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SECURITY BANK CORPORATION

(a banking corporation organized and existing under Philippine laws)

₱200,000,000,000

Peso Bond and Commercial Papers Program

Under this ₱200,000,000,000 Peso Bond and Commercial Papers Program (the “**Program**”), Security Bank Corporation (the “**Issuer**” or the “**Bank**”), subject to compliance with all relevant laws, regulations, and directives, may from time to time issue commercial paper and bonds denominated in Philippine Pesos (each a “**Security**” and collectively the “**Securities**”), in one or more series of tranches, with each issuance constituting a tranche (“**Tranche**”), pursuant to BSP Circular No. 1010 (Series of 2018), BSP Circular No. 1062 (Series of 2019), Section 246 of the Manual of Regulations for Banks, and any other circulars and regulations as may be relevant for the transaction, as amended from time to time.

The maximum aggregate principal amount of all the Securities from time to time outstanding under the Program will not exceed ₱200,000,000,000.

The Securities may be issued by the Issuer on a continuing basis through one or more of the Joint Lead Arrangers and Joint Bookrunners and Selling Agents specified under “**Terms and Conditions of the Securities**” and any new or additional arranger (each an “**Arranger**” and together the “**Arrangers**”) or Selling Agent (each a “**Selling Agent**” and together the “**Selling Agents**”) appointed under the Program from time to time by the Issuer, which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the relevant Arranger or the relevant Selling Agent shall, in the case of an issue of the Securities being (or intended to be) issued through more than one Arranger and/or Selling Agent, be to all Arrangers and/or Selling Agents agreeing to subscribe to such Securities.

The Securities will constitute direct, unconditional, unsecured, and unsubordinated obligations of the Bank. The Securities shall, at all times, rank *pari passu* and ratably without any preference or priority amongst themselves, and at least *pari passu* with all other present and future direct, unconditional, unsecured, and unsubordinated obligations of the Bank, save for any obligation enjoying a statutory preference or priority established under Philippine laws. See “**Terms and Conditions of the Securities**”.

See “**Investment Considerations**” for a discussion of certain factors to be considered in connection with an investment in the Securities.

Each Tranche of the Securities will be issued in scripless form and will be registered and lodged with the Philippine Depository & Trust Corp. (the “**Registrar**”) through the electronic registry book of the Registrar (the “**Registry**”) in the name of the Holders. The Securities will be represented by a Master Certificate of Indebtedness which will be deposited with the Trustee. The Registry shall serve as the best evidence of ownership with respect to the Securities. However, a written advice will be issued by the Registrar to the Holders to confirm the registration of the Securities in their name in the Registry including the amount and summary terms and conditions of the Securities (the “**Registry Confirmations**”).

Each Tranche of the Securities will be listed by the Bank in the Philippine Dealing and Exchange Corp. (“**PDEX**”) for secondary market trading pursuant to the rules of the Bangko Sentral ng Pilipinas (“**BSP**”). Once registered and lodged, the Securities will be eligible for transfer through the trading participants of the PDEX upon listing of the Securities in PDEX by electronic book-entry transfers in the Registry, and issuance of Registry Confirmations in favour of transferee Holders.

The Securities will not be rated. However, the Bank has a “**Baa2**” rating for its long-term local and foreign currency deposits rating and its long-term local and foreign currency issuer rating by Moody’s Investors Service (“**Moody’s**”). The Bank also has a foreign currency long-term issuer rating of “**A-**” from Japan Credit Rating Agency, Ltd. A rating is not a recommendation to buy, sell, or hold securities or any instrument, and may be subject to revision, suspension or withdrawal at any time by the rating agency concerned.

Joint Lead Arrangers and Joint Bookrunners



Selling Agents



THE SECURITIES BEING OFFERED OR SOLD HEREIN ARE SECURITIES EXEMPT FROM REGISTRATION UNDER SECTION 9.1(E) OF THE SECURITIES REGULATION CODE (THE SRC) AND WILL ACCORDINGLY NOT BE REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION (SEC).

26 September 2025

The Securities will be issued pursuant to the General Banking Law of 2000 (Republic Act No. 8791), all necessary rules and guidelines for the issuance of the Securities including, where applicable, the BSP Manual of Regulations for Banks (“**MORB**”), BSP Circular No. 1010 (Series of 2018), BSP Circular No. 1062 (Series of 2019), BSP Memorandum No. 001 (Series 2020) and other related circulars and issuances, as these may be amended from time to time (the “**BSP Rules**”). The issuance of the Securities is exempt from the registration requirement under the Securities Regulation Code pursuant to Section 9.1(e) of the said law.

No offer or invitation or solicitation shall be made or received, and no agreement shall be made, on the basis of this document, to purchase or subscribe for any of the Securities.

Unless the context indicates otherwise, any reference to “the **Bank**” refers to Security Bank Corporation. The information contained in this Offering Circular relating to the Bank, its operations and those of its subsidiaries (collectively, the “**Group**”) has been supplied by the Bank, unless otherwise stated herein.

This Offering Circular has been prepared by the Bank solely for the information of persons to whom it is transmitted. This Offering Circular shall not be reproduced in any form, in whole or in part, for any purpose whatsoever nor shall it be transmitted to any other person.

The Bank confirms to the best of its knowledge, having made due and careful enquiries, that this Offering Circular contains all information relating to the Group and the Securities which is material in the context of the issue and offering of the Securities, that the information contained herein is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed herein are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, and that there are no other facts, the omission of which in the context of the issue and offering of the Securities would make any statement in this Offering Circular misleading in any material respect and that all reasonable enquiries have been made by the Bank to verify the accuracy of such information. The Bank hereby accepts full and sole responsibility accordingly.

The Joint Lead Arrangers and Joint Bookrunners have not independently verified the information contained or incorporated by reference herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Arrangers and Joint Bookrunners as to the accuracy or completeness of the information contained or incorporated by reference in this Offering Circular or any other information provided by the Bank in connection with the offering of the Securities. To the fullest extent permitted by law, the Joint Lead Arrangers and Joint Bookrunners assume no liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Bank or any statement made or purported to be made by the Joint Lead Arrangers and Joint Bookrunners or any of their respective affiliates or advisors, in connection with the offering of the Securities.

No person is or has been authorized by the Bank or the Joint Lead Arrangers and Joint Bookrunners to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the offering of the Securities and, if given or made, such information or representation must not be relied upon as having been authorized by the Bank or the Joint Lead Arrangers and Joint Bookrunners. Neither this Offering Circular nor any other information supplied in connection with the offering of the Securities (a) is intended to provide the basis of any credit or other evaluations or (b) should be considered as a recommendation by the Bank or the Joint Lead Arrangers and Joint Bookrunners that any recipient of this Offering Circular should purchase any of the Securities.

Each investor contemplating to purchase any of the Securities should rely on its own examination of the Bank and the terms of the offering of the Securities, including the merits and risks involved. By receiving this Offering Circular, the prospective Holder acknowledges that (i) it has not relied on the Bank and the Joint Lead Arrangers and Joint Bookrunners or any person affiliated with them in connection with its investigation of the accuracy of any information in this Offering Circular or its investment decision, and (ii) no person has been authorized to give any information or to make any representation concerning the Bank, the Group or the Securities other than as

contained in this Offering Circular and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Bank or the Joint Lead Arrangers and Joint Bookrunners.

Neither the Bank nor the Joint Lead Arrangers or any of their respective affiliates or representatives is making any representation to any Holder regarding the legality of an investment by such Holder under applicable laws. In addition, the Holder should not construe the contents of this Offering Circular as legal, business, or tax advice. The Holder should be aware that it may be required to bear the financial risks of an investment in the Securities for an indefinite period. The Holder should consult with its own advisors as to the legal, tax, business, financial, and related aspects of a purchase of the Securities.

Neither the delivery of this Offering Circular nor the offering, sale, or delivery of any of the Securities shall in any circumstance imply that the information contained herein concerning the Bank is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Securities is correct as at any time subsequent to the date indicated in the document containing the same. The Joint Lead Arrangers and Joint Bookrunners expressly do not undertake to review the financial condition or affairs of the Bank during the life of the Securities or to advise any investor of the Securities of any information coming to their attention.

This Offering Circular does not constitute an offer to sell, or an invitation by or on behalf of the Bank, the Joint Lead Arrangers and Joint Bookrunners and the Selling Agents or any of their respective affiliates or representatives to purchase any of the Securities, and may not be used for the purpose of an offer to, or a solicitation by, anyone, in each case, in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or is unlawful. Recipients of this Offering Circular are required to inform themselves about and observe any applicable restrictions.

Each Holder must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers, or sells such Securities or possesses or distributes this Offering Circular and must obtain any consent, approval, or permission required by it for the purchase, offer, or sale by it of such Securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, or sales and the Bank or the Joint Lead Arrangers and Joint Bookrunners shall have no responsibility thereof.

The Bank's audited financial statements as of and for the years ended 31 December 2024, 2023, and 2022 and the unaudited interim consolidated financial statements for the three months ended 31 March 2025 which will be considered an integral part hereof, have been prepared in compliance with Philippine Financial Reporting Standards ("PFRS"). The Bank's financial statements as of and for the years ended 31 December 2024, 2023, and 2022 were audited by SyCip Gorres Velayo & Co. ("SGV"). The Bank's unaudited interim condensed financial statements as of 31 March 2025 and for the three months ended 31 March 2025 and 2024 have not been audited nor reviewed by SGV and should not be relied on by investors to supply the quality of information on the Bank associated with an audit or review.

CONVENTIONS

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the “**Philippines**” are references to the Republic of the Philippines. All references to the “**Government**” herein are references to the Government of the Philippines. All references to “**United States**” and “**U.S.**” herein are to the United States of America. Unless otherwise specified or the context otherwise requires, references herein to “**U.S. dollars**” and “**U.S.\$**” are to the lawful currency of the United States of America and references herein to “**Pesos**” and “**P**” are to the lawful currency of the Republic of the Philippines. Certain monetary amounts and currency translations included in this document have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

For convenience only, certain U.S. dollar amounts in this Offering Circular have been translated into peso amounts, based on the exchange rate on 31 March 2025 of U.S.\$1.00 = P57.21 and on 31 December 2024 of U.S.\$1.00 = P57.85, being the closing rate for that date for the purchase of U.S. dollars with Pesos published in the Reference Exchange Rate Bulletin by the BSP (the “**BSP Rate**”). Other U.S. dollar amounts in this Offering Circular, where translated into Peso amounts, have been converted at the applicable rates specified. No representation is made that the Peso or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Peso, as the case may be, at any particular rate, or at all.

FORWARD-LOOKING STATEMENTS

Certain statements in this Offering Circular constitute “**forward-looking statements**”, including statements regarding the Bank’s expectations and projections for future operating performance and business prospects. The words “**believe**”, “**expect**”, “**anticipate**”, “**estimate**”, “**project**”, “**will**”, “**aim**”, “**will likely result**”, “**will continue**”, “**intend**”, “**plan**”, “**contemplate**”, “**seek to**”, “**future**”, “**objective**”, “**goal**”, “**should**”, “**will pursue**” and similar expressions or variations of these expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, without limitation, those regarding the Bank’s financial position and results, business strategy, plans, and objectives of management for future operations, including development plans and objectives relating to the Bank’s products and services, are forward-looking statements.

Such forward-looking statements and any other projections contained in this Offering Circular (whether made by the Bank or any third party) involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements to be materially different from the future results, performance, or achievements expressed or implied by forward-looking statements. Such forward-looking statements are based on current beliefs, assumptions, expectations, estimates, and projections regarding the Bank’s present and future business strategies and the environment in which the Bank will operate in the future. Among the important factors that could cause some or all of those assumptions not to occur or cause the Bank’s actual results, performance, or achievements to differ materially from those in the forward-looking statements include, among other things, the Bank’s ability to successfully implement its business strategy, the condition of and changes in the Philippine, Asian or global economies, future levels of non-performing loans, the Bank’s growth and expansion, changes in interest rates and changes in government regulation and licensing of its businesses in the Philippines and in other jurisdictions where the Bank may operate, and competition in the banking and financial services industry. Additional factors that could cause the Bank’s actual results, performance, or achievements to differ materially include, but are not limited to, those discussed under “**Investment Considerations**”.

Any forward-looking statements contained in this Offering Circular speak only as at the date of this Offering Circular. Each of the Bank, the Joint Lead Arrangers and Joint Bookrunners, and the Selling Agents expressly disclaims any obligation or undertaking to release, publicly or otherwise, any updates or revisions or to confirm these statements to actual results, subject to compliance with all applicable laws in relation to any forward-looking statement contained herein to reflect any change in the Bank’s expectations with regard thereto or any change in events, conditions, assumptions, or circumstances on which any such statement was based.

INDUSTRY AND MARKET DATA

Unless otherwise indicated, all industry and market data with respect to the Philippine banking and financial services industries were derived from information compiled and made available by the BSP or other public sources. None of the Bank or the Joint Lead Arrangers and Joint Bookrunners or the Selling Agents have verified such information with independent sources nor make any representation as to the accuracy or completeness of such information. Industry publications, surveys, and forecasts generally state that the information contained therein has been obtained from sources believed by the compiler of such information to be reliable. While reasonable actions have been taken by the Bank to ensure that such information has been extracted accurately and in its proper context, the Bank has not independently verified any of the data from third-party sources or ascertained the underlying economic assumptions relied upon therein. Thus, the Bank cannot assure prospective purchasers of the Securities that such information is accurate or complete.

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SECTION 1. DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with:

- (i) all amendments and/or supplements to this Offering Circular prepared from time to time by the Bank;
- (ii) the most recently published audited non-consolidated and (if produced) consolidated annual financial statements and, if published later, the most recently published unaudited interim non-consolidated and (if produced) consolidated financial results of the Bank, in each case together with any audit or review reports prepared in connection therewith (where relevant); and
- (iii) relevant disclosures on any material development on the Issuer and/or its business made through the Issuer's website, the Philippine Stock Exchange, or Philippine Dealing and Exchange Corp.

which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents.

Any published unaudited interim financial statements of the Bank which are, from time to time, deemed to be incorporated by reference in this Offering Circular will not have been audited by the auditors of the Bank. Accordingly, there can be no assurance that, had an audit been conducted in respect of such financial statements, the information presented therein would not have been materially different, and investors should not place undue reliance upon them.

The Bank will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Bank at its office set out at the end of this Offering Circular.

If the terms of the Program are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, to an extent which is material in the context of the Program, a new offering circular will be prepared.

For the avoidance of doubt, this Offering Circular supersedes the offering circular dated 7 July 2023 (“**2023 Offering Circular**”).

SECTION 2. TERMS AND CONDITIONS OF THE SECURITIES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the applicable Pricing Supplement, shall be applicable to the relevant Securities. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on the Master Certificates of Indebtedness relating to such Securities. All capitalised terms that are not defined in these Terms and Conditions will have the meanings given to them in the applicable Pricing Supplement. Those definitions will be endorsed on the Securities, as the case may be.

The Terms and Conditions contained herein do not purport to be a complete listing of all the rights, obligations, or privileges of the Securities and the Holders. Some rights, obligations, or privileges may be further limited or restricted by other documents, including the applicable Pricing Supplement in relation to any Series or Tranche of Securities.

The issue of up to ₱50,000,000,000.00 worth of peso bonds and commercial papers under the peso bond and commercial papers program (the “**Original Program**”) of Security Bank Corporation (the “**Bank**”) was authorized by resolutions adopted by the board of directors of the Bank on 14 December 2018. On 27 August 2019, the board of directors of the Bank subsequently increased the size of the Original Program from ₱50,000,000,000.00 to ₱100,000,000,000.00 worth of peso bonds and commercial papers (the “**2019 Peso Bond and Commercial Papers Program**”).

On 25 June 2024, the board of directors of the Bank subsequently increased the size of the 2019 Peso Bond and Commercial Papers Program from ₱100,000,000,000.00 to ₱200,000,000,000.00 worth of peso bonds and commercial papers (the “**2024 Peso Bond and Commercial Papers Program**”). Each Tranche (as defined below) or Series (as defined below) of the peso bonds and/or commercial papers to be issued pursuant thereto (collectively, the “**Securities**”) will be issued, in accordance with the Terms and Conditions (as defined below), the Amended Program Agreement dated 5 July 2024 (the “**Program Agreement**”), the relevant Trust Agreement (the “**Trust Agreement**”) for such Tranche or Series, and Master Registry and Paying Agency Agreement dated 22 June 2020 (the “**RPAA**”), as supplemented by the relevant pricing supplement applicable to a relevant Tranche or Series (the “**Pricing Supplement**”), the relevant RPAA supplement applicable to the relevant Tranche or Series (the “**RPAA Supplement**”), the relevant pricing supplement applicable to the relevant Tranche or Series (the “**Pricing Supplement**”), the relevant Issue Management and Placement Agreement and the relevant certificate of indebtedness for each Tranche (the “**Master Certificate of Indebtedness**”; together with the Terms and Conditions, Program Agreement, Trust Agreement, RPAA, relevant RPAA Supplement, relevant Pricing Supplement, relevant Issue Management and Placement Agreement, and Master Certificate of Indebtedness, the “**Transaction Agreements**”).

The Pricing Supplement for the Securities (or the relevant provisions thereof) is attached to or endorsed on the relevant Master Certificate of Indebtedness evidencing such Securities and supplements the Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of the Securities.

The Trustee acts for the benefit of the holders of the Securities or the persons in whose name the Securities are registered in accordance with the provisions of the Trust Agreement.

Copies of the Transaction Agreements are available for inspection during normal business hours at the registered office of the Trustee and the relevant Registrar and Paying Agent. Copies of the applicable Pricing Supplement may be obtained during normal business hours at the specified office of Trustee.

The Holders are deemed to have notice of, and are entitled to the benefit of, and are bound by, all the provisions of the Terms and Conditions, Transaction Agreements, and the Pricing Supplement which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the relevant Trust Agreement and the RPAA and the relevant RPAA Supplement.

2.1 DEFINITIONS AND INTERPRETATION

- (a) All terms defined in these Terms and Conditions shall have their defined meanings when used herein, and in any certificate, report, or other document or instrument made or delivered pursuant hereto. All annexes or attachments shall be considered integral parts of these Terms and Conditions. Titles of provisions in these Terms and Conditions are used for convenience of reference only, and do not limit or affect the interpretation of the provisions hereof. Other than to a third party, references to “**party**”, “**parties**” or “**parties hereto**”, or similar references and references to “**Condition**” or “**Conditions**” are to be construed as references to a party or the parties to these Terms and Conditions, to a Condition or Conditions in these Terms and Conditions. Any reference to “**law**” includes any law, regulation, rule, ordinance, circular, order or judgment, with the force and effect of law issued by any government, quasi-government, inter-governmental, supranational, administrative, regulatory, or supervisory body or authority or court or tribunal with jurisdiction over the relevant party or parties or their respective properties. No representation, undertaking, or promise shall be taken to have been given or be implied from anything said or written by the Bank prior to the execution of these Terms and Conditions, except as set out herein.
- (b) When used in these Terms and Conditions:

Accelerated Amounts has the meaning given to that term in Condition 12(b);

Adverse Effect means any material and adverse effect on the Bank’s: (a) operations, activities, business, property, liabilities, or financial condition; (b) implementation of the issuance of any of the Securities; or (c) its ability to duly perform and observe its obligations and duties relating to the Securities or the relevant Transaction Agreements;

Affiliate means, at any particular time, an entity where at least 20%, but not exceeding 50%, of its outstanding voting stock is owned by the Bank.

