**	**1,165,703**
Agriculture, hunting and forestry	**139,546**	**0.3**	**-**	**0.0**	**-**	**0.0**	**139,546**
Public administration and defense	**-**	**0.0**	**19,605,243**	**99.7**	**-**	**-**	**19,605,243**
Others*	**12,172,579**	**24.7**	**-**	**0.0**	**42,470**	**0.7**	**12,215,049**
Total	**51,301,875**	**104.1**	**19,677,224**	**100.1**	**6,448,839**	**100.4**	**77,427,938**
Loss allowance	**(2,034,166)**	**(4.1)**	**(18,440)**	**(0.1)**	**(28,173)**	**(0.4)**	**(2,080,779)**
Unearned interest discount and capitalized interest	**(1,855)**	**0.0**	**-**	**0.0**	**-**	**-**	**(1,855)**
	P49,265,854	**100.0**	**P19,658,784**	**100.0**	**P6,420,666**	**100.0**	**P75,345,304**

	2022						
	Loans and Receivables		Other Financial Assets		Off-Balance Sheet Exposures		
	Amount	%	Amount	%	Amount	%	Total
Wholesale and retail	P6,022,486	13.0	P -	0.0	P1,586,787	47.3	P7,609,273
Manufacturing	14,952,726	32.3	-	0.0	296,174	8.8	15,248,900
Financial intermediaries	4,347,580	9.4	568,701	3.5	-	0.0	4,916,281
Real estate, renting and business activities	3,837,255	8.3	-	0.0	-	0.0	3,837,255
Transport, storage and communications	1,170,116	2.5	-	-	-	-	1,170,116
Construction	1,700,674	3.7	-	-	183,822	5.5	1,884,496
Agriculture, hunting and forestry	139,918	0.3	-	-	-	-	139,918
Electricity, gas and water	3,097,650	6.7	-	-	1,253,307	37.4	4,350,957
Public administration and defense	-	-	15,605,857	96.5	1,376	0.0	15,607,233
Others*	12,642,215	27.3	-	-	50,000	1.5	12,692,215
Total	47,910,620	103.5	16,174,558	100.0	3,371,466	100.5	67,456,644
Loss allowance	(1,623,104)	(3.5)	(2,981)	(0.0)	(16,826)	(0.5)	(1,642,911)
Unearned interest discount and capitalized interest	(1,486)	0.0	-	-	-	-	(1,486)
	P46,286,030	100.0	P16,171,577	100.0	P3,354,640	100.0	P65,812,247

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

Other financial assets include due from BSP, due from other banks, interbank loans receivable and non-equity investment securities.

The Bank generally considers concentration risk as excessive when the ratio of a particular segment's exposure (e.g., this may be an industry demographic attribute, or a program) to the total portfolio exceeds predetermined limits.

The BSP considers that credit concentration risk exists when the total loan exposure to a particular industry or economic sector exceeds 30.0% of the total loan portfolio or 10.0% of Tier 1 capital.

As at December 31, 2023 and 2022, 10% of Tier 1 capital amounted to P983.2 million and P940.4 million, respectively, and the tables above include the 8 groups exceeding this level as of that date. The Credit Committee constantly monitors the credit concentration risk of the Bank.

To manage the Bank's concentration of credit as to industry/economic sector, three (3) industry categories has been established with specific credit exposure limits. The inclusion of Bankwide industry concentration limit enables the Bank to take a more proactive approach, in order to prevent the Bank from unknowingly over-extending loans to identified industries.

a. *Monitored risk category* consists of industries (e.g. agriculture, mining and quarrying, construction, land/water/air transport, real estate activities, education, etc) that are deemed to be of high risk. The combined credit exposures of industries tagged under "Monitored risk category" shall not exceed the 100.0% of the Bank's networth limit.

b. *Restricted category* consists of industries (e.g. manufacturing of weapons and ammunition, night clubs, public administration and defense, gambling and betting activities, etc.) that, given the nature and risk, are considered as higher risk than the Monitored risk category, thus, extending credit facilities to this category is not allowed.

c. *Standard category* are those industries, not tagged under monitored risk or restricted categories, are considered "low risk" and shall have no limit on credit exposures.

CATEGORY	CREDIT EXPOSURE LIMIT
Standard	No limit per industry
Monitored risk	Limited to 100.0% of the Bank's net worth
Restricted	No exposures allowed

The Bank will continue to observe the regulatory limit of 30.0% of Total Loan Portfolio (TLP) excluding interbank loans receivable or 10.0% of Tier 1 capital.

The Bank manages concentration risk by gearing policies towards regular monitoring and periodic review of the set limits per predetermined segments. Updates to the policy include a review of the industry concentration limits and other segmental concentrations within the portfolio. Industries covered under the industry concentration limits are similarly reviewed to update classifications and coverage.

Credit Quality Per Class of Financial Assets

The credit quality of financial assets is monitored and managed using external and internal ratings. The credit quality of investment securities is generally monitored by reference to the internal ratings except otherwise when given tools do not apply to the issuing entity, external ratings provided by accredited external credit assessment rating institutions are used.

In cognizance of the requirements of the BSP, the ORR was implemented to all applicable corporate accounts of the IBG of the Bank. The objectives of the system are the following:

(a) to have a standard system of credit rating;

(b) to be able to objectively quantify the credit quality of an account;

(c) to have a “benchmark” for credit/loan review; and

(d) to train and instill discipline in assessing credit risk among account officers and credit officers.

The rating system is an amalgamation of quantitative and qualitative factors. The quantitative factors include, among others, financial indicators on liquidity, leverage and cash flows. The qualitative factors include among others the quality of management, market standing, reliability of financial statements, etc.

The ORR of each account is recorded together with other information such as the date the ORR is conducted, and the relationship manager who conducted the ORR. These data combined with other historical and future ORR data on the loan portfolio are used to estimate the loan default probability associated with each rating grade.

It is the Bank’s policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of major potential risk and the comparison of credit exposures across all lines of business, demographic and products.

The table below shows the credit risk rating comprising each category of credit quality and the equivalent external grades for each internal credit risk rating applied for comparison purposes only.

	ORR Internal Credit Risk Ratings (Institutional Banking)	Moody’s Equivalent Grades**
Investment grade	0	Applicable to only the central government, central bank and their agencies of the Republic of China and sovereign states with S&P medium- and long-term ratings at AA- or higher, or multilateral development banks with risk weights at 0.0% approved by the Basel Committee on Banking Supervision.
	1	Aa2 or higher
	2	Aa3 to A2
	3	A3
	4	Baa1 to Baa2
	5	Baa3
Sub-investment grade	6	Ba1
	7	Ba2
	8	Ba2*
	9	Ba3
High-risk	10	B1
	11	B2
	12	B3
	13	Caa1 - C
Classified accounts	14	
	15	
	16	
	17	

**already equivalent to substandard status*
***equivalent Standard and Poor’s ratings apply*

Investment grade (ORR 0-5) financial assets are judged to have upper medium to highest quality, with low to moderate credit risk. It includes:

- government, central bank, central government or their related bureaus and entities whose S&P ratings are higher than or equal to AA-;
- multilateral development banks risk weighted at 0.0% by Basel Committee;
- superior multinational banks;
- top multinational corporations;
- above average to exceptionally high quality jumbo firms; and
- exceptionally good middle market and small and medium enterprises.

Sub-investment grades (ORR 6-9) financial assets are judged to have speculative elements are subject to substantial credit risk. It includes:

- below to typically above average jumbo firms,
- below average to very high quality middle market firms, and
- average to very high quality small and medium enterprises.

High Risk Grades (ORR 10-13) financial assets are considered speculative or judged to be of poor standing and are subject to high to very high credit risk. It represents counterparties that include poor, weak, far below average jumbo firms, middle market, and small and medium enterprises. Obligors demonstrating initial warning signals and credit concerns also fall under this category.

Classified financial assets are considered highly speculative to lowest-rated class, with some to little prospect of recovery of principal and interest. These are classified loans by the BSP.

For Retail Banking, credit quality is monitored using internal ratings. For Unsecured personal loans, risk differentiation or risk rating is established by scorecard models. Scorecard variables are assigned scores based on their discriminative power to differentiate good-bad factors. Higher scores assigned to a loan applicant denote better risk and therefore lower propensity to default. For corporate personal loans, the employer's repayment management and performance within its defined default ratio caps is salient to measuring risk.

For mortgage portfolio, risk differentiation is tied to income classification. Performance review of the mortgage portfolio identifies income as a good risk indicator, such that, higher income segment denotes better risk as manifested in the risk-ranking of customers by income bands.

The credit quality of trading and financial investment securities is generally monitored through the internal and external ratings which are provided by eligible external credit rating agencies.

Impairment Assessment

With the implementation of PFRS 9 alongside the effected BSP Circular 855, the Bank adopted the ECL methodology to estimate provisions for loans and other credit accommodations.

The ECL model considers losses from initial recognition and at each reporting date. Three stages of impairment are used for the entire financial asset that serves as an objective basis in determining significant increase in credit risk (SIICR).

The ECL model factors in forward-looking macro-economic risk inputs such as Gross Domestic Product (GDP), Stock Index and General retail price index in NCR. The ECL model parameters are updated on an annual basis. Adjustments are based on forecasted performance of next 3 years, benchmarked to the past 5-year average. PD parameters can be adjusted based on data from reliable source agencies (e.g., Moody's, Global Insights, IMF).

In order to capture the impact of the pandemic on the Bank's loan portfolio, the forward-looking model takes into account the impact of the macro-economic variables on a country perspective and not on a portfolio level, thus, the model was changed to a scenario driven approach (good, baseline, bad scenarios). For RBG, the model considered Stock Index and General retail price index in NCR as these macro-economic variables are highly correlated to the Bank's default rate for RBG portfolio. While for IBG, the model considered GDP Growth rate, Philippines' Purchasing Manager's Index (PMI) for Wholesale & Retail, and Loans Outstanding for Production as these macro-economic variables are highly correlated to the Bank's default rate for IBG portfolio.

The table below lists the macroeconomic assumptions used in the bad, baseline, and good scenarios. The assumptions represent the absolute percentage for Stock Index and General Retail price Index in NCR for 2023 and Stock Index, Real Imports Growth and UR for 2022.

	2023	
	Macro-economic Factors	
Condition	**Stock Index**	**General Retail Price Index in NCR**
Bad	**5,805.04**	**4.05**
Baseline	**6,450.04**	**4.50**
Good	**7,095.04**	**4.95**

	2022		
	Macro-economic Factors		
Condition	Stock Index	Real Imports Growth	Unemployment Rate (UR)
Bad	5,166.96	14.04	5.73
Baseline	5,741.07	15.60	5.20
Good	6,315.18	17.16	4.68

The impact of COVID-19 has been incorporated in the 2024 update of parameters where the 5-year baseline period covers the second quarter of 2018 up to the most recent data available of 4 Q2023 while the 3-year forecast period includes 2024, 2025, and 2026. This was implemented starting with the December 2023 ECL calculation.

Definition of Stages

Institutional Banking

DETERIORATION IN CREDIT QUALITY			
	Stage 1	**Stage 2**	**Stage 3**
Impairment Stage	No significant increase in credit risk (SIICR)	With SIICR	Credit impaired
Recognition of Expected Credit Losses	Collective 12-month ECL when credit risk is low or risk of default has not increased significantly	Collective or Individual Lifetime ECL when credit quality deteriorates significantly but not credit impaired	Individual Lifetime ECL when credit losses are incurred or asset is credit impaired
Staging Criteria*	Early Warning (EW) tagging = EW1 ORR 1 to 13 (normal)	Collective = ∆Annualized PD variance >=2% Individual = EW tagging = EW2 (ORR 14)	EW tagging = EW3 (ORR 15 to 17) NPL

The qualitative and quantitative definitions of stages for ECL assessment above apply to Institutional Banking items which include loans and advances, accounts receivables, unused portion of committed and uncommitted facilities that have become operative, off-balance sheet credit commitments and contingencies, and to treasury items which include interbank loans receivables, debt investment securities at FVOCI and investment securities at amortized cost.

Collective impairment is applied for assets classified into Stage 1. Assets classified under Stage 2 (with SIICR) are assessed either for collective or individual impairment.

Under the Stage 2 concept, lifetime expected credit losses shall be recognized when there are significant increases in credit risk since initial recognition. Expected credit losses are updated at each reporting date for new information and changes in expectations even if there has not been a significant increase in credit risk.

The three variables under the ECL structure: PD, LGD, and EAD assume the following for the ECL computation:

		PD X	**LGD** X	**EAD** =	**ECL**
Collective	Stage 1	1-Year PD	1-Discounted Recovery	• Principal • Accrued Interest • Contingencies • Unused FAC	1-Year ECL
Collective	Stage 2.1 SIICR	Lifetime PD	1-Discounted Recovery	• Principal • Accrued Interest • Contingencies • Unused FAC	Lifetime ECL
Individual	Stage 2.2 SIICR	100%	Individual Estimation	Individual Estimation	Lifetime ECL
Individual	Stage 3 Objective Impairment	100%	Individual Estimation	Individual Estimation	Lifetime ECL

Stage 3 classified assets will be individually assessed under the Individual Impairment methodology.

Similar to previous model definitions, individual impairment is recognized when (1) an objective evidence of a specific loss event has been observed and (2) the financial asset's carrying value exceeds the present value of the asset's estimated cash flow.

Retail Banking
For Retail, impairment losses are recognized depending on type of impairment applicable, as follows:

a. Specific Impairment
   Specific provision shall be applied to accounts with objective evidence that a specific impairment is applicable (e.g., behavior is different from the rest of the portfolio, etc.). Such accounts will no longer be assessed as part of collective impairment. Qualifications are defined on a per product basis and are reflected accordingly in respective Product Guidelines.

   Depending on applicability, specifically impaired accounts shall be subject to either: (1) full provisioning (100% provision), or (2) discounting of cash flow methodology (with provision less than 100% of OB).

b. Collective Impairment
   All retail loans accounts not subject to specific impairment shall be subject to collective impairment.

   Collectively impaired accounts shall be subject to the ECL Model applicable to Retail Loans portfolio. ECL Model is a function of the PD, LGD, and EAD computed as follows:

$$ECL = PD \times LGD \times EAD$$

   Similar to corporate loans, three stages of impairment are used for the entire financial asset of retail loans that serve as an objective basis in determining significant increase in credit risk as shown below. Further, one-year ECL is applied among exposures with no significant increase in credit risk (stage 1); otherwise, lifetime ECL shall be applied.

Definition of stages for retail loans are as follows:

Retail Credit Stage Definition			
	Impairment Stage	**Staging Criteria**	**Loss Period**
Stage 1	No significant increase in credit risk	▪ Low credit risk	12-month ECL
Stage 2	Significant increase in credit risk	▪ Minimum requirement: 31 to 90 days past due ▪ High risk indicator: • Quantitative - ∆PD> (product interest -funding cost) - PD equivalent to overdue (CRR of 20) • Qualitative - OLTV>90.0% and ∆CLTV>10.0% - OLTV<=90.0% and CLTV>100.0% ▪ Stage 2 standard • hit minimum requirement; or • hit 2 high risk indicators	Lifetime ECL
Stage 3	Credit impaired	• 91+ days past due • items in litigation ▪ Charge-off unsecured accounts ▪ Restructured ▪ Covid 19 Rescheduled Stage 3 without 6 months consecutive payments	Lifetime ECL

OLTV is the original loan-to-value.
CLTV is the current loan-to-value.

To test the sensitivity of the ECL variables to macro-economic factors for both corporate and retail loans the forward-looking methodology is adopted where:

- probability of default uses the Bank's internal default data adjusted by macro-economic factors such as GDP growth rate, and stock index; and

- loss given default (LGD) applies the two-stage adjustment approach.

There is a rebuttable presumption that default does not occur even when the financial asset is 90 days past due as defined above provided that the Bank has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

For credit losses from other financial assets not assessed using the ECL model, the Bank uses a simplified approach where loss allowance always equals to lifetime ECL.

The tables below show the credit quality by class of the Bank's financial assets, including loans and receivables (gross of loss allowance and unearned interest discount, in thousands):

	ECL				Simplified	
	Stage 1	Stage 2	Stage 3	POCI	Approach	2023
Financial Assets at Amortized Cost						
Due from BSP						
High grade	P -	P -	P -	P -	P3,426,463	P3,426,463
	-	-	-	-	3,426,463	3,426,463
Due from Other Banks						
High grade	-	-	-	-	1,109,317	1,109,317
	-	-	-	-	1,109,317	1,109,317
Interbank Loans Receivable						
High grade	-	-	-	-	71,789	71,789
	-	-	-	-	71,789	71,789
Investment Securities at Amortized Cost						
Quoted Debt						
High grade	-	-	-	-	12,855,880	12,855,880
	-	-	-	-	12,855,880	12,855,880
Loans and Discounts						
Institutional Banking						
High grade	1,957,808	-	-	-	-	1,957,808
Standard grade	26,241,410	-	-	-	-	26,241,410
High risk	8,142,798	-	-	-	-	8,142,798
Watchlist	812,283	1,382,685	1,156,238	-	-	3,351,206
Default	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
PD but not individually impaired	-	-	-	-	-	-
Specifically impaired	-	-	967,326	-	-	967,326
	37,154,299	1,382,685	2,123,564	-	-	40,660,548
Retail Banking						
High grade	82	-	-	-	-	82
Standard grade	2,370,619	-	-	-	-	2,370,619
High risk	2,250,057	-	-	-	-	2,250,057
Watchlist	-	70,147	-	-	-	70,147
Default	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
PD but not individually impaired	-	-	260,829	-	-	260,829
Specifically impaired	-	-	308,189	-	-	308,189
	4,620,758	70,147	569,018	-	-	5,259,923
Mortgage Banking						
High grade	3,147,862	-	-	-	-	3,147,862
Standard grade	285,334	-	-	-	-	285,334
High risk	520,386	-	-	-	-	520,386
Watchlist	-	-	-	-	-	-
Default	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
PD but not individually impaired	-	-	66,869	-	-	66,869
Specifically impaired	-	-	37,481	-	-	37,481
	3,953,582	-	104,350	-	-	4,057,932
Small Business Loans						
High grade	437,690	-	-	-	-	437,690
Standard grade	12,142	-	-	-	-	12,142
High risk	7,500	-	-	-	-	7,500
Watchlist	-	-	-	-	-	-
Default	-	-	-	-	-	-
PD but not individually impaired	-	-	-	-	-	-
Specifically impaired	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
	457,332	-	-	-	-	457,332

Forward

	ECL				Simplified	
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Approach**	**2023**
Accrued Interest Receivable						
High grade	**P -**	**P -**	**P -**	**P -**	**P276,766**	**P276,766**
Standard grade	**-**	**-**	**-**	**-**	**138,653**	**138,653**
High risk	**-**	**-**	**-**	**-**	**64,009**	**64,009**
Watchlist	**-**	**-**	**-**	**-**	**35,438**	**35,438**
Default	**-**	**-**	**-**	**-**	**-**	**-**
Unrated	**-**	**-**	**-**	**-**	**-**	**-**
PD but not individually impaired	**-**	**-**	**-**	**-**	**10,113**	**10,113**
Specifically impaired	**-**	**-**	**-**	**-**	**135,527**	**135,527**
	-	**-**	**-**	**-**	**660,506**	**660,506**
Other Receivables						
Unrated	**-**	**-**	**-**	**-**	**205,635**	**205,635**
PD but not individually impaired	**-**	**-**	**-**	**-**	**-**	**-**
	-	**-**	**-**	**-**	**205,635**	**205,635**
Other Assets*	**-**	**-**	**-**	**-**	**53,595**	**53,595**
Subtotal	**46,185,971**	**1,452,832**	**2,796,932**	**-**	**18,383,185**	**68,818,920**
Financial Assets at FVTPL						
Quoted Debt						
High grade	**-**	**-**	**-**	**-**	**485,673**	**485,673**
Derivative Assets						
High grade	**-**	**-**	**-**	**-**	**52,667**	**52,667**
Unrated	**-**	**-**	**-**	**-**	**-**	**-**
	-	**-**	**-**	**-**	**52,667**	**52,667**
Subtotal	**-**	**-**	**-**	**-**	**538,340**	**538,340**
Financial Assets at FVOCI						
Quoted Debt						
High grade	**-**	**-**	**-**	**-**	**6,475,889**	**6,475,889**
Standard grade	**-**	**-**	**-**	**-**	**12,441**	**12,441**
Quoted Equity						
High grade	**-**	**-**	**-**	**-**	**3,600**	**3,600**
Subtotal	**-**	**-**	**-**	**-**	**6,491,930**	**6,491,930**
Total	**P46,185,971**	**P1,452,832**	**P2,796,932**	**P -**	**P25,413,455**	**P75,849,190**

**Includes returned checks and other cash items and rent deposit.*

	ECL				Simplified	
	Stage 1	Stage 2	Stage 3	POCI	Approach	2022
Financial Assets at Amortized Cost						
Due from BSP						
High grade	P -	P -	P -	P -	P3,184,802	P3,184,802
	-	-	-	-	3,184,802	3,184,802
Due from Other Banks						
High grade	-	-	-	-	875,457	875,457
	-	-	-	-	875,457	875,457
Interbank Loans Receivable						
High grade	-	-	-	-	568,701	568,701
	-	-	-	-	568,701	568,701
Investment Securities at Amortized Cost						
Quoted Debt						
High grade	-	-	-	-	11,079,199	11,079,199
	-	-	-	-	11,079,199	11,079,199
Loans and Discounts						
Institutional Banking						
High grade	5,320,613	-	-	-	-	5,320,613
Standard grade	17,937,976	-	-	-	-	17,937,976
High risk	10,619,796	-	-	-	-	10,619,796
Watchlist	-	1,828,149	-	-	-	1,828,149
Default	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
PD but not individually impaired	-	-	-	-	-	-
Specifically impaired	-	-	2,111,660	-	-	2,111,660
	33,878,385	1,828,149	2,111,660	-	-	37,818,194
Retail Banking						
High grade	756	-	-	-	-	756
Standard grade	2,359,075	-	-	-	-	2,359,075
High risk	1,630,278	-	-	-	-	1,630,278
Watchlist	-	93,407	-	-	-	93,407
Default	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
PD but not individually impaired	-	-	186,749	-	-	186,749
Specifically impaired	-	-	258,732	-	-	258,732
	3,990,109	93,407	445,481	-	-	4,528,997

Forward

	ECL				Simplified	
	Stage 1	Stage 2	Stage 3	POCI	Approach	2022
Mortgage Banking						
High grade	P2,524,132	P -	P -	P -	P -	P2,524,132
Standard grade	203,778	-	-	-	-	203,778
High risk	337,526	-	-	-	-	337,526
Watchlist	-	64,320	-	-	-	64,320
Default	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
PD but not individually impaired	-	-	29,825	-	-	29,825
Specifically impaired	-	-	-	-	-	-
	3,065,436	64,320	29,825	-	-	3,159,581
Small Business Loans						
High grade	474,884	-	-	-	-	474,884
Standard grade	426,454	-	-	-	-	426,454
High risk	1,000	-	-	-	-	1,000
Watchlist	-	108,392	-	-	-	108,392
Default	-	-	-	-	-	-
PD but not individually impaired	-	-	-	-	-	-
Specifically impaired	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
	902,338	108,392	-	-	-	1,010,730
Accrued Interest Receivable						
High grade	-	-	-	-	288,881	288,881
Standard grade	-	-	-	-	119,345	119,345
High risk	-	-	-	-	75,628	75,628
Watchlist	-	-	-	-	22,343	22,343
Default	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
PD but not individually impaired	-	-	-	-	27,256	27,256
Specifically impaired	-	-	-	-	45,175	45,175
	-	-	-	-	578,628	578,628
Other Receivables						
Unrated	-	-	-	-	814,491	814,491
PD but not individually impaired	-	-	-	-	-	-
	-	-	-	-	814,491	814,491
Other Assets*	-	-	-	-	54,763	54,763
Subtotal	41,836,268	2,094,268	2,586,966	-	17,156,041	63,673,543
Financial Assets at FVTPL						
Quoted Debt						
High grade	-	-	-	-	199,382	199,382
Derivative Assets						
High grade	-	-	-	-	114,950	114,950
Unrated	-	-	-	-	-	-
	-	-	-	-	114,950	114,950
Subtotal	-	-	-	-	314,332	314,332
Financial Assets at FVOCI						
Quoted Debt						
High grade	-	-	-	-	4,312,576	4,312,576
Standard grade	-	-	-	-	12,441	12,441
Quoted Equity						
High grade	-	-	-	-	1,755	1,755
Subtotal	-	-	-	-	4,326,772	4,326,772
Total	P41,836,268	P2,094,268	P2,586,966	P -	P21,797,145	P68,314,647

**Includes returned checks and other cash items and rent deposit.*

Corporate Loans

For corporate loans, obligors are considered non-performing even without any missed contractual payments once there are objective indicators of impairment or considered impaired under existing accounting standards (per MORB Section 143). However, all other loan accounts of an obligor, even if not considered impaired, shall be considered non-performing if any principal and/or interest remains unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

Mode of Payment	Classification to NPL
Monthly	91 days after 1st installment in arrears
Quarterly	31 days after 1st installment in arrears
Semi-annual	31 days after 1st installment in arrears

Retail Loans
In the case of retail loans, the total outstanding balance thereof shall be considered nonperforming if any principal/interest are unpaid for more than ninety (90) days from contractual due date for Unsecured Personal Loans and Mortgage Loans

For both corporate and retail loans, non-performing loans, investments, receivables, or any financial asset, 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.

The table below shows the aging analysis of past due but not specifically impaired loans and discounts by class (in thousands).

	2023			2022		
	Up to 30 Days	**31 to90 Days**	**Total**	Up to 30 Days	31 to90 Days	Total
Loans and Discounts						
Institutional banking	**P -**	**P -**	**P -**	P196,389	P15,405	P211,794
Retail banking	**-**	**136,769**	**136,769**	-	100,004	100,004
Mortgage banking	**-**	**66,029**	**66,029**	-	52,669	52,669
Small business loans	**-**	**-**	**-**	-	-	-
Other receivables	**-**	**-**	**-**	-	-	-
Accrued interest receivable	**-**	**10,113**	**10,113**	176	9,527	9,703
Total	**P -**	**P212,911**	**P212,911**	P196,565	P177,605	P374,170

The above aging analysis already excludes accounts that have been assessed to be specifically impaired.

For Institutional Banking, loan accounts or receivables shall be considered past due when any principal and/or interest or installment due, or portions of which, are not paid on the seventh (7th) day from contractual due date in which case, the total outstanding balance of the loan account or receivable shall be considered as past due. As such, a cure period based on verifiable collection experience and reasonable judgment that support tolerance of occasional payment delays of up to six (6) days is given to provide leeway for obligors to work on their late payment without being considered as past due. Said cure period, however, shall not prevent the timely adverse classification of an account that has already exhibited material credit weakness/es.

The table below further illustrates and differentiates each status on a per product basis (for purposes of these illustrations, “dpd” shall mean “days past due” in calendar days):

Normal Account		Corporate Loans: (1) Revolving Lines (2) Term Loans (IBG)	Trade Loans (IBG)	IPF (IBG)	Domestic Bills Purchase (IBG)
Loan Status	Current	0 dpd	0 dpd	0 dpd	0 dpd
	Cure Period (Overdue)	1-6 dpd	1-6 dpd	1-6 dpd	1-6 dpd
	Past Due	≥ 7 dpd	≥ 7 dpd	≥ 7 dpd	≥ 7 dpd

The detailed information with respect to the Bank’s loss allowance on loans and receivables is disclosed in Note 12.

Included in specifically impaired financial assets are the Bank's restructured loan receivables. The table below shows the carrying amounts of restructured loan receivables by class (in thousands):

	2023	2022
Institutional banking:		
Performing	**P898,619**	P1,004,686
Non-performing	**122,559**	156,170
Personal loans:		
Performing	**14,360**	19,423
Non-performing	**3,343**	9,837
Mortgage banking:		
Non-performing	**-**	-
Performing	**-**	-
	P1,038,881	P1,190,116

Non-performing Loans
The Bank monitors its NPLs ratio as part of its credit risk monitoring and reporting to the BSP. Shown below are the Bank's NPL:

	2023	2022
Secured	**P47,081,177**	P48,048,961
Unsecured	**1,404,184,490**	712,615,580
	P1,451,265,667	P760,664,541

Collateral and Credit Risk Mitigation Techniques
The amount and type of collateral required depends on the assessment of the credit risk of the borrower or counterparty. The Bank follows guidelines on the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained for loans and receivables are as follows:

- For Institutional Lending - cash, guarantees, securities, physical collaterals (e.g., real estate, chattels, etc.); and

- For Retail Lending - cash, securities, mortgages on residential and commercial properties.

Management regularly monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement. The existing market value of collateral is considered during the review of the adequacy of the loss allowance. For unsecured lending, the Bank performs comprehensive credit evaluation process before each loan is approved.

The following table shows information relating to loans and receivables (at gross amounts) broken down into secured and unsecured, with types of collateral being shown for the secured portion:

	2023		2022	
	Amount	**%**	Amount	%
Secured by:				
Real estate	**P3,952,544,496**	**7.7**	P3,051,746,283	6.4
Hold-out on deposits	**953,005,791**	**1.9**	3,279,422,746	6.8
Mortgage trust indenture	**422,335,005**	**0.8**	452,335,005	0.9
Government bonds	**26,084,500**	**0.1**	28,164,250	0.1
Chattel	**9,468,558**	**0.0**	46,324,678	0.1
Stand by letter of credit (LC)	**23,919,840**	**0.0**	9,812,880	0.0
	5,387,358,190	**10.5**	6,867,805,842	14.3
Unsecured	**45,914,516,588**	**89.5**	41,042,814,039	85.7
	P51,301,874,778	**100.00**	P47,910,619,881	100.00

As at December 31, 2023 and 2022, the fair values of real estate collaterals held for past due and impaired loans and discounts, amounted to P303.0 million and P747.7 million, respectively. There were no other types of collaterals held during 2023 and 2022.

Fair values were determined by the Bank's internal appraisers, or by accredited external appraisers. Normally, there are three approaches available to the Bank in arriving at the fair value of collateral (i.e., real estate and chattel). These are the cost approach, market data approach and income approach.

The cost approach takes into consideration the current cost of reproducing a property less depreciation from all sources (i.e., deterioration, functional and economic obsolescence). On the other hand, the market data approach takes into consideration the value indicated by recent sales of comparable properties in the market. Lastly, income approach takes into consideration the value which the property's net earning power will support based upon a capitalization of net income.

The Bank utilizes all three approaches to determine the fair values of the collateral and chooses the appropriate valuation approach on a case-to-case basis.

As at December 31, 2023 and 2022, no collaterals were subjected to repurchase and reverse repurchase agreements with BSP.

Liquidity Risk

Liquidity risk is the risk of loss to earnings or capital due to the inability to meet funding requirements within a reasonable period of time at a reasonable price.

The Bank applies a liquidity risk management strategy of maintaining sufficient cash and marketable securities, ensuring the availability of funding through an adequate amount of committed credit facilities and having the ability to close out market positions.

The MRMD is responsible in managing liquidity risk. The MRMD is independent of the risk-taking unit and in charge of formulating Asset and Liability Management Policy and establishing implementation guidelines as needed; developing the methods of identification, measurement, monitoring and reporting of risk and pushing for the implementation; and studying asset and liability management related issues.

In view of the COVID-19 and its impact to both on a market-wide and institution specific liquidity, the Bank instituted the following pre-emptive controls:

- COVID-19 monitoring assessment report that covers the following:
  - COVID-19 Development & Government Control Measures
  - Economic Changes
  - Government Relief Measures
  - Internal Assessment for Liquidity and Credit Risk and Action Plan
  - Other Relevant Information, if any.
- Two weeks assets and liabilities cash flow projection and its corresponding compliance to internal liquidity ratios (LDR, LCR, NSFR) being discussed in ALCO

The table below shows the maturity profile of the Bank's financial liabilities, based on undiscounted contractual cash flows (in millions):

	2023					
	On Demand	**1 to 3 Months**	**3 to 6 Months**	**6 to12 Months**	**Greater than One Year**	**Total**
Financial Liabilities at FVTPL						
Derivative liabilities	**P66**	**P -**	**P -**	**P -**	**P -**	**P66**
Deposit liabilities:						
Demand	**11,453**	**-**	**-**	**-**	**-**	**11,453**
Savings	**9,237**	**-**	**-**	**-**	**-**	**9,237**
Time	**14,395**	**10,306**	**2,467**	**633**	**757**	**28,558**
Bills payable	**2,879**	**2,879**	**-**	**-**	**7,759**	**13,517**
Outstanding acceptances	**346**	**-**	**-**	**-**	**-**	**346**
Manager's checks	**74**	**-**	**-**	**-**	**-**	**74**
Accrued interest, taxes and other expenses*	**615**	**-**	**-**	**-**	**-**	**615**
Lease liabilities	**1**	**-**	**1**	**16**	**575**	**593**
Other liabilities**	**1,386**	**-**	**-**	**-**	**-**	**1,386**
	40,452	**13,185**	**2,468**	**649**	**9,091**	**65,845**
Financial Liabilities at FVTPL						
Forward contract payable	**16,998**	**-**	**-**	**-**	**-**	**16,998**
Forward contract receivable	**(17,017)**	**-**	**-**	**-**	**-**	**(17,017)**
	(19)	**-**	**-**	**-**	**-**	**(19)**
	P40,433	**P13,185**	**P2,468**	**P649**	**P9,091**	**P65,826**

	2022					
	On Demand	1 to 3 Months	3 to 6 Months	6 to12 Months	Greater than One Year	Total
Financial Liabilities at FVTPL						
Derivative liabilities	P130	P -	P -	P -	P -	P130
Deposit liabilities:						
Demand	10,265	-	-	-	-	10,265
Savings	9,360	-	-	-	-	9,360
Time	16,187	6,873	1,694	490	1,575	26,819
Bills payable	2,143	-	-	-	6,133	8,276
Outstanding acceptances	217	-	-	-	-	217
Manager's checks	50	-	-	-	-	50
Accrued interest, taxes and other expenses*	549	-	-	-	-	549
Lease liabilities	-	-	-	19	637	656
Other liabilities**	2,618	-	-	-	-	2,618
	41,519	6,873	1,694	509	8,345	58,940
Financial Liabilities at FVTPL						
Forward contract payable	13,363	-	-	-	-	13,363
Forward contract receivable	(13,380)	-	-	-	-	(13,380)
	(17)	-	-	-	-	(17)
	P41,502	P6,873	P1,694	P509	P8,345	P58,923

**Excludes retirement liability, accrued taxes and other non-financial accruals.*
*** Excludes withholding taxes payable and provision liability.*

The above maturity table shows the undiscounted cash flows whose expected maturities are not the same as the asset-liability gap. The Bank does not expect all time depositors to require repayment on the earliest date the Bank could be required to pay. Further, the maturity table does not reflect expected cash flows based on deposit behavior and historical retention rate.

Accrued interest and other expenses exclude taxes, payroll-related balances and other non-financial items. Other liabilities exclude non-financial liabilities such as withholding taxes payable.

Financial liabilities at FVTPL pertain to the notional amounts of the outstanding forward contract as at year end.