Agreement Date means, in respect of each Tranche or Series, the date on which an agreement is reached for the issue of such relevant Security as contemplated in the Program Agreement which, for the avoidance of doubt, will be the date of the relevant Issue Management and Placement Agreement entered into for such Tranche or Series;

AMLA means the Anti-Money Laundering Act of the Republic of the Philippines (Republic Act No. 9160), its implementing rules and regulations, and BSP regulations on anti-money laundering, in each case, as may be amended from time to time;

AMLC means the Anti-Money Laundering Council created to implement the AMLA.

Application to Purchase means the application form to be completed by the prospective purchasers of the Securities and submitted to the Selling Agents, in such form attached as **Schedule 2** of the RPAA;

Auditors mean SyCip Gorres Velayo & Co.;

Bank means Security Bank Corporation, a corporation duly organized and existing under the laws of the Republic of the Philippines, and duly authorized to operate as a universal bank;

Banking Day means any day other than Saturday or Sunday on which commercial banks in Makati City, Philippines, the BSP's Philippine Payment and Settlement System (PhilPaSS) and the Philippine Clearing House Corporation (PCHC) are open for business;

BIR means the Bureau of Internal Revenue of the Philippines;

Bona Fide Holder has the meaning given to that term in Condition 18(b);

BSP means the *Bangko Sentral ng Pilipinas*;

BSP Rules means the General Banking Law of 2000 (Republic Act No. 8791), all the necessary rules and guidelines for the issuance of the Securities including, where applicable, the MORB, BSP Circular No. 1010 (Series of 2018), BSP Circular No. 1062 (Series of 2019), BSP Memorandum No. 001 (Series 2020) and other related circulars and issuances, as these may be amended from time to time;

Cash Settlement Account means an account designated by a Holder with a Cash Settlement Bank to which all interest, principal, and other payments on the Securities shall be credited;

Cash Settlement Bank means a bank licensed and authorized under the laws of the Republic of the Philippines and designated by the Holder as the bank with which the Holder's Cash Settlement Account is maintained, such designation to be made in accordance with the procedures of the Paying Agent;

Change in Law has the meaning given to that term in Condition 5(b)(iii);

Closed Period means the periods during which the Registrar shall not register any transfer or assignment of the Securities, specifically: (a) the period of two (2) Banking Days preceding any Interest Payment Date or the due date for any payment of the principal amount of the relevant Securities; or (b) the period when any of the relevant Securities have been previously called for redemption;

Early Redemption Amount means the relevant Face Value, plus accrued and unpaid interest up to, but excluding, the relevant Early Redemption Date;

Early Redemption Date means, with respect to a Tranche, the date before the Maturity Date when the Early Redemption Option of such Tranche is exercised by the Bank pursuant to Condition 5(b) and subject to the provisions of the BSP Rules;

Early Redemption Notice has the meaning given to that term in Condition 5(b)(iv);

Early Redemption Option means the option of the Bank, under Conditions 5(b)(i), 5(b)(ii), 5(b)(iii) and 5(b)(iv), to pre-terminate and redeem the relevant Tranche in whole, but not in part, at the Early Redemption Amount on any Early Redemption Date, subject to the provisions of the BSP Rules;

Eligible Holder means prospective purchasers of the Securities other than those specified as Prohibited Holders;

Event of Default means an event specified as such in Condition 11;

Face Value means the face value of the Securities, as indicated in the relevant Master Certificate of Indebtedness;

FATCA means the Foreign Account Tax Compliance Act, a law in the United States of America, as may be amended from time to time;

Group means the Bank and its Subsidiaries and Affiliates;

Holder means a Person who, at any relevant time, appears in the Registry as the registered owner of issued and outstanding Securities;

Holdover Period has the meaning given to that term in Condition 18(f);

Interest Payment Date means the last day of a particular Interest Period when interest on the Securities is due and payable to the Holders, or the subsequent Banking Day, without adjustment to the amount of interest paid, if the relevant Interest Payment Date is not a Banking Day, except that the last Interest Payment Date shall be on the relevant Maturity Date or the relevant Early Redemption Date (as the case may be). The Interest Payment Dates for each Tranche shall be specified in the relevant Pricing Supplement and relevant Master Certificate of Indebtedness;

Interest Period means, in respect of each Tranche, the period from and including the relevant Issue Date to, but excluding, the first Interest Payment Date, as may be specified in the relevant Pricing Supplement. In the case of the last Interest Period, it will be the period from and including the immediately preceding Interest Payment Date up to, but excluding, the relevant Maturity Date or the relevant Early Redemption Date (as the case maybe);

Interest Rate means, in respect of each Tranche or Series, the interest rate per annum as specified in the relevant Pricing Supplement and the relevant Master Certificate of Indebtedness as the interest rate corresponding to such Tranche or Series;

Issue Date means in respect of each Tranche, the date of issue of such Tranche, as indicated in the applicable Pricing Supplement;

Issue Management and Placement Agreement means an agreement supplemental to the Program Agreement to be executed by the Bank, the Joint Lead Arrangers and Joint Bookrunners and/or Selling Agents appointed for the issuance of a particular Tranche or Series of the Securities, substantially in the form attached as Annex C of the Program Agreement.

Issue Price means 100% of the principal amount of the Securities or such other price as may be indicated in the relevant Pricing Supplement of a Tranche;

Joint Lead Arrangers and Joint Bookrunners means, as applicable, Philippine Commercial Capital, Inc. and Security Bank Capital Investment Corporation, for purposes of the issuance of the Securities, or any other entity named as such in the relevant Pricing Supplement as may be appointed by the Bank for any particular Tranche or Series of the Securities to be issued out of the 2024 Peso Bond and Commercial Papers Program;

Majority Holders means, (a) in respect of matters affecting all the Securities, the holder or holders of the Securities at any time, who hold, represent or account for more than fifty percent (50%) of the aggregate outstanding principal amount of all outstanding Securities; and (b) in respect of matters affecting only a relevant Tranche or Series, the holder or holders of the Securities of such Tranche or Series at any time who hold, represent or account for more than fifty percent (50%) of the aggregate outstanding principal amount of the outstanding Securities of such Tranche or Series;

Master Certificate of Indebtedness means the form representing the Securities issued under a Tranche or Series, setting forth the terms and conditions of the Securities, substantially in the form attached as **Schedule 1** of the RPAA;

Material Subsidiary means at any time a Subsidiary of the Bank whose net income (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose Total Assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent in each case (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Bank and its Subsidiaries relate, are equal to) not less than 15% of the consolidated net income of the Bank and its Subsidiaries taken as a whole, or, as the case may be, 15% of the consolidated Total Assets, of the Bank and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Bank and its Subsidiaries, provided that (A) in the case of a Subsidiary of the Bank acquired after the end of the financial period to which the then latest audited consolidated accounts of the Bank and its Subsidiaries relate, the reference to the then latest audited consolidated accounts of the Bank and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Bank and (B) if the then latest audited consolidated accounts of the Bank and its Subsidiaries show a net loss for the relevant financial period then there shall be substituted for the words “**net income**” the words “**gross revenues**” for the purpose of this definition.

Maturity Date means the fixed date specified in the Master Certificate of Indebtedness and the relevant Pricing Supplement on which a relevant Series or Tranche will be redeemed by the Bank in full; *provided*, that, if such date is declared to be a non-Banking Day, the Maturity Date shall be the next succeeding Banking Day, without adjustment to the amount of principal or interest to be paid;

Maturity Value means the Face Value plus unpaid and accrued applicable interests up to but excluding the relevant Maturity Date;

MORB means the BSP Manual of Regulations for Banks, as may be amended from time to time.

Non-Trade Related Transactions means transactions relating to the Securities under the following instances:

- a. Nomination or change of nominated custodian by the beneficial owner of the Securities;
- b. Succession, provided that the heirs and successors-in-interest present a court order of partition or deed of extrajudicial settlement and the proper documentation evidencing the payment of applicable taxes and a certificate from the BIR authorizing the transfer of the Securities;
- c. Donation, provided that the donor presents a valid deed of donation and documents to evidence the payment of applicable taxes and a certificate from the BIR authorizing the transfer of the Securities;
- d. Request for recording or annotation of interests or liens on the Securities of any party arising from transactions such as, but not limited to, pledge or escrow, provided that the pledgor or the beneficiary of the escrow shall present a proper contract of pledge or escrow agreement; and
- e. Such other transactions that may be deemed valid and “**free of payment**” transactions by PDTC, provided that such transfer is not in violation of any law or regulation or made in circumvention thereof; *provided*, the burden of proving the validity of a “**free of payment**” transaction rests with the transferor of the Securities.

Offer means an offer or sale of the Securities in accordance with the relevant Pricing Supplement;

Offering Circulars means (i) the final offering circular issued in connection with the offer of Securities under the 2024 Peso Bond and Commercial Papers Program, and (ii) the applicable Pricing Supplement, in each case, as may be revised, supplemented and/or amended from time to time by the Bank in accordance with the Program Agreement, including any documents which are from time to time incorporated in the Offering Circulars by reference;

Paying Agent means PDTC as appointed by the Bank under the RPAA to perform the role of a paying agent required under the BSP Rules and includes its successor entity, or any replacement Paying Agent appointed from time to time under the RPAA or any agreement supplemental to it;

Payment Account means, in respect of each Tranche or Series, the account to be opened and maintained by the Paying Agent with such Payment Bank designated by the Bank and solely managed by the Paying Agent, which account is held in trust and for the irrevocable benefit of the Holders, into which the Bank shall deposit the amount of the interest and/or principal payments due on such Tranche or Series on the Payment Date and exclusively used for such purpose, the beneficial ownership of which shall always remain with the Holders;

Payment Bank means a duly-licensed bank designated by the Bank, where the Payment Account will be opened, maintained, and managed by the Paying Agent for and on behalf of the Bank, into which the Bank shall deposit, in good cleared funds, the amount of the relevant interest and principal payments due each Holder on the relevant Payment Date;

Payment Date means an Interest Payment Date, the Maturity Date, the Early Redemption Date, and any other date on which payment for interest and/or principal in respect of the Securities are due and payable to the Holders; *provided*, that if such Payment Date would otherwise fall on a day which is not a Banking Day, then that particular Payment Date shall be the next succeeding Banking Day; *provided*, further, that if such succeeding Banking Day falls into the next calendar month, that Payment Date shall be the immediately preceding Banking Day, in either case, without adjustment to the amount of interest to be paid;

PDEX means the Philippine Dealing & Exchange Corp., a domestic corporation duly registered with the SEC to operate an exchange and trading market for fixed income securities;

PDEX Rules mean the PDEX Rules for the Fixed Income Securities Market, as amended, and as the same may be revised from time to time, the Guidelines for Listing or Enrollment of Bank-Issued Bonds and Commercial Paper, as well as other related rules, guidelines, and procedures that may be issued by PDEX;

PDEX Trading Participant means a trading participant of PDEX, as defined under the PDEX Rules;

PDTC means the Philippine Depository & Trust Corp.;

Person means an individual or an entity such as a corporation, partnership, joint venture, trust, unincorporated organization, political subdivision, agency, or instrumentality (whether or not having separate legal personality), and its permitted successor and assigns;

Philippine Pesos or the symbol ₱ means the lawful currency of the Republic of the Philippines;

Pricing Supplement means the relevant pricing supplement issued in relation to each Series or Tranche of the Securities, giving details of that Series or Tranche and providing the additional terms and conditions, such as the amount of the Tranche or Series, the tenor, the applicable Interest Rate, Interest Payment Dates and Maturity Date and such other similar terms specific to a Tranche or Series, in relation to any particular Series or Tranche of the Securities;

Program Agreement means the Amended Program Agreement dated 5 July 2024 among the Bank, the Arranger/s and/or Selling Agents, as may be amended or supplemented by the relevant Issue Management and Placement Agreement applicable to a relevant Tranche or Series;

Prohibited Holders means:

- (a) the Bank, including its related parties expressly prohibited under prevailing BSP Rules (subject to such exceptions as may be provided therein), provided that, unless otherwise provided in the BSP Rules:
 - (i) the phrase “**related parties expressly prohibited under prevailing BSP Rules**” shall refer to the related parties identified in Section 131 of the MORB in relation to BSP Circular No. 1062, as further clarified in BSP Memorandum No. 2020-001 who are in possession of or have access to material and non-public information affecting the pricing and marketability of the Securities or which substantially impacts an investor’s decision to buy or sell the Securities once the same is disseminated to the public, including:
 - (1) the Bank’s subsidiaries, affiliates, and any party (including their subsidiaries, affiliates and special purpose entities) that the Bank exerts direct or indirect control over, or that exerts direct or indirect, control over the Bank, its directors, officers, stockholders and related interests, and their close family members, as well as corresponding persons in affiliated companies;
 - (2) such other person or entity whose interests may pose potential conflict with the interest of the Bank, or who are identified as a “**related party**” pursuant to Section 131 of the MORB in relation with BSP Circular No. 1062; and
 - (3) persons and entities that have direct or indirect linkages to the Bank, identified as follows:
 - (a) Ownership, control or power to vote, of ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa;
 - (b) Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations or directors holding nominal share in the borrowing corporation;
 - (c) Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the Bank and ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity; or
 - (d) Permanent proxy or voting trusts in favor of the Bank constituting ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa.
 - (ii) the following shall not be considered as Prohibited Holders: (1) the Bank’s trust departments or related trust entities; and (2) an underwriter and/or arranger that is a related party of the Bank, where such underwriter and/or arranger is part of the underwriting agreement, and has complied with the requirements of the BSP Rules;
- (b) persons who are otherwise not qualified under the BSP Rules, including any other person whose acquisition, holding or transfer of the Securities would violate any applicable law or

regulation, including but not limited to the rules of the PDEX, BSP, AMLC, or other government regulation in any relevant jurisdiction; or

- (c) non-resident aliens not engaged in trade or business in the Philippines, non-resident foreign corporations, and any person classified as a U.S. person under the U.S. securities laws regulations, as well as the FATCA regulations, as may be amended from time to time, which include but are not limited to:
 - (i) a U.S. citizen (including a dual citizen who may have another citizenship besides having a U.S citizenship);
 - (ii) a U.S. resident alien for tax purposes, which includes a person who has substantial presence in the U.S. (“**substantial presence**” is defined as more than 31 days in the current calendar year or a total of 183 days over the previous three years from the current tax year);
 - (iii) a U.S. partnership, U.S. corporation, or U.S. entity;
 - (iv) a U.S. estate;
 - (v) a U.S. trust if a court within the United States is able to exercise primary supervision over the administration of the trust, or one or more U.S. persons have the authority to control all substantial decisions of the trust;
 - (vi) a passive non-financial foreign entity with U.S. controlling persons; or
 - (vii) any other person that is not a non-U.S. person.

For purposes of the definition of Prohibited Holders, a “**subsidiary**” means, a corporation or firm more than fifty percent (50%) of the outstanding voting stock of which is directly or indirectly owned, controlled or held, with power to vote, by the Bank. An “**affiliate**” means, at any particular time, an entity linked directly or indirectly to the Bank by means of: (1) ownership, control, or power to vote of at least twenty percent (20%) of the outstanding voting stock of the entity, or vice-versa; (2) interlocking directorship or officership, where the director or officer concerned owns, controls, or has the power to vote, at least twenty percent (20%) of the outstanding voting stock of the entity; (3) common ownership, whereby the common stockholders own at least ten percent (10%) of the outstanding voting stock of the Bank and at least twenty percent (20%) of the outstanding voting stock of the entity; (4) management contract or any arrangement granting power to the Bank to direct or cause the direction of management and policies of the entity; or (5) permanent proxy or voting trusts in favor of the Bank constituting at least twenty percent (20%) of the outstanding voting stock of the entity, or vice versa. The terms “**control**” / “**controlled**” shall have the meaning ascribed to such term under Section 131 of the MORB.

PFRS means Philippine Financial Reporting Standards;

PSE means The Philippine Stock Exchange, Inc.;

Record Date as used with respect to any Payment Date, means the second Banking Day immediately preceding such Payment Date, which shall be the cut-off date in determining the existing Holders entitled to receive interest, principal and other payments due, or such other date duly notified by the Bank;

Registrar means PDTC as appointed by the Bank under the RPAA to perform the role of a registrar required under the BSP Rules, and includes its successor entity, or any replacement Registrar as appointed from time to time under the RPAA or an agreement supplemental to it;

Registry means the electronic registry book of the Registrar containing the official and best evidence of information of the names and other details of the Holders and the amount of Securities held by each Holder, including records of all transfers, assignments and transactions in respect of the Securities, or any liens or encumbrances thereon;

Registry Confirmation means the written advice to be sent by the Registrar to the Holders, confirming the registration in the name of such Holder in the Registry of the specified amount of Securities issued to or purchased by a Holder, and setting forth the details and declarations required by the BSP;

Resignation Effective Date has the meaning given to that term in Condition 18(f);

RPAA means the Master Registry and Paying Agency Agreement dated 22 June 2020 between the Bank and the Registrar and Paying Agent, as may be amended and/or supplemented, stipulating the rights and obligations of the Registrar and Paying Agent with respect to the Securities;

SEC means Securities and Exchange Commission of the Philippines and its successor agency/ies;

Securities means the peso bonds and/or commercial papers to be issued by the Bank under the 2024 Peso Bond and Commercial Papers Program, in one or more Tranches or Series pursuant to the applicable Transaction Agreements;

Selling Agent means the entities identified as such in the relevant Pricing Supplement as may be appointed by the Bank under the Program Agreement or the relevant Issue Management and Placement Agreement for the relevant Offer to perform the role of selling agents required under the BSP Rules, and includes their relevant successor entities, or any replacement or additional Selling Agents;

Series means a Tranche of Securities together with any further Tranche or Tranches of Securities which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Payment Dates and/or Issue Prices;

Subsidiary means at any particular time, a company which is then directly controlled, or more than 50% of whose issued voting stock (or equivalent) is then beneficially owned by the Bank;

Tax Code means Republic Act No. 8424 or the National Internal Revenue Code of 1997, as may be amended from time to time including by Republic Act No. 10963 or the Tax Reform for Acceleration and Inclusion (TRAIN) Law, Republic Act No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, Republic Act No. 11976 or the Ease of Paying Taxes Act, Republic Act No. 12066 (CREATE MORE), and Republic Act No. 12214 or the Capital Markets Efficiency Promotion Act (CMEPA);

Tax Exempt Documents means the documents required for entitlement to tax exemption or preferential tax rate specified under Condition 2(b)(3);

Terms and Conditions means, in relation to each Tranche, the terms and conditions endorsed or incorporated by reference into the Master Certificate of Indebtedness issued in relation to such Tranche, which are either: (a) set forth herein, or (b) such terms and conditions as may be agreed between the Bank, the relevant Joint Lead Arrangers and Joint Bookrunners and Selling Agents (if any), in each case, as may be amended from time to time;

Total Assets means, with respect to any specified Person for any period, the aggregate total current assets and total non-current assets for such period, on a consolidated basis, determined in conformity with PFRS;

Trade-Related Transactions means transactions on the Securities other than Non-Trade Related Transactions executed through PDEX;

Tranche means the Securities which are identical in all respects (including as to listing and admission to trading);

Transaction Agreements means the Terms and Conditions, the Program Agreement, the Trust Agreement, the RPAA, the relevant Pricing Supplement, the relevant Issue Management and Placement Agreement, and the Master Certificates of Indebtedness;

Trustee means the relevant trustee or any other successor trustee as may be engaged by the Bank for each Tranche or Series of the Securities under the 2024 Peso Bonds and Commercial Papers Program; and

Trust Agreement means the relevant trust agreement between the Bank and the Trustee, stipulating the rights and obligations of the Trustee with respect to each Tranche or Series of the Securities under the 2024 Peso Bonds and Commercial Papers Program.