The table below shows the contractual expiry by maturity of the Bank's off-balance sheet commitments (in thousands).

	2023					
	Up to 1 Month	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Beyond 1 Year**	**Total**
Commitments	**P -**	**P -**	**P -**	**P -**	**P1,605**	**P1,605**
Contingent liabilities	**318,086**	**315,794**	**221,993**	**584,596**	**3,492,680**	**4,933,149**
Total	**P318,086**	**P315,794**	**P221,993**	**P584,596**	**P3,494,285**	**P4,934,754**

	2022					
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	Total
Commitments	P -	P -	P -	P -	P320,810	P320,810
Contingent liabilities	-	208,458	21,888	224,535	2,595,775	3,050,656
Total	P -	P208,458	P21,888	P224,535	P2,916,585	P3,371,466

As required by the BSP, the Bank sets aside funds in due from BSP as liquidity reserves. These funds are withdrawable on demand and are used as financial assets held for managing liquidity risk (see Note 13).

To ensure that adequate liquidity is maintained at all times, the Bank's Liquidity and Balance Sheet Management Unit diversifies funding sources and evaluates cash flows and future funding needs on a daily basis. This involves projecting the Bank's liquidity position under current market conditions. MRMD, in close coordination with Treasury, also conduct liquidity stress testing to evaluate the potential effects of a set of specified changes in liquidity risk factors on the Bank's financial position under a severe but plausible scenario to assist the Board and senior management in decision making.

In addition to its core deposit base, the Bank maintains a portfolio of marketable assets that can be readily liquidated in the event of an unforeseen interruption of cash flows. Additional funding may be secured from the interbank market by tapping the Bank's credit facilities.

Liquidity risk control entails primarily the setting of risk limits, which define management's tolerance for liquidity risk. Specifically, limits are set on the maximum cumulative outflow and level of interbank borrowings. Liquidity risk is also monitored through the use of liquidity ratios. One of the more important liquidity ratios is the ratio of net liquid assets to total deposits. Net liquid assets consist of the sum of cash, due from BSP, due from other banks, interbank loans receivable, financial assets at FVTPL, financial assets at FVOCI, and investment securities at amortized cost with remaining maturities of less than one month, less derivative liabilities and interbank borrowings. The ratios for the year 2023 and 2022 were as follows:

	2023	2022
December 31	**15.5%**	16.4%
Average during the year	**18.7%**	19.8%
Highest	**21.3%**	23.9%
Lowest	**15.5%**	16.4%

The analysis on net liquidity using undiscounted contractual cash flows (in thousands) is as follows:

	2023									
	Carrying Value	**Up to 1 Month**	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**2 Years**	**3 Years**	**4 Years**	**Greater than 5 Years**	**Total**
Assets										
Financial assets at amortized cost:										
Cash and other cash items	P814,715	P814,715	P -	P -	P -	P -	P -	P -	P -	P814,715
Due from BSP	3,426,463	3,426,463	-	-	-	-	-	-	-	3,426,463
Due from other banks	1,109,317	1,109,317	-	-	-	-	-	-	-	1,109,317
Interbank loans receivable - gross	71,981	71,981	-	-	-	-	-	-	-	71,981
Investment securities - gross	12,855,880	-	516,761	-	500,946	454,225	775,112	2,554,579	8,054,257	12,855,880
Loans and discounts - gross	51,301,875	10,608,079	11,416,394	4,100,236	2,620,535	10,093,752	5,630,120	2,724,744	4,108,015	51,301,875
Other assets*	53,596	839	480	1,928	3,503	7,890	4,071	1,408	33,477	53,596
Subtotal	69,633,827	16,031,394	11,933,635	4,102,164	3,124,984	10,555,867	6,409,303	5,280,731	12,195,749	69,633,827
Financial assets at FVTPL	538,340	52,667	-	-	-	-	-	-	485,673	538,340
Financial assets at FVOCI	6,491,930	1,156,758	-	49,360	438,061	526,895	1,511,170	91,208	2,718,478	6,491,930
Total Financial Assets	76,664,097	17,240,819	11,933,635	4,151,524	3,563,045	11,082,762	7,920,473	5,371,939	15,399,900	76,664,097
Liabilities										
Financial liabilities at FVTPL	65,937	65,937	-	-	-	-	-	-	-	65,937
Other financial liabilities at amortized cost:	-	-	-	-	-	-	-	-	-	-
Deposit liabilities	49,248,341	35,084,834	10,306,276	2,467,095	632,652	545,117	212,367	-	-	49,248,341
Bills payable	13,517,179	2,879,240	2,879,240	-	-	7,758,699	-	-	-	13,517,179
Outstanding acceptances	345,663	345,663	-	-	-	-	-	-	-	345,663
Manager's checks	74,140	74,140	-	-	-	-	-	-	-	74,140
Accrued interest, taxes and other expenses**	615,385	615,385	-	-	-	-	-	-	-	615,385
Other liabilities***	1,978,917	1,386,605	-	1,142	16,063	58,295	27,025	26,062	463,725	1,978,917
Total Financial Liabilities	65,845,562	40,451,804	13,185,516	2,468,237	648,715	8,362,111	239,392	26,062	463,725	65,845,562
Net Liquidity Gap	P10,818,535	(P23,210,985)	(P1,251,881)	P1,683,287	P2,914,330	P2,720,651	P7,681,081	P5,345,877	P14,936,175	P10,818,535

Includes returned checks and other cash items and rent deposit.

	2022									
	Carrying Value	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	2 Years	3 Years	4 Years	Greater than 5 Years	Total
Assets										
Financial assets at amortized cost:										
Cash and other cash items	P607,135	P607,135	P -	P -	P -	P -	P -	P -	P -	P607,135
Due from BSP	3,184,802	3,184,802	-	-	-	-	-	-	-	3,184,802
Due from other banks	875,457	875,457	-	-	-	-	-	-	-	875,457
Interbank loans receivable - gross	568,701	568,701	-	-	-	-	-	-	-	568,701
Investment securities - gross	11,079,198	-	-	-	-	1,024,535	459,952	773,162	8,821,549	11,079,198
Loans and discounts - gross	47,910,620	11,512,882	8,039,467	6,472,905	935,430	8,848,051	1,704,642	7,020,153	3,377,090	47,910,620
Other assets*	54,763	2,018	-	1,899	5,257	1,851	6,702	4,096	32,940	54,763
Subtotal	64,280,676	16,750,995	8,039,467	6,474,804	940,687	9,874,437	2,171,296	7,797,411	12,231,579	64,280,676
Financial assets at FVTPL	314,332	314,332	-	-	-	-	-	-	-	314,332
Financial assets at FVOCI	4,326,772	4,312,576	-	-	-	-	-	-	14,196	4,326,772
Total Financial Assets	68,921,780	21,377,903	8,039,467	6,474,804	940,687	9,874,437	2,171,296	7,797,411	12,245,775	68,921,780
Liabilities										
Financial liabilities at FVTPL	130,367	130,367	-	-	-	-	-	-	-	130,367
Other financial liabilities at amortized cost:										
Deposit liabilities	46,444,412	35,812,184	6,873,078	1,693,941	489,960	1368,588	206,661	-	-	46,444,412
Bills payable	8,275,600	2,142,550	-	-	-	-	6,133,050	-	-	8,275,600
Outstanding acceptances	216,916	216,916	-	-	-	-	-	-	-	216,916
Manager's checks	49,785	49,785	-	-	-	-	-	-	-	49,785
Accrued interest, taxes and other expenses**	545,392	545,392	-	-	-	-	-	-	-	545,392
Other liabilities***	3,273,804	2,618,248	-	372	18,602	19,752	69,509	33,932	513,389	3,273,804
Total Financial Liabilities	58,936,276	41,515,442	6,873,078	1,694,313	508,562	1,388,340	6,409,220	33,932	513,389	58,936,276
Net Liquidity Gap	P9,985,504	(P20,137,539)	P1,166,389	P4,780,491	P432,125	P8,486,097	(P4,237,924)	P7,763,479	P11,732,386	P9,985,504

**Includes returned checks and other cash items and rent deposit.*

Liquidity Coverage Ratio (LCR)
The ratios for 2023 and 2022 are as follows:

	2023	2022
High-quality liquid assets	**P23,418,641,791**	P18,321,568,719
Net cash outflows	**19,145,623,422**	14,597,671,896
Liquidity coverage ratio	**122.32%**	125.51%

High-quality liquid assets consist of cash or assets that can be converted into cash at little or no loss of value in private markets. LCR is being measured in accordance with BSP Circular 905 and 996.The LCR in single currency shall not be less than the minimum required level of 100%.

During the year 2023 and 2022, the Bank is compliant with the LCR requirements.

Net Stable Funding Ratio (NSFR)
The ratios for the years 2023 and 2022 are as follows:

	2023	2022
Available stable funding (ASF)	**P47,945,829,894**	P45,198,460,051
Required stable funding (RSF)	**40,648,039,580**	37,417,109,087
Ratio of ASF to RSF	**117.95%**	120.80%

NSFR is being measured in accordance with BSP Circular 1007. The covered bank shall maintain a NSFR of at least 100% at all times.

During the year 2023 and 2022, the Bank is compliant with the NSFR requirements.

Market Risk

Market risk is the risk that the Bank's earnings or capital or its ability to meet business objectives will be adversely affected by changes in the level, volatility or correlation of market risk factors, such as interest rates (including credit spread), foreign exchange, equities and commodities. The Bank's market risk originates from its holdings in its foreign exchange instruments, debt securities, and derivatives.

MRMD is responsible in managing market risk. MRMD performs the second line of defense. It is responsible for designing and executing appropriate identification, measurement, monitoring, control and reporting of market risk; and developing the market risk management policy and relevant procedures; and monitoring and reporting overall market risk profile and limit utilization.

The Bank classifies exposures to market risk into either trading or non-trading portfolios.

It is exposed to the potential loss in its trading portfolio because the values of its trading positions are sensitive to changes in the market prices and rates. Similarly, it is also exposed to market risk in its non-trading portfolio.

The Bank sets its market risk limits by considering market predictions, capital and annual budgets. It takes into account the correlation among different market risk factors to estimate potential loss using Value-at-Risk (VaR) approach and also determines if this potential loss is appropriate in light of the size of its annual budget. The Bank also determines its market risk limits by considering the experience of its risk-taking units and its risk appetite.

The Bank utilizes market risk factor sensitivities as a tool to manage market risk. Market risk factor sensitivities of a position are defined as a change in the value of a position caused by a unit shift in a given market factor. Market risk factor sensitivities include interest rate and foreign exchange factor sensitivities. The calculation of the factor sensitivities is obtained by measuring the effect of a one (1) unit increase in current interest rates or current foreign exchange rates upon various product types.

The Bank uses the VaR methodology in managing probable losses arising from potential changes in the market price of underlying assets. In deriving the VaR, the Bank employs the historical simulation approach, which estimates potential losses by assuming that future price movements will mimic historical trends.

The VaR methodology is a statistical estimate based on a historical simulation approach and generated from a historical database. It is important to note that VaR is only an estimate of maximum potential loss given a level of confidence. It can be based on historical data, which may not necessarily replicate itself in the future, or be computed from randomly generated numbers. As such, VaR cannot predict losses with 100.0% confidence.

The VaR will be based on a 1-day holding period, a level of confidence of 99.0% and a time series equivalent to 500 days (or two years). The level of confidence can be adjusted in response to heightened volatility in the market.

The following are the VaR statistics (in millions):

	2023		
	Foreign Exchange	**Fixed Income**	**Total VaR**
December 31	**(P4.137)**	**(P3.933)**	**(P5.600)**
Average daily	**(6.584)**	**(3.845)**	**(7.633)**
Highest	**(22.484)**	**(12.770)**	**(19.906)**
Lowest	**(0.738)**	**(0.021)**	**(0.790)**

	2022		
	Foreign Exchange	Fixed Income	Total VaR
December 31	(P0.469)	(P0.702)	(P0.960)
Average daily	(6.068)	(1.412)	(6.561)
Highest	(17.469)	(7.485)	(17.949)
Lowest	(0.317)	0.000	(0.553)

The fixed income column comprises both Peso and Dollar bonds.

The highs and lows of the total portfolio may not equal the sum of the individual components as the highs and lows of the individual portfolios may have occurred on different trading days. The VaR for foreign exchange is the foreign exchange risk throughout the Bank. The Bank, when aggregating the foreign exchange VaR and interest VaR, considers the correlation effects between the two risks. Annually, the BOD sets the VaR limit for the trading books to which compliance is reviewed daily by Risk Management.

The model's validity is assessed daily via back-testing. The back testing is an ex-post comparison of the VaR generated by the model against actual daily changes in portfolio value over longer periods of time. Based on 99.0% coverage with 250 observations, the number of times that the daily losses exceed the VaR estimates is the number of "exceptions". The higher the exception number suggests a more significant problem with the quality or accuracy of the model, and hence more regulatory capital is required.

Market risk positions are also subjected to daily stress tests to ensure that the Bank could withstand an extreme event. Historical events considered for stress testing represent crises - political or economic - which impacted greatly and adversely the financial markets.

Equity Price Risk
Equity price risk is the risk that the fair values of equity investments decrease as a result of changes in the levels of equity indices and the value of individual stocks (whether traded or not). The Bank has no significant exposure to equity price risk.

Interest Rate Risk
The table below summarizes the Bank's exposure to interest rate risk as at December 31, 2023 and 2022.

HFT Summary	**2023**	2022
USD (PVBP) PHP	**(P4,137)**	(P2,454)
PHP (PVBP) PHP	**(6,584)**	(42,145)

Foreign Exchange Risk
The table below summarizes the Bank's exposure to foreign exchange risk as of December 31, 2023 and 2022. Included in the tables are the Bank's assets and liabilities at carrying amounts, categorized by currency (in thousands):

	2023			2022		
	USD	**Others**	**Total**	USD	Others	Total
Assets						
Financial assets at amortized cost:						
Cash and other cash items	**P356,975**	**P3,723**	**P360,698**	P104,322	P8,540	P112,862
Due from BSP and other banks	**889,869**	**148,374**	**1,038,243**	751,719	85,626	837,345
Interbank loans receivable - net	**71,789**	**-**	**71,789**	568,622	-	568,622
Investment securities - net	**6,310,278**	**-**	**6,310,278**	5,626,469	-	5,626,469
Loans and receivables - net	**15,430,622**	**881,416**	**16,312,038**	17,759,264	301,868	18,061,132
Financial assets at FVTPL	**171,288**	**-**	**171,288**	114,950	-	114,950
Financial assets at FVOCI	**2,520,196**	**-**	**2,520,196**	1,251,409	-	1,251,409
	25,751,017	**1,033,513**	**26,784,530**	26,176,755	396,034	26,572,789
Liabilities						
Financial liabilities at amortized cost:						
Deposit liabilities	**18,663,735**	**118,995**	**18,782,730**	18,293,181	63,044	18,356,225
Bills payable	**12,673,904**	**843,275**	**13,517,179**	6,690,600	-	6,690,600
Outstanding acceptances	**345,663**	**-**	**345,663**	213,804	3,112	216,916
Accrued interest and other expenses	**106,722**	**5,582**	**112,304**	57,150	-	57,150
Other liabilities	**(5,852,681)**	**11,208,734**	**5,356,053**	1,418,777	234,894	1,653,671
Financial liabilities at FVTPL	**-**	**-**	**-**	130,367	-	130,367
	25,937,343	**12,176,586**	**38,113,929**	26,803,879	301,050	27,104,929
Net Exposure	**(P186,326)**	**(P11,143,073)**	**(P11,329,399)**	(P627,124)	P94,984	(P532,140)

The table below indicates the third currencies which the FCDU of the Bank has significant exposure to as at December 31, 2023 and 2022 based on its foreign currency denominated assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement of other currency rates against the USD, with all other variables held constant on the results of operations (due to the fair value of currency sensitive monetary assets and liabilities) and OCI. A negative amount in the table reflects a potential net reduction of net income or OCI while positive amount reflects a net potential increase. Change in currency rates are based on the historical movements of each currency for the same period:

	Foreign Currency Appreciates by	**Effects on Profit before Tax**	**Foreign Currency Depreciates by**	**Effects on Profit before Tax**
2023				
Currency				
USD	**10%**	**P26,310,600**	**(10%)**	**(P26,310,600)**
Others	**10%**	**1,250,694**	**(10%)**	**(1,250,694)**
2022				
Currency				
USD	10%	P28,765,929	(10%)	(P28,765,929)
Others	10%	3,466	(10%)	(3,466)

Information relating to the Bank's currency derivatives is contained in Note 26. The Bank has outstanding foreign currency spot transactions (in equivalent peso amounts) of P1billion (sold) and P1.3 billion (bought) as at December 31, 2023 and P0.6 billion (sold) and P0.3 billion (bought) as at December 31, 2022.

Foreign exchange factor sensitivities ("FX Delta") represent the change in the net present value of the foreign exchange portfolios caused by a unit shift of 100.0% of the underlying currency's exchange rate. The FX Delta risk comes from the FX exposure of derivatives, the hedging of foreign exchange positions and foreign currency cash positions.

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

Foreign currency liabilities generally consist of foreign currency deposits in the Bank's FCDU. Foreign currency deposits are generally used to fund the Bank's foreign currency-denominated loan and investment portfolio in the FCDU. Effective January 1, 2018, the BSP, through Circular 946, no longer required FCDU liabilities to be covered by liquid assets.

Outside the FCDU, the Bank has additional foreign currency assets and liabilities in the RBU representing trade assets and corresponding foreign currency borrowings.

Interest Rate Risk in Banking Book
Interest rate risk is the risk to future earnings or equity arising from the movement of interest rates. Changes in interest rates affect: (1) the Bank's earnings by changing its net interest income (NII) and the level of other interest rate-sensitive income; and (2) the underlying economic value of the Bank's assets, liabilities and off-balance sheet instruments by means of reducing the present value of future cash flows (and in some cases, the cash flows themselves).

As the primary interest rate risk management unit, the Liquidity and Balance Sheet Management Unit adjusts the repricing structure of assets and liabilities to ensure that interest rate risk exposure stays within a controllable range. Limits on the change in one-year earnings (delta NII) and economic value of equity (EVE) given a one basis point change in interest rates are also established.

The following are the Delta NII and EVE statistics (in thousands):

	1bp Delta NII		**1bp EVE**	
	2023	2022	**2023**	2022
December 31	**(US$5.6)**	US$1.78	**(US$105.6)**	(US$79.30)
Average monthly	**(2.0)**	6.89	**(90.1)**	(68.01)
Highest	**6.2**	11.40	**(78.9)**	(27.88)
Lowest	**(7.9)**	1.78	**(105.6)**	(79.30)

The Bank is exposed to interest rate risk as a result of mismatches of interest rate repricing of assets and liabilities. Accordingly, limits on interest rate gaps for stipulated periods have been established by management.

Risk Monitoring and Control
The interest rate risk limits are monitored on monthly or daily basis. The MRMD is responsible for independent monitoring of the business units' compliance with the established limit framework as well as distributing monthly re-pricing gap report and advisory summary to the Asset and Liability Committee (ALCO), RMC and BOD for their review periodically. These reports are appropriately tailored to include, according to the requirements of the intended recipient, the limit utilizations, trend and limit excess information.

The Liquidity and Balance Sheet Management Department is allowed to apply for hedge supported by duly approved hedge plan for the purpose of reducing risks. Financial instruments may be used to hedge for the purpose of reducing exposure or stabilizing profits. This can be achieved through conducting financial markets transactions with external counterparties to mitigate interest rate risk for non-trading purpose position.

As part of the internal control, the IRRBB reports are subjected to a regular and independent audit - internal or external - to ensure accuracy and validity of data and practice. Likewise, risk model development and regular review of assumptions and methodologies are conducted by the MRMD in close coordination with Parent Bank and Treasury Group. Risk model validation relating to methodology and quantification is conducted by a banking unit independent to the MRMD and Treasury Group. Risk model validation except for methodology and quantification is conducted by the internal audit as part of their regular audit program.

Risk Measurement
The Bank's exposure to IRRBB is being measured by the following tools:

a. Re-pricing Gap Report measures the re-pricing gap between asset and liability by various time buckets in order to understand interest rate mismatch; and

b. Risk Sensitivity measures the impact of 1 basis point change in interest rate on NII and that on EVE. The analysis of such impact on NII (1bp△NII) focuses on changes in interest income and expense within a year, hence, a short-term perspective. The analysis of such impact on EVE (1bp△EVE) is of a long-term perspective as it focuses on changes of economic value which will become net interest income received every year later on.

Measurement of 1bp△NII and 1bp△EVE stems from the Repricing Gap Report. The Repricing Gap Report considers rate-sensitive assets and liabilities such as due from other banks, interbank loans receivable, debt investment securities, loans and receivables, deposit liabilities and bills payable, and equity. For those rate-sensitive assets and liabilities with no available repricing dates, the repricing assumption is based on the two years historical repricing behavior. The longest repricing maturity assigned to non-maturity deposits is the checking and demand deposit products of the Bank. The repricing assumption is a function of estimated decay rate, established cap on core deposit, and established cap on repricing tenor.

Likewise, regular stress-testing is performed to approximate the effect of extreme interest rate fluctuation on the economic value of equity. Stress-testing can be done in the form of pre-defined parallel shifts in interest rate curve or on the basis of ad hoc projected interest rate scenario. The MRMD monitors the stress test result of IRRBB and report to ALCO the possible economic value decline of capital.

IRRBB stress testing is performed to evaluate the appropriateness of exposure to comprehend the Bank's interest rate risk profile and its impact to the capital through NII or EVE and its corresponding impact to Capital Adequacy Ratio (CAR). Stress testing starts with the collective evaluation of the degree of interest rate movement under stress condition being determined during the Internal Capital Adequacy Assessment Process (ICAAP) with primary consideration of the key economic variables in the future to establish IRRBB stress shocks.

In 2023 and 2022, the Bank uses the same +350 basis point movement for Peso Book and +250 basis point movement for FCY book as a stress scenario.

The tables below show the sensitivity of the Bank's economic value of equity to possible changes in interest rates as at December 31, 2023 and 2022. The sensitivity of equity to interest rate movements is the present value of future cash flows discounted at the market rate.

		2023								
		Sensitivity of Equity								
Currency	**Increase in bps**	**1 Month**	**3 Months**	**6 Months**	**1 Year**	**2 Years**	**5 Years**	**7 Years**	**10 Years Up**	**Total**
PHP	**15**	**(P518)**	**(P399)**	**P4,511**	**P11,608**	**(P1,926)**	**(P31,501)**	**(P8,556)**	**(P14,161)**	**(P40,942)**
(in 000s)	**20**	**(691)**	**(532)**	**6,012**	**15,470**	**(2,566)**	**(41,953)**	**(11,386)**	**(18,832)**	**(54,478)**
	25	**(864)**	**(665)**	**7,512**	**19,328**	**(3,205)**	**(52,381)**	**(14,206)**	**(23,478)**	**(67,959)**
USD	**15**	**(99)**	**2,469**	**835**	**(20)**	**15,595**	**(10,889)**	**(3,759)**	**(50,098)**	**(45,966)**
(in 000s)	**20**	**(132)**	**3,292**	**1,113**	**(27)**	**20,779**	**(14,498)**	**(5,003)**	**(66,594)**	**(61,070)**
	25	**(165)**	**4,113**	**1,391**	**(34)**	**25,955**	**(18,098)**	**(6,242)**	**(82,990)**	**(76,070)**

		2023								
		Sensitivity of Equity								
Currency	**Decrease in bps**	**1 Month**	**3 Months**	**6 Months**	**1 Year**	**2 Years**	**5 Years**	**7 Years**	**10 Years Up**	**Total**
PHP	**(15)**	**P519**	**P400**	**(P4,520)**	**(P11,641)**	**P1,934**	**P31,718**	**P8,653**	**P14,386**	**P41,449**
(in 000s)	**(20)**	**693**	**533**	**(6,029)**	**(15,529)**	**2,580**	**42,340**	**11,559**	**19,231**	**55,378**
	(25)	**866**	**667**	**(7,539)**	**(19,421)**	**3,228**	**52,986**	**14,477**	**24,103**	**69,367**
USD	**(15)**	**99**	**(2,474)**	**(837)**	**20**	**(15,663)**	**10,979**	**3,803**	**51,027**	**46,954**
(in 000s)	**(20)**	**132**	**(3,299)**	**(1,116)**	**27**	**(20,899)**	**14,660**	**5,081**	**68,246**	**62,832**
	(25)	**166**	**(4,126)**	**(1,396)**	**34**	**(26,142)**	**18,350**	**6,363**	**85,570**	**78,819**

		2022								
		Sensitivity of Equity								
Currency	Increase in bps	1 Month	3 Months	6 Months	1 Year	2 Years	5 Years	7 Years	10 Years Up	Total
PHP	15	(P119)	(P381)	P4,395	P13,604	(P2,080)	(P39,904)	(P1,257)	(P15,763)	(P41,505)
(in 000s)	20	(158)	(508)	5,858	18,130	(2,771)	(53,137)	(1,673)	(20,962)	(55,221)
	25	(198)	(634)	7,320	22,651	(3,461)	(66,337)	(2,087)	(26,133)	(68,879)
USD	15	(282)	837	141	(164)	21,385	(4,394)	(15,484)	(55,699)	(53,660)
(in 000s)	20	(376)	1,116	188	(219)	28,493	(5,850)	(20,604)	(74,036)	(71,288)
	25	(470)	1,394	235	(273)	35,589	(7,302)	(25,704)	(92,260)	(88,791)

		2022								
		Sensitivity of Equity								
Currency	Decrease in bps	1 Month	3 Months	6 Months	1 Year	2 Years	5 Years	7 Years	10 Years Up	Total
PHP	(15)	P119	P382	(P4,405)	(P13,645)	P2,089	P40,213	P1,272	P16,018	P42,043
(in 000s)	(20)	158	509	(5,876)	(18,202)	2,787	53,687	1,699	21,414	56,176
	(25)	198	636	(7,348)	(22,764)	3,486	67,196	2,128	26,840	70,372
USD	(15)	282	(839)	(141)	165	(21,482)	4,431	15,669	56,747	54,832
(in 000s)	(20)	377	(1,119)	(189)	220	(28,664)	5,916	20,934	75,898	73,373
	(25)	471	(1,399)	(236)	275	(35,857)	7,406	26,220	95,170	92,050

The following table sets forth the repricing gap position of the Bank (in thousands):

	2023					
	Up to 1 Month	**1 to 3 Months**	**3 to Months**	**6 to 12 Months**	**Beyond 1 Year**	**Total**
Financial Assets						
Financial assets at amortized cost:						
Cash and other cash items	**P814,715**	**P -**	**P -**	**P -**	**P -**	**P814,715**
Due from BSP	**3,426,463**	**-**	**-**	**-**	**-**	**3,426,463**
Due from other banks	**1,109,317**	**-**	**-**	**-**	**-**	**1,109,317**
Interbank loans receivable - gross	**71,981**	**-**	**-**	**-**	**-**	**71,981**
Investment securities - gross	**-**	**516,761**	**-**	**500,946**	**11,838,172**	**12,855,879**
Loans and receivables - gross	**10,608,079**	**11,416,394**	**4,100,236**	**2,620,535**	**22,556,631**	**51,301,875**
Other assets*	**839**	**480**	**1,928**	**3,503**	**46,846**	**53,596**
Financial assets at FVTPL:	**-**	**-**	**-**	**-**	**-**	**-**
Quoted debt	**485,672**	**-**	**-**	**-**	**-**	**485,672**
Derivative assets	**52,668**	**-**	**-**	**-**	**-**	**52,668**
Financial assets at FVOCI	**6,475,889**	**-**	**-**	**-**	**16,041**	**6,491,930**
Total Financial Assets	**23,045,623**	**11,933,635**	**4,102,164**	**3,124,984**	**34,457,690**	**76,664,096**
Financial Liabilities				**-**		
Financial liabilities at FVTPL	**65,937**	**-**	**-**	**-**	**-**	**65,937**
Other financial liabilities at amortized cost:	**-**	**-**	**-**	**-**	**-**	**-**
Deposit liabilities:						
Demand	**11,453,319**	**-**	**-**	**-**	**-**	**11,453,319**
Savings	**9,236,892**	**-**	**-**	**-**	**-**	**9,236,892**
Time	**14,394,623**	**10,306,276**	**2,467,095**	**632,652**	**757,484**	**28,558,130**
Bills payable	**2,879,240**	**2,879,240**	**-**	**-**	**7,758,699**	**13,517,179**
Outstanding acceptances	**345,663**	**-**	**-**	**-**	**-**	**345,663**
Manager's checks	**74,140**	**-**	**-**	**-**	**-**	**74,140**
Accrued interest and other expenses**	**615,385**	**-**	**-**	**-**	**-**	**615,385**
Other liabilities***	**1,386,605**	**-**	**1,142**	**16,063**	**575,106**	**1,978,916**
Total Financial Liabilities	**40,451,804**	**13,185,516**	**2,468,237**	**648,715**	**9,091,289**	**65,845,561**
Repricing Gap	**(P17,406,181)**	**(P1,251,881)**	**P1,633,927**	**P2,476,269**	**P25,366,401**	**P10,818,535**
Cumulative Repricing Gap	**(P17,406,181)**	**(P18,658,062)**	**(P17,024,135)**	**(P14,547,866)**	**P10,818,535**	**P -**

**Includes returned checks and other cash items and rent deposit.*
***Excludes retirement liability, accrued taxes and other non-financial accruals.*
****Excludes withholding taxes payable and provision liability.*

	2022					
	Up to 1 Month	1 to 3 Months	3 to Months	6 to 12 Months	Beyond 1 Year	Total
Financial Assets						
Financial assets at amortized cost:						
Cash and other cash items	P607,135	P -	P -	P -	P -	P607,135
Due from BSP	3,184,802	-	-	-	-	3,184,802
Due from other banks	875,457	-	-	-	-	875,457
Interbank loans receivable - gross	568,701	-	-	-	-	568,701
Investment securities - gross	-	-	-	-	11,079,198	11,079,198
Loans and receivables - gross	11,512,882	8,039,467	6,472,905	935,430	20,949,936	47,910,620
Other assets*	2,018	-	1,899	5,257	45,589	54,763
Financial assets at FVTPL:						
Quoted debt	199,382	-	-	-	-	199,382
Derivative assets	114,950	-	-	-	-	114,950
Financial assets at FVOCI	4,312,576	-	-	-	14,196	4,326,772
Total Financial Assets	21,377,903	8,039,467	6,474,804	940,687	32,088,919	68,921,780
Financial Liabilities						
Financial liabilities at FVTPL	130,367	-	-	-		130,367
Other financial liabilities at amortized cost:	-	-	-	-	-	-
Deposit liabilities:	-	-	-	-	-	-
Demand	10,265,550	-	-	-	-	10,265,550
Savings	9,359,555	-	-	-	-	9,359,555
Time	16,187,079	6,873,078	1,693,941	489,960	1,575,249	26,819,307
Bills payable	2,142,550	-	-	-	6,133,050	8,275,600
Outstanding acceptances	216,916	-	-	-	-	216,916
Manager's checks	49,785	-	-	-	-	49,785
Accrued interest and other expenses**	545,392	-	-	-	-	545,392
Other liabilities***	2,618,248	-	372	18,602	636,582	3,273,804
Total Financial Liabilities	41,515,442	6,873,078	1,694,313	508,562	8,344,881	58,936,276
Repricing Gap	(P20,137,539)	P1,166,389	P4,780,491	P432,125	P23,744,038	P9,985,504
Cumulative Repricing Gap	(P20,137,539)	(P18,971,150)	(P14,190,659)	(P13,758,534)	P9,985,504	P -

**Includes returned checks and other cash items and rent deposit.*
***Excludes retirement liability, accrued taxes and other non-financial accruals.*
****Excludes withholding taxes payable and provision liability.*

The following table sets forth, for the period indicated, the impact of the range of reasonably possible changes in the interest rates (accounting perspective) on the profit or loss and equity:

	Impact to Statements of Income		**Impact to Equity**	
	2023	2022	**2023**	2022
PHP Interest Rates				
Increase by 15 bps	**P63,786,850**	(P23,277,598)	**(741,490,107)**	(P744,397,084)
Increase by 20 bps	**85,049,133**	(31,036,797)	**(986,623,204)**	(990,407,093)
Increase by 25 bps	**106,311,416**	(38,795,997)	**(1,230,748,888)**	(1,235,363,946)
Decrease by 15 bps	**(63,786,850)**	23,277,598	**750,724,756**	754,049,835
Decrease by 20 bps	**(85,049,133)**	31,036,797	**1,003,040,603**	1,007,567,782
Decrease by 25 bps	**(106,311,416)**	38,795,997	**1,256,401,568**	1,262,178,011
USD Interest Rates				
Increase by 15 bps	**(148,174,956)**	49,953,525	**(830,154,141)**	(962,402,628)
Increase by 20 bps	**(197,566,608)**	66,604,700	**(1,102,958,663)**	(1,278,599,790)
Increase by 25 bps	**(246,958,260)**	83,255,875	**(1,373,827,836)**	(1,592,520,603)
Decrease by 15 bps	**148,174,956**	(49,953,525)	**848,038,638**	983,445,356
Decrease by 20 bps	**197,566,608**	(66,604,700)	**1,134,754,191**	1,316,010,125
Decrease by 25 bps	**246,958,260**	(83,255,875)	**1,423,510,087**	1,650,976,340

The Bank has exposures to other currencies that are not material.

The following table provides for the average effective interest rates by period of maturity or repricing of the Bank:

	2023		
	Less than 3 Months	**3 Months to 1 Year**	**Greater than 1 Year**
Peso-denominated			
Financial Assets			
Due from BSP	**0.1%**	**-**	**-**
Due from other banks	**0.2%**	**-**	**-**
Interbank loans receivable	**6.3%**	**-**	**-**
Financial assets at FVOCI	**-**	**-**	**4.0%**
Investment securities at amortized cost	**6.4%**	**5.7%**	**4.6%**
Loans and receivables	**6.4%**	**8.9%**	**11.3%**
Financial assets at FVTPL	**0.4%**	**3.3%**	**9.2%**
Financial Liabilities			
Deposit liabilities	**0.8%**	**4.4%**	**4.6%**
Bills payable	**3.8%**	**-**	**-**
Foreign Currency-denominated			
Financial Assets			
Due from other banks	**1.7%**	**-**	**-**
Interbank loans receivable	**1.8%**	**-**	**-**
Financial assets at FVOCI	**-**	**-**	**5.3%**
Investment securities at amortized cost	**4.2%**	**12.9%**	**3.7%**
Loans and receivables	**5.3%**	**6.5%**	**5.4%**
Financial assets at FVTPL	**-**	**-**	**5.3%**
Financial Liabilities			
Deposit liabilities	**1.3%**	**4.0%**	**4.2%**
Bills payable	**5.4%**	**-**	**-**

	2022		
	Less than 3 Months	3 Months to 1 Year	Greater than 1 Year
Peso-denominated			
Financial Assets			
Due from BSP	0.3%	-	-
Due from other banks	0.2%	-	-
Interbank loans receivable	2.6%	-	-
Financial assets at FVOCI	-	-	3.5%
Investment securities at amortized cost	3.1%	0.0%	4.3%
Loans and receivables	4.1%	6.1%	10.7%
Financial assets at FVTPL	8.4%	5.4%	4.5%
Financial Liabilities			
Deposit liabilities	0.4%	1.6%	1.6%
Bills payable	4.4%	-	-
Foreign Currency-denominated			
Financial Assets			
Due from other banks	0.5%	-	-
Interbank loans receivable	1.4%	-	-
Financial assets at FVOCI	-	-	3.5%
Investment securities at amortized cost	-	-	3.6%
Loans and receivables	3.0%	3.4%	2.8%
Financial assets at FVTPL	-	-	3.7%
Financial Liabilities			
Deposit liabilities	0.6%	1.2%	1.2%
Bills payable	3.2%	-	-

Prepayment Risk
Prepayment risk is the risk that the Bank will incur a financial loss because its customers and counterparties repay or request repayment earlier than expected, such as fixed rate mortgages when interest rates fall. The Bank has exposures in consumer, e.g., salary loans, mortgage loans. These activities generate market risk since these loan products are inherently sensitive to changes in the level of market interest rates.