2.2 ELIGIBLE HOLDERS; FORM, DENOMINATION, LISTING AND TITLE

(a) Form and Denomination; Listing

- (i) The Securities will be issued and traded in minimum denominations as may be provided in the relevant Pricing Supplement and Master Certificate of Indebtedness for each Tranche or Series, or such other minimum denomination as may be prescribed or approved by the BSP.
- (ii) The Securities shall be issued in scripless form and will be maintained in electronic form with the Registrar, through the Registry, subject to the payment by the Holder of applicable fees to the Registrar, and in compliance with the provisions of Republic Act No. 8792, otherwise known as the Electronic Commerce Act. Each Holder shall receive a Registry Confirmation from the Registrar after the Issue Date or the date of transfer in case of transfers in the secondary market, which shall represent the Securities from the relevant Tranche or Series held by the same Holder. Registry Confirmations containing a unique transaction reference number will be registered in the name of the Holder issued in accordance with the BSP Rules and the RPAA.
- (iii) In accordance with BSP Rules, the Bank shall list the relevant Tranche or Series for trading through the facilities of PDEX. Secondary market trading in PDEX shall follow the PDEX Rules, conventions, and guidelines governing trading and settlement between Holders of different tax status. The Holder agrees to comply with any conditions and provide information and documents that may be required by the BIR in relation to and as a consequence of the listing of the Securities.

(b) Eligible Holders

- (i) All Eligible Holders may invest in the Securities.
- (ii) Documentary Requirements

In addition to a duly executed Application to Purchase, each Eligible Holder shall submit the following documents to the Selling Agents; *provided*, that the Bank may waive the submission to the Registrar of any of the documentary requirements below for its existing clients where the Bank has previously conducted the necessary know-your-client (“KYC”) process and has updated the said KYC documents, subject to submission to PDTC of a certification to such effect:

1. Documents to be provided by individuals:

- 1.1 a clear copy of any one of the following valid identification cards (“ID”): Philippine Identification System Card (PhilID) (subject to authentication), passport, driver’s license,

company ID, Social Security System Card, Government Service Insurance System e-Card, or Senior Citizen's Card, Unified Multi-Purpose ID, and company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC, or Insurance Commission, or such other ID and documents as may be required by or acceptable to the relevant Selling Agent;

- 1.2 two (2) fully-executed PDTC specimen signature cards in the form attached to the Application to Purchase;
 - 1.3 for aliens residing in the Philippines or non-residents engaged in trade or business in the Philippines, consularized or apostilled proof of tax domicile issued by the relevant tax authority of the Eligible Holder; and
 - 1.4 such other documentary requirements as may be reasonably required by the Selling Agents or the Registrar in implementation of its internal policies regarding “**knowing your customer**” and anti-money laundering.
2. Documents to be provided by corporate and institutional Eligible Holders:
- 2.1 one (1) copy, certified by the SEC (or equivalent regulatory body) or Corporate Secretary of the applicant of the SEC Certificate of Registration, Articles of Incorporation and By-Laws or equivalent charter or constitutive documents of the applicant, as amended to date;
 - 2.2 one (1) copy, certified by the Corporate Secretary or other appropriate officer of the applicant of the resolutions adopted by the applicant's Board of Directors or equivalent body authorizing the applicant to purchase the relevant Securities and certifying the names and specimen signatures of the applicant's duly authorized signatories for that purpose;
 - 2.3 two (2) fully executed PDTC signature cards of the authorized signatories duly authenticated by the Corporate Secretary in the form attached to the Application to Purchase, together with a copy of at least one (1) valid ID of the authorized signatories; and
 - 2.4 such other documentary requirements as may be reasonably required by the Selling Agents or the Registrar in the implementation of its internal policies regarding “**knowing your customer**” and anti-money laundering.
3. Additional documents to be provided by tax-exempt Eligible Holders
- 3.1 a current and valid certified true copy of the tax exemption certificate, ruling, or opinion issued by the BIR, confirming the Eligible Holder's exemption from taxation of interest on fixed income securities, as required under BIR Revenue Memorandum Circular (“**RMC**”) No. 8-2014 including any clarification, supplement, or amendment thereto, and certified by the Corporate Secretary of the Holder that: (i) the exemption certificate is a true copy of the original; (ii) the original is in the possession of the Corporate Secretary as the duly authorized custodian of the same; and (iii) the Corporate Secretary has personal knowledge based on his/her official functions of any amendment, revocation, expiration, change, or any circumstance affecting the said certification's validity, or a copy of the law of the country of domicile allowing a deemed paid tax credit in an amount equivalent to the 10% spared or waived by the Philippines duly authenticated by the Philippine embassy or, for countries that are members to the Apostille Convention, an apostilled copy of the law of the country of domicile which apostilled or authenticated copy shall be valid for one (1) year from the date

of issuance. Should the submitted tax exemption certificate, ruling, or opinion expire during the Offer Period, the Holder must submit an updated/revalidated tax exemption certificate;

- 3.2 with respect to tax treaty relief, (a) prior to the payment of the initial interest due, (i) three (3) originals of the duly executed and apostilled/consularized BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes filed by the Holder or, if the Holder is a fiscally transparent entity, each of the Holder's owners or beneficiaries with the proof of receipt by the concerned office of the BIR, as required under Revenue Memorandum Order ("RMO") No. 14-2021, (ii) one (1) original of the apostilled/consularized Tax Residency Certificate duly issued by the respective foreign tax authority of the country of residence of the Holder or, if the Holder is a fiscally transparent entity, the country of residence of each of the Holder's owners or beneficiaries, in the form acceptable for recognition under Philippine laws, (iii) the relevant provision of the tax treaty providing for the claimed tax exemption or preferential tax rate, in a form acceptable to the Bank, and (iv) three (3) originals of the duly notarized, consularized or apostilled (as the case may be), if executed outside of the Philippines, Special Power of Attorney executed by the Holder or the Holder's owners or beneficiaries, as may be applicable, in favor of the authorized representative (if the Application Form for Treaty Purposes and other documents are accomplished by an authorized representative) and confirmation acceptable to the Bank that the Holder or the Holder's owners or beneficiaries is/are not doing business in the Philippines to support the applicability of a tax treaty relief; (b) prior to the payment of subsequent interests due, (i) three (3) originals of the apostilled/consularized new or updated BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes, as the Issuer deems applicable, and (ii) one (1) original of the apostilled/consularized Tax Residency Certificate duly issued by the respective foreign tax authority of the country of residence of the Holder or, if the Holder is a fiscally transparent entity, the country of residence of each of the Holder's owners or beneficiaries, in the form acceptable for recognition under Philippine laws, if the validity period of the previously issued tax residency certificate has already lapsed; and (c) such other additional documents as may be required by the Bank or pursuant to applicable tax regulations, including, but not limited to, the documentary requirements enumerated in BIR RMO No. 14-2021 as clarified by BIR RMC Nos. 77-2021 and 20-2022, which shall be submitted by the Holder/Registrar and Paying Agent to the Bank no later than the first day of the month when such initial or subsequent interest payment/s shall fall due and, if applicable, including any clarification, supplement, or amendment thereto; **for the avoidance of doubt, the Bank shall retain sole discretion in determining whether the non-resident Holder is entitled to the preferential tax treaty rate based on the documents submitted by the non-resident Holder, provided that all the conditions for the availment thereof, other than residency, have been satisfied;**

- 3.3 Original of the duly notarized undertaking executed by (1) the corporate secretary or any authorized representative of such Eligible Holder, who has personal knowledge of the exemption based on his official functions, if the Eligible Holder purchases the Securities for its account, or (2) the trust officer, if the Eligible Holder is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Securities pursuant to its management of tax-exempt entities, warranting its tax-exempt status, undertaking to immediately notify the Bank and the Registrar and Paying Agent of (i) any suspension or revocation of its tax exemption, and agreeing to indemnify and hold the Bank and the Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding, substantially in the form attached as Schedule 11 or 11-A to the Registry and Paying Agency Agreement, (ii) if there are any material changes in the factual circumstances of the Holder including but not limited to its character, nature, and method of operation, which are inconsistent with the basis for its income tax

exemption; or (iii) if there are any change of circumstance, relevant treaty, law or regulation or any supervening event that may or would result in the interest income of the Securities being ineligible for exemption or preferential rate, with a declaration and warranty of its tax exempt status or entitlement to a preferential tax rate, and agreeing to indemnify and hold the Issuer, the Registrar and Paying Agent, the Joint Lead Arrangers and Joint Bookrunners, and the Selling Agents free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or incorrect withholding of the required tax, provided, that in case of corporate, partnership or trust account investors, such Holder shall also submit an original certification from the corporate secretary or an equivalent officer of the investor, setting forth the resolutions of its board of directors or equivalent body authorizing the execution of the undertaking and designating the signatories, with their specimen signatures, for the said purpose; and

- 3.4 such other documentary requirements as may be reasonably required under the relevant Pricing Supplement, the RPAA or by the Registrar, the Bank and the Selling Agents as proof of the Eligible Holder's tax-exempt status or as may be required under the applicable regulations of the relevant taxing or other authorities.

In addition, the Arranger, the Selling Agents or PDEX Trading Participants may each request such other documents from a proposed Holder in order to establish that he/she/it is an Eligible Holder and is not a Prohibited Holder and his/her/its exemption from taxation of interest income from fixed income securities, or to comply with applicable requirements of the AMLA or the BSP Rules.

- (iii) The Securities may only be issued and transferred to investors who are not Prohibited Holders.

(c) Title

Legal title to the Securities shall be shown in the Registry to be kept and maintained by the Registrar at its office in accordance with the RPAA. The Registry shall contain the names and addresses of the Holders, the particulars of the relevant Tranche or Series held by them, as well as all records of transfers of the relevant Securities. The Registry shall be the best evidence of ownership and all other information regarding ownership and transactions with respect to the relevant Securities up to the level of the Holder. The amount of Securities issued to each Holder for the relevant Tranche or Series will be shown on and recorded in the Registry maintained by the Registrar. The Registrar shall issue a Registry Confirmation in respect of the relevant Securities to each registered Holder as recorded in the relevant Registry. Except as ordered by a court of competent jurisdiction or as required by law, the Holder of any of the Securities shall be deemed to be and shall be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Registry Confirmation representing it or the theft or loss of such Registry Confirmation and no person shall be liable for so treating the Holder.

Upon any assignment, title to the Securities shall pass by recording of the transfer from the transferor to the transferee in the relevant electronic Registry maintained by the Registrar. Settlement in respect of such transfer or change of title to the relevant Securities, including the settlement of any costs arising from such transfers, such as, but not limited to, documentary stamp taxes, if any, arising from subsequent transfers, shall be for the account of the relevant Holder, unless such is otherwise assumed by the transferee in writing under the terms of the relevant transfer agreement executed between the transferring Holder and its transferee.

(d) SEC Registration

The Securities have not been and will not be registered with the SEC. Since the Securities qualify as exempt securities under Section 9.1(e) of the Philippine Securities Regulation Code, the Securities may be sold and offered for sale or distribution in the Philippines without registration.

(e) Listing

The Bank shall list each Tranche or Series on PDEX.

(f) Rating

The Bank's rating issued by a credit rating agency for the period applicable to a Tranche or Series of the Securities will be reflected in the relevant Pricing Supplement.

A rating is not a recommendation to buy, sell, or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigning rating organization. The rating is subject to regular annual reviews, or more frequently as market developments may dictate, for as long as the Securities are outstanding.

2.3 STATUS AND RANKING

The Securities to be issued pursuant to a relevant Offer constitute direct, unconditional, unsecured, and unsubordinated obligations of the Bank, enforceable in accordance with the applicable Terms and Conditions, and shall at all times rank *pari passu* and ratably, without any preference or priority amongst themselves, and at least *pari passu* with all other present and future direct, unconditional, unsecured, and unsubordinated obligations of the Bank, save for any such obligation enjoying a statutory preference or priority established under Philippine laws.

2.4 INTEREST

(a) Interest Basis

Interest on each Series or Tranche of the Securities may be fixed and/or floating, as may be provided under the applicable Pricing Supplement. The rate of interest payable from time to time in respect of floating rate Securities shall be determined in the manner specified in the applicable Pricing Supplement.

(b) Interest Accrual

The Securities shall bear interest on its principal amount at the applicable Interest Rate from and including the Issue Date, up to but excluding, the Early Redemption Date or the Maturity Date (as the case may be). In respect of commercial papers, interest may not be accrued but may be a discount to Face Value at a discount rate to be determined for each Series or Tranche in accordance with the relevant Pricing Supplement. In any event, the Securities shall continue to bear interest in accordance with the applicable Terms and Conditions until all sums in respect of such Securities are received by or on behalf of the relevant Holder, except in the case of commercial papers issued at a discount to Face Value wherein default interest shall only accrue if all sums in respect of such commercial papers are not received by or on behalf of the relevant Holder on the relevant Maturity Date.

(c) Interest Payment Dates

Interest shall be payable on each Interest Payment Date to the Holders recorded in the relevant Registry as of the Record Date.

(d) Determination of Interest

The amount of interest payable in respect of the Securities for each Interest Period shall be calculated and determined by the Registrar (in consultation with the Bank) by applying the Interest Rate to the principal amount of the Securities, and multiplying the product by the actual number of days in the Interest Period concerned divided by 360, calculating the result on a 30/360-day basis, and rounding the resultant figure to the nearest centavo (half a centavo being rounded upwards); provided that for commercial papers, the discount rate, shall, for each Series or Tranche, be set by the Bank in consultation with the Joint Lead Arrangers and Joint Bookrunners and such discount rate will be calculated on a true-discount basis.

2.5 REDEMPTION, EARLY REDEMPTION AND PURCHASE

(a) Redemption at Maturity Date

Unless previously pre-terminated or earlier redeemed and cancelled in accordance with the relevant Terms and Conditions, each Series or Tranche shall be redeemed by the Bank at the Maturity Value on the Maturity Date as indicated in the applicable Pricing Supplement.

(b) Early Redemption

- (i) *Early Redemption Option for Taxation Reasons.* If any payment of principal or interest due under the relevant Tranche or Series of the Securities becomes subject to additional or increased taxes other than the taxes and rates of such taxes prevailing as of the relevant Issue Date as a result of any change in, or amendment to, the laws, rules or regulations of the Republic of the Philippines or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, rules or regulations (including but not limited to any decision by a court of competent jurisdiction) which change or amendment becomes effective after the relevant Issue Date, and such additional or increased rate of such tax cannot be avoided by the use of reasonable measures available to the Bank, the Bank, subject to the BSP Rules, shall have the option (but not the obligation) to pre-terminate and redeem all, but not in part, the relevant Tranche or Series on the relevant Early Redemption Date at the Early Redemption Amount.
- (ii) *Early Redemption for Increased Reserves.* If the relevant Tranche or Series of the Securities become subject to additional or increased reserves required by the BSP other than the statutory regular reserves required in the BSP Rules prevailing as of the relevant Issue Date, and such additional or increased amount of reserves required cannot be avoided by use of reasonable measures available to the Bank, the Bank, subject to the BSP Rules, shall have the option (but not the obligation) to pre-terminate and redeem all, but not in part, the relevant Tranche or Series of the Securities on the relevant Early Redemption Date at the Early Redemption Amount.
- (iii) *Early Redemption for Change in Law.* If any provision of the applicable Transaction Agreements is or shall become for any reason, invalid, illegal or unenforceable to the extent that it shall become, for any reason, unlawful for the Bank to give effect to its rights or obligations hereunder, or to enforce any provisions of the applicable Transaction Agreements, in whole or in part, or any law shall be introduced to prevent or restrain the performance by the parties hereto of their obligations under the applicable Transaction Agreements, such event shall be considered as change in law or circumstance (“**Change in Law**”) in reference to the obligations of the Bank and to the rights and interests of the Holders under such applicable Transaction Agreements and the Securities to which such Transaction Agreements pertain to.

In the event that the Bank shall invoke the foregoing as a Change in Law, the Bank shall provide the Trustee an opinion of legal counsel confirming the foregoing, such legal counsel being reasonably acceptable to the Trustee. Thereupon, the Trustee, upon notice to the Bank, shall declare the principal amount of the Securities to which the applicable Transaction Agreements pertain to, including all accrued interest and other chargers thereon, if any, to be immediately due and payable,

and upon such declaration, the same shall be immediately due and payable without and pre-payment penalty, notwithstanding anything in the applicable Transaction Agreements to the contrary.

- (iv) *Early Redemption for Other Reasons.* Subject to the BSP Rules, the Bank shall also have the option (but not the obligation) to pre-terminate and redeem all, but not in part, a Tranche on the relevant Early Redemption Date at the Early Redemption Amount on any other ground in addition to Condition 5(b)(i), Condition 5(b)(ii), and Condition 5(b)(iii) above, as may be approved by the BSP.
- (v) *Manner of Exercising the Early Redemption Option.* In exercising the Early Redemption Option for a relevant Tranche or Series, the Bank shall give to the relevant Holders, PDEX, and the appropriate supervision and examination department of the BSP (with a copy to the Registrar and Paying Agent) not more than sixty (60) days' nor less than thirty (30) days' prior written notice before the relevant Early Redemption Date (the "**Early Redemption Notice**"), stating therein the ground relied upon for the exercise of the Early Redemption Option, which ground must be one of the grounds specified in Condition 5(b)(i), 5(b)(ii), 5(b)(iii) or 5(b)(iv) above, and the Early Redemption Amount. The notice referred to in this Condition 5(b)(v) shall be published in at least two (2) newspapers of general circulation in the Philippines in accordance with SEC Memorandum Circular No. 1 (2008) for two (2) consecutive days. Once issued, said notice shall be irrevocable, and shall be binding on the Bank and each relevant Holder.
- (vi) *Payments; Taxes; Reserves.* After the issuance of the Early Redemption Notice, the Bank shall be obliged to repay all of the Holders of the Securities of the relevant Tranche or Series of the Securities at the Early Redemption Amount on the relevant Early Redemption Date. On the relevant Early Redemption Date and following payment of the Early Redemption Amount, the Registrar shall transfer all of the interests of the Holders of the Securities of the relevant Tranche or Series to the Bank. All such Securities pre-terminated pursuant to this Condition 5(b) shall then be deemed fully redeemed and cancelled.

As a consequence of the exercise of the Early Redemption Option, any incremental tax that may be due on the interest income already earned under the pre-terminated Securities prior to or as a result of the exercise by the Bank of its Early Redemption Option shall be for the account of the Bank. In addition, the Bank shall recompute its reserve positions retroactively based on the applicable reserve rate(s) for the Securities during the period between the relevant Issue Date and the relevant Early Redemption Date.

- (vii) *No Pre-termination by Holders.* Except as otherwise contemplated under Condition 12(a) on account of the occurrence of an event described under Condition 11 ("**Events of Default**") in these Terms and Conditions, none of the Holders shall have the right to require the Bank to redeem and repay any or all of the Securities before the relevant Maturity Date. The Securities cannot be terminated by the Holders before the relevant Maturity Date. The Holders, may, however, assign or transfer their Securities to another holder who is not a Prohibited Holder, and such transfer or assignment shall not constitute pre-termination, but will be subject to: (1) the pertinent provisions of the Tax Code; (2) applicable BSP Rules; and (3) the applicable Transaction Agreements.