The impact on the Bank's profitability of mortgage loan prepayment risk is deemed negligible as actual prepayments were small relative to the loan portfolio.

Operational Risk
Operational risk is defined as the risk of loss arising from direct or indirect loss from inadequate or failed internal processes, people and systems or from external events. This definition includes legal riskbut excludes strategic and reputational risk.

Direct loss is a result primarily from an operational failure while an Indirect Loss relates to the impact of operational risk on other risks such as Market, Credit or Liquidity Risk.

The Operational and Reputational Risk Management Department (ORRMD) is responsible for establishing, overseeing and supporting CTBC's Operational Risk Management ("ORM") framework. Specific responsibilities include:

- Recommend to the BOD and Senior Management appropriate policies and procedures relating to ORM.
- Design and implement Bank's operational risk assessment methodology, tools, and risk reporting system.
- Coordinate risk management activities across the organization.
- Consolidated all relevant operational risk information and reports to be elevated and reported to the BOD and Senior Management.
- Provide ORM training and advice to BU's on ORM issues.
- Coordinate with Compliance function, Internal Audit, and External Audit on ORM matters.
- Monitoring and reporting of Operational Risk incidents.
- Manage the stress testing activities for the Bank's operational risk:
    - Design and develop a stress testing policy, standard operational procedures (SOP), and tools and templates for operational risk and obtain required approvals in accordance to the Bank's Risk Governance Policy.
    - Facilitate the conduct of operational risk stress testing on annual basis, following the prescribed timelines.
    - Validate and challenge responses of business unit and functional unit in the stress testing exercise.
    - Consolidate and submit results of the operational risk stress testing exercise for management review and approval.

Operational Risk Process
The Bank implements the Risk and Control Assessment Framework to ensure that all operational risks of the different Business and Functional Units are reported and properly managed.

The Risk and Control Assessment (RCA) Framework is composed of 3 main activities namely:

- Annual Risk Assessment (ARA) - refers to the process of assessing key risks to be faced by the Bank in the upcoming year and mapping key controls and/or indicators for each identified key risk.

- Management Control Assessment (MCA) - refers to the year-long process of assessing the effectiveness of key control through self-inspection, monitoring trend/s of risk indicators, and taking action on any identified vulnerability or gap.
- Business Risk, Compliance, and Control (BRCC) Forum - refers to the integrated review on internal controls across first, second, and third lines of defense. Its main objective is to enable Senior Management to supervise the overall status of key risk trend, weakness in controls, and correction on major events and audit issues.

The Bank's Operational Risk Process is as follows:

Key Risk and Control Identification Process
This involves the review of existing business processes, products and services with the aim of identifying vulnerabilities and assessing the extent of damage that can happen should breaches occur. The RCA Framework is followed.

Review and Document Policies and Procedures
In reviewing and documenting policies and procedures, each business and operating unit ensures clear and complete documentation of the following:

- Processes - Include all functions that are being done to ensure complete delivery of the transaction. This covers both client interface processes and internal control.
- People - Identify everyone involved in the process, their duties and responsibilities and required competencies.
- Reports - Identify those that would be needed to assess risk management effectiveness.
- Methodologies - Detail the tools and activities that would support decision making for critical areas of the process.
- Systems and Data - Cite the system and data requirement for the business unit to efficiently manage reports and methodologies employed.

All Business and Operating Units shall ensure that actual practices are consistent with documented policies and procedures.

Monitor and Formulate Action Plan
Monitoring and formulating action plans against established standards, via the KRIs is an important component in ensuring that these standards are met. There are three units involved in the over-all formulation and monitoring of action plans for all Business and Functional Units.

- Business and Functional Units - They are expected to report the operational exceptions, deviations on the policies and procedures and deficiencies on the documentations and process.
- ORRMD - Collates and consolidates the reports from different business and functional units. They are also responsible for monitoring, analyzing and reporting operational risk losses and exposures to Management.
- Internal Audit Department (IAD) - Primarily responsible for ensuring that all Operations Units are in compliance with the set of policies and procedures. They should be able to provide an independent opinion on the effectiveness of established internal controls.

Management Oversight
On a monthly basis, the Operations Committee convenes to discuss operational risk issues. This is presided by the President/CEO with the following members: Deputy CEO, CRO, CFO, Information Security Officer, and Heads of ORRMD, ICMG, RCMG, IBG, RBG, Trust Department, Treasury Group, ITG, BOG, HRAG, Marketing Communications Services Department, Internal Audit and Compliance.

Strategic Risk
Strategic risk is the risk that the current and prospective earnings or capital will be adversely impacted because of business decisions, improper implementation of decisions or lack of responsiveness to industry changes. This definition gives importance to business planning, where business decisions and its implementation are derived from.

The strategic risk of the Bank is a function of the compatibility of its strategic goals, the quality of carrying out its implementation, and building the infrastructure to meet such goals.

Strategic risk is managed throughout the Bank and is primarily monitored by Finance and Corporate Affairs Group through budget analysis and variances.

Legal Risk
Legal risks belong to non-quantifiable risks that are not subject to specific numerical measurements but likewise require similar management attention. While unpredictable, non-quantifiable risks may cause severe impact of the Bank's statements of income. These risks are mitigated by developing a strong control culture, an organizational structure that is risk-aware, and an effective internal control system that continually monitors and updates processes and procedures. Legal risks include the potential for the Bank to suffer a financial loss due to non- existent, incomplete, incorrect and/or unenforceable documentation used by the Bank to protect and enforce its rights under contracts and obligations. This risk is closely related to credit risk as it most often involves legal problems with counterparties to the Bank's transactions. It is also closely related to other non-quantifiable risks that have to be assessed: fiduciary, reputational risk and regulatory risk.

A legal review process is the primary control mechanism for legal risks and shall be part of every product program or process of the Bank. The review aims to validate the existence, propriety and enforceability of documents, and verify the capacity and authority of counterparties and customers to enter into transactions.

The Bank's Legal Department is the primary unit assigned to identify, assess, manage and monitor the Bank's legal risk.

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

The Bank considers its paid-in capital and retained earnings as its core economic capital.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

Regulatory Qualifying Capital
Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's "unimpaired capital" (regulatory net worth) as reported to the BSP, which is determined on the basis of Regulatory Accounting Principles (RAP) which differ from PFRSs in some respects.

The BSP sets and monitors compliance with minimum capital requirements for the Bank. In implementing current capital requirements, BSP issued Circular 781 which implemented the Revised Risk-Based Capital Adequacy Framework under Basel III effective January 1, 2014. It requires the Bank to maintain a prescribed risk-based capital adequacy ratio (expressed as a percentage of qualifying capital to risk-weighted assets) of not less than 10.0% for both solo and consolidated basis. The Bank is also required to maintain a minimum Common Equity Tier 1 and Tier 1 capital ratio of 6.0% and 7.5%, respectively. A capital conservation buffer of 2.5% comprised of CET1 capital was likewise imposed through BSP Circular 1024.

Shown below are the Bank's minimum capital-to-risk assets ratios as reported to the BSP as of December 31, 2023 and 2022 (in millions except for percentages).

	2023	2022
CET 1 capital	**P9,832**	P9,404
Tier 1 capital	**9,832**	9,404
Tier 2 capital	**600**	511
Gross qualifying capital	**10,432**	9,915
Less: Required deductions	**-**	-
Total Qualifying Capital	**P10,432**	P9,915
Risk-weighted Assets	**P66,353**	P56,195
CET 1 ratio	**14.8%**	16.7%
Tier 1 capital ratio	**14.8%**	16.7%
Tier 2 capital ratio	**0.9%**	0.9%
Risk-based capital adequacy ratio	**15.7%**	17.6%

The regulatory qualifying capital of the Bank consists of Tier 1 (core) and Tier 2 (supplementary) capital. Tier 1 capital comprise of common stock, additional paid-in capital and surplus. Tier 2 comprises upper Tier 2 and lower Tier 2. Upper Tier 2 consists of preferred stock, revaluation increment reserve, general loan loss provision, and deposit for common stock subscription. Lower Tier 2 consists of unsecured subordinated debt.

BSP Circular 560 dated January 31, 2007, which took effect on February 22, 2007, requires the deduction of unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates from capital accounts for purposes of computing CAR.

Moreover, BSP Circular 1027 dated December 14, 2018, provides the guidelines on the computation of the required capital for banks to ensure that capital is only composed of instruments that are of highest quality to absorb losses.

The Bank complied with the minimum Capital Adequacy Ratio (CAR) of 10.0% throughout 2023 and 2022.

BASEL III

On December 13, 2013, the BSP issued Circular 822 on amendments to the capital framework of foreign bank. It provides that the minimum capital required for locally incorporated subsidiaries of foreign banks shall be the same as that prescribed by the Monetary Board for domestic banks of the same category under Circular 781 issued last January 15, 2013.

The following are the revised minimum capital requirements:

- 6.0% Common Equity Tier 1 (CET1)/Risk-Weighted Assets (RWAs);
- 7.5% Tier 1 Capital/RWAs; and
- 100% Total Qualifying Capital (Tier 1 plus Tier 2)/RWAs.

The Qualifying Capital must consist of the sum of the following elements, net of required deductions: Tier 1-'going concern' [CET1 plus Additional Tier 1] and Tier 2 - 'gone concern.' A bank/quasi-bank must ensure that any component of capital included in qualifying capital complies with all the eligibility criteria for the particular category of capital in which it is included. The Circular further describes the elements/criteria that a bank should meet for each capital category. Regulatory adjustments and calculation guidelines for each capital category are also discussed.

In conformity with the Basel III standards, a Capital Conservation Buffer of 2.5% of RWAs, comprised of CET1 capital, has been required. This buffer is meant to promote the conservation of capital and build-up of adequate cushion that can be drawn down by banks to absorb losses during financial and economic stress. The restrictions on distribution that a bank must meet at various levels of CET1 capital ratios are established, as shown in below table. Restrictions will be imposed if a bank has no positive earnings, has CET1 of not more than 8.5% (CET Ratio of 6.0% plus conservation buffer of 2.5%) and has not complied with the minimum 10.0% CAR.

Level of CET 1 Capital	**Restriction on Distributions of Earnings**
<6.0%	No distribution
6.0% - 7.25%	No distribution until more than 7.25% CET1 capital is met
>7.25% - 8.5%	50.0% of earnings may be distributed
>8.5%	No restriction on the distribution

Under Section 129 of the MORB Basel III, leverage ratio is designed to act as supplementary measure to the risk-based capital requirements. It is defined as the capital measure (numerator) divided by the exposure measure (denominator). The leverage ratio shall not be less than 5.0% computed on both solo (head office plus branches) and consolidated bases (parent bank plus subsidiary financial allied undertakings but excluding insurance companies).

The Bank exceeded the minimum leverage ratio of 5.0% in 2023 and 2022 as presented below (amounts in thousands):

	2023	2022
Capital measure	**P9,832,426**	P9,404,312
Exposure measure	**88,392,312**	72,907,616
Leverage ratio	**11.12%**	12.90%

6. Fair Value Measurement

The methods and assumptions used by the Bank in estimating the fair value of the financial assets and financial liabilities are:

Cash and Other Cash Items, Due from BSP and Other Banks, and Interbank Loans Receivable
Carrying amounts approximate fair values due to their short-term nature.

Quoted Debt and Equity Securities
Fair values are based on quoted prices published in markets.

Unquoted Equity Securities
The unquoted equity securities of the Bank are measured at fair value. However, due to the lack of suitable methods of arriving at a reliable fair value, the cost is determined to be an appropriate estimate of fair value. The unquoted equity securities are instead measured at their carrying amounts. These are interests in BancNet, Philippine Clearing House Corporation and Bankers Association of the Philippines held as per membership requirement.

Derivative Instruments
Derivative products are valued using valuation techniques with market observable inputs including foreign exchange rates and interest rate curves prevailing at the statements of financial position date. For cross-currency swaps and foreign exchange contracts, discounted cash flow model is applied. This valuation method discounts each cash flow of the derivatives at a rate that is dependent on the tenor of the cash flow.

Loans and Receivables
Fair values of loans subject to periodic interest repricing of more than one year are estimated based on the discounted cash flow methodology using the loan's latest interest rate. Carrying values of loans subject to periodic interest repricing of one year or less approximate fair value because of recent and regular repricing based on market conditions.

Foreclosed Properties - Investment Properties and Properties under Trustee
Fair value is determined based on valuations performed by external and in-house appraisers using the market data approach. The fair values of the Bank's investment properties are based on recent sales of similar properties in the same areas, taking into account the economic conditions prevailing at the time the valuations were made.

Significant unobservable inputs in determining the fair values include the following:

Location	Location of comparative properties whether on a main road or secondary road. Road width could also be a consideration if data is available. As a rule, properties along a main road are superior to properties along a secondary road.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable confirms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Time Element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time, in which case, the current date is superior to historic data.

Discount Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

Deposit Liabilities
Carrying amounts of demand and savings deposit approximate fair values considering that these are currently due and demandable. Fair values of time deposits are estimated based on discounted cash flow methodology using the Bank's latest interest rates due to lack of suitable methods of arriving at reliable fair value.

Other Financial Liabilities
Carrying values of liabilities, other than deposit liabilities approximates fair values due to their short-term nature.

The following table provides the fair value hierarchy of the Bank's assets and liabilities measured at fair value and those for which fair values should be disclosed:

	2023				
	Carrying Value	Level 1	Level 2	Level 3	Fair Value
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVTPL:					
Held-for-trading:					
Quoted debt	P485,672,488	P485,672,321	P167	P -	P485,672,488
Derivative assets	52,667,029	-	52,667,029	-	52,667,029
	538,339,517	485,672,321	52,667,196	-	538,339,517
Financial assets at FVOCI:					
Quoted debt	6,475,889,344	2,850,081,050	3,625,808,294	-	6,475,889,344
Unquoted equity	12,440,817	-	-	12,440,817	12,440,817
Quoted equity	3,600,000	-	3,600,000	-	3,600,000
	6,491,930,161	2,850,081,050	3,629,408,294	12,440,817	6,491,930,161
	P7,030,269,678	P3,335,753,371	P3,682,075,490	P12,440,817	P7,030,269,678
Assets for which Fair Values are Disclosed					
Financial assets at amortized cost:					
Cash and other cash items	P814,714,838	P -	P -	P814,714,838	P814,714,838
Due from BSP	3,426,463,360	-	-	3,426,463,360	3,426,463,360
Due from other banks	1,109,317,042	-	-	1,109,317,042	1,109,317,042
Interbank loans receivable - net	71,789,090	-	-	71,789,090	71,789,090
Investment securities - net	12,843,192,633	3,455,462,331	9,387,730,302	-	12,843,192,633
Loans and discounts - net:					
Institutional banking	39,453,714,267	-	-	39,453,714,267	39,453,714,267
Retail banking	4,568,553,595	-	-	4,568,553,595	4,568,553,595
Mortgage banking	4,019,424,627	-	-	4,019,424,627	4,019,424,627
Small business loans	457,331,122	-	-	457,331,122	457,331,122
Accrued interest receivable	596,839,872	-	-	596,839,872	596,839,872
Other receivables	169,990,524	-	-	169,990,524	169,990,524
Other assets*	53,594,816	-	-	53,594,816	53,594,816
	67,584,925,786	3,455,462,331	9,387,730,302	54,741,733,153	67,584,925,786
Non-financial Asset					
Investment properties	89,426,159	-	-	111,712,899	111,712,899
Other Assets***	341,124,812	-	-	341,124,812	341,124,812
	P68,015,476,757	P3,455,462,331	P9,387,730,302	P55,194,570,864	P68,037,763,497
Liabilities Measured at Fair Value					
Financial liabilities at FVTPL	P65,936,713	P -	65,936,713	P -	P65,936,713
Liabilities for which Fair Values are Disclosed					
Financial liabilities at amortized cost:					
Deposit liabilities:					
Demand	11,453,319,207	-	-	11,453,319,207	11,453,319,207
Savings	9,236,892,387	-	-	9,236,892,387	9,236,892,387
Time	28,558,129,602	-	-	28,558,129,602	28,558,129,602
Subtotal	49,248,341,196	-	-	49,248,341,196	49,248,341,196
Bills payable	13,517,179,143	-	-	13,517,179,143	13,517,179,143
Outstanding acceptances	345,662,618	-	-	345,662,618	345,662,618
Manager's checks	74,139,847	-	-	74,139,847	74,139,847
Accrued interest, taxes and other expenses**	615,384,891	-	-	615,384,891	615,384,891
Other liabilities***	1,978,916,807	-	-	1,978,916,807	1,978,916,807
	65,779,624,502	-	-	65,779,624,502	65,779,624,502
	P65,845,561,215	P -	P65,936,713	P65,779,624,502	P65,845,561,215

**Includes returned checks and other cash items and rent deposit.*
***Excludes retirement liability, accrued taxes and other non-financial accruals.*
****Excludes withholding taxes payable, and provision liability*
*****Pertains to the properties under trust*

	2022				
	Carrying Value	Level 1	Level 2	Level 3	Fair Value
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVTPL:					
Held-for-trading:					
Quoted debt	P199,382,396	P -	P199,382,396	P -	P199,382,396
Derivative assets	114,949,880	-	114,949,880	-	114,949,880
	314,332,276	-	314,332,276	-	314,332,276
Financial assets at FVOCI:					
Quoted debt	4,312,575,703	-	4,312,575,703	-	4,312,575,703
Unquoted equity	12,440,817	-	-	12,440,817	12,440,817
Quoted equity	1,755,000	-	1,755,000	-	1,755,000
	4,326,771,520	-	4,314,330,703	12,440,817	4,326,771,520
	P4,641,103,796	P -	P4,628,662,979	P12,440,817	P4,641,103,796
Assets for which Fair Values are Disclosed					
Financial assets at amortized cost:					
Cash and other cash items	P607,134,739	P -	P -	P607,134,739	P607,134,739
Due from BSP	3,184,802,214	-	-	3,184,802,214	3,184,802,214
Due from other banks	875,457,113	-	-	875,457,113	875,457,113
Interbank loans receivable - net	568,621,519	-	-	568,621,519	568,621,519
Investment securities - net	11,077,099,087	-	11,077,099,087	-	11,077,099,087
Loans and discounts - net:					
Institutional banking	36,823,877,882	-	-	36,823,877,882	36,823,877,882
Retail banking	3,999,680,932	-	-	3,999,680,932	3,999,680,932
Mortgage banking	3,136,850,941	-	-	3,136,850,941	3,136,850,941
Small business loans	1,008,697,388	-	-	1,008,697,388	1,008,697,388
Accrued interest receivable	524,400,439	-	-	524,400,439	524,400,439
Other receivables	792,522,839	-	-	792,522,839	792,522,839
Other assets*	54,763,143	-	-	54,763,143	54,763,143
	62,653,908,236	-	11,077,099,087	51,576,809,149	62,653,908,236
Non-financial Asset					
Investment properties	304,891,415	-	-	304,891,415	304,891,415
Other Assets	-	-	-	-	-
	P62,958,799,651	P -	P11,077,099,087	P51,881,700,564	P62,958,799,651
Liabilities Measured at Fair Value					
Financial liabilities at FVTPL	P130,366,861	P -	P130,366,861	P -	P130,366,861
Liabilities for which Fair Values are Disclosed					
Financial liabilities at amortized cost:					
Deposit liabilities:					
Demand	10,265,550,511	-	-	10,265,550,511	10,265,550,511
Savings	9,359,554,769	-	-	9,359,554,769	9,359,554,769
Time	26,819,307,095	-	-	26,819,307,095	26,819,307,095
Subtotal	46,444,412,375	-	-	46,444,412,375	46,444,412,375
Bills payable	8,275,600,000	-	-	8,275,600,000	8,275,600,000
Outstanding acceptances	216,915,898	-	-	216,915,898	216,915,898
Manager's checks	49,785,432	-	-	49,785,432	49,785,432
Accrued interest, taxes and other expenses**	545,392,454	-	-	545,392,454	545,392,454
Other liabilities***	3,273,803,646	-	-	3,273,803,646	3,273,803,646
	P58,805,909,805	-	-	58,805,909,805	58,805,909,805
	P58,936,276,666	P -	P130,366,861	P58,805,909,805	P58,936,276,666

**Includes returned checks and other cash items and rent deposit.*
***Excludes retirement liability, accrued taxes and other non-financial accruals.*
****Excludes withholding taxes payable, and provision liability*

The following ranges of discount rates were used in estimating the fair values unquoted fixed-rate and floating-rate debt instruments:

	PHP			
	2023		2022	
	High	**Low**	High	Low
Loans and discounts:				
Retail banking	**23.88%**	**15.48%**	16.56%	8.93%
Mortgage banking	**10.00%**	**5.00%**	9.75%	5.00%

The following table shows financial instruments recognized at fair value, analyzed by bases of fair value:

- Level 1 - quoted market prices in active markets for identical assets or liabilities; when fair values of listed equity and debt securities, as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations, without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy.

- Level 2 - those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); for all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other revaluation models; and

- Level 3 - those with inputs for the asset or liability that are not based on observable market data (unobservable inputs). Instruments included in Level 3 are those for which there are currently no active market.

The fair values of Level 1 instruments are based on the Bloomberg Valuation Service (BVAL) reference rates as used as the benchmark of PHP government securities in the active market of which comprise the quoted debt securities at FVTPL at reporting date. These BVAL reference rates are based on accumulated market data and real-time market observations on actively traded identical fixed income securities.

The fair values of Level 2 instruments are based on broker quotes from similar contracts that are traded in an active market. These quotes reflect the actual transactions in similar instruments.

In 2023, there were transfers between Level 2 to Level 1 category since the Bank established that markets are already active and therefore quoted prices provide reliable pricing information. In 2022, there were no transfers between Level 2 to Level 1 category.

In 2023 and 2022, there we no transfers into and out of Level 1 to 3 of fair value measurements.

7. Investment Securities

Financial Assets at FVTPL
Financial assets at FVTPL consist of the following:

	Note	**2023**	2022
Government debt securities		**P485,672,488**	P199,382,396
Derivative assets	*26*	**52,667,029**	114,949,880
		P538,339,517	P314,332,276

The Bank's debt securities and derivative assets are mandatorily classified as at FVTPL on initial recognition.

In 2023, effective interest rates of FVTPL debt securities ranged from 4.3% to 7.1% for peso-denominated and 3.3% to 7.5% for foreign currency-denominated FVTPL debt securities.

Net unrealized gain (loss) on revaluation to market of financial assets at FVTPL amounting to P12.7 million, P8.9 million and (P13.3) million in 2023, 2022 and 2021, respectively are included under "Trading and securities gain (loss) - net" in the statements of income.

Net gain (loss) on derivative transactions amounting to (P34.9 million), P142.1million and (P14.8million) million in 2023, 2022 and 2021, respectively, is included under "Foreign exchange gain - net" in the statements of income.

Financial Assets at FVOCI
Financial assets at FVOCI consist of the following:

	2023	2022
Government debt securities	**P6,475,889,344**	P4,312,575,703
Unquoted equity securities	**12,440,817**	12,440,817
Quoted equity securities	**3,600,000**	1,755,000
	P6,491,930,161	P4,326,771,520

Unquoted equity securities are held as local requirement (PCHC), consortium for ATM networks and on-line banking (Bancnet) and membership with the BAP.

Quoted equity securities pertain to club shares from Orchard Golf and Country Club and Subic Bay Yacht Club Corporation which were irrevocably designated at FVOCI as at January 1, 2018.

The movements of net unrealized loss on financial assets at FVOCI are as follows:

	2023	2022
Balance at beginning of the year	**(P659,285,390)**	(P223,742,739)
Net change in fair value recognized in OCI:		
Unrealized gain (loss) on debt financial assets at FVOCI recognized in OCI	**265,020,871**	(481,189,901)
Amount realized in the statements of income	**(26,384,611)**	44,989,750
	238,636,260	(436,200,151)
Unrealized gain (loss) on equity financial assets at FVOCI recognized in OCI	**1,845,000**	657,500
	240,481,260	(435,542,651)
Balance at end of year	**(P418,804,130)**	(P659,285,390)

In 2023, effective interest rates of FVOCI debt securities ranged from 5.7% to 7.2% for peso-denominated and 4.5% to 5.9% for foreign currency-denominated FVOCI debt securities. In 2022, effective interest rates of FVOCI debt securities ranged from 3.8% to 7.2% for peso-denominated and 0.1% to 4.6% for foreign currency-denominated FVOCI debt securities. In 2021, effective interest rates of FVOCI debt securities ranged from 0.2% to 4.6% for peso-denominated and 0.0% to 3.4% for foreign currency-denominated FVOCI debt securities.

As at December 31, 2023 and 2022, loss allowance on financial assets at FVOCI amounted to P5.6 million and P0.8 million, respectively (see Note 12).

Investment Securities at Amortized Cost
Investment securities at amortized cost consist of Philippine government treasury notes that bear nominal annual interest rates ranging from 0.0% to 10.6% in 2023, 2022 and 2021.

As at December 31, 2023 and 2022, the carrying value of investment securities at amortized cost amounted to P12.8 billion and P11.1 billion, respectively. Loss allowance on investment securities at amortized cost amounted to P12.7 million and P2.1 million as at December 31, 2023 and 2022, respectively (see Note 12).

No investment securities are being pledged by the Bank to secure outstanding liabilities as at December 31, 2023 and 2022.

Interest income on investment securities consists of:

	2023	2022	2021
Interest Income Calculated Using Effective Interest Method			
Investment securities at amortized cost	**P505,966,077**	P361,540,721	P158,922,652
Financial assets at FVOCI	**182,760,509**	152,689,067	172,030,435
	688,726,586	514,229,788	330,953,087
Interest Income on Financial Assets at FVTPL	**41,831,502**	12,203,065	18,341,606
	P730,558,088	P526,432,853	P349,294,693

Trading and securities gain (loss) - net consists of:

	2023	2022	2021
Financial assets at FVTPL	**P51,130,863**	P6,204,796	(P61,186,881)
Financial assets at FVOCI - debt securities	**27,099,769**	(44,296,011)	(1,651,363)
	P78,230,632	(P38,091,215)	(P62,838,244)

8. Loans and Receivables

This account consists of:

	Note	**2023**	2022
Loans and discounts:			
Institutional banking		**P40,660,547,561**	P37,818,193,958
Retail banking		**5,259,922,615**	4,528,995,602
Mortgage banking		**4,057,931,988**	3,159,581,360
Small business loans		**457,331,632**	1,010,729,922
Accrued interest receivable		**660,505,645**	578,628,396
Other receivables		**205,635,339**	814,490,643
		51,301,874,780	47,910,619,881
Unearned interest discount and capitalized interest		**(1,855,264)**	(1,485,680)
		51,300,019,516	47,909,134,201
Loss allowance	*12*	**(2,034,165,509)**	(1,623,103,780)
		P49,265,854,007	P46,286,030,421

Institutional banking loans and small business loans include domestic bills purchased amounting to P330.8 million and P308.6 million as at December 31, 2023 and 2022, respectively (see Note 16).

Other receivables include Due from ICCS and PVB representing impaired loans amounting to nil and P72.0 million as at December 31, 2023 and 2022, respectively, which are secured by real properties transferred to ICCS and PVB. As at December 31, 2023 and 2022, the fair value of these receivables amounted to nil and P151.5 million, respectively. During 2023, the Bank reclassified receivables amounting to P341.1 million to 'Other Assets' account in compliance with the Financial Reporting for Banks (See Note 11).

Other receivables also include sales contract receivables amounting to P16.4 million as at December 31, 2023 and 2022. Sales contract receivables as of December 31, 2023 and 2022 bear fixed interest rates per annum ranging from 10.0% to 10.5%.

No loans and receivables are being pledged by the Bank to secure outstanding liabilities as at December 31, 2023 and 2022.

Interest income on loans and receivables consists of:

	2023	2022	2021
Institutional banking	**P2,574,739,798**	P1,421,021,835	P970,960,942
Retail banking	**1,282,762,583**	1,076,177,138	1,032,344,367
Mortgage banking	**258,058,162**	200,554,265	184,474,276
Small business loans	**13,815,916**	44,380,957	43,272,303
Other receivables	**2,598,260**	2,396,607	2,192,114
	P4,131,974,719	P2,744,530,802	P2,233,244,002

The effective interest rates of foreign currency-denominated receivables ranged from 5.2% to 6.5%, 1.9% to 5.5% and 2.2% to 3.2% in 2023, 2022 and 2021, respectively while for peso-denominated receivables, the effective interest rates ranged from 10.0% to 10.9%, 8.3% to 10.3% and 8.9% to 10.0% in 2023, 2022 and 2021, respectively.

As at December 31, 2023 and 2022, the Bank's loan portfolio includes non-risk loans, as defined under BSP regulations, totaling P1.0 billion and P3.2 billion, respectively.

As of December 31, 2023 and 2022, 89.5% and 90.2% of the total loans of the Bank are subject to periodic interest repricing. Remaining loans earn annual fixed interest rates ranging from 5.00% to 23.88% in 2023 and 2022, for peso-denominated.

Breakdown of Total Loans as to Status

The following table shows the breakdown of receivable from customers, gross of loss allowance and unearned interest and discount, as to performing and non-performing as of December 31, 2023 and 2022:

	2023	2022
Performing loans:		
Institutional banking	**P39,693,221,412**	P37,442,915,226
Retail banking	**4,821,765,169**	4,191,001,916
Mortgage banking	**4,012,149,916**	3,112,189,237
Small business loans	**457,331,633**	1,010,729,922
	48,984,468,130	45,756,836,301
Non-performing loans:		
Institutional banking	**967,326,148**	375,278,732
Retail banking	**438,157,446**	337,993,686
Mortgage banking	**45,782,072**	47,392,123
	1,451,265,666	760,664,541
	P50,435,733,796	P46,517,500,842

9. Property and Equipment

The composition and movements of this account are as follows:

	2023						
	Bank Premises	**Right-of-Use Assets**	**Computer Equipment**	**Transportation Equipment**	**Furniture, Fixtures and Equipment**	**Leasehold Rights and Improvements**	**Total**
Cost							
Balance at January 1	**P80,229,255**	**P996,175,563**	**P330,581,826**	**P103,181,618**	**P81,477,705**	**P361,179,907**	**P1,952,825,874**
Additions	**-**	**37,481,223**	**55,362,116**	**16,401,958**	**3,002,053**	**2,875,280**	**115,122,630**
Disposals	**-**	**-**	**(12,039,818)**	**(17,183,644)**	**(3,440,736)**	**(174,486)**	**(32,838,684)**
Balance at end of year	**80,229,255**	**1,033,656,786**	**373,904,124**	**102,399,932**	**81,039,022**	**363,880,701**	**2,035,109,820**
Accumulated Depreciation and Amortization							
Balance at beginning of year	**64,127,572**	**405,123,904**	**249,176,829**	**50,112,328**	**74,738,123**	**356,673,321**	**1,199,952,077**
Depreciation and amortization	**3,709,868**	**113,912,178**	**35,549,907**	**17,715,759**	**2,727,067**	**2,195,526**	**175,810,305**
Disposals	**-**	**-**	**(11,946,872)**	**(13,169,660)**	**(3,440,538)**	**(63,356)**	**(28,620,426)**
Balance at end of year	**67,837,440**	**519,036,082**	**272,779,864**	**54,658,427**	**74,024,652**	**358,805,491**	**1,347,141,956**
Net Book Value at End of Year	**P12,391,815**	**P514,620,704**	**P101,124,260**	**P47,741,505**	**P7,014,370**	**P5,075,210**	**P687,967,864**

	2022						
	Bank Premises	Right-of-Use Assets	Computer Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
Cost							
Balance at January 1	P80,229,255	P956,246,341	P258,461,975	P97,839,419	P85,290,892	P360,358,061	P1,838,425,943
Additions	-	39,929,222	77,806,249	27,355,923	1,929,052	1,775,959	148,796,405
Disposals	-	-	(5,686,398)	(22,013,724)	(5,742,239)	(954,113)	(34,396,474)
Balance at end of year	80,229,255	996,175,563	330,581,826	103,181,618	81,477,705	361,179,907	1,952,825,874
Accumulated Depreciation and Amortization							
Balance at beginning of year	60,417,703	292,092,604	229,003,524	50,750,792	77,944,529	356,037,575	1,066,246,727
Depreciation and amortization	3,709,869	113,031,300	25,848,387	16,798,050	2,535,852	1,589,859	163,513,317
Disposals	-	-	(5,675,082)	(17,436,514)	(5,742,258)	(954,113)	(29,807,967)
Balance at end of year	64,127,572	405,123,904	249,176,829	50,112,328	74,738,123	356,673,321	1,199,952,077
Net Book Value at End of Year	P16,101,683	P591,051,659	P81,404,997	P53,069,290	P6,739,582	P4,506,586	P752,873,797

As at December 31, 2023 and 2022, bank premises account includes right-of-use assets with carrying value amounting to P514.6 million and P591.1million, respectively pertaining to leased branches and office premises (see Note 20).

As at December 31, 2023 and 2022, there were no property and equipment pledged as collateral for liabilities.

10. Investment Properties

The Bank's investment properties consist of house and lot and condominium units. Movements in this account are as follows:

	2023	2022
Cost		
Balance at beginning of year	**P356,377,508**	P191,908,454
Additions	**25,252,589**	182,904,962
Disposals	**(7,766,584)**	(18,435,907)
Transfers to Other assets	**(264,809,387)**	-
Balance at end of year	**109,054,126**	356,377,509
Accumulated Depreciation		
Balance at beginning of year	**27,186,964**	22,424,424
Depreciation	**2,531,298**	5,460,949
Disposals	**(867,092)**	(698,409)
Transfers to Other assets	**(14,747,094)**	-
Balance at end of year	**14,104,076**	27,186,964
Allowance for Impairment Losses		
Balance at beginning of year	**24,299,130**	6,722,904
Impairment losses	**1,592,296**	17,576,226
Disposals	**(614,402)**	-
Transfers to Other assets	**(19,753,133)**	-
Balance at end of year	**5,523,891**	24,299,130
Net Book Value at End of Year	**P89,426,159**	P304,891,415

During the year, the Bank has transferred investment properties to Philippine Veterans Bank (the "Trustee") with carrying value of P230.3 million in accordance with a Trust Agreement in compliance with R.A. 10641, *An Act Allowing the Full Entry of Foreign Banks in the Philippines*. Based on the terms and conditions of the Trust Agreement, while the legal title has been transferred to Trustee, all the risks and rewards from such properties remain with the Bank. These are classified by the Bank as 'Other assets' in the 2023 statements of financial position.