2.6 PAYMENTS

- (a) Any payment of principal or interest under the Securities shall be made through the Paying Agent based on the Registry.
- (b) On or before each Payment Date, the Bank shall deposit into the Payment Account the amounts then payable on the Securities. All payments on the Securities shall be drawn from the Payment Account and shall be made in Philippine Pesos.

- (c) In their respective Applications to Purchase, Holders must specify the Cash Settlement Accounts to which the Paying Agent shall remit payments of principal and interest on the Securities.
- (d) If the Registrar is unable to credit or is prevented from causing the crediting of the account of any Holder due to a reason attributable to such Holder (such as but not limited to a situation where the details of the payment option information indicated in the Application to Purchase are incomplete or erroneous), the Registrar shall, within five (5) Banking Days upon the Registrar and Paying Agent's receipt of advice from the Cash Settlement Bank on the relevant Payment Date, through email or such other manner practical and convenient for the Registrar, inform the affected Holder (through such Holder's Selling Agent or the relevant PDEX Trading Participant, as applicable) of such failure of payment. Thereafter, such Holder (through its Selling Agent or the relevant PDEX Trading Participant, as applicable) must correct or update the details of its mode of receiving payments with the Registrar.
- (e) None of the Bank, Registrar and Paying Agent or any of the Selling Agents or PDEX Trading Participants shall be liable to any Holder for any failure or delay in effecting any payment due under the Securities, where such failure or delay in payment arises from or in connection with any failure or delay by such Holder in correcting or updating the details of its mode of receiving payments as contemplated by Condition 6(d).
- (f) No amounts due to but not claimed by a Holder on a Payment Date shall bear any interest.

2.7 TAXATION

- (a) (i) Interest income on the Securities is subject to a final withholding tax at the rate of 20% or 25% (as applicable), or such other rates as may be required by law or regulations, subject to exemption or preferential tax rate. Except for such final withholding tax and as otherwise provided, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of Republic of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Bank; provided however that, the Bank shall not be liable for the following:
 - (1) income tax on any gain by a Holder realized from the sale, exchange or retirement of the Securities;
 - (2) any applicable final withholding tax on interest earned on the Securities prescribed under the Tax Code and applicable tax rules and regulations, except as may be provided under the BSP Rules. An investor who is exempt from the aforesaid withholding tax shall be required to submit the requirements set forth in Condition 2(b)(ii)(3) to the Registrar, subject to acceptance by the Bank as being sufficient in form and substance;
 - (3) gross receipts tax under Section 121 of the Tax Code;
 - (4) taxes on the overall income of any Holder, whether or not subject to withholding; and
 - (5) Value Added Tax ("VAT") under Sections 106 to 108 of the Tax Code;

provided, further, that all sums payable by the Bank to tax-exempt persons shall be paid in full without deductions for taxes, duties, assessments, or government charges, subject to the submission by the relevant Holder claiming the exemption of such documentation as may be required by the Bank to ascertain their tax-exempt status; and *provided, finally*, that documentary stamp taxes on the primary issue of the Securities and the documentation, if any, shall be for the Bank's account.

- (ii) In case the Bank pre-terminates the Securities as a result of which a final tax is imposed on the interest already earned by a Holder who, save for such pre-termination, would have otherwise been exempt from such final tax pursuant to the relevant tax laws and appropriate revenue regulations, any such final tax imposed on the interest already earned by the Holder shall be for the account of the Bank.
- (b) Holders subsequently claiming exemption from any applicable tax shall be required to submit the documents set out under Condition 2(b)(ii)(3) as proof of its tax-exempt status to the Registrar (who shall forthwith provide copies to the Bank) upon submission of the account opening documents with the Selling Agent or the PDEX Trading Participant as relevant.

Unless properly provided with satisfactory proof of the tax-exempt status of a Holder, the Registrar and Paying Agent may assume that such Holder is taxable and proceed to apply the tax due on the Securities. Notwithstanding the submission by the Holder, or the receipt by the Bank or any of its agents, of documentary proof of the tax-exempt status of a Holder, the Bank may, in its sole discretion, determine that such Holder is taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the Securities. Any question on such determination shall be referred to and be decided upon by the Bank.

- (c) In the event that any new tax law or amendment to existing tax laws, which amends or modifies the applicable final withholding tax on interest earned on the Securities prescribed under the Tax Code and applicable tax rules and regulations, is enacted and passed into law while the Securities are outstanding, the amount of taxes due, in view of any increase or decrease in the final withholding tax rate, shall remain the liability of the Holders, as provided in Condition 7(a)(i)(2) above.

2.8 TRANSFERS OF SECURITIES

(a) Transfers

- (i) Holders may transfer or assign their Securities to another Holder who is not a Prohibited Holder and such transfer or assignment shall not be considered a pre-termination.
- (ii) All secondary transfers of the Securities arising from Trade-Related Transactions shall be coursed through or effected using the trading facilities of the PDEX, subject to compliance with PDEX Rules and the payment by the Holder of applicable fees to PDEX and the Registrar and Paying Agent. All transfers of Securities shall only be effective upon the receipt by the Registrar of a duly accomplished Trade-Related Transfer Form or Non-Trade Related Transfer Form (as applicable) in the forms attached to the Registry and Paying Agency Agreement from the relevant PDEX Trading Participant and other required documentation and the registration and recording by the Registrar of such assignment or transfer in the Registry Book; *provided*, that no such registration and recording shall be allowed during the Closed Period.
- (iii) No partial transfers of title, interest and rights of the Holder in or to any Securities shall be allowed unless as a result thereof: (1) the transferor shall either retain Securities, registered in its name, with an aggregate principal amount of at least the minimum specified in the relevant Pricing Supplement and Master Certificate of Indebtedness for each Tranche or Series or cease to be a registered Holder of the Securities altogether; and (2) the transferee shall have Securities, registered in its name, with an aggregate principal amount of at least the minimum specified in the relevant Pricing Supplement and Master Certificate of Indebtedness for each Tranche or Series.
- (iv) Upon any transfer of the Securities, title to the Securities shall pass by registration of the Securities in the name of the transferee-Holder in the relevant Registry. Subject to compliance with applicable conditions for transfers of the Securities set out in the two (2) succeeding paragraphs below for Trade-Related Transactions and Non-Trade Related Transactions (as the case may be), transfers

shall be recorded in the relevant Registry, and new Registry Confirmations will be issued in favor of the purchasers of the Securities.

- (v) In case of Trade-Related Transactions, the following documents shall be submitted to the Registrar through the relevant PDEX Trading Participants in order to effect the transfer of the Securities:
 - (1) Tax Exempt Documents, if applicable, in accordance with Condition 2(b)(ii)(3) of the Terms and Conditions;
 - (2) the relevant Trade-Related Transfer Form, duly accomplished by the transferor Holder and endorsed by the relevant PDEX Trading Participant, substantially in the form agreed upon between the Bank and the Registrar;
 - (3) the Investor Registration Form duly accomplished by the transferee Holder and endorsed by the relevant PDEX Trading Participant, in the form agreed upon between the Bank and the Registrar;
 - (4) written consent of the transferee Holder to be bound by the terms of the Securities and the Registry Rules, in the form agreed upon between the Bank and the Registrar; and
 - (5) such documents as may be reasonably required by the Registrar to be submitted by the transferee Holder in support of the transfer or assignment of the Securities in its favour.

- (vi) In case of Non-Trade Related Transactions, the Non-Trade Related Transfer Form substantially in the form of **Schedule 5** of the RPAA must be submitted, and, in addition, the following documents shall also be submitted to the Registrar through the relevant PDEX Trading Participant in order to effect the transfer of the Securities:
 - (1) in the case of succession, a court order of partition or deed of extrajudicial settlement, together with the proper documentation evidencing the payment of applicable taxes and a certificate from the BIR authorizing the transfer of the Securities;
 - (2) in case of donations, a valid deed of donation presented by the donor, together with documents to evidence the payment of applicable taxes and a certificate from the BIR authorizing the transfer of the Securities;
 - (3) in the case of requests for recording or annotation of interests or liens on the Securities, a proper contract of pledge or escrow agreement presented by the pledgor or the beneficiary of the escrow agreement, respectively; and
 - (4) such other documents that may be required by the Registrar and Paying Agent for transfers arising from “**free-of-payment**” transactions.

- (vii) Any costs, settlement fees and charges associated that may be imposed by, among others, PDEX or relevant PDEX Trading Participant (as applicable) and the Registrar and Paying Agent in respect of any transfer or change of beneficial title to the Securities, including the settlement of taxes (such as documentary stamp taxes), if any, arising from subsequent transfers, shall be for the account of the transferring Holder, unless such cost is otherwise assumed by the transferee in writing under the terms of the relevant transfer agreement executed between the transferring Holder and its transferee.

(b) Closed Period

No Holder may require the transfer of any of the Securities to be registered by the Registrar in the relevant Registry during any Closed Period. The Registrar shall prevent any transfer of the Securities to be recorded in the relevant Registry during any Closed Period. The Registrar shall recognize and treat only those Holders registered as such in the relevant Registry on Record Date as the owners of the corresponding Securities for any relevant payment or allocation purpose.

(c) Change in Status

Holders may transfer their Securities at any time, regardless of tax status of the transferor vis-à-vis the transferee. Should a transfer between Holders of different tax status occur on a day which is not an Interest Payment Date, tax-exempt entities trading with non-tax-exempt entities shall be treated as non-tax-exempt entities for the interest period within which such transfer occurred. Transfers taking place in the Registry of Holders after the Securities are listed on PDEX shall be allowed between non-tax-exempt and tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when so allowed under and in accordance with the relevant rules, conventions and guidelines of PDEX and PDTC. A Holder claiming tax-exempt status is required to submit a written notification of the sale or purchase to the Registrar and Paying Agent, including the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified herein, within three (3) days of such transfer.

Notwithstanding the submission by the Holder, or the receipt by the Bank and/or the Registrar and Paying Agent of documentary proof of tax-exempt status of a Holder, the Bank may, in its sole and reasonable discretion, determine that such Holder is taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the Securities. Any question on such determination shall be referred to the Bank.

The Holders shall be responsible for monitoring and accurately reflecting their tax status in the relevant Registry of Holders. The payment report to be prepared by the Registrar and submitted to the Bank in accordance with the RPAA, which shall be the basis of payments on the Securities on any Interest Payment Date, shall reflect the tax status of the Holders as indicated in their accounts as of the Record Date.

In the case of a transfer by a taxable or non-tax-exempt Holder in favor of any transferee (whether taxable or not taxable), the final withholding tax on the interest income earned or deemed to be earned by the transferor-Holder on the Securities during the Interest Period in which the transfer is made, based on the period that such Securities were actually held by the transferor-Holder, shall be deducted from the purchase price due to it.

(d) Taxes

Documentary stamp taxes as well as other taxes due on the transfer of Securities from the Securities, if any, shall be for the account of the relevant Holders and/or their counterparties, and shall not be for the account of the Bank. The Bank shall, directly or through the PDEX Trading Participant make the necessary withholding or deduction of the applicable tax due on the interest from the total proceeds of the transfer for the account of the transferor-Holder concerned; *provided*, however, that all sums payable by the Bank to tax-exempt persons, if applicable, shall be paid in full without deductions for such taxes, subject to the submission by the relevant Holder claiming the exemption of such documentation as may be required under the applicable Terms and Conditions.

(e) Void Transfers

Transfers or assignments of the Securities made in violation of the restrictions on transfer under the applicable Terms and Conditions shall be null and void and shall not be registered by the Registrar.

(f) Determination of Qualifications

- (i) Each Selling Agent (in the case of initial issuance of the Securities) and the relevant PDEX Trading Participant (in the case of secondary trading of the Securities) shall, in accordance with the AMLA and its own internal policies and arrangements and pursuant to the information provided by the prospective investor, verify the identity and other relevant details of each prospective investor and ascertain that the proposed Holder or transferee of any Securities is not a Prohibited Holder. The Registrar shall also monitor compliance with the prohibition against Prohibited Holders owning any Securities, as required by the BSP Rules.
- (ii) Each PDEX Trading Participant shall verify the respective aggregate amounts of the Securities held by the transferor and the transferee to determine compliance with Condition 8(a)(iii) through the Registry Confirmations to be provided by each of the transferor and the transferee.
- (iii) Prospective investors in the Securities shall immediately submit any and all information reasonably required by the Selling Agents or PDEX Trading Participants (as applicable) and Registrar in order to determine that such prospective investor is not a Prohibited Holder.

2.9 REPRESENTATIONS AND WARRANTIES

With regard to each Offer of Securities, the Bank hereby makes the following representations and warranties in favor of the Holders of such Securities:

- (a) Each of the Bank and its Material Subsidiaries is a corporation duly organized, validly existing, and in good standing under and by virtue of the laws of the Republic of the Philippines, is registered or qualified to do business in every jurisdiction where registration or qualification is necessary, and has the corporate power and authority to conduct its business as presently being conducted and to own its properties and assets now owned by it as well as those to be hereafter acquired by it for the purpose of its business;
- (b) All corporate authorizations, approvals, and other acts legally necessary for the execution and delivery by the Bank of the applicable Transaction Agreements, the offer and issuance of the relevant Tranche or Series, for the circulation of the Offering Circulars to be issued in connection with the relevant Offer, and the Bank's compliance with its obligations under the Securities issued pursuant to such Offer and the applicable Transaction Agreements, have been obtained or effected and remain valid and are in full force and effect;
- (c) All government authorizations, approvals, rulings, registrations (if there are any), and other acts legally necessary for the execution and delivery by the Bank of the applicable Transaction Agreements, the offer, issuance, and payment by the Bank of the Securities, and the Bank's compliance with its obligations under the Securities and the Transaction Agreements, have been obtained and remain valid;
- (d) All conditions imposed or required under the BSP Rules, as well as regulations of the BIR and other relevant agencies, in respect of the execution and delivery by the Bank of the applicable Transaction Agreements and the offer, issuance, and payment of the Securities issued pursuant to such Offer, have been complied with by the Bank as of the date and/or time that they are required to be complied with;
- (e) The obligations of the Bank under the applicable Transaction Agreements and the Securities to be issued pursuant to the relevant Offer, when issued, constitute its valid and legally binding obligations, enforceable in accordance with their terms, and the execution and delivery of the applicable Transaction Agreements, the issuance of the Securities pursuant to such Offer, and the compliance by the Bank with its obligations under the applicable Transaction Agreements and the Securities pursuant to such Offer do not and will not conflict with, nor constitute a breach or default of: (i) the articles of incorporation, by-laws, or any resolution of the board of directors or any committee constituted by the board of directors of the Bank, or any rights of the stockholders of the Bank, or (ii) any contract or other instrument by which the Bank is

bound, or (iii) any law or regulation of the Republic of the Philippines, or judgment or order of any office, agency, or instrumentality applicable to the Bank, except in each case where such conflict, breach or default will not have an Adverse Effect;

- (f) The Securities to be issued pursuant to the relevant Offer constitute direct, unconditional, unsecured, and unsubordinated obligations of the Bank, enforceable according to the terms and conditions in the applicable Terms and Conditions, and shall at all times rank *pari passu* and without any preference or priority among themselves and at least *pari passu* with all other present and future direct, unconditional, unsecured, and unsubordinated obligations of the Bank, except for any obligations enjoying a statutory preference or priority established under Philippine laws;
- (g) No order suspending the issuance of the relevant Tranche has been issued, and to the best of the Bank's knowledge, after due inquiry, no proceeding for that purpose has been instituted by the BSP. The Bank complies with all the applicable requirements of PDEX in connection with the relevant Tranche, as of the date and/or time that they are required to be complied with;
- (h) The Bank has all authorizations, approvals, permits, licenses, and privileges from all governmental and regulatory bodies in all material aspects necessary to carry on its banking business and operations as well as those of its Subsidiaries and Affiliates as currently conducted, has not breached any of the terms and conditions of such authorizations, approvals, permits, and licenses and has free and continued use and exercise thereof (save to the extent that the failure to possess or obtain such authorizations, approvals, permits, licenses, and privileges, or any breach of the terms thereof, or any restriction on the free and continued use and exercise thereof is not reasonably expected to have an Adverse Effect);
- (i) The Bank has, to the best of its knowledge, explained, satisfactorily complied with, corrected, and successfully and effectively implemented, to the satisfaction of the BSP, all findings and recommendations of the BSP resulting from all past audits and examinations conducted by the BSP on the Bank (save to the extent that its failure to explain, satisfactorily comply with, correct or successfully and effectively implement such findings and recommendations of the BSP is not reasonably expected to have an Adverse Effect);
- (j) Except as disclosed in the Offering Circulars, as of the Issue Date of the relevant Tranche, there are no legal, administrative, or arbitration actions, suits, or proceedings pending or, to the best of its knowledge after due and careful inquiry, threatened against or affecting the Bank which, if adversely determined, would have an Adverse Effect, or which would enjoin or otherwise materially and adversely affect the execution, delivery, or performance of the relevant Tranche, or the relevant Offer or issuance of the Securities pursuant to such Offer;
- (k) The audited consolidated financial statements of the Bank and the unaudited interim consolidated financial statements of the Bank appended to the Offering Circulars are in accordance with the books and records of the Bank, are complete and correct in all material respects, have been prepared in accordance with PFRS, and fairly represent a true, fair and accurate view of the Bank's financial condition and results of operations. Except as otherwise disclosed in the Offering Circulars, since the date of the latest unaudited interim consolidated financial statements of the Bank appended to the relevant Offering Circulars, there has been no material change in the financial condition or results of operations of the Bank or that which would have an Adverse Effect;
- (l) The Bank has, as of the date hereof, no liabilities or obligations of any nature, whether accrued, absolute, contingent, or otherwise, including but not limited to tax liabilities due or to become due, and whether incurred in respect of or measured by any income for any period prior to such date or arising out of transactions entered into or any state of facts existing prior thereto, which in the aggregate, would

materially and adversely affect the Bank's ability to discharge its obligations under the Securities to be issued pursuant to the relevant Offer;

- (m) No event has occurred and is continuing which constitutes a default by the Bank under or in respect of any agreement binding upon the Bank, and no event has occurred which, with the giving of notice, lapse of time, or other condition, would constitute a default by the Bank under or in respect of such agreement, which default shall in any of the foregoing cases materially affect the Bank's ability to comply with the terms of the Securities to be issued pursuant to the relevant Offer and pay the principal and interest that may be due on such Securities;
- (n) Except in respect of such properties that are designated in its books and records as having liens, encumbrances, restrictions, pledges, mortgages, security interest, or charges due to their being classified as Real and Other Properties Acquired (ROPA), it has good and marketable title to all its other properties, free and clear of liens, encumbrances, restrictions, pledges, mortgages, security interest, or charges;
- (o) The Bank is conducting its business and operations in compliance with all applicable laws and regulations, has filed true, complete, and timely tax returns, and has paid all taxes due in respect of the ownership of its properties and assets or the conduct of its operations, except to the extent that the payment of such taxes is being contested in good faith and by appropriate proceedings or to extent that any failure to be in compliance with any of such laws and regulations would not result in an Adverse Effect;
- (p) The Bank maintains insurance with responsible and reputable insurance companies in such amounts adequate, covering such risks, and under such terms and conditions, as are prudent, customary and appropriate and necessary as are usually carried by companies engaged in similar business and owning similar properties in the same geographical areas as those in which the Bank operates;
- (q) The Bank maintains the services of a responsible and reputable external auditor; and
- (r) As of the date of the relevant Offering Circulars, (i) the Offering Circulars contain all information with respect to the Bank and to the relevant Tranche or Series which is material in the context of the issue and offering of the relevant Tranche or Series (including, without limitation, all information required by the applicable laws and regulations of the Republic of the Philippines and the information which, according to the particular nature of the Bank and of the Securities comprising such Tranche or Series, is necessary to enable the Holders and their advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Bank and of the rights attaching to such Securities); (ii) the statements contained in the Offering Circulars relating to the Bank and to the Group are in every material respect correct, true, accurate, and not misleading; (iii) the opinions and intentions expressed in the Offering Circulars with regard to the Bank and to the Group are honestly held, have been reached after considering all relevant circumstances known to the Bank, and are based on reasonable assumptions; (iv) there are no other material facts or information in relation to the Bank, the Group, or the Securities comprising the relevant Tranche or Series, the omission of which would, in the context of the issue and offering of the Securities comprising such Tranche or Series, make any statement in the Offering Circulars misleading in any material respect; (v) all reasonable enquiries have been made by the Bank to ascertain such facts and to verify the accuracy of all such information and statements; (vi) all statistical, operational data and market related data included in the Offering Circulars that come from the Bank have been derived from the records of the Bank using systems and procedures which incorporate adequate safeguards to ensure that such data are complete, true and accurate in all material respects and are not misleading in any material respect; and (vii) all statistical and market related data included in the Offering Circulars that come from the Bank are based on or derived from sources which the Bank reasonably believes in good faith to be reliable and accurate and present fairly such sources, and the Bank has obtained the written consent to the use of such data from such sources to the extent required.