The Bank does not occupy repossessed properties for business use. As at December 31, 2023 and 2022, the fair value of investment properties amounted to P118.0 million and P364.7 million, respectively.

11. Other Assets

This account consists of:

	2023	2022
Computer software costs - net	**P125,122,038**	P198,382,111
Prepaid expenses and other charges	**56,928,368**	58,908,727
Rental deposits	**53,077,834**	53,339,248
Returned checks and other cash items	**516,982**	1,423,895
Miscellaneous	**778,849,500**	594,668,078
	P1,014,494,722	P906,722,059

The movements in computer software costs are as follows:

	2023	2022
Cost		
Balance at beginning of year	**P740,942,768**	P699,870,334
Additions	**31,534,564**	46,787,462
Disposals	**(2,232,236)**	(5,715,028)
Write offs	**(99,297,723)**	-
Balance at end of year	**670,947,373**	740,942,768
Accumulated Amortization		
Balance at beginning of year	**542,560,657**	477,793,318
Amortization	**69,210,415**	65,021,032
Disposals	**(1,140,908)**	(253,693)
Write offs	**(64,804,829)**	-
Balance at end of year	**545,825,335**	542,560,657
	P125,122,038	P198,382,111

In 2023, the Bank has written off computer software with net book value of P34.5 million and was recorded as part of ‘Other expenses’ account in the statements of income (see Note 22).

Prepaid expenses and other charges include prepayments for medical insurance, rent relating to short-term and low value assets, and software maintenance, and deferred charges.

The following table shows the disaggregation of miscellaneous assets.

	Note	2023	2022
Documentary stamp tax		**P11,912,160**	P27,570,099
Stationery and office supplies		**5,588,714**	5,334,149
Others:			
Properties under trust	*8, 10*	**341,124,812**	-
Hardware and software items		**192,938,093**	124,578,990
CSA collateral		**78,071,700**	64,118,250
Others		**149,214,021**	373,066,590
		P778,849,500	P594,668,078

Properties under trust pertains to transferred properties to Philippine Veterans Bank (the "Trustee"). As at December 31, 2023 and 2022, the fair value of properties under trust amounted to P516.5 million and nil, respectively.

Hardware and software items pertain to capital expenditures relating to the Bank's new core banking system which is under development.

CSA collateral pertains to deposit with other banks that is used as collateral (credit support annex or CSA) for a derivative contract entered during the year.

Other miscellaneous assets pertain to creditable withholding taxes, reserve requirement under trustee agreement and subscription fees for applications and cloud.

12. Loss Allowance on Financial Instruments

Composition and movements in loss allowance on financial instruments are as follows:

	2023					
	Loans and Receivables (Note 8)	**Interbank Loans Receivable**	**Debt Financial Assets at FVOCI** (Note 7)	**Investment Securities at Amortized Cost** (Note 7)	**Off-balance Sheet Commitments and Contingencies** (Note 16)	**Total**
Balance at beginning of year	**P1,603,348,248**	**P79,481**	**P801,751**	**P2,099,534**	**P16,825,580**	**P1,623,154,594**
Impairment losses	**933,494,991**	**127,390**	**4,761,204**	**10,597,040**	**11,567,600**	**960,548,225**
Accounts charged off and others	**(501,942,633)**	**-**	**-**	**-**	**-**	**(501,942,633)**
Foreign exchange and other movements	**(735,097)**	**(14,961)**	**(2,575)**	**(9,296)**	**(219,771)**	**(981,700)**
Balance at end of year	**P2,034,165,509**	**P191,910**	**P5,560,380**	**P12,687,278**	**P28,173,409**	**P2,080,778,486**

	2022					
	Loans and Receivables (Note 8)	Interbank Loans Receivable	Debt Financial Assets at FVOCI (Note 7)	Investment Securities at Amortized Cost (Note 7)	Off-balance Sheet Commitments and Contingencies (Note 16)	Total
Balance at beginning of year	P1,398,791,912	P6,803	P2,248,215	P1,267,787	P21,008,433	P1,423,323,150
Impairment losses	551,402,645	(18,379)	(1,489,503)	764,713	(4,797,305)	545,862,171
Accounts charged off and others	(335,005,016)	-	-	-	-	(335,005,016)
Foreign exchange and other movements	7,914,239	91,057	43,039	67,034	614,452	8,729,821
Balance at end of year	P1,623,103,780	P79,481	P801,751	P2,099,534	P16,825,580	P1,642,910,126

The loss allowance on loans and receivables includes the loss allowances for sales contract receivables and accounts receivables amounting to P35.6 million and P2.6 million in 2023 and 2022, respectively.

The loss allowance on debt financial assets at FVOCI is not recognized in the statements of financial position because the carrying amounts of these assets are their fair values. The loss allowance is recognized as part of the "Net unrealized gain (loss) on financial assets at FVOCI" in the statements of OCI.

The loss allowance on off-balance sheet commitments and contingencies is recognized by the Bank as an additional provision under "Other liabilities" in the statements of financial position (see Note 16).

Movements in the loss allowance on loans and receivables are as follows:

	2023					
	Institutional Banking	**Mortgage Banking**	**Small Business Loans**	**Retail Banking**	**Other Receivables**	**Total**
Balance at beginning of year	**P994,851,646**	**P22,730,420**	**P4,407**	**P529,314,669**	**P56,447,106**	**P1,603,348,248**
Impairment losses	**456,132,681**	**15,776,941**	**(3,898)**	**381,782,312**	**79,806,955**	**933,494,991**
Accounts charged off and others	**(245,283,229)**	**-**	**-**	**(219,727,962)**	**(36,931,442)**	**(501,942,633)**
Foreign exchange and other movements	**(739,931)**	**-**	**-**	**-**	**4,834**	**(735,097)**
Balance at end of year	**P1,204,961,167**	**P38,507,361**	**P509**	**P691,369,019**	**P99,327,453**	**P2,034,165,509**

	2022					
	Institutional Banking	Mortgage Banking	Small Business Loans	Retail Banking	Other Receivables	Total
Balance at beginning of year	P853,029,840	P17,875,256	P1,473,258	P449,614,417	P76,799,141	P1,398,791,912
Impairment losses	256,976,335	4,855,164	(17,780)	262,351,355	27,237,571	551,402,645
Accounts charged off and others	(124,133,341)	-	-	(182,651,103)	(28,220,572)	(335,005,016)
Foreign exchange and other movements	7,507,412	-	20,329	-	386,498	7,914,239
Balance at end of year	P993,380,246	P22,730,420	P1,475,807	P529,314,669	P76,202,638	P1,623,103,780

The following tables show the reconciliation from the opening to the closing balance of the loss allowance by class of financial instrument:

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and Receivables				
Balance at beginning of the year	**P612,502,090**	**P174,553,961**	**P814,699,901**	**P1,601,755,952**
Movement of beginning balance:				
Transfer to Stage 1	**39,185,515**	**(9,425,986)**	**(29,759,529)**	**-**
Transfer to Stage 2	**(19,490,995)**	**95,983,766**	**(76,492,771)**	**-**
Transfer to Stage 3	**(813,731)**	**(36,063,032)**	**36,876,763**	**-**
Net remeasurement of loss allowance	**(104,210,674)**	**13,157,043**	**464,540,771**	**373,487,140**
New financial assets originated or purchased	**440,773,695**	**138,293,074**	**316,411,371**	**895,478,140**
Derecognized assets	**(329,933,444)**	**(72,684,928)**	**(434,667,296)**	**(837,285,668)**
Subtotal	**638,012,456**	**303,813,898**	**1,091,609,210**	**2,033,435,564**
Foreign exchange and other movements	**22,085**	**(16,257)**	**724,117**	**729,945**
Balance at end of the year	**P638,034,541**	**P303,797,641**	**P1,092,333,327**	**P2,034,165,509**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Loans and Receivables				
Balance at beginning of the year	P381,021,254	P201,855,104	P815,915,554	P1,398,791,912
Movement of beginning balance:				
Transfer to Stage 1	10,206,012	(5,630,660)	(4,575,352)	-
Transfer to Stage 2	(8,881,552)	10,187,021	(1,305,469)	-
Transfer to Stage 3	(17,584,408)	(28,196,288)	45,780,696	-
Net remeasurement of loss allowance	(51,521,343)	16,484,044	145,344,806	110,307,507
New financial assets originated or purchased	509,334,050	89,505,969	238,534,403	837,374,422
Derecognized assets	(200,094,969)	(108,476,943)	(422,712,388)	(731,284,300)
Subtotal	622,479,044	175,728,247	816,982,250	1,615,189,541
Foreign exchange and other movements	11,370,874	(1,174,286)	(2,282,349)	7,914,239
Balance at end of the year	P633,849,918	P174,553,961	P814,699,901	P1,623,103,780

	2023	2022
	Stage 1	Stage 1
Interbank Loans Receivable		
Balance at beginning of the year	**P79,481**	P6,803
Net remeasurement of loss allowance	**127,390**	(18,379)
New financial assets originated or purchased	**-**	-
Foreign exchange and other movements	**(14,961)**	91,057
Balance at end of year	**P191,910**	P79,481

	2023	2022
	Stage 1	Stage 1
Debt Financial Assets at FVOCI		
Balance at beginning of the year	**P801,751**	P2,248,215
Net remeasurement of loss allowance	**3,167,780**	(1,565,196)
New financial assets originated or purchased	**1,593,423**	75,693
Foreign exchange and other movements	**(2,574)**	43,039
Balance at end of year	**P5,560,380**	P801,751

	2023	2022
	Stage 1	Stage 1
Investment Securities at Amortized Cost		
Balance at beginning of the year	**P2,099,534**	P1,267,787
Net remeasurement of loss allowance	**8,851,040**	440,389
New financial assets originated or purchased	**1,746,000**	324,324
Foreign exchange and other movements	**(9,296)**	67,034
Balance at end of year	**P12,687,278**	P2,099,534

	2023	2022
	Stage 1	Stage 1
Off-balance Sheet Commitments and Contingencies		
Balance at beginning of the year	**P16,825,580**	P21,008,433
Net remeasurement of loss allowance	**(5,413,311)**	(15,864,595)
New financial assets originated or purchased	**16,980,911**	11,067,290
Foreign exchange and other movements	**(219,771)**	614,452
Balance at end of year	**P28,173,409**	P16,825,580

The breakdown of impairment losses is as follows:

		2023	
	Individual Impairment	**Collective Impairment**	**Total**
Loans and receivables:			
Loans and discounts	**P538,755,562**	**P314,365,686**	**P853,121,248**
Other receivables	**-**	**80,373,743**	**80,373,743**
Interbank loans receivable	**-**	**127,390**	**127,390**
Financial assets at FVOCI	**-**	**4,761,204**	**4,761,204**
Investment securities at amortized cost	**-**	**10,597,040**	**10,597,040**
Off-balance sheet commitments and contingencies	**-**	**11,567,600**	**11,567,600**
Total	**P538,755,562**	**P421,792,663**	**P960,548,225**

		2022	
	Individual Impairment	Collective Impairment	Total
Loans and receivables:			
Loans and discounts	P364,930,602	P159,234,472	P524,165,074
Other receivables	-	27,237,571	27,237,571
Interbank loans receivable	-	(18,379)	(18,379)
Financial assets at FVOCI	-	(1,489,503)	(1,489,503)
Investment securities at amortized cost	-	764,713	764,713
Off-balance sheet commitments and contingencies	-	(4,797,305)	(4,797,305)
Total	P364,930,602	P180,931,569	P545,862,171

BSP Reporting
Loan provisioning under BSP regulations hinges on the qualitative appraisal and classification of the loan. Aside from classifying loans to past due and current, these are also grouped as unclassified or classified.

These classified loans are further grouped depending on the likelihood of losses the Bank will incur. Definitions of each classification are as follows:

I. Pass - These are loans or other credit accommodations that do not have a greater-than-normal credit risk. The borrower has the apparent ability and willingness to satisfy his obligations in full and therefore no loss in ultimate collection is anticipated.

II. Especially Mentioned (EM) - These are loans or other credit accommodations that have potential weaknesses that deserve management's close attention. If left uncorrected, these make affect the repayment of the loan.

III. Substandard - These are loans or other credit accommodations that 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.

IV. Doubtful - These are loans and other 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, however the exact amount remains undeterminable.

Under Regulatory reporting, effective August 29, 2018, BSP Circular 1011 requires a general loan loss provision equivalent to one percent (1.0%) of the outstanding balance of collectively and individually assessed loans when estimated/computed provisions are less than one percent (<1.0%) and/or no specific provisions are made, excluding loans which are considered non-risk under existing laws, rules, and regulations.

	2023	2022
NPLs	**P1,451,265,666**	P760,664,541
Less NPLs fully provided with loss allowance	**356,938,835**	190,551,384
	P1,094,326,831	P570,113,157

13. Deposit Liabilities

As of December 31, 2023 and 2022, non-interest bearing deposits are 0.3% of the total deposits.

The remaining deposit liabilities earn annual fixed interest rates ranging from 0.01% to 4.7%, 0.0% to 4.7% and 0.0% to 2.1% in 2023, 2022 and 2021, respectively.

On March 31, 2020, the BSP issued Circular No. 1082 which reduced the reserve requirement from 14% to 12% effective on the reserve week starting on April 3, 2020. On June 23, 2023, the BSP issued Circular No. 1175 further reduced the reserve requirement from 12% to 9.5% effective on the reserve week starting on June 30, 2023.

In 2023 and 2022, the Bank is compliant with such reserve requirements regulations.

The total liquidity and statutory reserves, as reported to the BSP, are as follows:

	2023	2022
Due from BSP	**P2,479,061,522**	P2,682,214,174

Interest expense on deposit liabilities consists of:

	2023	2022	2021
Time	**P1,219,584,947**	P375,155,261	P140,193,538
Demand	**23,692,873**	21,315,091	21,013,241
Savings	**3,803,792**	3,722,254	3,323,487
	P1,247,081,612	P400,192,606	P164,530,266

Accrued interest payable on deposit liabilities amounted to P179.4 million and P78.9 million as at December 31, 2023 and 2022, respectively.

As at December 31, 2023 and 2022, the Bank has deposits from the Parent Bank amounting to P110.3 million and P24.7 million, respectively. The interest expense incurred by the Bank arising from the deposits amounted to P25,708 and P63,058 for the years ended December 31, 2023 and 2022, respectively. Accrued interest payable, from these deposits amounted to P1,609 and P3,756, as at December 31, 2023 and 2022, respectively (see Note 25).

14. Bills Payable

This account consists of unsecured short-term and long-term borrowings from banks and other financial institutions.

The Bank is an accredited participating financial institution, as a conduit bank for Official Development Assistance Wholesale Lending Facilities managed by various government or sovereign lending institutions.

Bills payable and accrued interest payable consists of the following:

		2023		2022	
	Note	**Bills Payable**	**Accrued Interest Payable**	Bills Payable	Accrued Interest Payable
Due to Parent Bank	*25*	**P11,579,229,143**	**P26,499,863**	P6,690,600,000	P12,129,810
Due to external lenders		**1,937,950,000**	**2,325,194**	1,585,000,000	3,200,925
		P13,517,179,143	**P28,825,057**	P8,275,600,000	P15,330,735

Foreign currency denominated interbank borrowings are subject to interest rates ranging from 3.8% to 6.5%, 1.5% to 5.5% and 0.1% to 1.7% in 2023, 2022 and 2021, respectively.

Interest expense on bills payable amounted to P418.8 million, P117.2 million and P43.3 million in 2023, 2022 and 2021, respectively.

15. Accrued Interest, Taxes and Other Expenses

This account consists of:

	Note	**2023**	2022
Accrued taxes and other expenses		**P483,895,213**	P511,037,571
Accrued interest payable	*13, 14*	**208,211,360**	94,216,004
Net retirement liability	*19*	**145,458,896**	106,455,155
		P837,565,469	P711,708,730

Accrued taxes and other expenses refer to various payables for taxes and licenses, payroll, utilities and other expenses.

16. Other Liabilities

This account consists of:

	Note	**2023**	2022
Accounts payable		**P1,049,462,557**	P2,240,100,738
Lease liabilities	*20*	**592,953,770**	655,556,049
Bills purchased - contra	*8*	**330,764,795**	308,631,199
Withholding taxes payable		**46,232,069**	42,423,710
Provision for liability	*12*	**28,173,409**	16,825,580
Payment order payable		**5,735,684**	842,661
Miscellaneous		**78,201,636**	68,673,000
		P2,131,523,920	P3,333,052,937

The majority of the accounts payable as at year-end represent monies to be credited to customer deposit accounts for payroll and inward remittances and amounts owed to government agencies for statutory deductions and taxes and other creditors for normal expenditures. These are non-interest bearing and are payable on demand.

Bills purchased account is a contra-account to domestic bills purchase transactions recorded as part of Loans and receivables account. This represents accommodations given to Bank customers with approved bills purchase line of credit which enables the customer to encash checks with one day clearing instead of the usual three days clearing time.

Provision for liability pertains to loss allowance on the Bank’s off-balance sheet commitments and contingencies.

Miscellaneous includes unclaimed manager's check for more than one year and unclaimed balances of credit or deposits with the Bank as defined by the Revised Unclaimed Balances Act of 2013.

17. Maturity Analysis of Assets and Liabilities

The following table presents the maturity profile of the assets and liabilities of the Bank based on the amounts to be recovered or settled with and/or after more than one year after the reporting period (in thousands):

	2023			2022		
	Within One Year	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Financial Assets						
Financial assets at amortized cost:						
Cash and other cash items	**P814,715**	**P -**	**P814,715**	P607,135	P -	P607,135
Due from BSP	**3,426,463**	**-**	**3,426,463**	3,184,802	-	3,184,802
Due from other banks	**1,109,317**	**-**	**1,109,317**	875,457	-	875,457
Investment securities - gross	**1,251,045**	**11,604,835**	**12,855,880**	-	11,079,199	11,079,199
Interbank loans receivable - gross	**71,981**	**-**	**71,981**	568,701	-	568,701
Loans and receivables - gross	**28,745,244**	**22,556,631**	**51,301,875**	26,960,684	20,949,936	47,910,620
Other assets*	**6,750**	**46,844**	**53,594**	9,175	45,588	54,763
	35,425,515	**34,208,310**	**69,633,825**	32,205,954	32,074,723	64,280,677
Financial assets at FVTPL	**538,340**	**-**	**538,340**	204,173	110,159	314,332
Financial assets at FVOCI	**1,206,118**	**5,285,812**	**6,491,930**	-	4,326,772	4,326,772
	37,169,973	**39,494,122**	**76,664,095**	32,410,127	36,511,654	68,921,781
Non-financial Assets						
Property and equipment - net	**-**	**687,968**	**687,968**	-	752,874	752,874
Investment properties - net	**-**	**89,426**	**89,426**	-	304,891	304,891
Deferred tax assets - net	**-**	**627,004**	**627,004**	-	513,886	513,886
Other assets	**488,147**	**472,754**	**960,901**	426,659	425,300	851,959
	488,147	**1,877,152**	**2,365,299**	426,659	1,996,951	2,423,610
	37,658,120	**41,371,274**	**79,029,394**	32,836,786	38,508,605	71,345,391
Less: Loss allowance	**(1,166,882)**	**(880,163)**	**(2,047,045)**	(1,019,887)	(605,396)	(1,625,283)
Unearned discount and capitalized interest	**(897)**	**(958)**	**(1,855)**	(1,169)	(317)	(1,486)
	P36,490,341	**P40,490,153**	**P76,980,494**	P31,815,730	P37,902,892	P69,718,622

**Includes returned checks and other cash items and rent deposit.*

	2023			2022		
	Within One Year	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Financial Liabilities						
Financial liabilities at FVTPL	**P65,937**	**P -**	**P65,937**	P130,367	P -	P130,367
Financial liabilities at amortized cost:				-	-	-
Deposit liabilities	**48,490,858**	**757,483**	**49,248,341**	44,869,163	1,575,249	46,444,412
Bills payable	**5,758,480**	**7,758,699**	**13,517,179**	2,142,550	6,133,050	8,275,600
Outstanding acceptances	**345,663**	**-**	**345,663**	216,916	-	216,916
Manager's checks	**74,140**	**-**	**74,140**	49,785	-	49,785
Accrued interest, taxes and other expenses**	**615,385**	**-**	**615,385**	545,392	-	545,392
Other liabilities***	**1,403,810**	**575,107**	**1,978,917**	2,637,222	636,582	3,273,804
	56,754,273	**9,091,289**	**65,845,562**	50,591,395	8,344,881	58,936,276
Non-financial Liabilities						
Accrued taxes and other expenses	**222,180**	**-**	**222,180**	163,122	-	163,122
Income tax payable	**21,314**	**-**	**21,314**	23,013	-	23,013
Other liabilities	**152,607**	**-**	**152,607**	127,922	-	127,922
	396,101	**-**	**396,101**	314,057	-	314,057
	P57,150,374	**P9,091,289**	**P66,241,663**	P50,905,452	P8,344,881	P59,250,333

***Excludes retirement liability, accrued taxes and other non-financial accruals.*
****Excludes withholding taxes payable and provision liability.*

18. Equity

For two consecutive years, capital stock and related additional paid-in capital (APIC) consists of the following (in thousands):

	2023		2022	
	Shares	**Amount**	Shares	Amount
Common stock - P10 par value:				
Issued and fully paid, beginning	**348,307**	**P3,483,072**	348,307	P3,483,072
Additional shares	**-**	**-**	-	-
Treasury shares	**-**	**-**	-	-
Issued and fully paid, ending	**348,307**	**P3,483,072**	348,307	P3,483,072
Authorized	**400,000**	**P4,000,000**	400,000	P4,000,000

	2023	2022
Additional paid-in capital, beginning	**P2,023,692**	P2,022,762
Restricted stock award	**3,790**	929
Balance at end of year	**P2,027,482**	P2,023,691

The number of holders of the Bank's outstanding common shares is 111 for both December 31, 2023 and 2022.

The shares of the Bank were listed in the PSE since June 1999. In December 2000, the Parent Bank substantially increased its equity in the Bank through the acquisition of shares held by a minority group. As a result of this acquisition, the Parent Bank controlled approximately 91.0% of the Bank's capital stock compared to 57.0% prior to the acquisition. The General Banking Law of 2000 allows foreign banks to own up to 100.0% of Philippine incorporated banks, compared to 60.0% under the previous law. A further acquisition of shares held by the public representing approximately 4.0% of the Bank's equity was made by the Parent Bank in January 2001 through a tender offer at a price of P19.0 per share, the same price at which the shares from the minority group was acquired. In May 2001, the Parent Bank purchased another 4.0% of the outstanding shares at a price of P18.3 per share.

Revised Minimum Capitalization of Banks
On October 29, 2014, the BSP issued Circular No. 854, which became effective on November 19, 2014, prescribing the revised minimum capitalization of banks operating in the Philippines. Existing banks not meeting the requirement shall be given a period of five years from effectivity of the circular within which to meet the minimum capital. In addition, these banks must submit an acceptable capital build-up program within one year from date of effectivity of the circular. The Bank, falling under the category of commercial banks with total number of branches ranging from ten to one hundred, must have a minimum capital of P10.0 billion by November 2019.

On April 28, 2016, the Bank submitted its capital build up program (CBUP) to the BSP detailing the Bank's strategic plans in order to meet the required capital level. On June 16, 2016, the Monetary Board approved the Bank's CBUP. As at December 31, 2018, the Bank's unimpaired capital amount to P6.9 billion. Thus, the Bank needed additional P3.0 billion capital in order to comply with BSP Circular 854 by November 2019.

In accordance with the Bank's CBUP, the Bank's stockholders, during the annual meeting held on July 25, 2019, approved the increase of authorized shares from 300 million to 400 million shares in order to have sufficient unissued shares to be purchased by Parent Bank.

On September 27, 2019, in compliance with BSP Circular No. 854, Parent Bank purchased the remaining 52,031,269 unissued shares of the Bank and the 484,920 treasury shares at a price of P29.755 per share. The issuance resulted to the following movements:

	Increase (Decrease)
Additional paid-in capital	P1,019,770,021
Capital stock	520,312,690
Treasury stock	(15,951,674)
Retained earnings	(1,571,372)

The decrease in Retained earnings pertains to (a) the excess of the carrying amount of the treasury stock over the consideration; and (b) stock issuance costs amounting to P0.05 million.

In addition, Parent Bank subscribed to 48,307,202 new shares at the same price of P29.755 per share and paid the entire subscribed amount in cash. Consequently, the Bank paid for documentary stamp taxes (DST) amounting to P4.8 million, which was charged against APIC.

The Bank filed its application for the amendment of its Articles of Incorporation with the BSP for the increase in authorized capital on October 11, 2019.

Based on Section 123 of the MORB, deposits for stock subscription shall be recognized as part of equity for prudential reporting purposes when all of the following conditions are met:

a. The deposit for stock subscription meets the definition of an equity instrument under PAS 32 *Financial Instruments: Presentation* such that the deposit for stock subscription shall not be interest-bearing nor withdrawable by the subscriber;

b. The Bank's existing authorized capital is already fully subscribed;

c. The Bank's stockholders and board of directors have approved the proposed increase in authorized capital;

d. The Bank has filed an application for the amendment of its articles of incorporation for the increase in authorized capital with the appropriate supervising department of the BSP, duly supported by complete documents as prescribed by the BSP: Provided, That the approval of the SEC on the same application shall be obtained within the period prescribed under the SEC Financial Reporting Bulletin (FRB) on Deposits for future Subscription.

   In case the applications for the amendment of articles of incorporation for the increase in authorized capital have been returned due to insufficiency of supporting documents, the deposit for stock subscription shall not qualify for recognition as an equity instrument; and

e. The bank must have obtained approval of the Monetary Board on transactions involving significant ownership of voting shares of stock by any person, natural or juridical, or by one group of persons as provided in Sec. 122 (Transactions involving voting shares of stocks, Item "b"), if applicable.

Considering the status of the Bank's application for the increase in capital stock as at December 31, 2019, the deposits for stock subscription, did not meet conditions (d) and (e).

As at December 31, 2019, the said subscription amounting to P1.4 billion is lodged under the "Deposits for future stock subscription" account in "Other liabilities" in the statements of financial position. The said deposit was reclassified by the Bank as capital on February 10, 2020 for prudential reporting purposes and on March 6, 2020 for financial reporting purposes.

The Bank's application for the increase in authorized capital stock was approved by the Monetary Board of the BSP on February 10, 2020 and was later approved by SEC on March 6, 2020.

The reclassification resulted to additional 48,307,202 shares issued and outstanding and reflected the following movements:

	Increase
Additional paid-in capital	P949,478,054
Capital stock	483,072,020

As at December 31, 2023 and 2022, Parent Bank owns 99.72% of the Bank's capital stock.

Voluntary Share Delisting
As discussed in Note 1, the Bank has filed voluntary delisting of its shares in PSE on October 7, 2011 and has officially delisted from the trading Board effective on February 24, 2012.

On November 28, 2012, the BSP issued Circular No. 775 requiring banks, which are majority-owned by foreign banks and are established in the Philippines, to list on the local stock exchange within three years from the effectivity of the circular (which was 15 days after it was published in a newspaper of general circulation).

Circular No. 775 cited as basis the provisions of Republic Act (RA) No. 7721 or "An Act Liberalizing the Entry and Scope of Operations of Foreign Banks in the Philippines and for other purposes".

Section 2 of RA No. 7721 cited the listing requirement for foreign banks that entered the country by buying as much as 60.0% of an existing bank or investing in up to 60.0% of the voting stock of a new subsidiary incorporated in the country.

On July 15, 2014, Republic Act No. 10641 entitled "An Act Allowing the Full Entry of Foreign Banks in the Philippines, Amending for the Purpose Republic Act 7721" was signed into a law by the President of the Philippines. Under the new law, foreign banks may now own up to 100.0% of domestic subsidiary banks. On November 21, 2014, the BSP issued Circular No. 858 implementing R.A. 10641. The said circular effectively removed the listing requirement for foreign banks.

Restricted Retained Earnings
At the regular meeting of the BOD held on June 23, 2015, the BOD approved the restriction of the full amount of retained earnings for the following purposes:

i.) to comply with minimum capital requirement set forth under BSP Circular No. 854;

ii.) to comply with the requirements of the ICAAP pursuant to BSP Circular No. 639;

iii.) to provide for buffer in preparation for BASEL III requirements.

The restriction on retained earnings relating to ICAAP and BASEL III ensure that the Bank has adequate, available qualified capital at all times to reasonably manage the significant risks identified and assessed in the ICAAP and BASEL III. The guidelines on bank's ICAAP under Section 130 and Appendices 94, 95 and 96 of the MORB supplements the BSP's risk-based capital adequacy framework.

Appropriation for the Deficiency on General Loan Loss Provision (GLLP)
BSP Circular 1011 requires the Bank to set up GLLP equivalent to 1.0% of all outstanding Stage 1 on-balance sheet loans, except for accounts considered as credit risk-free under existing regulations. In cases when the computed loss allowance on such Stage 1 accounts is less than the 1.0% percent general provision required, the deficiency shall be recognized by appropriating the Retained Earnings account.

As at December 31, 2023 and 2022, the loss allowance computed in accordance with PFRS 9 is more than the required GLLP by P175.0 million and P144.4 million, respectively. As such, appropriation is not necessary.

Statutory Reserve
As at December 31, 2023 and 2022, statutory reserves amounting to P4.98 million pertains to reserves for trust business.

In compliance with BSP regulations, 10.0% of the Bank's profit from trust business is appropriated to surplus reserve. This yearly appropriation is required until the retained earnings amount to 20.0% of the Bank's authorized capital stock.

During 2023 and 2022, the Bank did not appropriate additional reserves since the Bank's retained earnings already amounted to at least 20.0% of the authorized capital stock.

19. Compensation and Fringe Benefits

The account consists of:

	2023	2022	2021
Employee benefits:			
Salaries and wages	**P856,679,212**	P846,791,800	P716,588,889
Fringe benefits	**266,716,748**	239,523,535	202,167,800
Medical allowance	**42,755,410**	41,378,573	41,232,355
Retirement benefit expense	**36,523,706**	37,494,024	41,657,798
Statutory employer contributions	**34,040,168**	26,322,205	23,365,061
	1,236,715,244	1,191,510,137	1,025,011,903
Directors' fees	**8,523,490**	9,680,294	8,423,812
	P1,245,238,734	P1,201,190,431	P1,033,435,715

The Bank has a funded, noncontributory, defined benefit retirement plan covering all of its permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method and valuations are obtained on a periodic basis. The Bank's latest actuarial valuation date is December 31, 2023.

The plan is registered with the Bureau of Internal Revenue (BIR) as tax-qualified plan under Republic Act No. 4917, as amended. The control and administration of the retirement plan is vested in the Board of Trustees (BOT). The BOT of the retirement plan exercises voting rights over the shares and approve material transactions. The retirement plan's accounting and administrative functions are undertaken by the Bank's Trust Operations Department.

The following table shows reconciliation from the opening balances to the closing balances for net retirement benefit liability and its components:

	Defined Benefits Obligation		Fair Value of Plan Assets		Net Retirement Benefit Liability	
	2023	2022	**2023**	2022	**2023**	2022
Balance at January 1	**P270,217,709**	P296,563,108	**P163,762,554**	P208,400,277	**P106,455,155**	P88,162,831
Included in Profit or Loss						
Current service cost	**28,858,935**	32,733,231	**-**	-	**28,858,935**	32,733,231
Interest expense	**19,455,675**	16,014,408	**11,790,904**	11,253,615	**7,664,771**	4,760,793
	48,314,610	48,747,639	**11,790,904**	11,253,615	**36,523,706**	37,494,024
Included in OCI						
Remeasurement loss (gain):						
Actuarial loss (gain) arising from:						
Financial assumptions	**32,918,378**	(52,987,707)	**-**	-	**32,918,378**	(52,987,707)
Experience adjustment	**28,067,075**	38,404,469	**-**	-	**28,067,075**	38,404,469
Return on plan assets excluding interest income	**-**	-	**(4,593,890)**	(32,730,581)	**4,593,890**	32,730,581
	60,985,453	(14,583,238)	**(4,593,890)**	(32,730,581)	**65,579,343**	18,147,343
Others						
Contributions paid by the employer	**-**	-	**63,099,308**	37,349,043	**(63,099,308)**	(37,349,043)
Benefits paid	**(38,559,597)**	(60,509,800)	**(38,559,597)**	(60,509,800)	**-**	-
	(38,559,597)	(60,509,800)	**24,539,711**	(23,160,757)	**(63,099,308)**	(37,349,043)
Balance at December 31	**P340,958,175**	P270,217,709	**P195,499,279**	P163,762,554	**P145,458,896**	P106,455,155

Retirement benefit expense is recognized under "Compensation and fringe benefits" in the statements of income. Net remeasurement loss (gain) on retirement liability, net of tax, is recognized in statements of OCI.

The actual return on plan assets amounted to P7.2 million and (P21.5) million in 2023 and 2022, respectively.

The net retirement liability is included under "Accrued Interest, Taxes and Other Expenses" account in the statements of financial position (see Note 15).

The movements in net remeasurement loss on retirement liability are as follows:

	Note	**2023**	2022
Net remeasurement loss on retirement liability at beginning of year		**(P106,478,661)**	(P92,868,154)
Net remeasurement loss recognized in OCI:			
Change in remeasurement gain (loss) on retirement liability during the year		**(65,579,343)**	(18,147,343)
Deferred tax	*21*	**16,394,835**	4,536,836
		(49,184,508)	(13,610,507)
		(P155,663,169)	(P106,478,661)

The Bank's plan assets consist of the following (in thousands):

	2023	2022
Debt securities	**79.7%**	53.1%
Due from banks	**14.1%**	15.2%
Equity investments	**4.0%**	16.9%
Loans	**1.6%**	14.4%
Accrued interest receivables	**0.6%**	0.4%
Dividend receivable	**0.0%**	0.0%
	100.0%	100.0%

The Bank expects to contribute P44.5 million to its defined benefits retirement plan in 2024 (2023: P36.5 million).

The principal actuarial assumptions used to determine retirement benefits are as follows:

	In Percentages	
	2023	2022
Discount rate	**6.1%**	7.2%
Salary increase rate	**4.0%**	4.0%

Assumptions for mortality and disability rate are based on the adjusted 1985 Unisex Annuity Table and the Adjusted 1952 Disability Table reflecting experience improvement and Philippine experience.

As at December 31, 2023 and 2022, the weighted average duration of defined benefit obligation is 13 years and 14 years, respectively.

Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	2023			
	Discount Rate		**Salary Increase Rate**	
	+0.5%	**-0.5%**	**+0.5%**	**-0.5%**
Defined benefit obligation	**(P15,596,365)**	**P16,757,179**	**P15,995,422**	**(P15,029,880)**
Retirement liability	**(15,596,365)**	**16,757,179**	**15,995,422**	**(15,029,880)**

	2022			
	Discount Rate		Salary Increase Rate	
	+0.5%	-0.5%	+0.5%	-0.5%
Defined benefit obligation	(P13,803,581)	P11,960,064	P11,493,659	(P13,475,577)
Retirement liability	(13,803,581)	11,960,064	11,493,659	(13,475,577)

Although the analysis does not take into account of the full distribution of cashflows expected under the plan, it does provide an appropriation of the sensitivity of the assumptions shown.

Transactions with the retirement plan are made at normal market prices and terms. Outstanding balances as at December 31, 2023 and 2022 are unsecured and settlements are made in cash. There have been no guarantees provided for any retirement plan receivables. The Bank has no impairment losses relating to the receivables from retirement plan in 2023 and 2022.

The plan exposes the Bank to interest rate risk and market (investment) risk.

The BOT reviews the level of funding required for the retirement fund. This includes the asset-liability matching (ALM) strategy and investment risk management policy. The Bank's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Bank monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation.

The BOT approves the percentage of asset to be allocated for fixed income instruments and equities. The retirement plan has set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The BOT may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

20. Leases

Rent, utilities and equipment maintenance expenses recognized under "Occupancy and other equipment-related costs" in the statements of income are presented below:

	2023	2022	2021
Repairs and maintenance	**P166,866,216**	P113,334,998	P117,873,630
Rent relating to short-term and low value assets	**28,261,673**	26,604,610	22,074,279
Power, light and water	**24,886,808**	25,705,304	19,067,986
	P220,014,697	P165,644,912	P159,015,895

Right-of-use assets relate to leased branches and office premises that are presented within property and equipment (see Note 9).

	2023	2022
Balance at January 1	**P591,051,659**	P664,153,737
Additions	**37,481,223**	39,929,222
Depreciation charge for the year	**(113,912,178)**	(113,031,300)
Balance at December 31	**P514,620,704**	P591,051,659

Lease liabilities relate to the present value of the remaining lease payments on the Bank's lease contracts presented within Other liabilities (see Note 16).

	2023	2022
Balance at January 1	**P655,556,049**	P709,062,230
Additions	**37,481,223**	39,929,222
Accretion of interest	**26,600,748**	28,958,929
Payment of lease liabilities	**(126,684,250)**	(122,394,332)
Balance at December 31	**P592,953,770**	P655,556,049

Amounts recognized in the statements of income:

	2023	2022
Depreciation charge for the year	**P113,912,178**	P113,031,301
Interest on lease liabilities	**26,600,748**	28,958,929
Expenses relating to short-term leases	**15,841,526**	14,599,573
Expenses relating to leases of low-value assets	**12,420,147**	12,005,037
	P168,774,599	P168,594,840

Expenses relating to short-term leases and low-value assets are recognized as rent expense under "Occupancy and other equipment-related costs" in the statements of income.

Amounts recognized in statement of cash flows:

	2023	2022
Total cash outflow for leases	**P154,945,923**	P145,195,804

21. Income and Other Taxes

Under Philippine tax laws, the RBU of the Bank is subject to percentage and other taxes (presented as "Taxes and licenses" account in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and DST. Income taxes include the corporate income tax, as discussed below, and final taxes paid at the rate of 20.0%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes. Taxes and licenses incurred by the Bank amounted to P351.3 million and P305.9 million in 2023 and 2022, respectively.

On March 26, 2021, the President of the Philippines has approved the Republic Act No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE Act), provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Bank:

- Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5.00 million and with total assets not exceeding P100.00 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.

- MCIT rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023 (2% beginning 1 July 2023).

- The imposition of improperly accumulated earnings tax has been repealed.

The measure took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation.

On April 8, 2021, the BIR issued the following implementing revenue regulations that are effective immediately upon publication:

- BIR RR No. 2-2021, *Amending Certain Provisions of Revenue Regulations No. 2-98, As Amended, to Implement the Amendments Introduced by Republic Act No. 11534, or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), to the National Revenue Code of 1997, as Amended, Relative to the Final Tax on Certain Passive Income*

- BIR RR No. 3-2021, *Rules and Regulations Implementing Section 3 of Republic Act (RA). No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE", Amending Section 20 of the National Internal Revenue Code of 1997, As Amended*

- BIR RR No. 4-2021, *Implementing the Provisions on Value-Added Tax (VAT) and Percentage Tax Under Republic Act (RA) No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE) Which Further Amended the National Revenue Code of 1997, as Amended, as Implemented by Revenue Regulations (RR) No. 16-2005 (Consolidated Value-Added Tax Regulations of 2005), As Amended*

- BIR RR No. 5-2021, *Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to Republic Act (RA) No. 11534 or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), Which Further Amended the National Revenue Code (NIRC) of 1997*

In addition, current tax regulations provide for the ceiling on the amount of entertainment and representation (EAR) that can be claimed as a deduction against taxable income. Under the regulation, EAR allowed as deductible expense for a service bank like the Bank is limited to the actual EAR paid or incurred but not to exceed 1.0% of net revenue. EAR of the Bank amounted to P0.9 million and P0.6 million (included under "Miscellaneous expenses" account in the statements of income) in 2023 and 2022, respectively (see Note 22).

The regulations also provide for MCIT of 1.0% on modified gross income and allow a Net Operating Loss Carry Over (NOLCO). The Bank's MCIT and NOLCO may be applied against the Bank's income tax liability and taxable income, respectively, over a three-year period from the year of inception/incurrence, except for MCIT and NOLCO incurred in 2020 and 2021, which may be applied over five (5) years pursuant to Section 4 (bbbb) of Bayanihan II.

According to Section 4 (bbbb) of Bayanihan II and as implemented under RR No. 25-2020, the net operating loss of a business or enterprise incurred for the taxable years 2021 and 2020 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years following the year of such loss. Ordinarily, NOLCO can be carried over as deduction from gross income for the next three (3) consecutive years only.

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is subject to 10.0% income tax. The FCDU's other income, those that are not classified as onshore or offshore under R.A. 11534, is subject to 25.0% RCIT based on net taxable income or 1.0% MCIT based on gross income effective July 1, 2020 to June 30, 2023 and 2% effective July 1, 2023. In addition, interest income on deposit placements with other FCDUs and offshore banking units (OBUs) is taxed at 15%. RA No. 9294, which became effective in May 2004, provides that 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 10.0% income tax.

In 2011, the BIR issued RR 4-2011, Proper allocation of costs and expenses amongst income earning of banks and other financial institutions for income tax reporting purposes, which requires banks to allocate and claim as deduction only those costs and expenses attributable to RBU to arrive at the taxable income of the RBU subject to regular income tax. Any cost or expense related with or incurred for the operations FCDU are not allowed as deduction from the RBU's taxable income. In computing for the amount allowable as deduction from RBU operations, all costs and expenses should be allocated between the RBU and FCDU by specific identification and by allocation. In a Decision dated December 1, 2021, the Supreme Court declared RR 4-2011 void for having issue ultra vires. It ruled that RR 4-2011 unduly contravened and expanded the provisions of the Tax Code. The Supreme Court Decision became final and executory on June 7, 2022, and was recorded in the Book of Entries of Judgement.

Income taxes consist of:

	2023	2022
Recognized in Statements of Income		
Current	**P89,302,990**	P73,532,952
MCIT	**347,905**	-
Final	**123,459,052**	79,483,000
	213,109,947	153,015,952
Deferred income tax expense	**(96,723,410)**	15,054,312
	P116,386,537	P168,070,264
Recognized in Statements of OCI		
Deferred income tax expense	**P16,394,835**	P4,536,836

Net deferred tax assets consist of:

	2023	2022
Deferred tax assets:		
Loss allowances	**P471,386,975**	P356,402,237
Net expense accrual	**101,793,383**	113,026,544
Net retirement liability	**36,364,724**	26,613,789
PFRS 16, *Leases*	**19,583,267**	16,126,097
Unrealized loss on debt securities	**7,484,708**	12,181,713
Accumulated depreciation of investment properties	**10,506,932**	9,272,367
Unamortized past service costs	**5,488,833**	4,949,905
Net unrealized mark-to-market loss on derivatives	**3,443,046**	3,941,623
	P656,051,868	P542,514,275
Deferred tax liabilities:		
Unrealized gain on non-financial asset	**P8,901,495**	P22,164,975
Revaluation gain on properties under trust	**20,146,008**	6,463,180
	29,047,503	28,628,155
	P627,004,365	P513,886,120

The movement in the deferred tax balances as recognized in the statements of income and statements of OCI as is follows:

	Balance at Beginning of Year	Recognized in Profit or Loss	Recognized in OCI	Balance at December 31, 2023		
				Net	Deferred Tax Assets	Deferred Tax Liabilities
Loss allowances:						
Loans and receivables	P345,725,050	P114,683,173	P -	P460,408,223	P460,408,223	P -
Off-balance sheet commitments and contingencies	4,206,395	2,836,957	-	7,043,352	7,043,352	-
Investment properties	6,074,783	(4,693,810)	-	1,380,973	1,380,973	-
Investment securities at amortized cost	253,734	1,338,628	-	1,592,362	1,592,362	-
Investment securities at FVOCI	142,275	819,790	-	962,065	962,065	-
Net expense accrual	113,026,544	(11,233,161)	-	101,793,383	101,793,383	-
Net retirement liability	26,613,789	(6,643,900)	16,394,835	36,364,724	36,364,724	-
PFRS 16, *Leases*	16,126,097	3,457,170	-	19,583,267	19,583,267	-
Accumulated depreciation of investment properties	9,272,367	1,234,565	-	10,506,932	10,506,932	-
Unrealized loss on debt securities	12,181,713	(4,697,005)	-	7,484,708	7,484,708	-
Unamortized past service costs	4,949,905	538,928	-	5,488,833	5,488,833	-
Unrealized mark-to-market loss on derivatives	3,941,623	(498,577)	-	3,443,046	3,443,046	-
Excess MCIT over RCIT	-	-	-	-	-	-
Net Operating Loss Carry Over	-	-	-	-	-	-
Unrealized gain on non-financial asset	(22,164,975)	13,263,480	-	(8,901,495)	-	(8,901,495)
Revaluation gain on properties under trust	(6,463,180)	(13,682,828)	-	(20,146,008)	-	(20,146,008)
Deferred tax assets (liabilities)	P513,886,120	P96,723,410	P16,394,835	P627,004,365	P656,051,868	(P29,047,503)

	Balance at Beginning of Year	Recognized in Profit or Loss	Recognized in OCI	Balance at December 31, 2022 Net	Deferred Tax Assets	Deferred Tax Liabilities
Loss allowances:						
Loans and receivables	P330,863,525	P14,861,525	P -	P345,725,050	P345,725,050	P -
Off-balance sheet commitments and contingencies	5,252,108	(1,045,713)	-	4,206,395	4,206,395	-
Investment properties	1,680,726	4,394,057	-	6,074,783	6,074,783	-
Investment securities at amortized cost	181,275	72,459	-	253,734	253,734	-
Investment securities at FVOCI	484,106	(341,831)	-	142,275	142,275	-
Net expense accrual	115,645,507	(2,618,963)	-	113,026,544	113,026,544	-
Net retirement liability	22,040,709	36,244	4,536,836	26,613,789	26,613,789	-
PFRS 16, *Leases*	11,227,123	4,898,974	-	16,126,097	16,126,097	-
Unrealized gain/loss on debt securities	5,188,198	6,993,516	-	12,181,714	12,181,714	-
Accumulated depreciation of investment properties	7,958,592	1,313,774	-	9,272,366	9,272,366	-
Unamortized past service costs	5,308,913	(359,008)	-	4,949,905	4,949,905	-
Unrealized mark-to-market gain on derivatives	(3,622,886)	7,564,509	-	3,941,623	3,941,623	-
Excess MCIT over RCIT	16,727,758	(16,727,758)	-	-	-	-
Net Operating Loss Carry Over	25,881,900	(25,881,900)	-	-	-	-
Revaluation gain on properties under trust	(6,658,060)	194,880	-	(6,463,180)	-	(6,463,180)
Unrealized gain on non-financial asset	(13,755,898)	(8,409,077)	-	(22,164,975)	-	(22,164,975)
Deferred tax assets (liabilities)	P524,403,596	(P15,054,312)	P4,536,836	P513,886,120	P542,514,275	(P28,628,155)

The Bank did not recognize deferred tax assets on the following:

	2023		2022	
	Tax Base	**DTA**	Tax Base	DTA
Loss allowance	**P240,352,593**	**P60,088,148**	P241,600,308	P60,400,077
NOLCO	**12,904,482**	**3,226,121**	-	-
Excess MCIT over RCIT	**347,905**	**347,905**	-	-
	P253,604,980	**P63,662,174**	P241,600,308	P60,400,077

The unrecognized deferred tax asset on loss allowance, NOLCO and excess MCIT over RCIT pertains to FCDU books.

The reconciliation between the statutory income tax and income taxes follows:

	2023	2022	2021
Income tax expense at statutory rate	**P31,705,348**	P125,311,641	P31,671,604
Tax effects of:			
Temporary differences	**(96,723,410)**	15,054,312	51,896,475
FCDU loss (income)	**58,658,093**	18,115,362	(11,466,267)
Nondeductible interest expense	**23,698,199**	18,586,857	14,900,060
Nondeductible operating expense	**(10,562,643)**	22,551,416	10,070,201
Tax-paid (tax-exempt income)	**(1,810,646)**	(2,454,876)	(6,963,897)
Others:			
Nondeductible loss allowance	**201,816,575**	101,295,394	131,817,509
Nondeductible written off accounts	**(86,615,642)**	(83,624,889)	(117,505,902)
Nontaxable other income	**(1,976,644)**	(8,628,864)	(1,400,959)
Nontaxable trading loss (gains)	**(1,802,692)**	4,473,569	(12,765,046)
Net Operating Loss Carry Over	**-**	(25,881,900)	25,881,900
Excess MCIT over RCIT	**-**	(16,727,758)	16,727,758
Other	**-**	-	(17,635,833)
Effective income tax	**P116,386,538**	P168,070,264	P115,227,603

22. Income and Expenses

In the following table, service fees and commission income from contracts with customers in the scope of PFRS 15 is disaggregated by major type of service. The table also includes a reconciliation of the disaggregated service fees and commission income with the Bank's reportable segments (see Note 24).

			2023		
	Treasury (in thousands)	**Institutional Banking (in thousands)**	**Retail Banking (in thousands)**	**Others (in thousands)**	**Total (in thousands)**
Credit-related	**P392**	**P106,616**	**P44,841**	**(P3)**	**P151,846**
Deposit-related	**-**	**1,593**	**66,001**	**(4)**	**67,590**
Miscellaneous	**-**	**5,976**	**35,626**	**12,204**	**53,806**
	P392	**P114,185**	**P146,468**	**P12,197**	**P273,242**

	2022				
	Treasury (in thousands)	Institutional Banking (in thousands)	Retail Banking (in thousands)	Others (in thousands)	Total (in thousands)
Credit-related	P300	P82,066	P65,101	(P147)	P147,320
Deposit-related	-	1,274	58,487	4	59,765
Miscellaneous	-	4,705	33,250	6,945	44,900
	P300	P88,045	P156,838	P6,802	P251,985

	2021				
	Treasury (in thousands)	Institutional Banking (in thousands)	Retail Banking (in thousands)	Others (in thousands)	Total (in thousands)
Credit-related	P173	P25,682	P89,992	P393	P116,240
Deposit-related	-	1,160	59,850	(22)	60,988
Miscellaneous	(1)	3,262	32,666	5,403	41,330
	P172	P30,104	P182,508	P5,774	P218,558

Miscellaneous income consists of:

	2023	2022	2021
Recovery on charged-off assets	**P76,294,007**	P85,688,024	P64,386,845
Unrealized gain from non-financial assets	**14,764,746**	34,549,528	-
Income from trust division	**12,171,037**	12,367,187	8,379,988
Rent income - safety deposit box	**589,958**	608,272	655,551
Dividend income	**280,000**	280,000	2,145,000
Gain on disposal of property and equipment	**164,302**	-	67,566
Income (loss) from sale of investment properties	**(2,523,573)**	5,168,087	6,371,132
Other income	**28,933,715**	41,562,210	28,828,755
	P130,674,192	P180,223,308	P110,834,837

Other income mainly consists of proceeds from sale of cash cards. The following table shows the disaggregation of other income by the reportable segments of the Bank.

	2023	2022	2021
Retail banking	**P23,505,243**	P38,159,300	P26,513,290
Institutional banking	**5,093,416**	3,254,420	2,342,471
Treasury	**(104,838)**	33,872	(47,959)
Others	**439,894**	114,618	20,953
	P28,933,715	P41,562,210	P28,828,755

Security, messengerial, janitorial expenses and other fees consist of:

	2023	2022	2021
Sales agent commission	**P117,284,276**	P76,861,668	P67,939,167
Clerical expenses	**32,759,080**	23,809,450	18,515,327
Security expenses	**30,400,028**	27,924,896	27,448,551
Messengerial expenses	**11,671,165**	13,825,798	13,628,441
Janitorial expenses	**8,076,951**	9,366,713	8,840,693
	P200,191,500	P151,788,525	P136,372,179

Sales agent commission is a monetary reward given to sales representatives of the Bank who have managed to achieve their sales target.

Clerical expenses pertain to expenses incurred in relation to departmental administration, information systems and regulatory requirements.

Security expenses pertain to expenses incurred to transport of valuable properties of the Bank such as money.

Miscellaneous expenses consist of:

	2023	2022	2021
Insurance	**P105,162,793**	P100,280,206	P77,549,294
Management and professional fees	**70,066,505**	46,770,461	32,549,907
Postage and cable	**42,051,639**	31,580,935	26,593,127
Write-off of computer software	**34,492,894**	-	-
Banking and supervision fees	**26,498,493**	18,437,759	19,036,621
Office supplies	**23,784,533**	25,877,629	22,020,940
Litigation	**14,206,233**	13,997,091	6,666,644
Travel and transportation	**11,438,053**	8,371,839	17,952,087
Telecommunications	**8,308,260**	7,019,512	7,003,461
Advertising	**7,084,237**	5,291,186	4,452,308
Bank charges	**3,329,369**	3,488,022	3,334,347
Freight	**2,501,455**	1,759,412	1,205,889
Membership dues	**1,763,424**	1,741,347	1,630,655
Entertainment and representatior	**980,509**	647,017	202,765
Fuel and lubricants	**261,566**	463,146	902,905
Donation	**-**	500,000	3,725,672
Other expenses	**47,884,242**	47,503,815	44,176,511
	P399,814,205	P313,729,377	P269,003,133

Other expenses consist of fees paid for periodicals, VISA and check processing.

The following table shows the disaggregation of other expense by the reportable segments of the Bank.

	2023	2022	2021
Retail banking	**P33,252,003**	P36,436,223	P33,477,364
Treasury	**4,235,879**	2,366,138	2,249,302
Institutional banking	**(672,423)**	(258,018)	(1,479,479)
Others	**11,068,783**	8,959,471	9,929,324
	P47,884,242	P47,503,814	P44,176,511

23. Basic/Diluted Earnings Per Share

Earnings per share is computed as follows:

	2023	2022	2021
Net income	**P10,434,854**	P333,176,300	P11,458,814
Weighted number of shares outstanding	**P348,307,202**	348,307,202	348,307,202
Basic/diluted earnings per share	**P0.03**	P0.96	P0.03

There are no potentially dilutive shares as at December 31, 2023, 2022 and 2021. Accordingly, diluted EPS is the same as basic EPS.

24. Operating Segment Information

The Bank is organized based on the products and services that it offers and operates three principal areas namely: Treasury, Institutional Banking and Retail Banking.

Treasury - principally provides money market, trading and treasury services, as well as the management of the Bank's funding operations by use of government securities and placements and acceptances with other banks.

Institutional Banking - principally handles loans, trade finance and other credit facilities and deposit and current accounts for institutional customers.

Retail Banking - addresses the individual and retail markets. It covers deposit taking and servicing, consumer lending such as home mortgages and personal loans.

Others - principally handling supportive roles which are performed by Operations, Finance Group, Institutional Credit Risk Management Group and Retail Credit Management Group and other divisions under the direct stewardship of the Office of the President.

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

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

Interest income is reported at the net as management primarily relies on the net interest income as performance measure, not the gross income and expense.

The Bank has no significant customers which contributes 10.0% or more of the total revenue, net of interest expense.

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

The following table presents revenue and income information of operating segments presented in accordance with PFRS as of and for the years ended December 31, 2023, 2022 and 2021 (amount in thousands):

	2023				
	Treasury	Institutional Banking	Retail Banking	Others	Total
Net interest income					
Third party	P361,109	P2,075,629	P764,944	P -	P3,201,682
Intersegment	(657,837)	(622,772)	1,280,990	(381)	-
	(296,728)	1,452,857	2,045,934	(381)	3,201,682
Non-interest income	128,231	127,592	286,842	8,761	551,426
Revenue - net of interest expense	(168,497)	1,580,449	2,332,776	8,380	3,753,108
Less: Non-interest expenses	140,139	879,297	1,510,038	1,096,813	3,626,287
Income (loss) before income taxes	(308,636)	701,152	822,738	(1,088,433)	126,821
Less: Income taxes	116,100	14,798	(14,560)	48	116,386
Net income (loss)	(P424,736)	P686,354	P837,298	(P1,088,481)	P10,435
Service fees and commission income	P392	P114,185	P146,468	P12,197	P273,242
Depreciation and amortization	P3,993	P15,058	P76,923	P82,368	P178,342
Software amortization	P4	P14,813	P17,482	P36,911	P69,210
Impairment losses	P15,699	P477,020	P469,143	P279	P962,141

	2022				
	Treasury	Institutional Banking	Retail Banking	Others	Total
Net interest income					
Third party	P456,189	P1,222,089	P1,079,927	P -	P2,758,205
Intersegment	(270,977)	(234,675)	505,833	(181)	-
	185,212	987,414	1,585,760	(181)	2,758,205
Non-interest income	223,509	121,426	324,318	9,457	678,710
Revenue - net of interest expense	408,721	1,108,840	1,910,078	9,276	3,436,915
Less: Non-interest expenses	124,487	622,052	1,226,841	962,288	2,935,668
Income (loss) before income taxes	284,234	486,788	683,237	(953,012)	501,247
Less: Income taxes	78,758	64,076	25,148	89	168,071
Net income(loss)	P205,476	P422,712	P658,089	(P953,101)	P333,176
Service fees and commission income	P300	P88,045	P156,838	P6,802	P251,985
Depreciation and amortization	P3,882	P15,365	P74,931	P74,796	P168,974
Software amortization	P4	P13,938	P16,893	P34,186	P65,021
Impairment losses	(P735)	P271,604	P292,599	(P30)	P563,438

	2021				
	Treasury	Institutional Banking	Retail Banking	Others	Total
Net interest income					
Third party	P371,483	P890,564	P1,127,708	(P659)	P2,389,096
Intersegment	(65,706)	(85,389)	151,223	(128)	-
	305,777	805,175	1,278,931	(787)	2,389,096
Non-interest income	(22,168)	35,456	313,964	6,242	333,494
Revenue - net of interest expense	283,609	840,631	1,592,895	5,455	2,722,590
Less: Non-interest expenses	111,671	510,221	1,122,501	851,511	2,595,904
Income (loss) before income taxes	171,938	330,410	470,394	(846,056)	126,686
Less: Income taxes	22,750	(6,163)	100,636	(1,996)	115,227
Net income(loss)	P149,188	P336,573	P369,758	(P844,060)	P11,459
Service fees and commission income	P172	P30,104	P182,509	P5,773	P218,558
Depreciation and amortization	P4,243	P14,899	P72,869	P71,768	P163,779
Software amortization	P6	P12,713	P17,995	P29,806	P60,520
Impairment losses	P858	P244,895	P283,714	(P1,275)	P528,192

Segment information for the statements of financial position is as follows (amounts in thousands):

	Year	Segment Assets	Segment Liabilities	Capital Expenditures
Institutional Banking	**2023**	**P40,733,711**	**P19,448,300**	**P2,932**
	2022	38,823,251	19,636,998	5,071
Treasury	**2023**	**21,807,471**	**12,811,939**	**4,581**
	2022	15,419,162	8,736,086	165
Retail Banking	**2023**	**13,151,551**	**32,709,381**	**29,632**
	2022	13,669,675	28,697,324	19,276
Others	**2023**	**1,287,761**	**1,272,042**	**40,496**
	2022	1,806,534	2,114,447	84,368
Total	**2023**	**P76,980,494**	**P66,241,662**	**P77,641**
Total	2022	P69,718,622	P59,184,855	P108,880

Presented below is the summary of information on reportable segments:

	2023	2022	2021
Revenues - net of interest expense			
Total revenue for reportable segments	**P3,753,108**	P3,436,915	P2,722,590
Income before Taxes			
Total profit for reportable segments	**P126,821**	P501,247	P126,686

	2023	2022
Assets		
Total assets for reportable segments	**P76,980,494**	P69,718,622
Liabilities		
Total liabilities for reportable segments	**P66,241,622**	P59,184,855

25. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subjected to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

The Bank treats other subsidiaries and branch offices of the Parent Bank as related parties (collectively referred to as “entities under common control”).

The Bank has loan transactions with investees and with certain DOSRI. Existing banking regulations limit the amount of individual loans to DOSRI, 70.0% of which must be secured, to the total of their respective deposits and book value of their respective investments in the Bank. In the aggregate, loans to DOSRI generally should not exceed the respective total regulatory capital or 15.0% of total loan portfolio, whichever is lower.

On March 15, 2004, the BSP issued Circular 423 which provides for the amended definition of DOSRI accounts. It clarifies that loans granted to officers and employees under an approved fringe benefit program is excluded from the individual ceiling but is subject to 5.0% aggregate ceiling.

The following table shows information relating to DOSRI/Related Party loans (in thousands):

	2023		2022	
	DOSRI Loans	**Related Party Loans**	DOSRI Loans	Related Party Loans
Total outstanding loans	**P -**	**P -**	P -	P -
Percent of DOSRI/related party loans to total loan portfolio	**0.0%**	**0.0%**	0.0%	0.0%
Percent of unsecured DOSRI/ related party loans to total loans	**Nil**	**Nil**	Nil	Nil
Percent of past due DOSRI/ related party loans to total loans	**Nil**	**Nil**	Nil	Nil

None of the Bank's Directors have any self-dealing/related party transactions with the Bank directly by themselves in 2023 and 2022.

On January 31, 2007, BSP Circular No. 560 was issued providing the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said Circular, total outstanding exposures to each of the bank’s subsidiaries and affiliates shall not exceed 10.0% of bank’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 lending bank. BSP Circular No. 560 is effective on February 15, 2007.

Directors’ fees incurred during the years ended December 31, 2023 and 2022 amounted to P8.5 million and P9.7 million, respectively (see Note 19).

The significant account balances with respect to related parties included in the financial statements (after appropriate eliminations have been made) are as follows:

				Outstanding Balance			
Category/ Transaction	***Note***	**Year**	**Amount of the Transaction**	**Due from Related Parties**	**Due to Related Parties**	**Terms**	**Conditions**
Parent							
Current Deposits	*25a*						
Deposits		2023	P2,309,890,574	P -	P110,333,000	Demandable;	Unsecured
Withdrawals			(2,224,133,042)	-	-	interest bearing	
Forex			(89,903)	-	-		
Deposits		2022	1,898,251,990	-	24,665,371	Demandable;	Unsecured
Withdrawals			(1,934,566,221)	-	-	interest bearing	
Forex			1,110,504	-	-		
Interest Expense on Current Deposits	*25a*						
Accruals		2023	25,708	-	-	Demandable; interest	Unsecured
Settlements			23,561	-	1,609	bearing	
Accruals		2022	63,058	-	-		
Settlements			59,302	-	3,756	Demandable; interest bearing	Unsecured
Bills Payable from Parent Bank	*25b*						
Availments		2023	1,693,500,000	-	6,915,424,199	2-3 years;	Unsecured
Settlements			(837,000,000)	-	-	interest bearing	
Forex			(68,300,000)	-	-		
Unamortized discount			(5,825,801)	-	-		
Availments		2023	17,928,204,000	-	3,820,530,000	60 days;	Unsecured
Settlements			(14,620,625,000)	-	-	interest bearing	
Forex			(44,599,000)	-	-		
Availments		2023	853,086,026	-	843,274,944	2 years;	Unsecured
Settlements			(11,801,444)	-	-	interest bearing	
Forex			1,990,362	-	-		
Availments		2022	6,221,600,000	-	6,133,050,000	3 years;	Unsecured
Settlements			(88,550,000)	-	-	interest bearing	
Availments		2022	3,685,525,000	-	557,550,000	60 days;	Unsecured
Settlements			(3,127,975,000)	-	-	interest bearing	
Interest Expense on Bills Payable	*25b*						
Accruals		2023	313,711,521	-	-	Demandable; interest	Unsecured
Settlements			(312,875,522)	-	12,965,809	bearing	
Accruals		2023	27,810,027	-	-	Demandable; interest	Unsecured
Settlements			(19,858,080)	-	7,951,947	bearing	
Accruals		2023	20,831,832	-	-	Demandable; interest	Unsecured
Settlements			(15,249,725)	-	5,582,107	bearing	
Accruals		2022	23,388,081	-	-	Demandable; interest	Unsecured
Settlements			(11,258,271)	-	12,129,810	bearing	

Forward

Category/ Transaction	Note	Year	Amount of the Transaction	Outstanding Balance Due from Related Parties	Due to Related Parties	Terms	Conditions
Entities under Common Control							
Bills Payable from CTBC - Singapore							
Availments	*25c*	**2023**	**P -**	**P -**	**P -**	**3 years;**	**Unsecured**
Settlements			**-**	**-**	**-**	**interest bearing**	
Availments		2022	7,637,390,000	-	-	3 years;	Unsecured
Settlements			(9,677,350,000)	-	-	interest bearing	
Interest Expense on Bills Payable	*25c*						
Accruals		**2023**	**-**	**-**	**-**	**Demandable;**	**Unsecured**
Settlements			**(2,488,996)**	**-**	**-**	**interest bearing**	
Accruals		2022	79,302,837	-	-	Demandable;	Unsecured
Settlements			81,604,517	-	2,488,996	interest bearing	
Current Deposits to CTBC - Hongkong	*25d*						
Deposits		**2023**	**26,132,968**	**14,293,134**	**-**	**Demandable;**	**Unsecured;**
Withdrawals			**(21,220,780)**	**-**	**-**	**non-interest bearing**	**no impairment**
Forex and other movement			**(1,372,886)**	**-**	**-**		
Deposits		2022	41,404,114	10,753,832	-	Demandable;	Unsecured;
Withdrawals			(44,796,118)	-	-	non-interest bearing	no impairment
Forex and other movement			1,046,266	-	-		
Current Deposits to CTBC - Canada	*25d*						
Deposits		**2023**	**105,966,862**	**1,176,590**	**-**	**Demandable;**	**Unsecured;**
Withdrawals			**(89,422,070)**	**-**	**-**	**non-interest bearing**	**no impairment**
Deposits		2022	7,526,406	2,018,312	-	Demandable;	Unsecured;
Withdrawals			(5,512,535)	-	-	non-interest bearing	no impairment
Other Related Parties							
Employees' retirement fund held by Trust Operations							
Deposit Liabilities	*25e*						
Deposits		**2023**	**275,996,155**	**-**	**229,298**	**Demandable;**	**Unsecured**
Withdrawals			**(275,781,252)**	**-**	-	**non-interest bearing**	
Deposits		2022	166,950,371	-	14,396	Demandable;	Unsecured
Withdrawals			166,983,005	-	-	non-interest bearing	
Total		**2023**		**P15,469,724**	**P11,716,292,913**		
Total		2022		P12,772,144	P6,729,902,329		

All transactions with related parties are to be settled in cash.

25a *Current Deposits with Parent Bank*

These transactions are demandable and interest bearing. Interest rate on these deposit liabilities booked under RBU is 0.13%, while interest rate on deposits booked under FCDU is 0.01% for the year ended December 31, 2023. These are recorded as part of 'Deposit liabilities' account in the statements of financial position.

The interest expense incurred by the Bank arising from these deposits amounted to P25,708 for the year ended December 31, 2023 (2022: P63,058). Accrued interest payable, shown as part of under 'Accrued Interest, Taxes and Other Expenses' account in the statements of financial position amounted to P1,609 and P3,756, as at December 31, 2023 and 2022, respectively.

25b *Short and Long-term Borrowings with Parent Bank*
The long-term borrowing with Parent Bank denominated in USD is interest bearing and has a two to three year term. The outstanding loan amounting to P6.9 billion has an interest rate ranging from 4.78% to 5.62% per annum. Interest rate on this payable is repriced monthly.

The short-term borrowing with Parent Bank denominated in USD is interest bearing and has a sixty day term. The outstanding loan amounting to P3.8 billion has an interest rate ranging from 5.78% to 5.85% per annum. Interest rate on this payable is repriced monthly.

The long-term borrowing with Parent Bank denominated in AUD is interest bearing and has a two year term. The outstanding loan amounting to P0.8 billion has an interest rate ranging from 3.75% to 4.82% per annum. Interest rate on this payable is repriced monthly.

The interest expense incurred by the Bank arising from these borrowings amounted to P362.4 million for the year ended December 31, 2023 (2022: P23.4 million). Accrued interest payable, shown as part of under 'Accrued Interest, Taxes and Other Expenses' account in the statements of financial position amounted to P26.5 million and P12.1 million, as at December 31, 2023 and 2022, respectively.

25c *Long -term Borrowing with CTBC Bank Co. Ltd Singapore Branch*
This is an interest-bearing borrowing and has a 3-year term which was pre-terminated in December 2022. This was availed on December 21, 2021 with interest rates ranging from 1.10% to 5.28% per annum. Interest incurred during the year ended December 31, 2023 and 2022 amounting to nil and P79.3 million, respectively. Accrued interest payable amounted to nil and P2.49 million, respectively.

25d *Current Deposits with Entities under Common Control*
Deposits with CTBC Bank Co., LTD - Hongkong Branch was recorded as part of 'Due from Other Banks' account in the statements of financial position. This account is due and demandable and non-interest bearing. Also, these are unsecured and without impairment.

Deposits with CTBC Bank Co., LTD Canada Branch was recorded as part of 'Due from Other Banks' account in the statements of financial position. This account is due and demandable and non-interest bearing. Also, this is unsecured and without impairment.

25e *Employees' Retirement Fund held by Trust Operations*
These are due and demandable deposits of the Bank's Trust Operations Department which is recorded as part of 'Deposit Liabilities' account in the statements of financial position. These deposits are non-interest bearing.

The remuneration of directors and other members of key management personnel are as follows:

	2023	2022
Short-term benefits	**P154,098,459**	P141,084,336
Post-employment benefits	**-**	7,624,446
Share-based payment	**3,790,023**	929,728
Other long-term benefits	**2,273,704**	2,103,870
	P160,162,186	P151,742,380

The restatement made did not impact the statements of financial position, statements of income and OCI, statements of changes in equity and cash flows of the Bank for the year ended December 31, 2021.

In accordance with the Bank's By-Laws, profit share of officers and employees is computed at 10.0% of net income after tax.