With regard to each Offer of Securities, these representations and warranties shall be true and correct as of the relevant Issue Date of such Securities and shall remain true and correct as long as such Securities or any portion thereof remain outstanding, by reference to the facts and circumstances then existing.

2.10 COVENANTS

With regard to each Offer of Securities, the Bank hereby covenants and agrees with the Holders of such Securities that, for as long as any such Securities remain outstanding:

- (a) The Bank shall pay all amounts due under the Securities and the applicable Transaction Agreements at the times and in the manner specified in, and perform all its obligations, undertakings, and covenants under the Securities and the applicable Transaction Agreements.
- (b) The Bank shall pay and discharge all taxes, assessments, and government charges or levies imposed upon it or upon its income or profits or upon any properties belonging to it prior to the date on which penalties are assessed; pay and discharge when due all lawful claims which, if unpaid, might become a lien or charge upon any of its properties; and take such reasonable steps as may be necessary in order to prevent its properties from being subjected to loss, forfeiture, or sale; *provided*, that it shall not be required to pay any such tax, assessment, charge, levy, or claim which is being contested by it in good faith and by proper proceedings or those the non-payment of which could not reasonably be expected to have an Adverse Effect.
- (c) The Bank shall preserve and maintain its corporate existence, all its rights, privileges, and concessions, licenses, franchises, and permits, which are necessary for it to conduct its business as presently conducted, or, in the case of a merger, consolidation, reorganization, reconstruction or amalgamation, ensure that the surviving corporation or the corporation formed thereby effectively assumes without qualification or condition, the entire obligations of the Bank under the Securities and for such corporation to preserve and maintain its corporate existence.
- (d) The Bank shall maintain adequate financial records and prepare all financial statements in accordance with PFRS and in compliance with the regulations of the government body having jurisdiction over it, and, subject to receipt of a written request within a reasonable period before the proposed date of inspection, permit the Holders or their duly designated representatives to inspect the books of accounts and records pertinent to the compliance by the Bank of its obligations under the Securities.
- (e) The Bank shall comply with all the requirements, terms, covenants, conditions, and provisions of all laws, rules, regulations, orders, writs, judgments, indentures, mortgages, deeds of trust, agreements, and other instruments, arrangements, obligations, and duties to which it, its business, or its assets are legally bound, where non-compliance would have an Adverse Effect.
- (f) The Bank shall satisfactorily comply with all BSP directives, orders, issuances, findings, and letters, including those regarding its capital, licenses, risk management, and operations, where non-compliance would have an Adverse Effect, and promptly and satisfactorily take all corrective measures that may be required under BSP audit reports on its operations, where non-compliance would have an Adverse Effect.
- (g) The Bank shall use the net proceeds from each Tranche or Series in accordance with the purpose of the issuance provided in the applicable Pricing Supplement.
- (h) The Bank shall satisfactorily pay all indebtedness and other liabilities and perform all contractual obligations pursuant to all agreements to which it is a party or by which it or any of its properties may be bound, except those being contested in good faith and by proper proceedings, or where a default, breach or non-compliance would not have an Adverse Effect.

- (i) The Bank shall, within ten (10) Banking Days from receipt of a written request from a Holder, furnish to such requesting Holder, the audited financial statements, consisting of the balance sheet of the Bank as of the end of its latest fiscal year and statements of income and retained earnings and of the source and application of funds of the Bank for such fiscal year, such audited financial statements being prepared in accordance with PFRS and being certified by an independent certified public accountant of recognized standing in the Philippines.
- (j) The Bank shall ensure that any documents related to the relevant outstanding Securities will, at all times, comply in all material respects with applicable laws, rules, regulations, and circulars, and, if necessary, make the appropriate revisions, supplements, and amendments to make them comply with such laws, rules, regulations, and circulars.
- (k) The Bank shall, upon written request of a Holder, execute and deliver to such Holder the reports, documents, and other information available to the public respecting the business, properties, condition, or operations, financial or otherwise, of the Bank as a Holder may from time to time reasonably require.
- (l) The Bank shall, as soon as possible and in any event within fifteen (15) days after the occurrence of any event that would constitute a default in any of the payment obligations of the Bank, wherein the amount involved is in excess of One Billion Pesos (₱1,000,000,000.00), or would trigger a cross default under any other obligation of the Bank, or other event which, with the giving of any notice and/or with the lapse of time, would constitute a default under any of the payment obligations of the Bank with any party, wherein the amount involved is in excess of One Billion Pesos (₱1,000,000,000.00), or would trigger a cross default under any other obligation of the Bank with any party, including, without limitation the applicable Transaction Agreements, serve a written notice to the Holders, through the Trustee, of the occurrence of any such default, specifying the details and the steps which the Bank is taking or proposes to take for the purpose of curing such default, including the Bank's estimate of the length of time to correct the same.
- (m) The Bank will duly and punctually comply with all reporting, filing, and similar requirements imposed by the BSP, the SEC, and the PSE or in accordance with any applicable Philippine law and regulations from time to time relating to the Securities and the applicable Transaction Agreements where non-compliance with the foregoing would have an Adverse Effect.
- (n) The Bank shall ensure that there shall at all times be a Registrar and Paying Agent, and Trustee for the purposes of the Securities, as provided in the RPAA and the Trust Agreement.
- (o) The Bank shall, when so requested in writing, provide any and all material and relevant information reasonably needed by the Arranger, the Trustee, the Paying Agent and/or Registrar, as the case may be, to enable them to respectively comply with their respective responsibilities and duties under the BSP Rules and the applicable Transaction Agreements; *provided*, that, in the event that the Bank cannot, for any reason, provide the required information, the Bank shall immediately advise the party requesting and shall perform such acts as may be necessary to provide for alternative information gathering.
- (p) The Bank shall promptly notify the Holders, through the Trustee of (i) any request by any government agency for any information related to Securities in connection with an investigation or proceeding conducted by such government agency, or (ii) the issuance by any governmental agency of any cease-and-desist order suspending the distribution or sale of the Securities or the initiation of any proceedings for any such purpose and shall use its best efforts to obtain at its sole expense the withdrawal of any order suspending the transactions with respect to the Securities at the earliest time possible.
- (q) The Bank shall execute and deliver such documents and perform such further acts as a relevant party to the applicable Transaction Agreements may reasonably require in relation to the BSP Rules or any of the

applicable Transaction Agreements in order for such party to perform its functions and obligations under the BSP Rules or the relevant Transaction Agreements.

With respect to each Offer of Securities, these covenants of the Bank shall survive the issuance of such Securities, and shall be complied with and performed fully and faithfully by the Bank at all times while such Securities or any portion thereof remains outstanding.

2.11 EVENTS OF DEFAULT

A Holder shall have the right to declare the Bank in default (insofar as the relevant Securities registered under such Holder's name are concerned) in accordance with Condition 12, in case any of the following events shall occur and is continuing:

- (a) **Non-payment:** The Bank defaults in the repayment of any principal on the due date for payment thereof or default is made in the payment of any amount of interest due on the Securities on the due date for payment thereof; *provided*, that such non-payment shall not constitute an Event of Default if (i) it is solely due to an administrative or technical reason not attributable to the fault or negligence of the Bank and payment is received within five (5) Banking Days from the due date thereof; or (ii) if a grace period is granted by applicable law, rules or regulations, and payment is made by the Bank within the period for payment prescribed under such law, rules or regulations.
- (b) **Covenant Default:** The Bank fails to perform or violates its covenants (other than Condition 11(a)) under these Terms and Conditions, and such failure or violation is not remediable or, if remediable, continues to be unremedied for a period of thirty (30) days from receipt of written notice by the Bank of such failure or violation.
- (c) **Representation/Warranty Default:** Any of the Bank's representations and warranties under Condition 9 or any certificate issued by it in connection with the issuance of the Securities is untrue, incorrect, or misleading, in each case, in any material respect.
- (d) **Judgment Default:** Any final and executory judgment, decree, or arbitral award for the sum of money, damages, fine, or penalty of at least One Billion Pesos (₱1,000,000,000.00) or its equivalent in any other currency is entered against the Bank and the enforcement of which is not stayed, or is not paid, discharged, or duly bonded within thirty (30) days after the date when payment of such judgment, decree, or award is due under the applicable law or agreement.
- (e) **Cross-default:** The Bank or a Material Subsidiary: (i) defaults in the repayment of any amount of principal and premium (if any) or interest, in respect of any contract (other than the Securities) executed by the Bank or a Material Subsidiary with any bank, financial institution or other person, corporation or entity for the payment of borrowed money which constitutes an event of default, or with the giving of notice or the passage of time would constitute an event of default, under said contract; or (ii) violates any other term or condition of a contract, which is irremediable or, if remediable, (x) is not remedied by the Bank or a Material Subsidiary within 15 days from notice sent to the Bank or a Material Subsidiary (as the case may be) in accordance with Condition 15 or is otherwise not contested by the Bank or a Material Subsidiary (as the case may be), and (y) results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity; *provided*, that in any of the foregoing cases, the aggregate amount involved exceeds One Billion Pesos (₱1,000,000,000.00), or its equivalent in any other currency.
- (f) **Writ and Similar Process Default:** Any final and executory judgment, writ, warrant of attachment or execution, or similar process shall be issued or levied against all or substantially all of the Bank's assets and such final and executory judgment, writ, warrant, or similar process shall not be released, vacated, or fully bonded within thirty (30) days after its issue or levy.

- (g) ***Suspension of Operation by Government Action:*** The government or any competent authority takes any action to suspend the whole or the substantial portion of the operations of the Bank, or condemns, seizes, or expropriates all or substantially all of the properties of the Bank.
- (h) ***Voluntary Suspension of Operations:*** The Bank voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) calendar days, except in the case of strikes or lockouts when necessary to prevent business losses, or when due to fortuitous events or *force majeure*, or when there is no material adverse effect on the business operations or financial condition of the Bank.
- (i) ***Insolvency Default:*** The Bank becomes insolvent or is unable to pay its debts when due, or commits or permits any act of bankruptcy, including (i) filing, in accordance with applicable laws and regulations, of a voluntary or involuntary petition by or against the Bank, as the case may be in any bankruptcy, reorganization, winding-up, suspension of payment, liquidation, or other analogous proceeding; (ii) the appointment of a trustee or receiver over all or a substantial portion of its assets, and such appointment is not lifted, discharged, or dismissed within thirty (30) days from the Bank's receipt of notice of such appointment (except in any such case for the purposes of a merger, consolidation, reorganization, reconstruction or amalgamation upon which the continuing corporation or the corporation formed thereby effectively assumes the entire obligations of the Bank under the Securities or the appointment of a receiver, administrator, administrative receiver, registrar or similar officer of it or of any or all of its revenues and assets); (iii) the making of an assignment for the benefit of its creditors over all or substantially all of its assets; (iv) admission in writing of its inability to pay its debts; or (v) entry of any final and executory order or judgment of any court, tribunal, or administrative agency or body confirming the insolvency of the Bank, or approving any reorganization, winding-up or liquidation, of the Bank or a substantial portion of its assets.
- (j) ***License Default:*** Any governmental consent, license, approval, authorization, or declaration, which is granted or required in connection with the Securities expires or is terminated or revoked and the result thereof is to make the Bank unable to discharge its obligations hereunder or thereunder.

2.12 EFFECTS OF DEFAULT EVENTS

(a) Notice of Default

Subject to the terms of the Trust Agreement, the Trustee shall, within ten (10) Banking Days after receiving notice, or having knowledge of, the occurrence of any Event of Default, give to the Holders written notice of such default known to it unless the same shall have been cured before the giving of such notice; provided that, in the case of payment default under Condition 11(a) above, the Trustee shall immediately notify the Holders upon the occurrence of such payment default; provided, further, that in case such notice of default is received by the Trustee from a Holder, the Trustee, prior to notifying the remaining Holders, shall first advise the Bank of such notice and provide the Bank with an opportunity to refute such claim to the satisfaction of the party alleging the Event of Default within three (3) Banking Days from its receipt of the advice from the Trustee, failing which the Trustee shall notify the remaining Holders in accordance herewith.

The written notice required to be given to the Holders hereunder shall be published in a newspaper of general circulation in Metro Manila for two (2) consecutive days, further indicating in the published notice that the Holders or their duly authorized representatives may obtain any information relating to such occurrence of an Event of Default at the principal office of the Trustee upon presentation of sufficient and acceptable identification.

(b) Declaration of Default

If any one or more of the Events of Default shall have occurred and be continuing without the same being cured within the periods provided in the Trust Agreement and in these Terms and Conditions, the Trustee may on its own, or, upon the written direction of the Majority Holders, by notice in writing delivered to the Bank, with a copy furnished the Paying Agent and Registrar, declare the principal amount of the relevant Tranche or Series of the Securities, including all accrued interest and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable (the “**Accelerated Amounts**”).

All the unpaid obligations under the relevant Tranche or Series of the Securities, including accrued interest, and all other amounts payable thereunder, shall be declared to be forthwith due and payable, whereupon all such amounts shall become and be forthwith due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Bank.

(c) Default Interest

In case of an Event of Default under Condition 11(a), the Bank shall, in addition to the payment of unpaid amount of principal and accrued interest, pay default interest at the rate of one percent (1%) per month thereon, which shall accrue from the date the amounts payable under the applicable Terms and Conditions became due until the same is fully paid.

(d) Application of Payments

Subject to the RPAA, any money delivered to the Paying Agent upon the occurrence of an Event of Default under Condition 11 shall be applied by the Paying Agent in the order of preference as follows:

- (i) *first*, to the pro-rata payment of the costs, expenses, fees and other charges of collection, including reasonable compensation to the Registrar and Paying Agent, the Trustee, PDEX, Joint Lead Arrangers and Joint Bookrunners, Selling Agents, and their respective agents, attorneys and counsel, and all reasonable expenses and liabilities incurred or disbursements made by them without gross negligence or bad faith;
- (ii) *second*, to the payment of all outstanding interest owing to such Holder, including any Default Interest as specified in Condition 12(c) above, in the order of maturity of such interest;
- (iii) *third*, to the payment of the whole amount then due and unpaid on the Securities for principal owing to such Holders; and
- (iv) *fourth*, the remainder, if any, shall be paid to the Bank, its successors or assigns, or to whosoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

2.13 REMEDIES; WAIVER; ABILITY TO FILE SUIT; LIMITATIONS

- (a) All remedies conferred by the relevant Terms and Conditions and the applicable Transaction Agreements to the Holders shall be cumulative and not exclusive, and shall not be so construed as to deprive the Holders of any legal remedy by judicial or extra judicial proceedings appropriate to enforce such direct rights under the relevant Terms and Conditions and/or the applicable Transaction Agreements, subject to Condition 13 (d).
- (b) No delay or omission by the Holders, or any one of them, to exercise any right or power arising from or on account of any Event of Default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such Event of Default or an acquiescence thereto; and every power and remedy given by the relevant Terms and Conditions to the Holders may be exercised from time to time and as often as may be necessary or expedient.

- (c) Nothing herein shall be deemed to create a partnership or collective venture between the Holders. Each Holder shall be entitled, at its option, to take independent measures with respect to its obligations and rights and privileges under these Terms and Conditions with respect to the particular Securities registered under its name as appearing in the Registry, and it shall not be necessary for the other Holders to be joined as a party in any judicial or other proceeding for such purpose.
- (d) No Holder shall have any right by virtue of or by availing of any provision of the Trust Agreement to institute any suit, action or proceeding for the collection of any sum due from the Bank hereunder on account of principal, interest and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless all of the following conditions have been fulfilled: (i) such Holder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Holders to take up matters related to their rights and interests under the Securities; (ii) the Majority Holders shall have decided and made the written request upon the Trustee to institute such action, suit or proceeding in the latter's name; (iii) the Trustee for sixty (60) days after the receipt of such notice and request shall have neglected or refused to institute any such action, suit or proceeding; and (iv) no directions inconsistent with such written request shall have been given under a waiver of default by the Holders pursuant to Condition 13.0(e), it being understood and intended, and being expressly covenanted by every Holder with every other Holder and the Trustee, that no one or more Holders shall have any right in any manner whatsoever by virtue of or by availing of any provision of the Trust Agreement to affect, disturb or prejudice the rights of the holders of any other such Securities or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under the Trust Agreement, except in the manner herein provided and for the equal, ratable and common benefit of all the Holders.
- (e) The Majority Holders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or the Majority Holders may decide for and on behalf of the Holders to waive any past default except the Events of Default specified in Condition 11.0(a) and (i). In case of any such waiver, the Trustee and the Holders shall be restored to their former positions and rights hereunder; *provided* however that, no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Holders shall be conclusive and binding upon all Holders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Securities.
- (f) Notwithstanding any other provisions in these Terms and Conditions, in no instance shall any of the parties be liable for special, indirect, consequential, nominal, exemplary, or punitive damages (including, without limitation, any loss of profits, business or anticipated savings).

2.14 REPLACEMENT REGISTRY CONFIRMATIONS

In case any Registry Confirmation shall be mutilated, defaced, destroyed, lost, or stolen, the Registrar, upon receipt of a written request in the form specified by the Registrar, shall cause the reprinting of the Registry Confirmation, subject to applicable fees.

2.15 NOTICES

(a) To the Bank

Except for a notice to declare an Event of Default which must be personally delivered or sent by registered mail with postage prepaid, all notices, instructions, statements, and requests to the Bank shall be in writing and shall be sent by personal delivery, courier, registered mail with postage prepaid, confirmed facsimile to the Bank at its address, facsimile number, and secured electronic mail address, and for the attention of the specified representative as set forth below:

To the Bank:

SECURITY BANK CORPORATION

Security Bank Centre, 6776 Ayala Avenue, Makati City

Attention: Orencio Andre P. Ibarra III
Senior Vice President, Treasurer
Telephone: (63) 2 8888.7033
Email: OIbarraIII@securitybank.com.ph

(b) To the Trustee

Except for a notice to declare an Event of Default which must be personally delivered, all notices, instructions, and requests to the Trustee shall be in writing and shall be sent by personal delivery, courier, or registered mail with postage prepaid, confirmed facsimile to the Trustee at its address, facsimile number, and secured electronic email address, and for the attention of the specified representative, as set forth in the relevant Trust Agreement.