The Bank's compensation to Key Management Personnel is shown as part of "Compensation and fringe benefits" in the statements of income.

Furthermore, the Bank has a separate funded noncontributory defined benefit plans covering substantially all its officers and regular employees. Under this retirement plan, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. The Bank's employee benefit fund (or "retirement plan asset") is in the form of a trust account being maintained by the Bank's Trust Operations Department.

As discussed in Note 19, the Bank's retirement plan assets are invested in various debt and equity instruments, such as government securities, corporate papers, equity securities traded in PSE, as well as investments in BSP's special deposit account and placements with the Bank. The Bank's retirement plan assets do not have investments in real properties.

Other than placements with the Bank, the Bank's retirement plan assets do not have investments in securities, whether debt or equity, issued by the Bank as at December 31, 2023 and 2022.

As at December 31, 2023 and 2022, the carrying values of the Bank's retirement plan assets, which approximate its fair value, amounted to P195.5 million and P163.8 million, respectively (see Note 19).

26. Derivative Financial Instruments

The table below shows the fair values of derivative financial instruments entered into by the Bank, recorded as derivative assets or derivative liabilities, together with the notional amounts. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding as at December 31, 2023 and 2022 and are not indicative of either market risk or credit risk (in thousands).

	2023		
	Assets	**Liabilities**	**Notional Amount**
Freestanding Derivatives -			
Currency forwards and swaps			
Buy:			
USD/PHP	**P24,355,538**	**(P44,804,332)**	**USD181,312**
Sell:			
USD/PHP	**28,311,491**	**(21,132,381)**	**USD84,200**
USD/EURO	**-**	**-**	**-**
USD/GBP	**-**	**-**	**-**
	P52,667,029	**(P65,936,713)**	

	2022		
	Assets	Liabilities	Notional Amount
Freestanding Derivatives -			
Currency forwards and swaps			
Buy:			
USD/PHP	P61,468	(P2,443)	USD42,790
Sell:			
USD/PHP	53,414	(127,897)	USD168,580
USD/EURO	-	(27)	USD3,608
USD/GBP	68	-	USD1,700
	P114,950	(P130,367)	

The Bank entered into currency forwards and swap contracts to manage its foreign exchange risks. Currency forwards are contractual agreements to buy or sell a specified currency at a specific price and date in the future. Currency swaps are contractual agreements to exchange principal and interest payments at fixed intervals denominated in two different currencies.

The net movements in fair value changes of derivatives are as follows (amount in thousands):

	2023	2022
Net derivative asset (liability) at beginning of year	**(P15,417)**	P14,712
Net changes in fair value of derivatives	**2,597**	(29,909)
Fair value of settled contracts	**(450)**	(220)
Net derivative asset (liability) at end of year	**(P13,270)**	(P15,417)

27. Classification and Measurement of Financial Instruments under PFRS 9

The following table provides a reconciliation between line items in the statements of financial position and categories of financial instruments:

		2023					
	Note	Mandatorily at FVTPL	Designated as at FVTPL	FVOCI - Debt Instruments	FVOCI - Equity Instruments	Amortized Cost	Total Carrying Amount
Financial Assets							
Cash and other cash items	*17*	**P -**	**P -**	**P -**	**P -**	**P814,714,838**	**P814,714,838**
Due from BSP	*17*	**-**	**-**	**-**	**-**	**3,426,463,360**	**3,426,463,360**
Due from other banks	*17*	**-**	**-**	**-**	**-**	**1,109,317,042**	**1,109,317,042**
Interbank loans receivable - gross	*17*	**-**	**-**	**-**	**-**	**71,981,000**	**71,981,000**
Financial assets at FVTPL	*7, 17*	**538,339,517**	**-**	**-**	**-**	**-**	**538,339,517**
Financial assets at FVOCI	*7, 17*	**-**	**-**	**6,475,889,344**	**16,040,817**	**-**	**6,491,930,161**
Investment securities at amortized cost - gross	*7, 17*	**-**	**-**	**-**	**-**	**12,855,879,911**	**12,855,879,911**
Loans and receivables - gross	*8, 17*	**-**	**-**	**-**	**-**	**51,301,874,780**	**51,301,874,780**
Other assets*	*17*	**-**	**-**	**-**	**-**	**53,594,816**	**53,594,816**
Total Financial Assets		**P538,339,517**	**P -**	**P6,475,889,344**	**P16,040,817**	**P69,633,825,747**	**P76,664,095,425**
Financial Liabilities							
Deposit liabilities	*17*	**P -**	**P -**	**P -**	**P -**	**P49,248,341,196**	**P49,248,341,196**
Financial liabilities at FVTPL	*17, 26*	**65,936,713**	**-**	**-**	**-**	**-**	**65,936,713**
Bills payable	*14, 17*	**-**	**-**	**-**	**-**	**13,517,179,143**	**13,517,179,143**
Outstanding acceptances	*17*	**-**	**-**	**-**	**-**	**345,662,618**	**345,662,618**
Manager's checks	*17*	**-**	**-**	**-**	**-**	**74,139,847**	**74,139,847**
Accrued interest, taxes and other expenses**	*17*	**-**	**-**	**-**	**-**	**615,384,891**	**615,384,891**
Other liabilities***	*17*	**-**	**-**	**-**	**-**	**1,978,916,807**	**1,978,916,807**
Total Financial Liabilities		**P65,936,713**	**P -**	**P -**	**P -**	**P65,779,624,502**	**P65,845,561,215**

**Includes returned checks and other cash items and rent deposit.*
***Excludes retirement liability, accrued taxes and other non-financial accruals.*
****Excludes withholding taxes payable and provision for liability.*

		2022					
	Note	Mandatorily at FVTPL	Designated as at FVTPL	FVOCI - Debt Instruments	FVOCI - Equity Instruments	Amortized Cost	Total Carrying Amount
Financial Assets							
Cash and other cash items	*17*	P -	P -	P -	P -	P607,134,739	P607,134,739
Due from BSP	*17*	-	-	-	-	3,184,802,214	3,184,802,214
Due from other banks	*17*	-	-	-	-	875,457,113	875,457,113
Interbank loans receivable - gross		-	-	-	-	568,701,000	568,701,000
Financial assets at FVTPL	*7, 17*	314,332,276	-	-	-	-	314,332,276
Financial assets at FVOCI	*7, 17*	-	-	4,312,575,703	14,195,817	-	4,326,771,520
Investment securities at amortized cost - gross	*7, 17*	-	-	-	-	11,079,198,621	11,079,198,621
Loans and receivables - gross	*8*	-	-	-	-	47,910,619,881	47,910,619,881
Other assets*	*17*	-	-	-	-	54,763,144	54,763,144
Total Financial Assets		P314,332,276	P -	P4,312,575,703	P14,195,817	P64,280,676,712	P68,921,780,508
Financial Liabilities							
Deposit liabilities	*17*	P -	P -	P -	P -	P46,444,412,375	P46,444,412,375
Financial liabilities at FVTPL	*17, 26*	130,366,861	-	-	-	-	130,366,861
Bills payable	*14, 17*	-	-	-	-	8,275,600,000	8,275,600,000
Outstanding acceptances	*17*	-	-	-	-	216,915,898	216,915,898
Manager's checks	*17*	-	-	-	-	49,785,432	49,785,432
Accrued interest, taxes and other expenses**	*17*	-	-	-	-	545,392,454	545,392,454
Other liabilities***	*17*	-	-	-	-	3,273,803,646	3,273,803,646
Total Financial Liabilities		P130,366,861	P -	P -	P -	P58,805,909,805	P58,936,276,666

**Includes returned checks and other cash items and rent deposit.*
***Excludes retirement liability, accrued taxes and other non-financial accruals.*
****Excludes withholding taxes payable and provision for liability.*

28. Supplementary Information Required under BSP Circular No. 1074

The following supplementary information is required by Appendix 55 - Disclosure Requirements to the Audited Financial Statements (AFS) to Section 174 of the MORB of the BSP, amended by BSP Circular No. 1074, *Amendments to Regulations on Financial Audit of Banks*.

(a) Notes to the Financial Statements

a. *Capital position* - please refer to Note 5

b. *Leverage ratio and Total Exposure Measure* - please refer to Note 5

c. *Liquidity position* (Liquidity Coverage Ratio and Net Stable Funding Ratio) - please refer to Note 5

d. *Provisioning methodology and key assumptions used in determining allowance for credit losses* - please refer to Notes 3 and 5

e. *Accounting policies* - please refer to Notes 2 and 3

(b) Supplemental Information

Financial Performance Indicators
The following basic ratios measure the financial performance of the Bank:

		2023	2022	2021
a.	Net income	**P10,434,854**	P333,176,300	P11,458,814
b.	Average total equity	**10,636,299,422**	10,599,530,596	10,789,079,157
	Return on average equity (a/b)	**0.1%**	3.1%	0.1%
c.	Net income	**P10,434,854**	P333,176,300	P11,458,814
d.	Average total assets	**73,349,558,019**	61,312,828,665	52,179,344,940
	Return on average assets (c/d)	**0.01%**	0.5%	0.0%
e.	Net interest income	**P3,201,682,433**	P2,758,205,017	P2,389,095,722
f.	Average interest earning assets	**68,366,141,971**	55,784,174,708	46,598,264,039
	Net interest margin on average earning assets (e/f)	**4.7%**	4.9%	5.1%

Average balances were determined as the average of the current and previous calendar balances of the respective statements of financial position accounts.

Description of Capital Instruments Issued- please refer to Note 18.

Significant Credit Exposures - please refer to Note 5.

Breakdown of Total Loans as to:

i. security - please refer to Note 5
ii. status - please refer to Note 8

Information on Related Party Loans - none as at December 31, 2023 and 2022 as disclosed in Note 25.

Secured Liabilities and Assets Pledged as Security
As at December 31, 2023 and 2022, a deposit in other bank amounting to P78.1 million and P64.1 million respectively, was used as collateral for a derivative contract to mitigate counterparty risk in derivative transactions. This deposit is recorded as part of 'Other asset' account in the statement of financial position (see Note 11). Other than this, there are no other assets being and liabilities pledged by the Bank as security as at December 31, 2023 and 2022.

Commitments and Contingencies
In the normal course of business, the Bank enters into various commitments and incurs contingent liabilities that are not presented in the accompanying financial statements. The Bank does not anticipate any material losses as a result of these commitments and contingent liabilities.

For regulatory reporting purposes, the following is a summary of the commitments and contingent liabilities at their equivalent peso contractual amounts (amount in thousands):

	2023	2022
Standby letters of credit	**P4,337,092**	P2,742,016
Trust department accounts	**2,045,031**	1,951,827
Credit commitments	**1,605,395**	320,810
Outstanding guarantees	**362,951**	-
Sight/usance import letters of credit	**198,713**	308,640
Outward bills for collection	**34,393**	507,821
Others	**4,209**	3,885

Securities and other properties held by the Bank in a fiduciary or agency capacity for its customers are not included in the Bank's statements of financial position since these items are not assets of the Bank. As at December 31, 2023 and 2022, total assets held by the Bank's Trust Department amounted to P2.0 billion.

In connection with the trust operations of the Bank, government securities with carrying value of P2.62 billion (face value of P2.58 billion) and P1.79 billion (face value of P1.77 billion) as of December 31, 2023 and 2022 are deposited with the BSP in compliance with existing banking regulations relative to the trust functions of the Bank.

In compliance with existing BSP regulations, 10.0% of the Bank's income from trust business is appropriated to retained earnings. This yearly appropriation is required until the retained earnings for trust functions equals 20.0% of the Bank's regulatory net worth. No part of such retained earnings shall at any time be paid out as dividends, but losses accruing in the course of business may be charged against such surplus. As at December 31,2023 and 2022, the reserve for trust functions recorded under "Statutory reserve" in the statements of financial position amounted to P5.0 million.

As at December 31, 2023 and 2022, off-balance sheet commitments and contingent liabilities with credit risk exposure amounted to P28.2 million and P16.8 million, respectively. These include unused commercial letters of credit and credit commitments which are subject to ECL.

No sale and repurchase agreements were not recognized in the balance sheet asset as at December 31, 2023 and 2022.

Other Commitments
The assets pledged by the Bank are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or re-pledge the assets, they are classified in the statements of financial position as pledged collateral. The pledged assets will be returned to the Bank when the underlying transaction is terminated but, in the event of the Bank's default, the counterparty is entitled to apply the collateral in order to settle the liability.

No interest and foreign exchange rate related items were transacted as at December 31, 2023 and 2022.

29. Supplementary Information Required Under Revenue Regulations 15-2010

On November 25, 2010, the BIR issued Revenue Regulations (RR) No. 15-2010 for the amendments in certain provisions of RR No. 21-2002, as *Amended, Implementing Section 6(H) of the Tax Code of 1997, Authorizing the Commissioner of Internal Revenue to Prescribe Additional Procedural and/or Documentary Requirements in Connection with the Preparation and Submission of Financial Statements Accompanying the Bank's Tax Returns*.

In compliance with the above RR, the Bank presents information on taxes, duties and license fees paid or accrued during the taxable years.

The details of taxes and licenses account in 2023 are as follows:

Gross receipt tax (GRT)	**P220,525,390**
Documentary stamp tax	**124,761,675**
Business taxes and licenses	**5,453,031**
Other fees and taxes	**118,961**
Real property tax	**197,279**
Bank car registration	**261,092**
Annual registration fee	**13,000**
Community tax certificate	**4,770**
	P351,335,198

The NIRC of 1997 provides for the imposition of GRT on gross receipts derived by banks from sources within the Philippines. Accordingly, the Bank's gross receipts are subject to GRT as re-imposed in RA No. 9238 beginning January 1, 2004.

Details of the GRT remitted in 2023 are as follows:

	Tax Base	Total Remittances	Balance
Income subject to 5.0%	**P3,701,102,548**	**P167,824,626**	**P17,230,500**
Income subject to 1.0%	**13,474,823**	**118,345**	**16,404**
Other income subject to 7.0%	**504,793,070**	**29,971,267**	**5,364,248**
	P4,219,370,441	**P197,914,238**	**P22,611,152**

Documentary Stamp Tax
Movement in documentary stamp tax as follows:

	Balance
Documentary stamps on hand, December 31, 2022	P27,570,099
Purchases (BIR Form 2000)	350,000,000
Documentary stamps used	(365,657,939)
Documentary stamps on hand, December 31, 2023	**P11,912,160**

Withholding Taxes
Details of total remittances of withholding taxes in 2023 are as follows:

	Total Remittances	Balance
Withholding taxes on compensation and benefits	**P199,505,276**	**P22,641,789**
Final withholding tax on interest on deposits	**198,503,810**	**19,459,482**
Expanded withholding taxes	**32,078,191**	**2,031,174**
Final withholding tax - others	**21,054,530**	**2,099,624**
	P451,141,807	**P46,232,069**

Outstanding amount of withholding taxes are included in “Other liabilities” account in the statements of financial position.

Letter of Authority
On October 25, 2023, the Bank received a Letter of Authority (LOA) from the BIR for the taxable year ended December 31, 2021. On the LOA, the Revenue District Office No. 125 - Regular LT Audit Division II was authorized to examine the Regular Banking Unit and Foreign Currency Denominated Unit books and other accounting records of the Bank.

On November 6, 2023, the Bank submitted all the required documents, books and records to the revenue officers. There were no updates received from the BIR as of date.

30. Audit Fees

The Bank’s fee for the audit of the annual financial statements for the year ended December 31, 2023 and December 31, 2022 recorded as ‘Management and Professional fees’ under ‘Miscellaneous Expenses’ in the statements of income amounted to P2.6 million and P2.5 million, respectively. The Bank’s policy allows KPMG Philippines to provide assurance and other audit-related services that, while outside the scope of the statutory audit, are consistent with the role of an external auditor. These include regulatory and prudential reviews requested by regulators. Any other services that are not audit or audit-related services are non-audit services. The Bank’s policy allows certain non-audit services to be provided where the service would not contravene auditor independence requirements. KPMG Philippines may not provide services that are perceived to be in conflict with the role of an external auditor or breach auditor independence. These include consulting advice and subcontracting of operational activities normally undertaken by management, and engagements where the external auditor may ultimately be required to express an opinion on its own work.

31. Sustainable Finance Framework

The Bank recognizes that monitoring of Environment and Social Risks shall be of high priority in the coming years given the Parent Bank initiatives and local regulatory requirements such as the BSP Circular 1085, *Sustainable Finance Framework*, BSP Circular 1128, *Environmental and Social Risk Management Framework*, and BSP Circular No. 1149 *Guidelines on the Integration of Sustainability Principles in Investment Activities of Banks*. directive for all financial institutions to develop sustainable finance policy framework and environmental and social risk management framework.

The Bank has launched its three-year sustainability transition plan in response to the abovementioned BSP Circulars. To this end, the Bank aims to embed sustainability principles including environment and social risk areas, into our corporate governance framework, risk management systems, and strategic objectives consistent with the size, risk profile, and complexity of our operations.

The Sustainable Finance Transition Plan commenced on December 17, 2020 upon approval of the Board of Directors and all the policies, guidelines, manuals, limit monitoring processes have been substantially implemented since March 2023.

The Risk Governance Policy has been updated to include the roles and responsibilities and policies on Environment and Social Risks of the Parent Bank have been adapted to the local setting. The Bank released its first Sustainability Finance Policy in June 2022 and an updated version has been released in June 2023. Majority of the other related policies, guidelines and manuals affected by the BSP Circulars have been updated in 2022 and 2023.

The Bank has identified five labels for ESG, namely: ESG Exclusion list, ESG Sensitive Sector, High ESG Risk Company, Carbon Intensive Sector, and Unclassified or those that do not fall on the first four classifications. All customers, vendors, and outsourced service providers will be assessed for ESG tagging during on-boarding and renewal of facilities or contracts. ESG risks is also considered in the assessment of credit risks, operational risks, business continuity plan, market and liquidity risks starting 2023.

The Bank has implemented a collateral risk assessment process starting September 30, 2022 where collaterals are given a rating internally of low, medium, high risk based on the Hazard Hunter (https://hazardhunter.georisk.gov.ph/) results on the location of the real estate property. The said risk assessment is indicated in the appraisal report and considered in the assessment of the credit risk.

To enable the Bank to manage concentration of investment securities that have E&S risks as well as its impact to the overall performance of the Banking Book securities, the Bank implemented an ESG limit for investment securities starting May 2023.

Sustainability Strategic Objectives and Risk Appetite

Objective: The bank endeavors to conform to relevant policies, exert a positive impact on global sustainable development, and promote a low-carbon economy.

<table>
<tr><th colspan="3">RISK APPETITE SUMMARY</th></tr>
<tr><td>Risk Appetite Statement</td><td colspan="2">The Bank’s business operations shall take into consideration the positive and negative impacts on the environment, society, and economy. Anchored on our Parent Bank’s strategy and implementation principles for sustainable finance, the bank endeavors to achieve and embed sustainable finance in our operations, taking into account the company’s business growth, the rights and interests of its stakeholders, and sustainable environmental and social development.</td></tr>
<tr><td>Exclusion/ Restricted List</td><td colspan="2">Entities involved in:
▪ Crimes, and terrorist activities
▪ Armament industry (production or sale of anti-personnel mines, biological and chemical weapons, cluster weapons, depleted uranium, nuclear weapons, and white phosphorus) and other industries that may affect social and public security
▪ Pornography industry</td></tr>
<tr><td>ESG Sensitive Sector</td><td colspan="2">▪ Thermal coal extraction: >25% of the borrower’s revenue from thermal coal extraction
▪ Thermal coal power generation: >25% of the borrower’s power generation capacity from coal-fired electricity
▪ Tobacco: >10% of the borrower’s revenue from tobacco production (excluding wrapping or packing of cigarettes)
▪ Oil sands: >10% of the borrower’s revenue from sale or exploitation of oil sands</td></tr>
<tr><td>High ESG Risk Company</td><td colspan="2">Score exceeds forty points in the Sustainalytics Database</td></tr>
<tr><td rowspan="7">Carbon Intensive Industries</td><td>Carbon Intensive Sector</td><td>Description of Definitions</td></tr>
<tr><td>Power generation</td><td>More than 25% of the electricity generation capacity comes from coal-fired power, oil, or natural gas.</td></tr>
<tr><td>Marine shipping/ airlines</td><td>More than 25% the obligor’s revenue is from providing marine shipping or cargo transportation or air transportation services.</td></tr>
<tr><td>Iron and steel/ smelting</td><td>The company is in the upstream and midstream of the steel industry chain:
More than 25% of the obligor’s revenue is from the manufacture of the following iron and steel products:
Carbon steel or stainless-steel product that is produced by blast furnace smelting or electric furnace smelting, such as slabs, billets, steel ingots, etc., or hot-rolled steel/coils, shape steel, rebar, iron or steel wire rod, bar steel, etc. that is made from slabs. billets, steel ingots, etc., through high-temperature heating processes. The same standards for the aforementioned manufacturing processes also apply to the smelting industry of other non-ferrous metals such as copper, aluminum, and lead.</td></tr>
<tr><td>Cement</td><td>The company is in the midstream of the cement industry chain: More than 25% of the obligor’s revenue is from producing cement or cement clinker.</td></tr>
<tr><td>Petrochemical</td><td>The company is in the upstream and midstream of the petrochemicals and plastics industry chain: More than 25% of the obligor’s revenue is from the
refining and cracking of mineral crude oil, oil shale,
coal, and crude oil to produce gasoline, diesel, fuel oil, and basic plastic raw materials (e.g., ethylene, propylene, butadiene, benzene, phenol, etc.) or from engaging chemical reactions, such as polymerization, esterification, and alkylation, to produce chemical raw materials (including but not limited to plastic raw materials of PVC / PE / PP / PS / ABS / SM / AN / AA and other one-step refining).</td></tr>
<tr><td>Fossil fuel mining</td><td>More than 25% of the obligor’s revenue is from thermal coal, petroleum, natural gas, or oil shale extraction; or more than 10% of the obligor’s revenue is from exploitation of oil sands.</td></tr>
</table>

OVERVIEW OF THE E&S RISK MANAGEMENT SYSTEM

	**GOVERNANCE** The Board of Directors of the Company (the “Board”) views oversight and effective management of environmental, social and governance (“ESG”) related risks and opportunities as essential to the Company’s ability to execute its strategy and achieve long-term sustainable growth. As such, the full Board receives regular updates on the implementation of the Transition Plan. In addition to oversight by the full Board, the Board coordinates with the Risk Management Committee and Audit Committee to ensure active and on-going Committee-level oversight of the Company's management of ESG related risks and opportunities.
	**STRATEGY** The Bank has implemented ESG Risk Acceptance Criteria to be used during onboarding of new obligors and annual reviews of existing obligors classified as ESG Sensitive and High ESG Risk Company. Exposures to ESG Sensitive and High ESG Risk Company also requires a higher pricing where the minimum return on risk adjusted capital is set at 15%. This will have an impact on the Bank's loan portfolio in the short-, medium-, and long-term horizon. The Bank shall apply appropriate exposure control and reduction strategy to ESG Sensitive and High ESG Risk customers with zero transition plans and promote sustainable financing by targeting companies with ESG related requirements.
	**RISK MANAGEMENT** • For institutional banking, customers are assessed and tagged as ESG sensitive, High ESG risk company, Carbon intensive in line with the Bank's ESG Risk Appetite Statement and Sustainable Finance Policy. Limit monitoring has been implemented in managing the risk exposure to ESG Sensitive and High ESG Risk Company. • Collaterals were also risk assessed and provided risk ratings starting 2022. ESG risks are identified and included in the appraisal reports which forms part of the credit assessment of the obligor. • Vendors and outsourced services providers are assessed for ESG tagging.
	**METRICS AND TARGETS** • Management By Objectives (MBO) of employees include ESG component starting 2023. • The exposures for ESG Sensitive and High ESG risk company have a limit that is calculated and monitored monthly. Meanwhile, exposures to carbon intensive industries will also be monitored regularly but not included in the limit calculation. • Total water consumption (cubic meters), total electric consumption (Kwh) and waste disposal will be regularly monitored and reported.

Products and Services Aligned with Internally Recognized Sustainability Standards and Practices

The Bank has adopted the Equator Principles (EP) in 2019 to align with Parent Bank practice. The Bank conducts risk categorization and assessment of the projects based on the environmental and social criteria from International Finance Corporation’s eight Performance Standards and climate change risk. A loan that falls under EP are subjected to additional terms and conditions. This is applied to all corporate loans under the Institution Banking Group. As of December 31, 2023, there are no exposures that will fall under the Equator Principles.

ESG Exposure Monitoring

The Bank has implemented ESG limit monitoring. The Bank's exposure on ESG Sensitive Sector and High ESG Risk Company was capped at 20% of the Bank's total credit exposures (ESG Limit Ceiling) and an ESG Warning Trigger has been set at 16%. Certain actions should be done when the ESG Warning Trigger is exceeded. Below is the breakdown per classification:

	December 31, 2023	
Classification	**Count**	**Exposure (in million PHP)**
ESG Exclusion List	**-**	**-**
ESG Sensitive Sector	**3**	**3,449.7**
High ESG Risk Company	**2**	**2,801.7**
Carbon Intensive Industries	**6**	**3,745.1**
Unclassified Obligors	**187**	**35,198.3**
Total IBG Portfolio	**198**	**45,194.8**
Total Bankwide Portfolio		**54,993.2**
ESG Limit Utilization (ESG Limit Ceiling: 20%; ESG Warning Trigger 16%)		**11.37%**

Similarly, the Bank has implemented an ESG bond exposure monitoring. The Bank has set a limit on the aggregate exposure of debt securities with E&S Risk at PHP1.5 billion for Peso Bonds and USD10 million for foreign currency denominated bonds. The limits will enable the Bank to manage unwanted concentration of securities that have E&S Risk and its accompanying effect in the overall performance of the Banking Book portfolio. Below is the usage as of December 31, 2023.

DATE	PESO BONDS (in PHP)			FCY BONDS (in USD)		
	Exposure (at Face Value)	Limit	Usage	Exposure (at Face Value)	Limit	Usage
December 31, 2023	-	1,500,000,000	0%	-	10,000,000	0%

R.G. Manabat & Co.
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Internet www.home.kpmg/ph
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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and the Stockholders
CTBC Bank (Philippines) Corporation
Fort Legend Towers, Third Avenue corner 31st Street
Bonifacio Global City, Taguig City

We have audited, in accordance with Philippine Standards on Auditing, the accompanying financial statements of CTBC Bank (Philippines) Corporation (the Bank) as at and for the year ended December 31, 2023, on which we have rendered our report dated March 6, 2024.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Bank taken as a whole. The following supplementary information in the Index to the Financial Statements and Supplementary Schedules is the responsibility of the Bank's management:

- Reconciliation of Retained Earnings Available for Dividend Declaration (Part I); and

- Schedules Required by Annex 68-J of the Revised Securities Regulation Code Rule 68 (Part II).

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

This supplementary information is presented for purposes of complying with the Revised SRC Rule 68 and is not a required part of the basic financial statements. Such supplementary information has 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.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS
Partner
CPA License No. 0102309
BSP Accreditation No. 102309-BSP, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
Tax Identification No. 920-961-311
BIR Accreditation No. 08-001987-038-2022
Issued June 27, 2022; valid until June 27, 2025
PTR No. MKT 10075185
Issued January 2, 2024 at Makati City

March 6, 2024
Makati City, Metro Manila

CTBC BANK (PHILIPPINES) COMMERCIAL BANK CORPORATION
INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION FOR THE REPORTING PERIOD ENDED DECEMBER 31, 2023

CTBC BANK (PHILIPPINES) CORPORATION

Fort Legend Towers, Third Avenue corner 31st Street,
Bonifacio Global City, Taguig City

Unappropriated Retained Earnings, beginning of the reporting period		**P -**
Add/Less: Net Income (loss) for the current year		**10,434,854**
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	P -	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	9,497,316	
Unrealized fair value adjustments (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Unrealized foreign exchange gain of Investment Property	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	-	
Sub-total		9,497,316
Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)		
Realized foreign exchange gain, except those attributable to cash and cash equivalents	-	
Realized fair value adjustments (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	28,850,831	
Realized foreign exchange gain of Investment Property	-	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	-	
Sub-total		**28,850,831**

Forward

Add: <u>Category C.3</u>: Unrealized income recognized in profit or loss in prior reporting periods but reversed in the current reporting period (net of tax)		
Adjusted Net Income/Loss		**P29,788,369**
Add/Less: <u>Category F</u>: Other items that should be excluded from the determination of the amount of available for dividend distribution		
Net movement of treasury shares (except for reacquisition of redeemable shares)	P -	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	87,546,771	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set-up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	(3,606,078)	
Adjustment due to deviation from PFRS/GAAP - gain (loss)	-	
BASEL III requirements and ICAAP1	(113,729,062)	
Sub-total		**(29,788,369)**
Total Retained Earnings, end of the reporting period available for dividend		**P -**

CTBC BANK (PHILIPPINES) CORPORATION
Fort Legend Towers, Third Avenue corner 31st Street,
Bonifacio Global City, Taguig City

SCHEDULES REQUIRED BY ANNEX 68-J
DECEMBER 31, 2023

Philippine Securities and Exchange Commission (SEC) issued the Revised Securities Regulation Code Rule (SRC) 68. It prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by the Revised SRC Rule 68. These are presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A:	Financial Assets
Schedule B:	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
Schedule C:	Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
Schedule D:	Long-Term Debt
Schedule E:	Indebtedness to Related Parties (Long-Term Loans from Related Companies)
Schedule F:	Guarantees of Securities of Other Issuers
Schedule G:	Capital Stock

CTBC BANK (PHILIPPINES) CORPORATION
Fort Legend Towers, Third Avenue corner 31st Street, Bonifacio Global City, Taguig City

SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2023

Financial Assets

Below is the detailed schedule of financial assets in equity and debt securities of the Bank as of December 31, 2023:

Name of Issuing Entity and Association of Each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Value Based on Market Quotation at End of Year	Income Received and Accrued
Financial Assets at FVTPL					
Government securities:					
Fixed rate treasury notes	n/a	P311,705,163	P314,384,839	P314,384,839	P7,253,474
Republic of the Philippines (ROP) bonds	n/a	160,860,924	171,287,649	171,287,649	3,806,688
Sub-total		472,566,087	485,672,488	485,672,488	11,060,162
Derivative assets					
Amerton	n/a	354,368,000	1,085,453	-	-
HinduJaGlobal	n/a	719,810,000	190,944	-	-
VXI	n/a	1,781,806,600	22,834,080	-	-
BDO Unibank, Inc.	n/a	2,846,970,000	22,748,911	-	-
Maybank Philippines, Inc.	n/a	276,800,000	-	-	-
Metropolitan Bank and Trust Co.	n/a	2,713,130,000	20,222	-	-
PNB	n/a	276,850,000	-	-	-
Novel Cap	n/a	317,380,840	148,303	-	-
ICBC	n/a	68,268,000	1,739,600	-	-
ING	n/a	1,699,806,199	3,729,516	-	-
BSP	n/a	941,460,000	170,000	-	-
RCBC	n/a	996,660,000	-	-	-
Robinsons Savings Bank	n/a	775,180,000	-	-	-
Security Bank Corporation	n/a	387,590,000	-	-	-
USSC	n/a	553,700,000	-	-	-
Sub-total		14,709,779,639	52,667,029	-	-
Financial Assets at FVOCI					
Government securities:					
Fixed rate treasury notes	n/a	4,356,374,693	4,049,383,553	4,049,383,553	48,999,337
US treasury bills	n/a	940,635,653	941,179,922	941,179,922	-
Republic of the Philippines (ROP) bonds	n/a	1,692,617,933	1,432,373,878	1,432,373,878	26,509,137
Republic of Indonesia (ROI) bonds	n/a	63,260,225	52,951,992	52,951,992	455,956
Sub-total		7,052,888,504	6,475,889,345	6,475,889,345	75,964,430
Equity securities:					
BANCNET	50,000		6,940,717	n/a	-
PCHC	21,000		5,000,100	n/a	-
BAP			500,000	n/a	-
Orchard Gold and Country Club	1		3,400,000	3,400,000	-
Subic Bay Yacht Club Corporation	1		200,000	200,000	-
Sub-total			16,040,817	3,600,000	-
Investment Securities at Amortized Cost					
Government securities:					
Fixed rate treasury notes		6,990,228,766	6,975,440,618	6,975,440,618	73,884,046
ROP bonds		5,842,082,007	5,580,484,128	5,580,484,128	106,751,042
ROI bonds		188,258,138	177,525,609	177,525,609	3,038,833
US treasury notes		108,784,747	109,742,278	109,742,278	148,170
Total		P13,129,353,658	P12,843,192,633	P12,843,192,633	P183,822,091

CTBC BANK (PHILIPPINES) CORPORATION
Fort Legend Towers, Third Avenue corner 31st Street,
Bonifacio Global City, Taguig City

SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2023

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Ending Balance
Employee loans/total	**P21,166,806**	**P17,975,806**	**(P17,490,411)**	**P -**	**P9,509,285**	**P12,142,917**	**P21,652,202**

CTBC BANK (PHILIPPINES) CORPORATION
Fort Legend Towers, Third Avenue corner 31st Street,
Bonifacio Global City, Taguig City

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2023

Name and Designation of Debtor	Balance at Beginning Period	Additions	Amounts Collected	Amounts Written Off	Current	Noncurrent	Balance at End of Period

None to report

CTBC BANK (PHILIPPINES) CORPORATION
Fort Legend Towers, Third Avenue corner 31st Street,
Bonifacio Global City, Taguig City

SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2023

Type of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under Caption "Current Portion of Long-Term Debt" in Related Balance Sheet	Amount shown undercaption "Long-Term Debt" in Related Balance Sheet	Interest Rates	Amounts or Numbers of Periodic Installments	Maturity Dates
Deposit liabilities - time	**PHP 696,087,580**	**P -**	**PHP 696,087,580**	**4.25% to 4.70%**	**Various**	**Various**
Deposit liabilities - time	**USD 801,136**	**-**	**USD 801,136**	**3.80% to 4.40%**	**Various**	**Various**
Long term bills payable	**AUD 22,360,618**	**-**	**AUD 22,360,618**	**3.75% to 4.82%**	**Various**	**December 15, 2025**
Long term bills payable	**USD 125,000,000**	**-**	**USD 125,000,000**	**4.50% to 5.62%**	**Various**	**December 15, 2025**

CTBC BANK (PHILIPPINES) CORPORATION
Fort Legend Towers, Third Avenue corner 31st Street,
Bonifacio Global City, Taguig City

SCHEDULE E-INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2023

Name of Related Parties	Balance at Beginning of Year	Balance at End of Year	Nature, Terms and Conditions
CTBC Bank Co., Ltd. (Parent Bank)	**P557,550,000**	**P -**	59 days; interest bearing; unsecured
CTBC Bank Co., Ltd. (Parent Bank)	**-**	**941,290,000**	61 days; interest bearing; unsecured
CTBC Bank Co., Ltd. (Parent Bank)	**-**	**2,879,240,000**	62 days; interest bearing; unsecured
CTBC Bank Co., Ltd. (Parent Bank)	**-**	**843,274,944**	2 years; interest bearing; unsecured
CTBC Bank Co., Ltd. (Parent Bank)	**P6,133,050,000**	**P6,915,424,199**	3 years; interest bearing; unsecured

CTBC BANK (PHILIPPINES) CORPORATION
Fort Legend Towers, Third Avenue corner 31st Street,
Bonifacio Global City, Taguig City

SCHEDULE F-GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2023

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount of Guaranteed and Outstanding	Amount Owned by Person of which Statement is Filed	Nature of Guarantee
None to report				

CTBC BANK (PHILIPPINES) CORPORATION
Fort Legend Towers, Third Avenue corner 31st Street,
Bonifacio Global City, Taguig City

SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2023

Title of issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown under the Related Balance Sheet Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by Related Parties	Directors, Officers and Employees	Others
Common shares	**400,000,000**	**348,307,202**	**-**	**347,319,203 Additional common shares and reissuance of treasury shares in September 2019**	**61**	**987,938**

Required information is disclosed in Note 18: Equity to the basic financial statements of the Bank.

CTBC BANK (PHILIPPINES) CORPORATION
Fort Legend Towers, Third Avenue corner 31st Street, Bonifacio Global City, Taguig City

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2023

Liquidity Ratios
The ratios for the years 2023 and 2022 are as follows:

	2023	2022
Current assets	**P41,435,536,349**	P31,815,730,289
Current liabilities	**57,150,372,449**	50,839,973,301
Ratio of current assets to current liabilities	**72.5%**	62.6%
Net liquid assets[1]	**P7,877,965,152**	P7,604,202,520
Total deposits	**49,248,341,196**	46,444,412,375
Ratio of net liquid assets to total deposits	**16.0%**	16.4%

Solvency Ratio
The ratios for the years 2023 and 2022 are as follows:

	2023	2022
Total liabilities	**P66,241,662,430**	P59,184,854,764
Total equity	**10,738,831,328**	10,533,767,516
Ratio of debt to equity	**616.8%**	561.9%

Assets to Equity Ratio
The ratios for the years 2023 and 2022 are as follows:

	2023	2022
Total assets	**P76,980,493,758**	P69,718,622,280
Total equity	**10,738,831,328**	10,533,767,516
Ratio of total assets to equity	**716.8%**	661.9%

Interest Rate Coverage Ratio
The ratios for the years 2023 and 2022 are as follows:

	2023	2022
Income before interest and taxes	**P1,819,278,627**	P1,047,573,987
Interest expense	**1,692,457,236**	546,327,423
Interest coverage ratio	**107.5%**	191.7%

Profitability Ratios
The ratios for the years 2023 and 2022 are as follows:

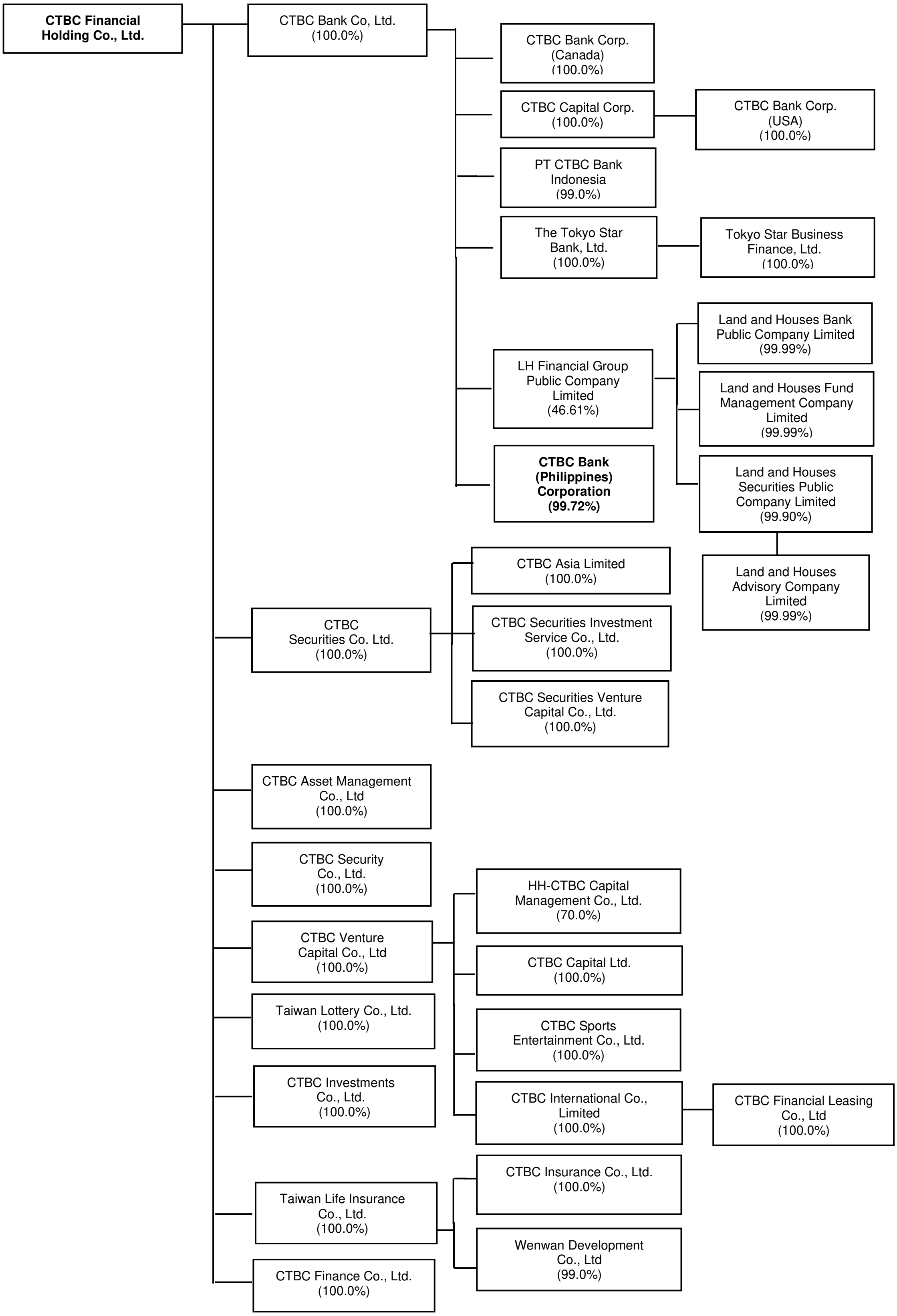
	2023	2022
Net income	**P10,434,854**	P333,176,300
Average total equity[2]	**10,636,299,422**	10,599,530,596
Return on average equity	**0.1%**	3.1%
Net income	**P10,434,854**	P333,176,300
Average total assets[2]	**73,349,558,019**	61,312,828,665
Return on average assets	**0.01%**	0.5%
Net interest income	**P3,201,682,433**	P2,758,205,017
Average interest earning assets[2]	**68,366,141,971**	55,784,174,708
Net interest margin on average earning assets	**4.7%**	4.9%

[1/] Net liquid assets consist of cash, due from BSP, due from other banks, interbank loans, securities held for trade and available for sale less derivatives liabilities and interbank borrowings.
[2/] Average balances were determined using the ending balances of December 31, 2022 and December 31, 2023

CTBC BANK (PHILIPPINES) CORPORATION
Fort Legend Towers, Third Avenue corner 31st Street, Bonifacio Global City, Taguig City

RELATIONSHIP MAP
DECEMBER 31, 2023

Below is a map showing the relationship between and among the Group and its ultimate parent Bank, subsidiaries, and associates as of December 31, 2023



Amendment to PFRS 7, Disclosure: Offsetting Financial Assets and Financial Liabilities
These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments: Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangements of 'similar agreement,' irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

a. Gross amounts of those recognized financial assets and recognized financial liabilities;
b. Amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statements of financial position;
c. Net amounts presented in the statements of financial position;
d. Amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
   - Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32;
   - Amounts related to financial collateral (including cash collateral); and
e. Net amount after deducting the amounts in (d) from the amounts in (c) above.

Pursuant to the amendments to PFRS 7 requiring the Bank to disclose information about rights to offset and related arrangements, the Bank's financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2023 and 2022 are as follows (in millions):

	2023					
	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Statements of Financial Position	Net Amounts of Financial Assets Presented in the Statements of Financial Position	Related Amounts not Offset in the Statements of Financial Position		Net Amount
				Financial Instruments	Cash Collateral Received	
Financial Assets						
Derivatives-trading assets	P53	P -	P53	P -	P -	P -
Derivatives held for risk management	-	-	-	-	-	-
Reverse sale and repurchase, securities borrowing and similar agreements	-	-	-	-	-	-
Loans and receivables	-	-	-	953	953	-
Total	P53	P -	P53	P953	P953	P-
Financial Liabilities						
Derivatives-trading liabilities	P66	P -	P66	P -	P -	P -
Derivatives held for risk management	-	-	-	-	-	-
Sale and repurchase, securities lending and similar agreements	-	-	-	-	-	-
Customer deposits	-	-	-	-	-	-
Total	P66	P -	P66	P -	P -	P -

	2022					
	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Statements of Financial Position	Net Amounts of Financial Assets Presented in the Statements of Financial Position	Related Amounts not Offset in the Statements of Financial Position		Net Amount
				Financial Instruments	Cash Collateral Received	
Financial Assets						
Derivatives-trading assets	P115	P -	P115	P -	P -	P -
Derivatives held for risk management	-	-	-	-	-	-
Reverse sale and repurchase, securities borrowing and similar agreements	-	-	-	-	-	-
Loans and receivables	-	-	-	3,279	3,279	-
Total	P115	P -	P115	P3,279	P3,279	P -
Financial Liabilities						
Derivatives-trading liabilities	P130	P -	P130	P -	P -	P -
Derivatives held for risk management	-	-	-	-	-	-
Sale and repurchase, securities lending and similar agreements	-	-	-	-	-	-
Customer deposits	-	-	-	-	-	-
Total	P130	P -	P130	P -	P -	P -

The gross amounts of recognized financial assets and financial liabilities and their net amounts as presented in the statements of financial position are on the following basis:

- Derivative assets and liabilities - fair value;
- Assets and liabilities resulting from sale and repurchase agreements, reverse sale and repurchase agreements and securities lending and borrowing - amortized cost;
- Loans and advances to customers - amortized cost; and
- Customer deposits - amortized cost.

The amounts that are offset in the statements of financial position are measured on the same basis.

The tables below reconcile the 'net amounts of financial assets and financial liabilities presented in the statements of financial position,' as set out above, to the line items presented in the statements of financial position are as follows (in millions):

		2023			
Types of Financial Assets	***Note***	**Net Amounts**	**Line Item in The Statement of Financial Position**	**Carrying Amount in Statement of Financial Position**	**Financial Assets not in Scope of Offsetting Disclosures**
Derivative-trading assets	7	**P53**	**Financial Assets at FVPL**	**P -**	**P -**
Derivatives held for risk management		**-**	**-**	**-**	**-**
Reverse sale and repurchase, securities borrowing and similar agreements		**-**	**-**	**-**	**-**
Loans and receivables	*8*	**-**	**Loans and Receivables**	**-**	**-**
Financial Liabilities					
Derivative-trading liabilities	*7*	**66**	**Derivative Liabilities**	**-**	**-**
Sale and repurchase securities lending and similar agreements		**-**	**-**	**-**	**-**
Derivatives held for risk management		**-**	**-**	**-**	**-**
Customer deposits		**-**	**-**	**-**	**-**

		2022			
Types of Financial Assets	*Note*	Net Amounts	Line Item in The Statement of Financial Position	Carrying Amount in Statement of Financial Position	Financial Assets not in Scope of Offsetting Disclosures
Derivative-trading assets	7	P115	Financial Assets at FVPL	P -	P -
Derivatives held for risk management		-	-	-	-
Reverse sale and repurchase, securities borrowing and similar agreements		-	-	-	-
Loans and receivables	*8*	-	Loans and Receivables	-	-
Financial Liabilities					
Derivative-trading liabilities	*7*	130	Derivative Liabilities	-	-
Sale and repurchase securities lending and similar agreements		-	-	-	-
Derivatives held for risk management		-	-	-	-
Customer deposits		-	-	-	-

ANNEX “F-1”

INTERIM UNAUDITED FINANCIAL STATEMENT
AS OF MARCH 31, 2024
&
MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Security Code BS-021
SEC Number AS95-08814A
File Number ________

CTBC BANK (PHILIPPINES) CORPORATION
Fort Legend Towers, 31st St. corner 3rd Avenue,
Bonifacio Global City, Taguig City
(Company's Full Name)

8988-9287
(Telephone Number)

2024 December 31
(Fiscal Year Ending)
(Month & Day)

SEC FORM 17-Q
Quarterly Report
Form Type

____
Amendment Designation
(If Applicable)

March 31, 2024
Period Ended Date

____
(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17- Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended March 31, 2024

2. Commission identification number AS95-08814A

3. BIR Tax Identification No. 004-665-166

4. Exact name of registrant as specified in its charter
   CTBC Bank (Philippines) Corporation

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

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of registrant's principal office — Postal Code

   Fort Legend Towers, 31st St. corner 3rd Avenue, Bonifacio Global City, Taguig City — 1634

8. Registrant's telephone number, including area code (632) 8988-9287

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

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

Title of each Class		**Number of shares common stock outstanding and amount of debt outstanding**
Common	₱10.00 par value	348,307,202 shares ₱3,483,072,020

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

    Yes [ ] No [/]

12. Indicate by check mark whether the registrant:

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

Yes [/] No [ ]

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

Yes [/] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

(Refer to Attached Financial Statements)

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operation

The Bank's total assets stood at Php74.3 billion as of March 31, 2024, 4% lower than year-end 2023.

Cash and Other Cash Items decreased by 8% or Php69 million from Php815 million to Php746 million due to the leveling-off of cash-in-vault from its higher year-end cash requirement. Due from BSP decreased by Php463 million or 14% with the drop in placements with the BSP. Due from Other Banks decreased by Php364 million as a result of the net movements in the balances maintained with various local and foreign banks. On the other hand, Interbank Loans Receivable went up by Php322 million or 448%.

Financial Assets at Fair Value Through Profit or Loss (FVTPL) increased by 126% or Php679 million with the growth in fixed income assets while Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) went down by 18% or Php1.1 billion due to maturity of various securities. Lastly, Investment Securities at Amortized Cost went up by 5% or Php681 million mainly due to purchases of government bonds during the period. Total investment securities accounted for 27% of the bank's total assets.

Net Loans and Receivables settled at Php46.8 billion, 5% lower compared to Php49.3 billion as of December 31, 2023 owing to maturities and paydowns in corporate loan.

Total deposits were recorded at Php45.7 billion, down by 7% or Php3.5 billion as compared to the 2023 year-end level. This is attributed to the decrease in time deposits amounting to Php4.1 billion, which was partially offset by the combined increase from demand and savings deposits of Php606 million. Meanwhile, Bills Payable, which is the alternative funding source, recorded an increase of 9% from Php13.5 billion to Php14.7 billion.

On the other hand, Outstanding Acceptances, Manager's checks and Accrued interest and other expenses went down by Ph341 million, Php50 million and Php110 million, respectively. Income taxes payable was higher by Php10 million or 48% mainly due to accrual of corporate income tax for the first quarter of 2024.

The Bank recorded a pretax income of Php121 million for the first quarter of the year – lower by Php72 million from the same period last year, mainly due to higher cost of funding and lower non-interest income. The income performance translated to a return on equity and return on assets at 1.92% and 0.27%, respectively.

Total interest income increased by 22% or Php245 million from Php1.1 billion to Php1.4 billion. Interest income on loans and receivables grew by 20% or Php188 million driven by the growth in average total volume and higher average yield of loans and receivables year-on-year. Interest income on investment securities grew by 33% or Php54 million due to higher securities volume and better yields. Similarly, Interest income from Interbank Loans

Receivable and Due from BSP and other banks increased by 14% or Php0.4 million and 62% or Php3 million, respectively.

Interest expense on deposit liabilities and Interest expense on bills payable and other borrowings went up by Php89 million and Php111 million, respectively, due to the combined effects of the increase in average volume and rising interest rates year-on-year.

Despite the surge in interest expense, net interest income rose by 6% to Php801 million with a net interest margin of 4.63%.

Total non-interest income amounted to Php113 million, lower by 34% year-on-year. This was mainly attributed to the Php18 million decrease in trading and securities and foreign exchange arising from treasury-related activities. Service fee and commission income also decreased by 26% or Php23 million owing to lower syndication fees booked for the period. Miscellaneous income totaled Php31 million down 34% compared to the same period last year.

The bank booked a Total Provision for impairment and credit losses amounting to Php95 million, higher by Php5 million versus the Php90 million provisions last year.

Operating expenses were recorded at Php697 million which inched up by 8% or Php54 million. Compensation and fringe benefits were up by 11% to Php337 million due to the increase in manpower complement. Taxes and licenses were up by 14% or Php12 million mainly from higher revenue and volume-related taxes. Furthermore, Security, messengerial and janitorial expense increased by Php6 million on account of higher clerical manpower in support for the business developments of the bank.

Non-performing loans (NPL) increased to 2.8% from 2.2% last December, while the NPL Coverage decreased to 116.5% from 144.2%. The Bank’s capital adequacy ratio (CAR) is at 15.91% as of March 31, 2024.

Key Financial Indicators

The following ratios are used to assess the performance of the Bank presented on a comparable basis:

	March 31, 2024	March 31, 2023
Return on Average Equity (ROE)	1.92%	5.87%
Return on Average Assets (ROA)	0.27%	0.91%
Net Interest Margin on Average Earning Assets	4.63%	4.86%
Cost-to-Income Ratio	76.28%	69.38%

	March 31, 2024	December 31, 2023
Non-Performing Loan Ratio (NPL)	2.80%	2.18%
Non-Performing Loan Cover	116.50%	144.20%
Capital Adequacy Ratio	15.9%	17.6%

The manner by which the Bank calculates the above indicators is as follows:

- Return on Average Equity ---- Annualized Net Income divided by average total capital funds for the period indicated
- Return on Average Assets ---- Annualized Net Income divided by average total resources for the period indicated
- Net Interest Margin on Average Earning Assets ---- Annualized Net Interest income divided by average total interest earning assets for the period indicated
- Cost to income ratio --- Total Operating expenses divided by the sum of net interest income plus other income
- Non-Performing Loan Ratio --- Total non-performing loans (net of specific allowance for credit losses per BSP Circular 772) divided by gross loan portfolio
- Non-Performing Loan Cover --- Total allowance for probable loan losses divided by total non-performing loans (net of specific allowance for credit losses per BSP Circular 772)
- Capital Adequacy Ratio --- Total capital divided by risk-weighted assets
- Average balances were determined as the average of the current and previous calendar balances of the respective statements of financial position accounts.

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Liquidity ratio

The ratios for March 2024 and end-of-year 2023 were as follows:

	March 2024	December 2023
Current assets	**₱ 31,377,019,847**	₱ 35,944,657,972
Current liabilities	**54,625,004,274**	57,150,372,449
Ratio of current assets to current liabilities	**57.4%**	62.9%

	March 2024	December 2023
Net liquid assets	₱ 8,868,765,981	₱ 7,644,836,782
Total deposits	**45,734,518,641**	49,248,341,196
Ratio of net liquid assets to total deposits	**19.4%**	15.5%

Net liquid assets consist of cash, due from BSP, due from other banks, interbank loans, securities held for trade and available for sale less derivative liabilities and interbank borrowings.

Solvency ratio

The ratios for March 2024 and end-of-year 2023 were as follows:

	March 2024	December 2023
Total liabilities	**₱ 63,570,648,197**	₱ 66,241,662,430
Total equity	**10,706,040,638**	10,738,831,329
Ratio of debt to equity	**593.8%**	616.8%

Assets-to-equity ratio

The ratios for March 2024 and end-of-year 2023 were as follows:

	March 2024	December 2023
Total assets	**₱ 74,276,688,835**	₱ 76,980,493,758
Total equity	**10,706,040,638**	10,738,831,329
Ratio of total assets to equity	**693.8%**	716.8%

Interest Rate Coverage Ratio

The ratios for March 2024 and end-of-year 2023 were as follows:

	March 2024	December 2023
Income before income tax & interest expense	**₱ 682,308,486**	₱ 1,819,278,626
Interest expense	**560,923,843**	1,692,457,236
Interest coverage ratio	**121.6%**	107.5%

Additional Management Discussion and Analysis (for those with variances of more than 5% March 31, 2024 vs. December 31, 2023)

Balance Sheet –

Property and equipment went up by 11% or Php76 million due to new hardwares connected to the bank's IT upgrades. Also, Other Resources increased by Php52 million or 5% primarily due to higher prepaid expenses balance prepaid expenses and positive movements in inter-office float items.

Financial Liabilities at Fair Value through Profit or Loss (FVTPL) grew by 12% or Php8 million mainly from the increase in negative fair value balance of stand-alone swaps as of March 31, 2024. The 5% increase in other liabilities can be attributed to the higher accounts payable, among others.

The Bank's total capital was at Php10.7 billion, slightly lower by Php32.8 million compared last year. This is primarily due to the net effect of the increase of Php51 million in retained earnings and net unrealized loss on Financial Asset at FVOCI of Php83 million. Additionally, Cumulative Translation adjustments recognized an additional loss of Php1 million this quarter.

Income Statement (variance analysis for March 31, 2024 vs. March 31, 2023)

Various operating expense lines registered relative increases as compared with the same period last year. Depreciation and amortization increased by P3 million due to various acquisition of IT hardwares while Amortization of software licenses went down by Php1 million. Provision for income tax was higher by Php31 million due to increases in corporate, final and deferred income taxes.

Material Events and Uncertainties:

Economic impacts of these events include disruption to banking operations; significant disruption to client businesses in 'highly exposed sectors', particularly, trade and transportation, travel and tourism, hospitality/entertainment/sport, manufacturing, construction and retail; and a significant increase in economic uncertainty, evidenced by more volatile asset prices and currency exchange rates.

As of March 31, 2024, major global events have not caused any material adverse effects to the Bank's financial performance and condition.

There are no known trends, events, uncertainties that had or reasonably expected to have a material favorable or unfavorable impact on income from continuing operations. There are also no known material commitments for capital expenditures as of reporting date. There are no significant elements of income or loss that arose from the Bank's continuing operations. Likewise, there are no seasonal aspects that had material effect on the financial condition or results of operations.

PART II – OTHER INFORMATION

(none)

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant had duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer **CTBC BANK (PHILIPPINES) CORPORATION**

Signature **MR. ANDREW A. FALCON**
(Title) Senior Vice President
Finance Group Head

Date MAY 13 2024

Signature Atty Rolando V. Vicerra
ATTY. ROLANDO V. VICERRA
(Title) First Vice President
Corporate Secretary and Legal Department Head

Date MAY 13 2024

Notes to Financial Statements Required Under SRC Rule 68.1

1. Diluted Earnings per share as of March 31, 2024 is P0.15.

2. The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the Philippines. The Bank's financial statements as of March 31, 2024 are prepared in compliance with new Philippine Financial Reporting Standards (PFRS):

1) The same accounting policies and methods of computation are followed in these interim financial statements as compared with the most recent annual financial statements.

2) Seasonal or cyclical events and/or conditions do not significantly affect the interim operations of the bank.

3) Trading gain as of March 31, 2024 amounted to P1.5 million, 69% lower compared to P4.9 million on the same period last year.

4) There are no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years.

5) There are no issuances, repurchases, and repayments of debt and equity securities.

6) There are no cash dividends paid separately for ordinary shares and other shares.

7) Segment information for the period ended March 31, 2024 and 2023 are as follows:

	TREASURY GROUP		CORPORATE BANKING		RETAIL BANKING		OTHERS		TOTAL	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
Results of operations (in thousands)										
Net interest income	**(232,817)**	(198,793)	**441,263**	402,528	**592,319**	552,279	**23**	39	**800,787**	756,053
Non-interest income	**9,477**	28,805	**28,941**	53,569	**72,858**	84,854	**1,654**	3,141	**112,930**	170,369
Total revenue	**(223,340)**	(169,987)	**470,204**	456,097	**665,177**	637,133	**1,676**	3,180	**913,717**	926,423
Non-interest expense	**33,600**	29,185	**87,588**	98,950	**375,237**	341,347	**295,907**	263,765	**792,333**	733,248
Income (loss) before income tax	**(256,940)**	(199,173)	**382,616**	357,147	**289,940**	295,785	**(294,231)**	(260,585)	**121,385**	193,175
Income tax provision (benefit)	**30,072**	17,921	**29,399**	15,937	**10,609**	4,921	**11**	41	**70,091**	38,820
Net income (loss)	**(287,012)**	(217,094)	**353,216**	341,210	**279,331**	290,864	**(294,242)**	(260,625)	**51,294**	154,355
YTD Average (in Php millions)										
Total assets	**21,583**	17,402	**38,918**	37,204	**12,846**	11,959	**1,550**	1,448	**74,898**	68,013
Total liabilities	**12,680**	6,945	**19,689**	18,891	**30,965**	30,266	**1,021**	1,338	**64,355**	57,440

8) At the regular meeting of the BOD held on June 23, 2015, the BOD approved the amendments on the restriction of the retained earnings for the following purposes:

- To comply with the minimum capital requirements set by the Bangko Sentral ng Pilipinas (BSP) pursuant to Circular No. 854;
- To comply with the requirements of the Internal Capital Adequacy Assessment Process (ICAAP) pursuant to BSP Circular No. 639; and
- To provide for buffer to comply with BASEL III requirements.

9) The Bank's common shares were listed in the Philippines Stock Exchange (PSE) in June 1999. On October 7, 2011, the Board of Directors (BOD) authorized the Bank to file a petition for voluntary delisting with the PSE and to purchase the outstanding shares through a tender offer in accordance with the rules of the PSE and Securities and Exchange Commission (SEC), subject to prior regulatory approval. On December 15, 2011, the Bank obtained approval for the delisting and share buyback through a special stockholders' meeting as required by the Bank's By-Laws. On December 19, 2011, the Bank received the approval of the Monetary Board for the delisting and share buyback. As of January 27, 2012, common shares held by minority stockholders amounting to Php12.7 million were tendered to and reacquired by the Bank. On February 8, 2012, the PSE approved the Bank's petition for voluntary delisting. Official delisting of the Bank's shares from the trading Board became effective on February 24, 2012, after the payment of pertinent fees.

   On July 21, 2014, Republic Act No. 10641 entitled "An Act Allowing the Full Entry of Foreign Banks in the Philippines, Amending for the Purpose Republic Act 7721" was signed into a law by the President of the Philippines. Under the said law, foreign banks may own up to 100% of domestic subsidiary banks.

On October 29, 2014, the BSP issued Circular No. 854, which became effective on November 19, 2014, prescribing the revised minimum capitalization of banks operating in the Philippines. Existing banks not meeting the requirement shall be given a period of five years from effectivity of the circular within which to meet the minimum capital. In addition, these banks must submit an acceptable capital build-up program within one year from date of effectivity of the circular. The Bank, falling under the category of commercial banks with total number of branches ranging from ten to one hundred, must have a minimum capital of P10.0 billion by November 2019.

On April 28, 2016, the Bank submitted its capital build up program (CBUP) to the BSP detailing the Bank's strategic plans in order to meet the required capital level. On June 16, 2016, the Monetary Board approved the Bank's CBUP. As at December 31, 2018, the Bank's unimpaired capital amount to P6.9 billion. Thus, the Bank needed additional P3.0 billion capital in order to comply with BSP Circular 854 by November 2019.

In accordance with the Bank's CBUP, the Bank's stockholders, during their annual meeting held on July 25, 2019, approved the increase of authorized shares from 300 million to 400 million shares in order to have sufficient unissued shares to be purchased by Parent Bank.

On September 27, 2019, in compliance with BSP Circular No. 854, Parent Bank purchased the remaining 52,031,269 unissued shares of the Bank and the 484,920 treasury shares at a price of P29.755 per share. The issuance resulted to the following movements:

in thousands	Increase (Decrease)
Additional paid-in capital	P1,019,770,021
Capital stock	520,312,690
Treasury stock	(15,951,674)
Retained earnings	(1,571,372)

The decrease in Retained earnings pertains to (a) the excess of the carrying amount of the treasury stock over the consideration; and (b) stock issuance costs amounting to P0.05 million.

In addition, Parent Bank subscribed to 48,307,202 new shares at the same price of P29.755 per share and paid the entire subscribed amount in cash.

The Bank filed its application for the amendment of its articles of incorporation with the BSP for the increase in authorized capital on October 11, 2019.

The Bank's application for the increase in authorized capital stock was approved by the Monetary Board of the BSP on February 10, 2020 and was later approved by SEC on March 6, 2020.

As at December 31, 2019, the said subscription amounting to P1.4 billion was lodged under the "Deposits for future stock subscription" account in "Other liabilities" in the statements of financial position (see Note 16). The said deposit was reclassified by the Bank as capital on February 10, 2020 for prudential reporting purposes and on March 6, 2020 for financial reporting purposes.

The reclassification resulted to additional 48,307,202 shares issued and outstanding and reflected the following movements:

	Increase (Decrease)
Additional paid-in capital	**P949,478,054**
Capital stock	483,072,020

10) There are no material events subsequent to the end of the interim period that has not been reflected in the financial statements.

11) There are no changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring and discontinuing operations.

12) Summary of the Bank's commitments and contingent liabilities:

	March 31, 2024	December 31, 2023
Trust department accounts	**P 2,823,865**	P 2,045,031
Standby letters of credit	**4,594,077**	4,337,092
Sight/usance import letters of credit	**1,103,086**	198,713
Credit commitments	**1,194,338**	1,605,395
Outward bills for collection	**42,090**	34,393
Others	**3,329**	4,209

13) There are no other material contingencies and any other events or transactions that are material to an understanding of the current interim period.

14) Financial risk disclosures and financial instruments

The Bank is in the business of creating value out of taking risks.

Major financial risks arise primarily from the use of financial instruments which include:

- Credit risk
  Credit risk is the risk that one party to a financial transaction will fail to honor an obligation and cause the Bank to incur a financial loss. Credit risk arises primarily from the Bank's corporate and retail loans (customer credit risk) and investment securities (counterparty credit risk).

- Market risk (e.g., foreign exchange risk, interest rate risk, etc.)
  Market risk is the risk that the Bank's earnings or capital or its ability to meet business objectives will be adversely affected by changes in the level, volatility or correlation of market risk factors, such as interest rates (including credit spread), foreign exchange, equities and commodities. The Bank's market risk originates from its holdings in its foreign exchange instruments, debt securities, and derivatives.

- Liquidity risk
  Liquidity risk is the risk of loss to earnings or capital due to the inability to meet funding requirements within a reasonable period of time at a reasonable price.

  The following principles summarize the Bank's overall approach to risk management:

  - The BOD provides the overall direction and supervision of the Bank's risk management;

  - The key risks faced by the Bank - both financial and non-financial - are managed by appropriate functional levels within the Bank;

  - The risk management functions are independent from the businesses and provide check-and-balance for risk taking units;

  - Risk management involves managing the balance between risk and reward, to enable the Bank to fulfill its commitment to protect shareholder interest, as well as deliver value to the banking public, and comply with relevant regulations; and

  - Risk management process is done via four steps: (1) *Risk Identification* - involves selecting the method for risk identification and describing the characteristics of risks; (2) *Risk Measurement* - refers to the establishing/maintenance of tools or methods to measure risk and identifying the responsible units that will ensure the effectiveness or appropriateness of the risk measurement tools or methods; (3) *Risk monitoring* - pertains to the setting up of assessment frequency, reviewing of risk status, and proposing and implementing of action plans; and (4) *Risk Reporting* - includes clearly defining the reporting mechanism, necessary content and relevant assessment mechanism.

The Bank, owing to its commercial banking license, engages in retail and corporate lending as well as deposit taking, and securities investment. As such, the Bank's activities result in recognition of financial assets, such as corporate loans, personal loans, mortgage loans, government securities, etc., and/or financial liabilities, such as demand and time deposits, and bills payable. The Bank also enters into plain-vanilla financial derivatives such as forwards and swaps as part of its risk management strategies and client-driven activities.

The Bank has various financial exposures in foreign currencies from FX spots and derivatives transactions, as well as FX-denominated loans and Philippine government securities. As of date, the Bank does not have investments in securities issued by foreign entities.

The bank classifies its financial assets in accordance with its business model: financial assets at FVPL, Investment Securities at Amortized Cost (AC), financial assets at FVOCI, and loans and receivables. Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities carried at amortized cost.

The fair value for financial instruments traded in active markets at the statement of financial position date is based on their quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction is used since it provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not quoted in an active market, the fair value is determined by using appropriate valuation techniques incorporating as much as possible market desirable inputs, such as economic indicators and volatility. Valuation techniques include discounted cash flow methodologies, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

The fair value of derivatives that are not quoted in active markets is determined using appropriate valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by management. All models are reviewed before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

There were no significant changes to the Bank's policies relating to financial instruments and risk management during the quarter-ended.

15) Offsetting Financial Assets and Financial Liabilities

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

As of March 31, 2024
in millions of Php

Types of financial assets	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		
				Financial instruments	Cash Collateral received	Net amount
Derivatives-trading assets	114	0	114	0	0	0
Derivatives held for risk management	0	0	0	0	0	0
Reverse sale and repurchase, securities borrowing and similar agreements	0	0	0	0	0	0
Loans and advances to customers	0	0	0	937	937	-
Total	114	0	114	937	937	0

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

As of March 31, 2024
in millions of Php

Types of financial liabilities	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		
				Financial instruments	Cash Collateral received	Net amount
Derivatives-trading liabilities	74	0	74	0	0	0
Derivatives held for risk management	0	0	0	0	0	0
Sale and repurchase, securities lending and similar agreements	0	0	0	0	0	0
Customer deposits	0	0	0	0	0	0
Total	74	0	74	0	0	0

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

As of December 31, 2023
in millions of Php

Types of financial assets	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position: Financial instruments	Related amounts not offset in the statement of financial position: Cash Collateral received	Net amount
Derivatives-trading assets	53	0	53	0	0	0
Derivatives held for risk management	0	0	0	0	0	0
Reverse sale and repurchase, securities borrowing and similar agreements	0	0	0	0	0	0
Loans and advances to customers	0	0	0	0	0	0
Total	53	0	53	0	0	0

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

As of December 31, 2023
in millions of Php

Types of financial liabilities	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position: Financial instruments	Related amounts not offset in the statement of financial position: Cash Collateral received	Net amount
Derivatives-trading liabilities	48	0	48	0	0	0
Derivatives held for risk management	0	0	0	0	0	0
Sale and repurchase, securities lending and similar agreements	0	0	0	0	0	0
Customer deposits	0	0	0	0	0	0
Total	48	0	48	0	0	0

The tables below reconcile the 'Net amounts of financial assets and financial liabilities presented in the statement of financial position', as set out above, to the line items presented in the statement of financial position.