(c) To the Registrar and Paying Agent

Except for a notice to declare an Event of Default which must be personally delivered, all notices, instructions, and requests to the Registrar and Paying Agent shall be in writing and shall be sent by personal delivery, courier, or registered mail with postage prepaid, confirmed facsimile to the Registrar and Paying Agent at its address, facsimile number, and secured electronic email address, and for the attention of the specified representative, as set forth below:

To the Registrar:

PHILIPPINE DEPOSITORY & TRUST CORP.

29th Floor, BDO Equitable Tower
8751 Paseo de Roxas
Makati City

Attention: Ms. Josephine F. dela Cruz
Director, Securities Services
Telephone: (63) 2 8884.4425
E-Mail : josephine.delacruz@pds.com.ph

(d) To the Holders

Except as otherwise provided in these Terms and Conditions, all notices to the Holders shall be in writing and shall be (i) sent by mail with postage prepaid to the name and last recorded address of the Holders as appearing in the Registry or (ii) by publication, at the Bank's expense, for two (2) consecutive days in two (2) newspapers of general circulation in Manila in a manner that complies with SEC Memorandum Circular No. 1 (2008) and with the rules and regulations of PDEX on which the Securities are for the time being listed.

(e) Effect of Notice

All notices, instructions, statements, and requests, where applicable, shall take effect:

- (i) in the case of a letter, when delivered;
- (ii) in the case of fax; on the transmission date with a transmission report confirming receipt (or if such date is not a Banking Day, then on the next Banking Day);

- (iii) if sent by email, on the day of sending, with the receipt thereof confirmed by the receiving Parties;
or
- (iv) if by publication, on the date of publication or, if published more than once or on different dates, on the first date on which such publication is made.

The parties shall maintain any electronic data, message, communication, or mail received pursuant to the Electronic Commerce Act (Republic Act No. 8792) and these Terms and Conditions.

(f) Recording

For security and quality of service purposes, all telephone and other communications between the parties and the Holders may be recorded in any manner, and the Holders shall be deemed to have consented to such recording and to the production of such recordings as evidence in any proceedings brought in connection with the Securities.

2.16 AMENDMENT

The Bank and the Trustee may, without prior notice to or the consent of the Holders or other parties, amend or waive any provisions of the applicable Terms and Conditions if such amendment or waiver is of a formal, minor, or technical nature or to correct a manifest error or inconsistency provided in all cases that such amendment or waiver does not adversely affect the interests of the Holders and provided further that all Holders are notified of such amendment or waiver.

The Bank and the Trustee may amend the Terms and Conditions of a relevant Tranche without notice to every Holder but with the written consent of the Majority Holders of such Tranche (including consents obtained in connection with a tender offer or exchange offer for the Securities held by such Holders). However, without the consent of each Holder of such Tranche affected thereby, an amendment may not:

- (a) reduce the percentage amount of the Securities outstanding for such Tranche that must consent to an amendment or waiver;
- (b) reduce the rate of or extend the time for payment of interest on any of the relevant Securities;
- (c) reduce the principal of or extend the relevant Maturity Date of any of the relevant Securities;
- (d) impair the right of the relevant Holder to receive payment of principal of and interest on such Holder's Securities on or after the due dates therefore or to institute suit for the enforcement of any payment on or with respect to such Holder;
- (e) reduce the amount payable upon the redemption or repurchase of any of the relevant Securities under the applicable Terms and Conditions or change the time at which such Securities may be redeemed;
- (f) make any of the relevant Securities payable in money other than that stated in the applicable Transaction Agreements;
- (g) subordinate the relevant Securities to any other obligation of the Bank;
- (h) release any security interest that may have been granted in favor of the Holders; and
- (i) make any change or waiver of this Condition.

For the avoidance of doubt, the consent of the Holders shall not be required for the execution, issuance, amendment, or modification of a Pricing Supplement for a relevant Tranche or Series or any amendment or modification of the Terms and Conditions applicable to other Tranches.

It shall not be necessary for the consent of the Holders under this Condition to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof. After an amendment under this Condition becomes effective, the Bank shall send a notice briefly describing such amendment to the Holders in the manner provided under the applicable Terms and Conditions.

With the consent of the Majority Holders, the Bank, when authorized by a resolution of its board of directors, and the Trustee may, from time to time and at any time, enter into an agreement or agreements supplemental hereto for the purpose of adding any provision to or changing in any manner or eliminating any of the provisions of this Agreement.

It shall not be necessary to obtain the consent of the Holders under this Condition for the purpose of approving the particular form of any proposed supplemental agreement but such consent shall be necessary for the purpose of approving the substance thereof.

Promptly after the execution by the Bank and the Trustee of any supplemental agreement pursuant to the provisions of this Condition, the Bank shall send a notice to the Holders setting forth in general terms the substance of such supplemental agreement. Any failure of the Bank to send such notice or any defect therein shall not, however, in any way impair or affect the validity of any supplemental agreement.

Any consent given pursuant to this Condition shall be conclusive and binding upon all Holders of the outstanding Securities or all Holders of a relevant Tranche, as the case may be, and upon all future holders and owners thereof or of any of the Securities issued in lieu thereof or in exchange therefor, irrespective of whether or not any notation of such consent is made upon the instrument representing the Securities.

2.17 DUTIES AND RESPONSIBILITIES OF THE TRUSTEE

- (a) The Trustee shall act as trustee for and in behalf of the Holders and, as such shall, in accordance with the terms and conditions of the Trust Agreement, monitor the compliance or non-compliance by the Bank with all its representations and warranties, and the Bank's observance of all its covenants and performance of all its obligations, under and pursuant to this Agreement. The Trustee shall observe due diligence in the performance of its duties and obligations under this Agreement. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Holders, and to whom the Holders shall communicate with in respect to any matters to be taken up with the Bank.
- (b) The Trustee shall: (i) have custody of and hold in its name, for and in behalf of the Holders, the relevant Master Certificate of Indebtedness for each relevant Tranche (ii) safekeep the Master Certificate of Indebtedness, the reports to Holders referred to in Section 3.14(a) of the Trust Agreement, the documents referred to in Section 3.14(c) of the Trust Agreement, and such other documents as may have been received by the Trustee in the performance of its functions under the Trust Agreement.
- (c) The Trustee may, from time to time, request (i) the Bank to submit a certification relating to the Bank's ability to comply with its obligations under the outstanding Securities and the Trust Agreement and (ii) to the extent permitted by law, examine the relevant records of the Bank as may be related to the Bank's obligations under the outstanding Securities and the Trust Agreement; provided, that any such request shall not be made more than once every quarter.
- (d) Upon written request by the Bank, within three (3) Banking Days following the date the Trustee receives such request, the Trustee shall commence in sending notices of any matter to the Holders as may be

requested by the Bank, other than those matters for which notice is specifically required to be given to the Holders by another party under the Transaction Agreements.

- (e) The Trustee shall promptly and faithfully carry out the instructions or decisions of the Majority Holders issued or reached in accordance with Section 10 of the Trust Agreement.
- (f) The Trustee, in the performance of its duties, shall exercise such rights and powers vested in it by the Trust Agreement, and use such diligence, judgment and care under the circumstances then prevailing that individuals of prudence, discretion and intelligence, and familiar with such matters, exercise in the management of their own affairs.
- (g) The Trustee shall inform the Holders of any event which has an Adverse Effect on the ability of the Bank to comply with its obligations to the Holders, breach of representations and warranties, and Events of Default within a reasonable period from the time that the Trustee learns of such events, subject to Section 10.2 of the Trust Agreement.
- (h) The Trustee shall perform such other powers and functions as provided for elsewhere under the Trust Agreement.
- (i) Except as may be necessary to perform its duties of the Trust Agreement and as required by law, the Trustee (i) shall permanently keep privileged and confidential, separate and distinct, any information, data, documents, files, properties, funds, or any other matter which it may acquire pursuant to of the Trust Agreement or obtained in the course of the performance of its duties and functions as a Trustee, (ii) shall refrain from disclosing any such information or item in any manner, whether written, verbal, telegraphic, coded, or encrypted, whether in physical, electronic, or any other form or media, and (iii) hereby undertakes not to use any such information or item for its own benefit or for the benefit of any of its clients regardless of whether or not such use can be shown to cause disadvantage, injury, or damage to the Bank; *provided*, that where any disclosure of the foregoing information is required by law, the Trustee shall properly apprise the Bank of such disclosure and give reasonable opportunity to the Bank to consider the same. This shall survive the termination of the Trust Agreement.
- (j) Other than: (i) fees paid to the Trustee pursuant to Section 3.4(a) of the Trust Agreement, and (ii) amounts received by the Trustee as reimbursement for reasonable, actual, and documented fees and expenses incurred or made by the Trustee in the performance of its duties and functions under this Condition 17, all moneys and funds received by the Trustee in connection with the Trust Agreement, if any, shall not be utilized in transactions involving any of the Trustee's directors, officers, stockholders or related interest as contemplated under Section 413 of the MORB on Transactions Requiring Prior Authority.

2.18 CHANGE OF TRUSTEE

- (a) The Trustee may at any time resign by giving sixty (60) days' prior written notice to the Bank and to the Holders of such resignation.
- (b) Upon receiving such notice of resignation of the Trustee, the Bank shall immediately appoint a successor trustee by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the resigning Trustee and one (1) copy to the successor trustee. If no successor shall have been so appointed and have accepted appointment within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor, or any Holder who has been a *bona fide* holder for at least six months (the "**Bona Fide Holder**") may, for and on behalf of the Holders, petition any such court for the appointment of a successor. Such court may thereupon after notice, if any, as it may deem proper, appoint a successor trustee.

However, in cases where an Event of Default shall have occurred and be continuing, the Majority Holders, not the Bank, shall appoint the successor trustee.

- (c) A successor trustee should possess all the qualifications required under pertinent laws, otherwise, the incumbent trustee shall continue to act as such.
- (d) In the event that any of the following shall occur:
 - (i) the Trustee shall fail to comply with the provisions of Section 3.8(a) of the Trust Agreement after written request therefor by the Bank or by the Majority Holders, or
 - (ii) the Trustee shall cease to be eligible in accordance with the provisions of Section 3.3(a) of the Trust Agreement and shall fail to resign after written request therefor by the Bank or by any Bona Fide Holder, or
 - (iii) the Trustee shall become incapable of acting, or has acquired conflicting interest, or shall be adjudged bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation,

then the Bank may, within thirty (30) days therefrom remove the Trustee and appoint a successor Trustee, by written instrument in duplicate, executed by the Bank's duly authorized officers, one (1) copy of which instrument shall be delivered to the Trustee so removed and one (1) copy to the successor Trustee. If the Bank fails to remove the Trustee and appoint a successor Trustee, any Bona Fide Holder may, on behalf of himself and all other Holders, petition any court of competent jurisdiction for the removal of the Trustee concerned and the appointment of a successor Trustee. Such court may thereupon after such notice, if any, as it may deem proper, remove the Trustee and appoint a successor Trustee.

- (e) The Majority Holders may at any time remove the Trustee for cause and appoint a successor Trustee by the delivery to the Trustee so removed, to the successor Trustee and to the Bank of the required evidence provided for in Section 11.9 of the Trust Agreement of the action in that regard taken by the Majority Holders. This is without prejudice to whatever remedies may be available to the Majority Holders under applicable laws or in equity.
- (f) Any resignation or removal of the Trustee and appointment of a successor Trustee pursuant to any of the provisions of Section 3.9 of the Trust Agreement shall become effective upon the earlier of: (i) acceptance of appointment by the successor Trustee as provided in Section 3.10 the Trust Agreement; or (ii) the effectivity of the resignation notice sent by the Trustee under the Trust Agreement (the "**Resignation Effective Date**"), provided, however, that after the Resignation Effective Date and, as relevant, until such successor Trustee is qualified and appointed (the "**Holdover Period**"), the resigning Trustee shall discharge duties and responsibilities solely as a custodian of records for turnover to the successor Trustee promptly upon the appointment thereof by the Bank.
- (g) Within thirty (30) days from the effectivity of the resignation or removal of the Trustee and the appointment of the successor Trustee, the Trustee shall transfer and turn over to the successor Trustee, and shall make an accounting of, all the assets, documents or instruments which are in the custody of the Trustee pursuant to the Trust Agreement, if any.

2.19 SUCCESSOR TRUSTEE

- (a) Any successor Trustee appointed as provided in Section 3.9 of the Trust Agreement shall execute, acknowledge and deliver to the Bank and to its predecessor Trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor Trustee shall become

effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trust hereunder with like effect as if originally named as Trustee herein; but, nevertheless, on the written request of the Bank or of the successor Trustee, the Trustee ceasing to act shall execute and deliver an instrument transferring to such successor Trustee, upon the trust herein expressed, all the rights, powers and duties of the Trustee so ceasing to act. Upon request of any such successor Trustee, the Bank shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such successor Trustee all such rights, powers and duties. Except as provided herein, upon effectivity of the removal or resignation of the Trustee as provided above, the Trustee's liabilities and obligations shall immediately cease.

- (b) No successor Trustee shall accept appointment as provided in Section 3.10 of the Trust Agreement unless at the time of acceptance such successor Trustee shall be qualified and eligible under the provisions of Section 3.3(a) of the Trust Agreement and is not subject to any conflicting interests under Section 3.8(c) of the Trust Agreement.
- (c) Upon acceptance of appointment by a successor Trustee as provided in Section 3.10 of the Trust Agreement, the Bank shall notify the Holders in writing of the succession of such Trustee to the trust herein provided. If the Bank fails to notify the Holders within ten (10) days after acceptance of appointment by the successor Trustee, the latter shall cause the Holders to be so notified at the expense of the Bank.

2.20 REPORTS TO THE HOLDERS

- (a) The Trustee shall submit to the Holders on or before February 28 of each year from the Issue Date until full payment of the Securities (which may be through electronic mail) a brief report dated as of December 31 of the immediately preceding year with respect to:
 - (i) the property and funds, if any, physically in the possession of the Paying Agent held in trust for the Holders on the date of such report (which shall be based on the report to be given by the Paying Agent to the Trustee upon request of the Bank); and
 - (ii) any action taken by the Trustee in the performance of its duties under this Agreement which it has not previously reported and which in its opinion materially affects the Securities, except action in respect of a default, notice of which has been or is to be withheld by it in accordance with the provisions of Section 10.1 of the Trust Agreement.
- (b) The Trustee shall submit to the Holders (which may be through electronic mail) a brief report within ninety (90) days from the making of any advance for the reimbursement of which it claims or may claim a lien or charge which is prior to that of the Holders on the property or funds held or collected by the Paying Agent with respect to the character, amount and the circumstances surrounding the making of such advance; provided that, such advance remaining unpaid amounts to at least ten percent (10%) of the aggregate outstanding principal amount of the Securities at such time.
- (c) The following pertinent documents may be inspected by the Holders during regular business hours on any Banking Day at the principal office of the Trustee:
 - (i) the Program Agreement;
 - (ii) the Trust Agreement;
 - (iii) the RPAA; and
 - (iv) the Articles of Incorporation and By-Laws of the Bank.

2.21 MEETINGS OF THE HOLDERS

A meeting of Holders of a relevant Tranche or Series may be called at any time and from time to time pursuant to the provisions of this Condition and Section 11 of the Trust Agreement for the purpose of taking any action authorized to be taken by or on behalf of the Holders of any specified aggregate principal amount of the relevant Securities under the provisions of the Trust Agreement or under applicable law and such other matters related to the rights and interests of the Holders under the Securities.

(a) *Notice of Meetings*

The Trustee may at any time call a meeting of the Holders of a relevant Tranche or Series, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of such Securities pertaining to a Tranche or Series may direct in writing the Trustee to call a meeting of such Holders, to take up any allowed action, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the Holders, setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail, shall be sent by the Trustee to the Bank and to each of the registered Holders not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting. Each of such notices shall be published in a newspaper of general circulation as provided in the Trust Agreement. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the notices for the requested meeting shall be reimbursed by the Bank within ten (10) days from receipt of the duly supported billing statement.

(b) *Failure of the Trustee to Call a Meeting*

In case at any time the Bank or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of such Securities pertaining to a Tranche or Series shall have requested the Trustee to call a meeting of the Holders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, in accordance with Section 11.2 of the Trust Agreement, the notice of such meeting, then the Bank or the Holders in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof as provided in Section 11.2 of the Trust Agreement.

(c) *Quorum*

The Trustee shall determine and record the presence of the Majority Holders personally or by proxy. The presence of the Majority Holders shall be necessary to constitute a quorum to do business at any meeting of the Holders.

(d) *Procedure for Meetings*

The Trustee shall preside at all the meetings of the Holders unless the meeting shall have been called by the Bank or by the Holders as provided in Section 11.3 of the Trust Agreement, in which case the Bank or the Holders calling the meeting, as the case may be, shall in like manner move for the election of the chairman and secretary of the meeting.

Any meeting of the Holders duly called pursuant to the provisions of Section 11.5 of the Trust Agreement may be adjourned from time to time for a period or periods not to exceed in the aggregate one (1) year from the date for which the meeting shall originally have been called, and the meeting so adjourned may be held upon written agreement by the Bank and the Holders on another date without further notice. Any such adjournment may be ordered by Persons representing a majority of the aggregate principal amount of the Securities represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

(e) *Voting Rights*

To be entitled to vote at any meeting of the Holders, a Person shall be a registered holder of one (1) or more Securities or a Person appointed by an instrument in writing as proxy by any such holder as of the date of such meeting. Holders shall be entitled to one (1) vote for every Ten Thousand Pesos (₱10,000) interest. The only Persons who shall be entitled to be present or to speak at any meeting of the Holders shall be the Persons entitled to vote at such meeting and any representative of the Bank and its legal counsel.

(f) *Voting Requirement*

All matters presented for resolution by the Holders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the Majority Holders present or represented in a meeting at which there is a quorum, except as otherwise provided in this Agreement.

Any resolution of the Holders which has been duly approved with the required number of votes of the Holders as herein provided shall be binding upon the Bank and all the Holders of the relevant Tranche or Series as if the votes were unanimous.

(g) *Role of the Trustee in Meetings of the Holders*

Notwithstanding any other provisions of the Trust Agreement, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Holders, in regard to proof of ownership of the Securities, the appointment of proxies by registered holders of the Securities, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem fit. The minutes of each meeting and any resolution made thereat shall be taken by the Trustee.

2.22 DISPUTE RESOLUTION – ARBITRATION

(a) *Amicable Settlement.*

In case any dispute, controversy, or claim (“**Dispute**”) shall arise between the Issuer, the Trustee, or any of the Holders in respect of the Terms and Conditions, the Securities, the Agreement, or other related agreements or arrangements, the Parties shall first attempt to resolve the same amicably through good faith negotiations. If no such amicable settlement is reached within thirty (30) Banking Days from the date a Party provides written notice of the Dispute to the other Parties, then the Dispute shall be referred to arbitration in accordance with the provisions of this Article 22.0.

(b) *Arbitration.*

Any Dispute arising out of or in connection with the Terms and Conditions, the Securities, the Trust Agreement, including any question regarding their existence, validity, or termination, which is not resolved amicably, shall be referred to and finally resolved by arbitration in accordance with the rules of the Philippine Dispute Resolution Center, Inc. (“**PDRCI**”) in force at the time of the commencement of the arbitration.

(c) *Number of Arbitrators.*

The arbitral tribunal shall consist of three (3) arbitrators to be selected in accordance with the rules of the PDRCI.

(d) *Place of Arbitration.*

The place of arbitration shall be in Makati City, Philippines.

(e) *Language of Arbitration.*

The language to be used in the arbitral proceedings shall be English.

(f) *Confidentiality.*

The Parties agree that the arbitration proceedings, including any records, evidence, and the arbitral award, shall be kept strictly confidential and shall not be published or disclosed to any third party without the prior written consent of all Parties, except as may be required by law or for the limited purpose of disclosing to a court of competent jurisdiction in connection with the enforcement or challenge of an arbitral award.

2.23 PRESCRIPTION

Claims against the Bank for payment in respect of the Securities shall prescribe and become void unless made within ten (10) years (in case of principal and other sums) or five (5) years (in case of interest) from the time the date on which the payment becomes due.

Claims against the Bank for any action upon the Securities shall prescribe and become void unless made within ten (10) years from the time the right of action accrues.

2.24 SEVERABILITY

If any provision hereunder becomes invalid, illegal, or unenforceable under any law, the validity, legality, and enforceability of the remaining provisions of the Terms and Conditions shall not be affected or impaired. The Bank shall use all reasonable efforts, by way of a supplemental terms and conditions, to amend and restate any invalid provision with a valid provision which most closely approximates the intent and economic effect of the illegal, invalid, or unenforceable provision.

Any court action permitted under the Trust Agreement and other Transaction Agreements, including applications for provisional or interim measures, enforcement or setting aside of an arbitral award, or any other matter which by law must be filed with a court, shall be brought exclusively in the proper courts of Makati City, to the exclusion of all other venues. The Parties expressly submit to the jurisdiction of such courts, without prejudice to the arbitration provisions of the Trust Agreement and these Terms and Conditions.

2.25 GOVERNING LAW

These Terms and Conditions, the Securities and the Transaction Agreements shall be governed by and construed in accordance with the laws of the Republic of the Philippines.

2.26 EVIDENCE SUPPORTING THE ACTION OF THE HOLDERS

Wherever in the Trust Agreement it is provided that the Holders of a specified percentage of the aggregate outstanding principal amount of such Securities pertaining to a Tranche or Series may take any action (including the making of any demand or requests and the giving of any notice or consent or the taking of any other action), the fact that at the time of taking any such action the Holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Holders in person or by the agent or proxy appointed in writing or (ii) the duly authenticated record of voting in favor thereof at the meeting of the Holders duly called and held in accordance herewith or (iii) a combination of such instrument and any such record of meeting of the Holders.

2.27 NON-RELIANCE

Each Holder also represents and warrants to the Trustee that it has independently and, without reliance on such Trustee, made its own credit investigation and appraisal of the financial condition and affairs of the Bank on the basis of such documents and information as it has deemed appropriate and that he has subscribed to the Securities

on the basis of such independent appraisal, and each Holder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee. The Holders agree to indemnify and hold the Trustee harmless from and against any and all liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature with respect to its obligations under the Trust Agreement, except for its gross negligence or wilful misconduct.

2.28 WAIVER OF PREFERENCE

The obligations created under the applicable Transaction Agreements and the Securities shall not enjoy any priority of preference or special privileges whatsoever over any other unsecured and unsubordinated obligations of the Bank. Accordingly, whatever priorities or preferences that the applicable Transaction Agreements or the Securities may have or any person deriving a right hereunder may have under Article 2244, paragraph 14(a) of the Civil Code of the Philippine are hereby absolutely and unconditionally waived and renounced. This waiver and renunciation of the priority or preference under Article 2244, paragraph 14(a) of the Civil Code of the Philippines shall be revoked if it be shown that an indebtedness of the Bank for borrowed money has a priority or preference under the said provision.

SECTION 3. FORM OF PRICING SUPPLEMENT

[PRELIMINARY/FINAL] PRICING SUPPLEMENT [●] AS OF [Month] [●], [YEAR]



SECURITY BANK CORPORATION

Offer of ₱[●] [Type of Security (Fixed/Floating)] Bonds / Commercial Papers [●] due [●]

under its ₱200,000,000,000 Peso Bonds and Commercial Papers Program

[With Oversubscription Option]

Offer Price of: [100%] of Face Value

to be listed and traded through the Philippine Dealing and Exchange Corporation

Arrangers

[Logos]

Selling Agent/s

[Logos]

THE BONDS BEING OFFERED OR SOLD HEREIN ARE SECURITIES EXEMPT FROM REGISTRATION UNDER SECTION 9.1(E) OF THE SECURITIES REGULATION CODE (THE SRC) AND WILL ACCORDINGLY NOT BE REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION (SEC).

OFFER OF [SERIES / TRANCHE] [●] BONDS

*This document constitutes the Pricing Supplement relating to [Series/Tranche] [●] [denomination (e.g. peso denominated)] [type of security (fixed/floating)] [Bonds / Commercial Papers][●] due [Year] (the “**Bonds/Notes**”) being offered and described herein (the “**Offer**”). Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the “**Terms and Conditions**”) set forth in the Trust Agreement dated [●] and the Offering Circular dated [●] (the “**Offering Circular**”). This Pricing Supplement contains the final terms of this Offer and the [Series/Tranche] [●] [Bonds / Commercial Papers] and must be read in conjunction with the Offering Circular. Full information on the Bank and the Offer is contained in the Offering Circular and in this Pricing Supplement. All information contained in the Offering Circular are deemed incorporated by reference in this Pricing Supplement. In case of any inconsistencies between the Offering Circular and this Preliminary Pricing Supplement, this Preliminary Pricing Supplement shall prevail.*

The following does not purport to be a complete listing of all the rights, obligations, or privileges of the [Series/Tranche] [●] [Bonds/Notes]. Some rights, obligations, or privileges may be further limited or restricted by other documents. Prospective investors must make their own appraisal of the Issuer and the Offer, and must make their own independent verification of the information contained herein and the other aforementioned documents and any other investigation they may deem appropriate for the purpose of determining whether to participate in the Offer. They must not rely solely on any statement or the significance, adequacy or accuracy of any information contained herein. The information and data contained herein are not substitutes for the prospective investor’s independent evaluation and analysis. Prospective investors are encouraged to consult their legal counsels and accountants in order to be better advised of the circumstances surrounding the [Series/Tranche] [●] [Bonds/Notes]. Specific references to times hereunder shall mean Philippine Standard Time.

Issuer	Security Bank Corporation (the “ Issuer ” or the “ Bank ”)
Issue	[Bonds/Commercial Papers] [Type of Security (Fixed/Floating)] constituting the direct, unconditional, unsecured and unsubordinated obligations of the Bank
Specified Currency or Currencies	Philippine Peso
Offer Size	Minimum of [P●] [with an oversubscription option]
Manner of Distribution	Public Offer
Use of Proceeds	[●]
Issue Price	At par (or 100% of face value)
Form and Denomination of the Securities	The [Series/Tranche] [●] [Bonds / Commercial Papers] shall be issued in scripless form in minimum denominations of [P●] each, and in multiples of [P●] thereafter, and traded in minimum denominations of [P●] each, and in multiples of [P●] thereafter in the secondary market.
Offer Period	The offer of the [Bonds / Commercial Papers] shall commence at [●a.m.] on [●] and end at [●p.m.] on [●]
Issue Date	[●]
Tenor	[●]

Interest	[●]
(a) For Fixed Rate:	
Reference Rate	[●]
Interest Commencement Date	[●]
Interest Payment Date (s)	[●], [●], [●] and [●] of each year
Interest Rate	[●]% per annum
(b) For Floating Rate	
Specified Period(s) / Interest Payment Dates	[●]
Manner in which the Interest Rate and Interest Amount is to be determined	[●]
Party Responsible for calculating the Interest Rate and Interest Amount	[●]
Reference Rate	[●]
Margin	[●]
Interest Determination Date	[●]
Day Count Fraction	30/360 day count basis
Business Convention	[●]
Maturity Date	[●] days/years from Issue Date or [●]
Rating	The [Series/Tranche] [●] [Bonds/Notes] are not rated
Ranking	The [Series/Tranche] [●] Bonds/Commercial Papers constitute direct, unconditional, unsecured, and unsubordinated obligations of the Bank, enforceable according to the Terms and Conditions, and shall at all times rank <i>pari passu</i> and without any preference or priority among themselves and at least <i>pari passu</i> with all other present and future direct, unconditional, unsecured, and unsubordinated obligations of the Bank, except for any obligation enjoying a statutory preference or priority established under Philippine laws
Payment Account Name	“PDTC as Paying Agent of SBC FAO [Tranche/Series] [●] [Bond/Commercial Papers] Holders due [●]”
Listing	The Tranche [●] [Bonds / Commercial Papers] are intended to be listed on the Philippine Dealing & Exchange Corp. or such other securities exchange licensed as such by the Securities and Exchange Commission

Governing Law

Philippine Law

PROVISIONS RELATING TO REDEMPTION

Notice Period	Minimum period: [●] Maximum period: [●]
Issuer Redemption Option	[●]
Final Redemption Amount	[●]
Early Redemption Date	[●]
Early Redemption Amount	[●]
Restricted Transfers	[●]
Prohibited Holders	[●]
Closed Period	[●]
Application to Purchase	[●]

PARTIES/DISTRIBUTION

Trustee	[●]
Registrar & Paying Agent	Philippine Depository & Trust Corp.
Joint Lead Arrangers and Joint Bookrunners	[●]
Selling Agent(s)	[●]
Market Maker	[●]
Market Maker	[●]
Listing Agent	[●]

ADDITIONAL INFORMATION
Amendment or Supplement to the Offering Circular

[Changes or updates to the Offering Circular]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

SECURITY BANK CORPORATION

By:

By:

SECTION 4. USE OF PROCEEDS

The intended use of proceeds for each of the Tranche or Series of the Securities being offered shall be set out in the relevant Pricing Supplement under “*Use of Proceeds*”.

SECTION 5. INVESTMENT CONSIDERATIONS

An investment in the Securities involves a number of investment considerations. Prior to making any investment decision, prospective investors should carefully consider, among other things, the risks described below, as well as the other information contained in this Offering Circular. Any of the following risks could materially adversely affect the business, financial condition, or results of operations of the Bank. The market price of the Securities could decline due to any one of these risks and as a result, investors could lose all or part of their investment.

In making an investment decision, each investor must rely on its own examination of the Bank and the terms of the offering of any of the Securities. The following discussion is not intended to be a comprehensive description of the risks and other factors and is not in any way meant to be exhaustive as the risks below are not the only risks the Bank faces. Additional risks and uncertainties not currently known to the Bank, or that it currently deems to be immaterial may also materially adversely affect the business, financial condition, or results of operations of the Bank. Prospective investors are encouraged to make their own independent legal, tax, financial, and business examination of the Bank, the Securities, and the market. Neither the Bank nor the Joint Lead Arrangers and Joint Bookrunners make any warranty or representation on the marketability or price on any investment in the Securities.

5.1 RISKS RELATING TO THE PHILIPPINES

5.1.1 An increase in interest rates could decrease the value of the Group's securities portfolio and raise the Group's funding costs.

Domestic interest rates have remained low since 2009, with the monetary policy directed towards stimulating the economy. In 2018, however, domestic interest rates started to rise following the BSP's staggered 175 basis point hike in policy rates to subdue inflationary pressures from higher taxes under the R.A. 10963 or the Tax Reform for Acceleration and Inclusion ("**TRAIN Law**"), rising global oil prices, an acute rice shortage, and a weaker peso. In 2019, the BSP has cumulatively cut its rates by 75 basis points to help bolster economic growth back to the government's target and with inflation on a downtrend.

From 2019 to 2022, the Monetary Board adopted an accommodative policy stance and decided on a series of interest rate reductions to stimulate economic activity. From August 2022 to 2023, the BSP made a pivot to increase interest rates to combat inflation. Following the 25-basis-point cut in August 2024, resulting in a target reverse repurchase ("**RRP**") rate of 6.25%, which was the first reduction in nearly four years, the Monetary Board decided to further reduce the BSP's target RRP rates by 25 basis points on each of the following dates: 16 October 2024, 19 December 2024, 10 April 2025, 19 June 2025, and 28 August 2025. As a result, the RRP rate as of 28 August 2025 is at 5.00%. The interest rates on the overnight deposit and lending facilities were also adjusted to 4.50% and 5.50%, respectively, effective 28 August 2025.

There is no assurance that interest rates in the Philippines will not further increase in the future, including in response to inflationary pressures resulting from higher food, energy, and other commodity prices, economic growth, tax reforms, and global developments.

The Bank realizes income from the margin between income earned on its interest-earning assets and interest paid on its interest-bearing liabilities. As some of its assets and liabilities are re-priced at different times, the Bank is vulnerable to fluctuations in market interest rates and any changes in the liquidity position of the Philippine market. As a result, volatility in interest rates could have a material adverse effect on the Bank's financial position, liquidity, and results of operations.

An increase in interest rates could lead to a decline in the value of securities in the Bank's portfolio and the Bank's ability to earn excess trading gains as revenue. A sustained increase in interest rates will also raise the Bank's funding costs without a proportionate increase in loan demand (if at all). Rising interest rates will therefore require the Bank to re-balance its assets and liabilities in order to minimize the risk of potential mismatches and maintain

its profitability. In addition, rising interest rate levels may adversely affect the economy in the Philippines and the financial position and repayment ability of its corporate and retail borrowers, including holders of credit cards, which in turn may lead to a deterioration of the Bank's credit portfolio in addition to lower levels of liquidity in the system which may lead to an increase in the cost of funding.

A sustained increase in interest rates will also raise the Bank's funding costs without a proportionate increase in loan demand (if at all). For example, in the context of rising interest rates, the Bank may be slower in repricing loans than deposits, therefore narrowing its net interest margin and negatively affecting its revenues and profitability. Rising interest rates will therefore require the Bank to re-balance its assets and liabilities in order to minimise the risk of potential mismatches and maintain its profitability. In addition, rising interest rate levels may adversely affect the economy in the Philippines and the financial position and repayment ability of its corporate and retail borrowers, which in turn may lead to a deterioration of the Bank's credit portfolio in addition to lower levels of liquidity in the system which may lead to an increase in the cost of funding.

5.1.2 Volatility in the value of the Peso against the U.S. dollar and other currencies as well as in the global financial and capital markets could adversely affect the Bank's businesses.

The value of the Peso may be adversely affected by certain events and circumstances such as the strengthening of the U.S. economy, the rise of the interest rates in the U.S. and other events affecting the global markets or the Philippines, causing investors to move their investment portfolios from the riskier emerging markets such as the Philippines. Consequently, an outflow of funds and capital from the Philippines may occur and may result in increasing volatility in the value of the Peso against the U.S. Dollar and other currencies. Also, a decline in the value of the Peso as regards foreign currencies may affect the ability of the Bank's customers to service debt obligations denominated in foreign currencies and increase NPLs. There can be no assurance that the Peso will not depreciate further against other currencies and that such depreciation will not have an adverse effect on the Bank. The Bank cannot provide assurance of effective mitigation to such systemic risk.

Under the BSP Guidelines, a bank's consolidated net open foreign exchange position (either overbought or oversold) shall not exceed 25% of its qualifying capital (as computed under the Risk-Based Capital Adequacy Framework of the BSP) or U.S.\$150 million, whichever is lower.

5.1.3 Substantially all of the Bank's operations and assets are based in the Philippines and, therefore, a slowdown in economic growth in the Philippines could materially and adversely affect the Bank's business, financial position and results of operations.

Substantially all of the Bank's business operations and assets are based in the Philippines. As a result, the Bank's income, results of operations and the quality and growth of its assets depend, to a large extent, on the performance of the Philippine economy. In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine currency and the imposition of exchange controls.

Factors that may adversely affect the Philippine economy include:

- Decreases in business, industrial, manufacturing, or financial activities in the Philippines, the Southeast Asian region or globally;
- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines, the Southeast Asian region or globally;
- exchange rate fluctuations and foreign exchange controls;
- rising inflation or increases in interest rates;
- levels of employment, consumer confidence, and income;
- changes in the Philippine government's fiscal and regulatory policies;
- Philippine government budget deficits;
- adverse trends in the current accounts and balance of payments of the Philippine economy;

- public health epidemics or outbreaks of diseases, such as the COVID-19 pandemic and the re-emergence of Middle East Respiratory Syndrome-Corona virus (MERS-CoV), SARS, avian influenza (commonly known as bird flu), or H1N1, monkeypox virus (Mpox), or the emergence of another similar disease (such as Zika) in the Philippines or in other countries in Southeast Asia;
- natural disasters, including but not limited to tsunamis, typhoons, earthquakes, fires, floods, and similar events;
- political instability, terrorism, or military conflict in the Philippines, other countries in the region or globally; and
- other regulatory, social, political, or economic developments in or affecting the Philippines.

There can be no assurance that the Philippines will maintain strong economic fundamentals in the future. Any deterioration in economic conditions in the Philippines could materially and adversely affect the Bank's financial position and results of operations, including the Bank's ability to grow its asset portfolio, the quality of the Bank's assets and its ability to implement the Bank's business strategy. Changes in the conditions of the Philippine economy could materially and adversely affect the Bank's business, financial condition, or results of operations.

The Philippine's GDP growth rate in 2024 was 5.6%, which was the same as the GDP growth rate in 2023, according to the Department of Economy, Planning, and Development, formerly the National Economic and Development Authority. There can be no assurance that the Philippines will maintain strong economic fundamentals in the future. Any deterioration in economic conditions in the Philippines could materially and adversely affect the Bank's financial position and results of operations, including the Bank's ability to grow its asset portfolio, the quality of the Bank's assets and its ability to implement the Bank's business strategy. Changes in the conditions of the Philippine economy could materially and adversely affect the Bank's business, financial condition, or results of operations.

5.1.4 The sovereign credit ratings of the Philippines may adversely affect the Bank's business.

The sovereign credit ratings of the Philippines directly affect companies residing and domiciled in the Philippines as international credit rating agencies issue credit ratings to that of the sovereign. In 2014, international credit rating agency Moody's Investors Service, Inc. (Moody's) upgraded its credit rating for the Philippines to "Baa2," and affirmed this rating multiple times, with the most recent affirmation in August 2024. In April 2019, international credit rating agency Standard & Poor's (S&P) upgraded its credit rating for the Philippines to "BBB+" and affirmed this rating multiple times, with the most recent affirmation in November 2024. In December 2017, Fitch Ratings (Fitch) upgraded its credit rating for the Philippines to "BBB" and affirmed the rating in February 2020 and May 2020. In June 2024, Fitch retained the sovereign rating of "BBB" with a "Stable" outlook, citing the Philippines' strong medium-term growth, which supports a gradual reduction in government debt/GDP over the medium term and the large size of the economy relative to "BBB" peers. All ratings are above investment grade and the highest that the Philippines has received so far from any credit ratings agency

International credit rating agencies issue credit ratings for companies with reference to the country in which they are resident. As a result, the sovereign credit ratings of the Philippines directly affect companies that are resident in the Philippines, such as the Bank. There is no assurance that Fitch, Moody's, S&P or other international credit rating agencies will not downgrade the credit rating of the Philippines in the future. Any such downgrade could have a material adverse effect on liquidity in the Philippine financial markets and the ability of the Philippine government and Philippine companies, including the Bank, to raise additional financing, and will increase borrowing and other costs.