As of March 31, 2024
in millions of Php

Types of financial assets	Net amounts	Line item in the statement of financial position	Carrying amount in statement of financial position	Financial assets not in scope of offsetting disclosures	Note
Derivative-trading assets	114	Financial Assets at Fair Value through Profit or Loss	0	0	-
Derivatives held for risk management	0	-	0	0	-
Reverse sale and repurchase, securities borrowing and similar agreements	0	-	0	0	-
Loans and advances to customers	0	Loans and advances to customers	0	0	-

As of March 31, 2024
in millions of Php

Types of financial liabilities	Net amounts	Line item in the statement of financial position	Carrying amount in statement of financial position	Financial liabilities not in scope of offsetting disclosures	Note
Derivative-trading liabilities	74	Derivative liabilities	0	0	-
Sale and repurchase securities lending and similar agreements	0	-	0	0	-
Derivatives held for risk management	0	-	0	0	-
Customer depositis	0	-	0	0	-

As of December 31, 2023
in millions of Php

Types of financial assets	Net amounts	Line item in the statement of financial position	Carrying amount in statement of financial position	Financial assets not in scope of offsetting disclosures	Note
Derivative-trading assets	53	Financial Assets at Fair Value through Profit or Loss	0	0	-
Derivatives held for risk management	0	-	0	0	-
Reverse sale and repurchase, securities borrowing and similar agreements	0	-	0	0	-
Loans and advances to customers	0	Loans and Receivables - net	0	0	-

As of December 31, 2023
in millions of Php

Types of financial liabilities	Net amounts	Line item in the statement of financial position	Carrying amount in statement of financial position	Financial liabilities not in scope of offsetting disclosures	Note
Derivative-trading liabilities	48	Derivative liabilities	0	0	-
Sale and repurchase securities lending and similar agreements	0	-	0	0	-
Derivatives held for risk management	0	-	0	0	-
Customer deposits	0	-	0	0	-

CTBC BANK (PHILIPPINES) CORPORATION
STATEMENT OF CONDITION
March 31, 2024
(With Comparative Figures for December 31, 2023)

	March 31, 2024	December 31, 2023
	Unaudited	Audited
RESOURCES		
Cash and Other Cash Items	**745,913,712**	814,714,838
Due from Bangko Sentral ng Pilipinas	**2,963,358,586**	3,426,463,360
Due from Other Banks	**744,953,703**	1,109,317,042
Interbank Loans Receivable	**393,626,452**	71,789,090
Financial Assets at Fair Value through Profit or Loss (FVTPL)	**1,217,448,440**	538,339,517
Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)	**5,353,289,693**	6,491,930,161
Investment Securities at Amortized Cost (AC)	**13,524,489,561**	12,843,192,633
Loans and Receivables	**46,805,454,924**	49,265,854,007
Property and Equipment	**764,135,842**	687,967,864
Investment Properties	**89,102,581**	89,426,159
Deferred Tax Assets - net	**608,232,889**	627,004,365
Other Resources	**1,066,682,452**	1,014,494,722
	74,276,688,835	76,980,493,758
LIABILITIES AND CAPITAL FUNDS		
Liabilities		
Deposit Liabilities		
Demand	**13,134,336,340**	11,453,319,207
Savings	**8,162,051,878**	9,236,892,387
Time	**24,438,130,423**	28,558,129,602
	45,734,518,641	49,248,341,196
Financial Liabilities at Fair Value through Profit or Loss (FVTPL)	**73,770,610**	65,936,713
Bills Payable	**14,735,301,715**	13,517,179,143
Outstanding Acceptances	**4,485,863**	345,662,618
Manager's Checks	**24,615,364**	74,139,847
Accrued Interest, Taxes and Other Expenses	**727,188,728**	837,565,469
Income Tax Payable	**31,516,393**	21,313,524
Other Liabilities	**2,239,250,883**	2,131,523,920
	63,570,648,197	66,241,662,430
Capital Funds		
Common Stock	**3,483,072,020**	3,483,072,020
Treasury Stock	**-**	-
Additional Paid-in Capital	**2,027,709,806**	2,027,481,501
Restricted Retained Earnings	**5,863,282,719**	5,811,988,782
Statutory Reserve	**4,981,159**	4,981,159
Cumulative FX Translation Adjustment	**(15,198,682)**	(14,224,835)
Net Unrealized Gain (Loss) on Financial Asset at FVOCI	**(502,143,215)**	(418,804,130)
Net Unrealized Gain (Loss) Retirement Obligation	**(155,663,169)**	(155,663,169)
	10,706,040,638	10,738,831,328
	74,276,688,835	76,980,493,758

CTBC BANK (PHILIPPINES) CORPORATION
STATEMENTS OF INCOME
(With Comparative Figures for the three months ended March 31, 2023)
(in Php)

	January to March	
	2024	2023
INTEREST INCOME		
Loans and receivables	**1,131,864,304**	944,270,441
Investment securities	**204,431,689**	159,027,266
Interbank loans receivable	**3,717,041**	3,271,179
Deposits with BSP and other banks	**8,099,271**	4,996,297
INTEREST INCOME ON FINANCIAL ASSETS AT FVTPL	**13,598,626**	4,645,867
	1,361,710,931	1,116,211,050
INTEREST EXPENSE		
Deposit liabilities	**355,715,823**	266,524,456
Bills payable and other borrowings and others	**198,327,324**	86,830,298
Lease Liabilities	**6,880,697**	6,802,815
	560,923,844	360,157,569
NET INTEREST INCOME	**800,787,087**	756,053,481
Service fees and commission income	**66,964,626**	90,143,120
Trading and securities gain - net	**1,506,234**	4,891,029
Foreign exchange gain - net	**13,333,270**	28,024,805
Miscellaneous - net	**31,126,043**	47,310,508
TOTAL OPERATING INCOME	**913,717,260**	926,422,943
Compensation and fringe benefits	**336,724,049**	303,868,431
Provision for (recovery from) impairment and credit losses	**95,364,754**	90,470,715
Taxes and licenses	**97,922,977**	85,773,107
Security, messengerial and janitorial expenses	**49,527,863**	43,503,574
Occupancy and other equipment-related costs	**53,489,843**	54,601,164
Depreciation and amortization	**47,697,928**	44,509,133
Amortization of software license	**15,192,157**	16,557,844
Miscellaneous	**96,413,047**	93,963,847
TOTAL OPERATING EXPENSES	**792,332,618**	733,247,815
INCOME BEFORE INCOME TAX	**121,384,642**	193,175,128
PROVISION FOR INCOME TAX	**70,090,706**	38,819,884
NET INCOME	**51,293,936**	154,355,244
Basic/Diluted Earnings Per Share	**0.15**	0.44

CTBC BANK (PHILIPPINES) CORPORATION
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock	Treasury Stock	Additional Paid-in Capital	Restricted Retained Earnings	Statutory Reserves	Cumulative Translation Adjustments	Net Unrealized Gain or Loss on Financial Assets at FVOCI	Net Remeasurement Loss on Retirement Liability	Total
Balance at January 1, 2024	3,483,072,020	-	2,027,481,501	5,811,988,782	4,981,159	(14,224,835)	(418,804,131)	(155,663,169)	10,738,831,328
Net income for the quarter				51,293,936					51,293,936
Other Comprehensive Income (Loss) for the period									
Items that may not be classified to profit or loss:									
Net unrealized loss on equity financial assets at FVOCI							850,000		850,000
Net remeasurement loss on retirement liability								(0)	(0)
Items that may be reclassified to profit or loss:									
Net unrealized gain on debt financial assets at FVOCI							(84,189,084)		(84,189,084)
Cumulative translation adjustments						(973,847)			(973,847)
Total Other Comprehensive Income (Loss)	-	-	-	-	-	(973,847)	(83,339,084)	(0)	(84,312,931)
Total Comprehensive Income for the period	-	-	-	51,293,936	-	(973,847)	(83,339,084)	(0)	(33,018,995)
Restricted Stock Award			228,305						228,305
Balance at March 31, 2024	3,483,072,020	-	2,027,709,806	5,863,282,718	4,981,159	(15,198,682)	(502,143,215)	(155,663,169)	10,706,040,638
Balance at January 1, 2023	3,483,072,020	-	2,023,691,478	5,801,553,928	4,981,159	(13,767,018)	(659,285,390)	(106,478,661)	10,533,767,516
Net income for the quarter				154,355,244					154,355,244
Other Comprehensive Income (Loss) for the period									
Items that may not be classified to profit or loss:									
Net unrealized loss on equity financial assets at FVOCI							(100,000)		(100,000)
Net remeasurement loss on retirement liability								0	0
Items that may be reclassified to profit or loss:									
Net unrealized gain on debt financial assets at FVOCI							108,410,739		108,410,739
Cumulative translation adjustments						(2,904,464)			(2,904,464)
Total Other Comprehensive Income (Loss)	-	-	-	-	-	(2,904,464)	108,310,739	0	105,406,275
Total Comprehensive Income for the period	-	-	-	154,355,244	-	(2,904,464)	108,310,739	0	259,761,519
Restricted Stock Award			979,189						979,189
Balance at March 31, 2023	3,483,072,020	-	2,024,670,667	5,955,909,172	4,981,159	(16,671,482)	(550,974,651)	(106,478,661)	10,794,508,224
Balance at January 1, 2023	3,483,072,020	-	2,023,691,478	5,801,553,928	4,981,159	(13,767,018)	(659,285,390)	(106,478,661)	10,533,767,516
Net income for the year				10,434,854					10,434,854
Other comprehensive income for the year									
Items that may not be classified to profit or loss:									
Net unrealized loss on equity financial assets at FVOCI							1,845,000		1,845,000
Net remeasurement loss on retirement liability								(49,184,508)	(49,184,508)
Items that may be reclassified to profit or loss:									
Net unrealized gain on debt financial assets at FVOCI							238,636,259		238,636,259
Cumulative translation adjustments						(457,817)			(457,817)
Total Other Comprehensive Income	-	-	-	-	-	(457,817)	240,481,259	(49,184,508)	190,838,935
Total Comprehensive Income for the year	-	-	-	10,434,854	-	(457,817)	240,481,259	(49,184,508)	201,273,789
Restricted Stock Award accrual			3,790,023						3,790,023
Balance at December 31, 2023	3,483,072,020	-	2,027,481,501	5,811,988,782	4,981,159	(14,224,835)	(418,804,131)	(155,663,169)	10,738,831,328

CTBC BANK (PHILIPPINES) CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
(With Comparative Figures for the three months ended March 31, 2023)
(in Php)

	January to March	
	2024	2023
NET INCOME FOR THE PERIOD	**51,293,936**	154,355,244
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		
Items that may not be reclassified to profit or loss		
Net unrealized (loss) gain on equity financial assets at FVOCI	**850,000**	(100,000)
Net remeasurement (loss) gain on retirement liability - net of tax	**(0)**	0
	850,000	(100,000)
Items that may be reclassified to profit or loss		
Net unrealized gain (loss) on debt financial assets at FVOCI	**(84,189,084)**	108,410,739
Cumulative translation adjustments	**(973,847)**	(2,904,464)
	(85,162,931)	105,506,275
	(84,312,931)	105,406,275
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(33,018,995)**	259,761,519

CTBC BANK (PHILIPPINES) CORPORATION
STATEMENTS OF CASH FLOWS

	For the three months ended March 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income taxes	**121,384,643**	193,175,128
Adjustments for:		
Impairment losses	**95,364,754**	90,470,715
Foreign exchange revaluation (gain) loss on financial assets at FVOCI and investment securities at amortized cost	**(145,069,140)**	160,412,445
Depreciation and amortization	**47,697,928**	44,509,133
Foreign exchange revaluation (gain) loss on bills payable	**168,170,470**	(28,320,523)
Amortization of net discount on financial assets at FVOCI and investment securities at amortized cost	**(2,132,078)**	9,017,480
Amortization of computer software costs	**15,192,157**	16,557,844
Retirement benefit expense	**11,115,748**	9,130,927
Realized gain on sale on financial assets at FVOCI	**(17,235,430)**	(9,561,189)
Unrealized gain on investment securities	**-**	(8,464,304)
Accretion of interest on lease liabilities	**6,880,697**	6,802,815
Mark-to-market (gain)/loss on financial assets at FVTPL	**7,617,928**	962,728
Gain on disposal of foreclosed assets	**(4,700,614)**	(1,641,934)
Restricted stock award	**228,305**	979,189
Dividend income	**(240,000)**	(280,000)
(Gain) loss on disposal of property and equipment	**10**	127,558
Foreign exchange revaluation (gain) loss on interbank loans receivable	**2,315**	(123)
Changes in operating assets and liabilities:		
Decrease (increase) in amounts of:		
Financial assets at FVTPL	**(686,726,851)**	189,376,010
Loans and receivables	**2,364,630,937**	1,392,365,475
Other assets	**(40,038,359)**	232,343,938
Increase (decrease) in amounts of:		
Deposit liabilities	**(3,513,822,555)**	53,845,311
Financial liabilities at FVTPL	**7,833,897**	(67,359,004)
Outstanding acceptances	**(341,176,755)**	(205,367,928)
Manager’s checks	**(49,524,483)**	13,101,826
Accrued taxes and other expenses	**(110,376,741)**	(49,593,433)
Other liabilities	**129,818,047**	(1,076,077,520)
Net cash generated from (used in) operations	**(1,935,105,168)**	966,512,564
Contribution to the plan assets	**(11,115,748)**	(9,130,927)
Income taxes paid	**(41,116,361)**	(24,555,565)
Net cash provided by (used in) operating activities	**(1,987,337,277)**	932,826,072

Forward

	2024	2023
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Financial assets at FVOCI	**(3,371,087,077)**	(915,496,000)
Investment securities at amortized cost	**(1,632,610,643)**	(552,080,000)
Property and equipment	**(119,763,946)**	(11,393,382)
Foreclosed assets	**(433,985)**	(6,694,733)
Computer software costs	**(27,341,528)**	(2,891,560)
Proceeds from disposals of:		
Financial assets at FVOCI	**2,194,648,864**	973,174,841
Foreclosed assets	**4,700,614**	4,114,184
Property and equipment	**1,115,352**	768,152
Investment securities at amortized cost	**769,036,313**	-
Proceeds from maturities of:		
Financial assets at FVOCI	**2,297,790,115**	(5,904)
Investment securities at amortized cost	**280,492,096**	(27,507)
Dividends received	**240,000**	280,000
Net cash used in investing activities	**396,786,175**	(510,251,909)
CASH FLOWS FROM FINANCING ACTIVITIES		
Settlement of bills payable	**(80,277,616,096)**	36,160,954,651
Availments of bills payable	**81,327,568,198**	(37,045,451,090)
Payment of lease liabilities	**(32,997,391)**	(31,832,447)
Net cash provided by (used in) financing activities	**1,016,954,711**	(916,328,886)
EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS	**(973,847)**	(2,904,464)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(574,570,239)**	(496,659,187)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
Cash and other cash items	**814,714,838**	607,134,739
Due from BSP	**3,426,463,360**	3,184,802,214
Due from other banks	**1,109,317,042**	875,457,111
Interbank loans receivable - gross	**71,981,000**	568,701,000
	5,422,476,240	5,236,095,064
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and other cash items	**745,913,712**	507,385,961
Due from BSP	**2,963,358,586**	3,213,045,715
Due from other banks	**744,953,703**	771,666,201
Interbank loans receivable - gross	**393,680,000**	247,338,000
	4,847,906,001	4,739,435,877
CASH FLOWS FROM INTEREST		
Interest received	**1,163,471,166**	952,537,917
Interest paid	**(401,352,802)**	(239,200,655)
	762,118,364	713,337,262

CTBC BANK (PHILIPPINES) CORPORATION
Aging of Loans and Receivables
As of March 31, 2024

Type of Accounts Receivable	Total	1 Month	2 - 3 Mos.	4 - 6 Mos.	7 to 11 Mos.	1 - 2 Years	3 - 5 Years	5 Years - Above	Past Due Accounts, Non-performing Loans & Items in Litigation
a) Trade Receivables									
1) DBTR	2,329,323,661	292,569,890	629,260,163	841,842,107	65,222,995	-	138,430,000		361,998,505
2) IBTR- PESO	2,374,272,333	194,168,108	113,291,346	901,804,343	1,144,524,080	-	20,484,455		-
3) IBTR- USD	25,620,545	14,163,902	-	11,456,643	-		-		
4) CLA	4,485,863	4,485,863	-	-	-		-		
Subtotal	4,733,702,402	505,387,764	742,551,509	1,755,103,093	1,209,747,076	-	158,914,455	-	361,998,505
Less: Allow. For Doubtful Acct.	201,356,234								
Net Trade Receivable	4,532,346,168	505,387,764	742,551,509	1,755,103,093	1,209,747,076	-	158,914,455	-	361,998,505
b) Non - Trade Receivables									
1 BILLS DISCOUNTED - CHK DISC - CLEAN	59,853,360	-	51,469,800	8,383,560	-	-	-	-	-
2 BILLS DISCOUNTED - REG - HO DEP	587,905,884	225,950,000	49,602,778	68,638,750	29,435,171	58,211,941	147,597,222	8,470,021	-
3 DBP - CLEAN - NDOSRI	236,806,839	236,806,839	-	-	-	-	-	-	-
4 ITL- SALARY LOANS - NDOSRI	7,879,512	-	-	-	-	-	-	-	7,879,512
5 L & D - FX - RES - CLEAN	5,020,248,727	13,960,961	13,000,571	10,423,195	-	2,720,766,222	2,262,097,778	-	-
6 L & D - FX - RES - CLEAN-OFFSHORE	300,495,944	-	7,198,720	281,200,000	-	3,717,464	8,379,760	-	-
7 L & D - FX - RES - HOLD-OUT DEP	267,801,644	-	8,436,000	168,720,000	11,248,000	-	79,397,644	-	-
8 L & D - FX - RES - REM/CHM/OTH	463,980,000	-	-	-	463,980,000	-	-	-	-
9 L & D - OFFICERS - CAR LOAN	11,995,509	464,000	246,598	469,728	2,498,605	4,651,542	3,638,594	26,442	-
10 L & D - OFFICERS - EMERGENCY LN	124,499	-	-	-	-	111,667	12,832	-	-
11 L & D - OFFICERS - HOUSING LOAN	3,960,310	-	-	-	-	2,930,575	1,029,735	-	-
12 L & D - OFFICERS - MULTI-PURP LN	2,605,289	-	336,010	398,931	1,151,551	643,480	75,317	-	-
13 L & D - STAFF - EMERGENCY LN	49,661	-	-	-	-	49,661	-	-	-
14 L & D - STAFF - MULTI-PURP LN	2,140,964	69,000	355,625	326,363	475,185	859,832	54,959	-	-
15 L & D-FX-NRES-CLEAN-OFF TAX-EX	1,098,622,463	142,077,295	-	308,863,685	515,746,131	-	131,935,352	-	-
16 L&D-FX-RES-CLEAN-OFF-TAX-EX	970,140,000	-	-	-	-	970,140,000	-	-	-
17 NPL - PD - SALARY LOAN	448,090,685	-	-	-	-	-	-	-	448,090,685
18 NPL - PD - TL-MORT-TRADITIONAL	47,423,400	-	-	-	-	-	-	-	47,423,400
19 NPL - PD-L&D - DOM - TL-ST	378,991,808	-	-	-	-	-	-	-	378,991,808
20 NPL - PD-L&D-DOM-BD-CHK DISC	99,994,745	-	-	-	-	-	-	-	99,994,745
21 NPL-CUR- TL-MORT-TRD-PROMO	242,555,377	-	-	-	-	-	-	-	242,555,377
22 NPL-CURRENT-REST-L&D-PL-PUBLIC	11,860,871	-	-	-	-	3,314,771	8,546,100	-	-
23 NPL-CUR-RESTR LOANS-DOM-NDOSRI	117,157,840	-	-	-	-	-	-	-	117,157,840
24 NPL-CUR-TIME LOAN-SALARY LOAN	7,624,268	-	-	-	-	-	-	-	7,624,268
25 NPL-PD-REST-L&D-PL-PUBLIC	3,656,400	-	-	-	-	-	-	-	3,656,400
26 NPL-PD-RESTRUC LOAN-DOM-NDOSRI	4,940,094	-	-	-	-	-	-	-	4,940,094
27 PD - L & D - DOM - TL - ST	29,443	-	-	-	-	-	-	-	29,443
28 PD - SALARY LOAN	113,926,771	-	-	-	-	-	-	-	113,926,771
29 PD-TL-MORT-TRADITIONAL	46,392,081	-	-	-	-	-	-	-	46,392,081
30 RESTRUC LOANS - DOM - NDOSRI	6,316,928,619	3,447,624,362	1,716,915,414	727,464,400	112,480,000	281,200,000	31,244,444	-	-
31 RESTRUCTURED LOAN - SALARY LOANS	746,172,692	-	-	-	-	336,337,687	409,835,005	-	-
32 TIME LOAN - DREAM HOME LOAN	494,697	-	-	-	-	-	-	494,697	-
33 TIME LOAN - LT - REM/CHM/OTHS	214,142,810	-	-	19,400,000	113,503,512	31,303,295	12,171,333	37,764,670	-
34 TIME LOAN - MORTGAG MGR	16,623,014	-	-	-	-	-	-	16,623,014	-
35 TIME LOAN - MT - CLEAN	6,443,484,849	384,000,000	566,088,972	244,722,222	1,079,424,971	3,959,093,129	210,155,556	-	-
36 TIME LOAN - MT - REM/CHM/OTHS	272,176,886	24,500,000	54,930,589	37,766,019	106,299,079	31,581,498	16,791,333	308,367	-
37 TIME LOAN - ST - CLEAN	9,646,282,403	4,496,901,873	3,045,817,784	1,336,510,115	696,000,000	-	71,052,632	-	-
38 TIME LOAN - ST - REM/CHM/OTHS	413,580,000	79,110,300	140,675,700	168,094,000	25,700,000	-	-	-	-
39 TIME LOAN- SALARY LOAN	4,677,693,498	283,339,799	542,472,270	615,228,909	1,515,566,528	1,431,090,506	289,995,487	-	-
40 TL-MORTGAGE-DEVELOPER	1,145,790	-	-	-	-	-	-	1,145,790	-
41 TL-MORT-MAXCSHBACK-20%	21,646,066	-	-	-	-	-	-	21,646,066	-
42 TL-MORT-TRADITIONAL	3,993,905,670	46,557,840	128,992,194	381,291,027	429,630,244	987,303,116	1,540,005,434	480,125,816	-
43 TL-MORT-TRD-PROMO	10,095,744	-	-	-	-	-	4,253,259	5,842,484	-
Subtotal	43,331,627,126	9,381,362,268	6,326,539,024	4,377,900,904	5,103,138,976	10,823,306,386	5,228,269,775	572,447,368	1,518,662,423
Add: Unamortized Transaction cost	72,559,371								
Less: Allow. For Doubtful Acct.	1,741,064,153.00								
Net Non - Trade Receivable	41,663,122,343	9,381,362,268	6,326,539,024	4,377,900,904	5,103,138,976	10,823,306,386	5,228,269,775	572,447,368	1,518,662,423

Accounts Receivables	62,177,216
Accrued Interest Receivables	639,757,335
Unquoted Debt Securities	-
	701,934,551
Less: Allowance for impairment	89,825,667
	612,108,885
Net Receivables (a + b)	**46,807,577,396**
Less: Unearned Interest and Discounts	2,122,472
	46,805,454,924

Notes: If the Company's collection period does not match with the above schedule and revision is necessary to make the schedule not misleading,
the proposed collection period in this schedule may be changed to appropriately reflect the Company's actual collection period.

ANNEX "G"

MINUTES OF THE ANNUAL MEETING OF THE STOCKHOLDERS OF CTBC (PHILIPPINES) BANK CORP.
East-West Room, Manila Golf & Country Club, Harvard Road, Makati City.
July 5, 2023, Wednesday, at 9:30 AM

Stockholders in attendance

Name of Stockholder	No. of Shares
CTBC Bank Co., Ltd. (by proxy in favor of Cheng-Hsin Wang)	347,319,203
Cheng-Hsin Wang	1
William B. Go	53
Oliver Jimeno	1
Alexander A. Patricio	1
Stephen D. Sy	1
Luis Benitez Jr.	1
Jen-Wen Liao	1
Jung-Hsin Suei	1
TOTAL	347,319,263

1.0 CALL TO ORDER

1.1 Mr. Cheng-Hsin, Chairman, called the meeting to order at 9:30 a.m. Atty. Rolando V. Vicerra, Corporate Secretary, recorded the minutes thereof.

2.0 CERTIFICATION OF NOTICE AND QUORUM

2.1 Atty. Rolando V. Vicerra certified that notices had been sent to the stockholders in accordance with the By-Laws of the Bank. Atty. Vicerra declared that out of 348,307,202 issued and outstanding shares, 347, 319,263 shares or approximately more than 99.72% of the outstanding capital stock were present in person or represented by proxy. A quorum was present for the transaction of business.

3.0 APPROVAL OF THE MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING OF JUNE 23, 2022

3.1 The stockholders read the Minutes. Upon motion made and duly seconded, and there being no objection, the Minutes of the Annual Shareholders' Meeting of June 23, 2022, was declared approved by the

Chairman.

	Voted in Favor	Voted Against	Abstained
Number of Voted Shares	347,319,263	0	0
% of Voting Shares Present	99.72%	0.00%	0.00%

4.0 CHAIRMAN'S ADDRESS

4.1 Mr. Cheng-Hsin Wang delivered the Chairman's address to the stockholders.

The highlights were as follows:

Good morning!

On behalf of CTBC Bank Philippines' Board of Directors, I wish to express my sincere gratitude to our shareholders for your support towards the Bank throughout the years. It is my honor and privilege to deliver to you a message that is full of realizations and optimism.

Let me start by looking back on the year that passed. While 2022 marked the beginning of the end of the pandemic, the global economy still did not blossom into full recovery. Towards the second half of 2022, we saw a global rise in prices which prompted most central banks to hike their policy rates. With this, different countries faced different challenges and setbacks on the road to economic stability. Through these challenges and uncertainties, CTBC Bank, our Parent Institution, pursued steady growth through a diversified business structure. Both its institutional banking and retail banking businesses remained robust, while its foreign exchange business in the capital market improved.

In terms of financial performance in 2022, our Parent Bank reported an annual consolidated net revenue of NT$118.8 billion (US 3.9 billion), consolidated pre-tax income of NT$47.4 billion (USD 1.5 billion), and consolidated net income attributable to our parent company of NT$37.1 billion (USD 1.2 billion), with a consolidated after-tax ROE of 11.35%., placing our Parent Bank in the leading position in the industry.

We take pride in our Parent Bank's outstanding performance in business development, digital innovation, and sustainable transformation which continued to receive accolades from both domestic and international institutions. Among the many awards received by the Bank during the year were: Most Valuable Bank Brand in Taiwan by Brand Finance's Banking 500 rankings; Most Innovative in Digital Banking in Asia Pacific from The Banker; Best Bank for Sustainable Finance in Taiwan and Best Sustainable Bank in Taiwan from Global Finance and FinanceAsia, respectively.

Let us now shift our focus to the local scene. In the Philippines, the country's GDP growth rate in 2022 reached 7.6%, while unemployment rate improved to 4.3% from previous year's 6.6%. All these contributed to the evident rebound in the economy marked by increase in government spending and household consumption.

As the economy bounced back from the turmoil brought about by COVID 19, so did CTBC Bank Philippines. In 2022, the Bank posted record numbers in terms of volume and bottom line. The Bank's total assets grew by a staggering 32%, ending at 69.7 billion pesos. This was spurred by a huge jump in loan portfolio which went up by as much as 15 billion pesos or almost a 50% growth year-on-year. This translated to a pretax income of 501 million pesos, which is almost three times more than the previous year. As the Bank's revenue soared to unprecedented level, the total costs were prudently contained and properly managed resulting to an improved cost-to-income ratio of 70%. It was indeed an outstanding performance delivered by the local management team.

In the latest Banking Report issued by Business World for the first quarter of 2023, CTBC Bank Philippines was among the frontrunners in the industry in terms of year-on-year volume growth. Among all commercial and universal banks with total assets of 50 billion and above, the Bank ranked fifth in total assets growth and fourth in total loan growth. We take utmost pride and distinction in such achievement, as this proves that the Bank can become a strong player in the local landscape.

As the Bank continues to reach new heights, we remain focused towards adapting to this new era of digitalization. We are constantly leveraging on technology while understanding the needs of our customers. We are excited to pursue these initiatives and remain thankful to our Parent Bank for their confidence in our leadership team, our Board of Directors for their guidance, our employees for their hard work and most especially our clients, shareholders, and partners, for their continued support and encouragement.

Again, thank you very much, and good day to all!

5.0 PRESIDENT'S REPORT AND APPROVAL OF THE 2022 ANNUAL REPORT

5.1 Mr. Oliver Jimeno, President and CEO, delivered his report

The highlights of his report are as follows:

To our dear shareholders, members of the Board of Directors, esteemed guests, good morning. It's been a while since we've last held a face-to-face stockholders meeting and it comes at an opportune time as I am about to share with you some key highlights and major breakthroughs that the Bank has accomplished in 2022.

But first, allow me to shed light about the Philippine economy last year. It was a year filled with formidable challenges and uncertainties, with the change in administration and several uncontrollable factors. The year began with the emergence of the Omicron variant, and just like the rest of the world, the country faced a resurgence of COVID 19 cases, which led to renewed lockdowns and restrictions. However, the concerted efforts of the government, the private sector, and the general population, helped curb the spread of the virus, which eventually paved the way to economic recovery. As the country marched on to what seemed to be a promising year, a new set of challenges emerged on the international front. The war between Russia and Ukraine sent shockwaves through the global economy, which resulted to a steep rise in energy prices and uncertainties in the financial markets. Meanwhile, as the government gradually eased the COVID 19 restrictions, consumer demand began to surge, which added to the upward pressure on prices. The government acted swiftly to curb the inflation with the tightening of monetary policy. Just for the year 2022, the BSP increased its policy rates by as much as 350 basis points. All in all, it was a delicate balancing act between controlling inflation and sustaining economic growth.

Despite these overwhelming circumstances, we, in CTBC Bank Philippines, remained focused and undaunted throughout the year. As our chairman shared with you earlier, the Bank's total assets grew by a staggering 32% for the year 2022, outpacing the entire industry which posted an average growth of 9% year-on-year. In addition, our total loans went up by almost 50%, which is way above the industry growth average of 10%. Furthermore, the Bank's gross NPL Ratio improved to 1.6%, which is just half of industry average of 3.2%. I wish to share with you that this amazing feat was a result of careful planning and collective efforts by the remarkable talents that we have in CTBC. When the country was still in the midst of the pandemic and business activity was low, the Bank has been increasing its funding level through various sources, while carefully managing the existing portfolio. When the economy opened-up, we witnessed a surge in demand for loans both from corporate and individual customers. And as this happened, the Bank was already well positioned to accommodate the needs of our growing customer base. As a result, the Bank's loan growth was experienced across the board with consumer loans growing by 15% and corporate loans growing by more than 50%.

The healthy balance sheet allowed us to generate a pretax income of 501 million pesos on the back of higher net interest income which grew by 15% year-on-year or equivalent to 370 million pesos. Similarly, the Bank's non-interest income climbed by 345 million pesos owing to the significant improvement in foreign exchange gains amounting to 217 million pesos. Overall, the Bank ended the year with its highest level of net income after tax at 333 million pesos.

For the current year 2023, I am happy to report that the Bank was able to sustain the very good performance from last year. As of June 30 this year, the Bank's pretax income has reached 345 million pesos. This will keep us on track towards achieving a full year target of 700 million pesos. With this, CTBC Bank Philippines is set to achieve yet another milestone towards achieving a sustainable growth that will propel the Bank to becoming one of the industry's major players. Your local management team will once again aim to fly high this year with passion and dedication to this remarkable institution. We will continue to evolve, with valuable lessons learned over past years and a deeper understanding of our business and customers' needs. This is our path forward, our True North, and we will stay true to this path until our long-term aspirations are achieved. We owe this to our loyal customers, and to you our dear shareholders, for your unwavering trust and support.

Thank you very much and a pleasant morning to all.

5.2 The President then submitted for approval by the stockholders the Bank's 2022 annual report.

Upon motion duly made and seconded, and there being no objection, the Chairman declared the 2022 Annual Report to the shareholders approved.

	Voted in Favor	Voted Against	Abstained
Number of Voted Shares	347,319,263	0	0
% of Voting Shares Present	99.72%	0.00%	0.00%

6.0 SUBMISSION OF THE AUDITED FINANCIAL STATEMENTS OF THE BANK AND OF THE TRUST AND INVESTMENT SERVICES DEPARTMENT AS OF DECEMBER 31, 2022

6.1 The Audited Financial Statements of the Bank and of the Trust and Investment Services Department as of 31 December 2022 was then submitted for the approval of the stockholders.

Upon motion made and duly seconded and there being no objection, the Chairman declared the Audited Financial Statements of the Bank and of the Trust and Investment Services Department as of 31 December 2022 approved.

	Voted in Favor	Voted Against	Abstained
Number of Voted Shares	347,319,263	0	0
% of Voting Shares Present	99.72%	0.00%	0.00%

7.0 APPROVAL RATIFICATION OF THE ACTS, DECISIONS AND PROCEEDINGS OF THE BOARD OF DIRECTORS, COMMITTEES, MANAGEMENT AND OFFICERS SINCE LAST ANNUAL MEETING

7.1 Upon motion of duly made and seconded, and there being no objection, the Chairman declared all the acts, decisions and proceedings of the Board of Directors, Committees, Management and Officers for the year

2022-2023 and since the last annual meeting, ratified.

	Voted in Favor	Voted Against	Abstained
Number of Voted Shares	347,319,263	0	0
% of Voting Shares Present	99.72%	0.00%	0.00%

8.0 ELECTION OF THE MEMBERS OF THE BOARD OF DIRECTORS

8.1 Mr. Cheng-Hsin Wang nominated the following as members of the Board of Directors:

Cheng-Hsin Wang
William B. Go
Oliver D. Jimeno
Jen-Wen Liao
Jung-Hsin Suei
Alexander A. Patricio as Independent Director
Stephen D. Sy as Independent Director
Luis Y. Benitez, Jr. as Independent Director

Upon motion made and duly seconded, and there being no objection, the eight (8) nominees were elected as members of the Board of Directors.

	Voted in Favor	Voted Against	Abstained
Number of Voted Shares	347,319,263	0	0
% of Voting Shares Present	99.72%	0.00%	0.00%

9.0 APPOINTMENT OF EXTERNAL AUDITOR

9.1 Upon motion made and duly seconded, and there being no objection, the Chairman declared the accounting firm of R.G. Manabat and Co. (“RGM”) duly appointed external auditor of the Bank and of the Trust and Investment Services Department.

	Voted in Favor	Voted Against	Abstained
Number of Voted Shares	347,319,263	0	0
% of Voting Shares Present	99.72%	0.00%	0.00%

10.0 OTHER MATTERS: QUESTIONS FROM SHAREHOLDERS

10.1 The Chairman asked if there were questions or matters that the shareholders would like to raise or be considered. No questions nor other matters were raised by the shareholders.

11.0 ADJOURNMENT

11.1 Upon motion duly made and seconded, the meeting was adjourned at 10:00 o'clock a.m.

Certified Correct:

ATTY. ROLANDO V. VICERRA
Corporate Secretary

ALPHA M. TAGLE
Assistant Corporate Secretary