5.1.5 Corporate governance and disclosure standards in the Philippines may differ from those in more developed countries.

Although a principal objective of Philippine securities laws is to promote full and fair disclosure of material corporate information, there may be less publicly available information about Philippine public companies, such as the Bank, than is regularly made available by public companies in the U.S. and other countries. As a result,

Bondholders may not have access to the same amount of information or have access to information in as timely a manner as may be the case for companies listed in the U.S. and many other jurisdictions. Furthermore, although the Bank complies with the requirements of the BSP and the Philippine SEC with respect to corporate governance standards, these standards may differ from those applicable in other jurisdictions.

Furthermore, corporate governance standards may be different for public companies listed on the Philippine securities markets than for securities markets in developed countries. Rules and policies against self-dealing and regarding the preservation of Bondholder interests may be less well-defined and enforced in the Philippines than elsewhere, putting Bondholders at a potential disadvantage. Because of this, the directors of Philippine companies may be more likely to have interests that conflict with the interests of Bondholders generally, which may result in them taking actions that are contrary to the interests of Bondholders.

Consequently, the Bank's Manual on Corporate Governance provides that one of the Board's responsibilities is to act in the best interest of the Bank, and consistent with the Bank's corporate objectives.

5.1.6 Political instability may have a negative effect on the general economic conditions in the Philippines, which in turn could have a material adverse impact on the business, financial position, or results of operations of the Bank.

The Philippines has from time to time experienced political and military instability. The Philippine Constitution provides that, in times of national emergency, when the public interest so requires, the Government may take over and direct the operation of any privately-owned public utility or business. In the last few years, there were instances of political instability, including impeachment proceedings against two former presidents, a Chief Justice of the Supreme Court of the Philippines, and public and military protests arising from alleged misconduct by a previous administration.

On 25 May 2022, Ferdinand “**Bongbong**” Marcos, Jr. was officially declared by the Philippine Congress as the 17th President of the Republic of the Philippines. Deviations from the policies of the previous administration or fundamental changes in direction, including with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and instability. Controversies surrounding the President's family and history may also raise risks of social and political unrest.

In the international arena, however, the International Criminal Court (“**ICC**”) conducted an inquiry on the “**war on drugs**” of former President Rodrigo Duterte, which was thereafter suspended in 2021 after the Philippine government asked the ICC to defer its investigation, arguing that the national authorities were already investigating the same allegations domestically. The ICC prosecutor asked that he be authorised to resume the investigation, noting that the domestic proceedings did not amount to an investigation that would sufficiently mirror the ICC's. On 26 January 2023, the ICC ruled to resume its investigation on former Philippine President Duterte's “**war on drugs**”. While the Philippine government appealed the ICC's decision, this was subsequently denied in July 2023, with the Philippine government continuing to argue that the ICC has no jurisdiction to investigate the “**war on drugs**” campaign, insisting that the country's judicial system can sufficiently conduct such investigation. On 11 March 2025, the ICC issued, and Philippine authorities executed, an arrest warrant, and thereafter transferred custody of former President Duterte to the ICC, where he is currently detained. The initial appearance of the former President before the ICC Pre-trial Chamber (the “**Chamber**”) took place on 14 March 2025, where he appeared in the hearing via videolink, as authorized by the Chamber. The Chamber has provisionally scheduled a hearing on the confirmation of charges to begin on 23 September 2025.

Also, in mid-2023, the Office of the Vice President (OVP) was scrutinised for having spent ₱125 million in confidential and intelligence funds in a matter of less than three weeks, such period of time likewise being a point of controversy for citizens and lawmakers. Several petitions have since been filed with the Supreme Court, questioning the legality of the fund transfer from the Office of the President to the OVP, requesting that the high court order the restitution of such contested public funds.

On 5 February 2025, the House of Representatives of the Philippines approved the articles of impeachment of the Vice President of the Philippines and forwarded the same to the Senate of the Philippines. Following the transmittal of the articles of impeachment to the Senate, the impeachment trial for the Vice President of the Philippines is expected to commence in accordance with applicable laws and regulations. On 10 June 2025, the Senate moved to remand the articles of impeachment to the House of Representatives. On 11 June 2025, the House of Representatives of the Philippines adopted House Resolution No. 2346 to certify that the impeachment proceedings initiated by it adhered to the Philippine Constitution. Additionally, the House of Representatives deferred accepting the articles of impeachment pending further clarification from the Senate about its decision to remand the same. On 8 July 2025, the Supreme Court of the Philippines directed the House of Representatives to submit information and documents on the impeachment of the Vice President, and the House of Representatives subsequently confirmed that it has complied with such directive. On 25 July 2025, the Supreme Court *en banc* declared the Articles of Impeachment against the Vice President unconstitutional on the grounds of due process (*i.e.*, it is barred by the prohibition against instituting impeachment proceedings against the same official more than once within a period of one year). In light of previous impeachment complaints filed against the Vice President, the Supreme Court ruled that no new impeachment complaints may be commenced earlier than 6 February 2026. On 4 August 2025, the House of Representatives filed a motion for reconsideration of the Supreme Court's decision.

An unstable political environment, whether due to the imposition of emergency executive rule, martial law, charter change, or widespread popular demonstrations or rioting, could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material adverse effect on the business, operations, and financial condition of the Bank.

There can be no assurance that the current administration will continue to implement social and economic policies favoured by the previous administrations. Major deviation from the policies of the previous administrations or fundamental changes of direction, may lead to an increase in political or social uncertainty and instability. The controversy surrounding the President's family may also raise risks of social and political unrest. Any potential instability could have an adverse effect on the Philippine economy, which may impact the Bank's businesses, prospects, financial condition, and results of operations.

5.1.7 Territorial disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.

The Philippines, China, and several Southeast Asian nations have been engaged in a series of long-standing territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. The Philippines maintains that its claim over the disputed territories is supported by recognized principles of international law consistent with the United Nations Convention on the Law of the Sea ("UNCLOS"). The Philippines made several efforts during the course of 2011 and 2012 to establish a framework for resolving these disputes, calling for multilateral talks to delineate territorial rights and establish a framework for resolving disputes.

Despite efforts to reach a compromise, a dispute arose between the Philippines and China over a group of small islands and reefs known as the Scarborough Shoal. In April and May 2012, the Philippines and China accused each other of deploying vessels to the shoal in an attempt to take control of the area, and both sides unilaterally imposed fishing bans at the shoal later that year. These actions threatened to disrupt trade and other ties between the two countries, including a temporary ban by China on Philippine banana imports, as well as a temporary suspension of tours to the Philippines by Chinese travel agencies. Since July 2012, Chinese vessels have reportedly turned away Philippine fishing boats attempting to enter the shoal, and the Philippines has continued to protest China's presence there. In January 2013, the Philippines sent notice to the Chinese embassy in Manila that it intended to seek international arbitration to resolve the dispute under UNCLOS. China has rejected and returned the notice sent by the Philippines to initial arbitral proceedings.

On 9 May 2013, a Philippine Coast Guard ship opened fire on a Taiwanese fisherman's vessel in a disputed exclusive economic zone between Taiwan and the Philippines, killing a 65-year old Taiwanese fisherman. Although the Philippine government maintained that the loss of life was unintended, Taiwan imposed economic sanctions on the Philippines in the aftermath of the incident. Taiwan eventually lifted the sanctions in August 2013 after a formal apology was issued by the Government of the Philippines.

In September 2013, the Permanent Court of Arbitration in The Hague, Netherlands issued rules of procedure and initial timetable for the arbitration in which it will act as a registry of the proceedings. Should these territorial disputes continue or escalate further, the Philippines and its economy may be disrupted and the operations of the Bank could be adversely affected as a result. In particular, further disputes between the Philippines and China may lead both countries to impose trade restrictions on the other's imports. On 12 July 2016, the five-member Arbitral Tribunal at the Permanent Court of Arbitration in The Hague, Netherlands, unanimously ruled in favour of the Philippines on the maritime dispute over the West Philippine Sea. The Tribunal's landmark decision contained several rulings, foremost of which invalidated China's "**nine-dash line**", or China's alleged historical boundary covering about 85% of the South China Sea, including 80% of the Philippines Exclusive Economic Zone in the West Philippine Sea. China rejected the ruling, saying that it did not participate in the proceedings for the reason that the court had no jurisdiction over the case. On 9 June 2019, a fishing boat manned by Filipino fishermen was rammed by a Chinese vessel at Recto Bank, an underwater reef formation being claimed by both the Philippines and China in the portion of the South China Sea portion that Manila calls the West Philippine Sea. The Filipino fishermen were abandoned in open sea and were eventually rescued by a Vietnamese vessel. This incident increased tensions between China and the Philippines. The owners of the Chinese vessel have since apologized to the Filipino fishermen and remuneration is being arranged for the fishermen.

In March 2021, more than 180 Chinese military vessels were spotted on Julian Felipe Reef in the West Philippine Sea. The presence of the vessels defied a diplomatic protest and a demand for the vessels to leave the area issued by Philippine Defense Secretary Delfin Lorenzana. United States President Joe Biden has manifested that the United States would not be easing up its military operations in the West Philippine Sea. South Asian nations and claimants involved in the West Philippine Sea dispute also continue to enforce their sovereign rights against China as well as other South Asian nations. On 14 February 2023, the President of the Philippines summoned the Chinese Ambassador to the Philippines to discuss the reported harassment made by a Chinese Coast Guard ship toward a Philippine Coast Guard vessel in the Ayungin Shoal in the West Philippine Sea on 6 February 2023. In another incident that occurred on August 11, 2025, a Chinese Coast Guard vessel was rammed by a Chinese Navy warship during the pursuit of a Philippine Coast Guard vessel. According to the Philippine Coast Guard, the Chinese Coast Guard vessel was tailing the Philippine Coast Guard Vessel (BRP Suluan) when the collision happened. The Department of Foreign Affairs issued a formal protest, condemning China's "**dangerous and irresponsible maneuvers**" against Philippine vessels operating legally in the area. The Philippine government also renewed its long-standing demand for restitution from China.

Any such impact from these disputes could adversely affect the Philippine economy, and materially and adversely affect the Bank's business, financial position and financial performance.

Should territorial disputes between the Philippines and other countries in the region continue or escalate further, the Philippines and its economy may be disrupted and the Bank's operations could be adversely affected as a result. In particular, further disputes between the Philippines and other countries may lead to reciprocal trade restrictions on the other's imports or suspension of visa-free access and/or overseas Filipinos permits. Any impact from these disputes in countries in which the Bank has operations could materially and adversely affect the Bank's business, financial condition and results of operations.

5.1.8 Acts of terrorism and violent crimes could destabilize the country and could have a material adverse effect on the Bank's business, financial position, and results of operations.

The Philippines has been subject to a number of terrorist attacks. The Philippine army has been in conflict with various groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines, as well as clashes with separatist groups. In addition, bombings have taken place in the Philippines,

mainly in cities in the southern part of the country. For example, in January 2019, bombs were detonated in the Jolo Cathedral in the Municipality of Jolo, Sulu, and in a Mosque in Zamboanga City, Zamboanga del Sur. In May 2017, a clash erupted in Marawi, Lanao del Sur, between government security forces and the ISIS-affiliated Maute group, following the Government's offensive to capture alleged ISIS leader in Southeast Asia, Isnilon Hapilon, who was believed to be in the city. Former President Duterte immediately declared Martial Law in Mindanao amid protests from the opposition and sectors of civil society. In a special joint session convened on 22 July 2017, both Houses of Congress voted to extend Martial Law until the end of 2017. On 17 October 2017, former President Duterte declared the liberation of Marawi City. The clashes resulted in the loss of the lives of civilians, soldiers, and ISIS-inspired extremists, as well as damage to property and livelihood of Marawi residents. The reconstruction of the city is ongoing. Martial Law in Mindanao was extended by both Houses of Congress until 31 December 2019. The Martial law in Mindanao was lifted on 1 January 2020; however, in certain areas in Mindanao, law enforcement groups remain in heightened security as a measure against potential terror threats. On 03 July 2020, Republic Act No. 11479, otherwise known as the Anti-Terrorism Act of 2020, was signed into law to replace Republic Act No. 9372, otherwise known as the Human Security Act of 2007. The law is currently being challenged in the Supreme Court by multiple groups.

The potential escalation in the frequency, severity, or geographic extent of terrorist acts, violent crimes, bombings, and related incidents bears significant implications for investment and confidence in the Philippine economy. These destabilizing factors possess the capacity to disrupt specific areas of the company's operations, thereby exerting material adverse effects on its financial position, operational performance, and future prospects. Moreover, the protracted conflicts between the government and separatist groups introduce the risk of civilian and AFP casualties, potentially engendering further instability within the country and adversely impacting its overall economic landscape. The Bank cannot guarantee the absence of future acts of terrorism or violent crimes, which, if materialized, could have substantial adverse consequences on its business activities, financial condition, and operational outcomes.

Likewise, similar attacks or conflicts involving the government and armed or terrorist factions possess the capacity to result in civilian and law enforcement or military personnel casualties, thereby inducing destabilization in select regions of the country and exerting negative ramifications on its economic fabric. The heightened frequency, severity, or geographic reach of terrorist acts can exert detrimental repercussions on the country's economic stability. Consequently, such destabilization may introduce disruptions to specific areas of the bank's operations, yielding material adverse effects on its financial position, operational performance, and future prospects. Notably, an elevation in the incidence of terrorist acts, irrespective of the dimension of their frequency, severity, or geographic extent, represents a substantial threat to the country's economic environment.

5.1.9 Public health epidemics or outbreaks of diseases (in addition to COVID-19) could have an adverse effect on economic activity in the Philippines, and could materially and adversely affect the Bank's business, financial condition, and results of operations.

In April 2009, an outbreak of the H1N1 virus, commonly referred to as "swine flu", occurred in Mexico and spread to other countries, including the Philippines. In August 2014, the World Health Organisation declared the Ebola outbreak that originated in West Africa as an international health emergency in view of the rising death toll due to the disease. That month, a Filipino seaman in Togo was quarantined for exhibiting symptoms of the Ebola virus infection, but was later released after testing negative for the disease. In March 2016, the Director-General of the World Health Organisation terminated the Public Health Emergency of International Concern in regard to the Ebola virus disease outbreak. In February 2015, a Filipina nurse who arrived from Saudi Arabia tested positive for MERS-CoV. In March 2016, reports of an American woman who stayed in the Philippines for some weeks in January 2016 and tested positive for the Zika virus upon returning home, indicating the local transmission of the disease through the *Aedes aegypti* mosquito. In May 2016, a South Korean national was reported to have acquired the infection while visiting the Philippines, following earlier reports of two other confirmed cases of the viral infection in the country. In August 2017, an outbreak of bird flu from a poultry farm in Central Luzon was confirmed, and the avian influenza strain was later found to be transmissible to humans. In response to the outbreak, restrictions on the transport and sale of birds and poultry products outside a seven-kilometre radius

control area surrounding the affected site were imposed. In September 2019, the DOH confirmed that polio re-emerged in the Philippines, 19 years after the country was declared polio-free by the World Health Organisation (WHO) in 2000. As of 25 November 2019, the total number of confirmed polio cases was eight. Since early May 2022, cases of monkeypox have been reported from countries where the disease is not endemic and continue to be reported in several endemic countries. On 23 July 2022, WHO Director-General Tedros Adhanom Ghebreyesus declared the ongoing monkeypox outbreak a Public Health Emergency of International Concern. The Philippines remains vulnerable to exposure and spread of diseases for the following reasons: (a) the considerable number of overseas Filipino workers across the globe; (b) the impact of international travel, which raises the probability of transmission; and (c) the lack of the necessary infrastructure to contain the spread of diseases.

If an outbreak of the Ebola virus, MERS-CoV, Zika virus, bird flu virus, polio, monkeypox, or COVID-19 and any of its variants, or any public health epidemic becomes widespread in the Philippines or increases in severity, it could have an adverse effect on economic activity in the Philippines, and could materially and adversely affect the Bank's business, financial condition, and results of operations. The Bank cannot provide assurance of effective mitigation to such systemic risk.

5.1.10 Natural or other catastrophes, including severe weather conditions, may materially disrupt the Bank's operations and result in losses not covered by its insurance.

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, droughts, volcanic eruptions and earthquakes.

Significant calamities that hit the country were Typhoon Ondoy in 2009, Typhoon Yolanda in 2013, the Bohol and Cebu Earthquake in 2013, the Cotabato and Batangas Earthquakes in 2019, the eruption of Taal Volcano in 2020, Typhoon Odette in 2021, and the series of strong earthquakes that hit Surigao del Sur in 2023.

On 26 March 2022, Taal Volcano erupted, resulting in PHIVOLCS raising the classification to Alert Level 3 and recommending the immediate evacuation of residents in the surrounding area. While Taal Volcano currently has a classification of Alert Level 1, in September 2023, it spewed above average sulphur dioxide and volcanic smog, prompting authorities to close schools in dozens of cities and towns and to urge people to stay indoors.

In July 2022, a magnitude 7.0 earthquake struck Abra province in Northern Luzon, causing multiple casualties, cutting off power and fresh water in some areas and causing damage estimated at about ₱316 million. In October 2022, tropical storm Paeng caused flooding and landslides in the island of Mindanao. Its strong winds and heavy rains took the lives of at least 45 people, with many more left missing as it displaced thousands of residents and submerged schools and households in floodwater. In July 2023, the National Disaster Risk Reduction and Management Council reported that around 5,882,288 people had been affected by tropical storm Egay. Its heavy rainfall and strong winds caused damage to infrastructure in Regions 1, 2, 5, 6, 11, 12, and MIMAROPA, amounting to an estimate of over ₱1 billion in damages, and damage to agriculture amounting to an estimated ₱800 million.

In August 2023, another super typhoon, Goring, caused damage amounting to an estimated ₱442 million in the Cordillera, Ilocos, Cagayan Valley, and MIMAROPA regions. In July 2025, the Philippines was struck by tropical cyclones Crising, Dante, and Emong, causing an estimated ₱5 billion in infrastructure damage, according to the National Disaster Risk Reduction and Management Council.

In December 2023, a magnitude 7.4 earthquake and magnitude 6.8 earthquake hit the province of Surigao del Sur in the span of three days, resulting in at least three casualties and leaving 79 people injured.

Natural catastrophes will continue to affect the Philippines. The Bank may incur losses for such catastrophic events, which could materially and adversely affect its business, financial condition, and results of operations.

There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Bank's operations. As a result, the occurrence of natural or other catastrophes or severe weather conditions may adversely affect the Bank's business, financial condition, and results of operations. The Bank cannot provide assurance of effective mitigation to such systemic risk. These factors, which are not within the Bank's control, could potentially have significant effects on the Bank's branches and operations. While the Bank carries insurance for certain catastrophic events, in amounts and with deductibles that the Bank believes are in line with general industry practices in the Philippines, there are losses for which the Bank cannot obtain insurance at a reasonable cost or at all. However, should an uninsured loss or a loss in excess of insured limits occur, the Bank could lose all or a portion of the capital invested in such business, as well as the anticipated future turnover, while remaining liable for any costs or other financial obligations related to the business. Any material uninsured loss could materially and adversely affect the Bank's business, financial position, and results of operations.

5.2 RISKS RELATING TO THE PHILIPPINE BANKING INDUSTRY

5.2.1 The Philippine banking industry is highly competitive and increasing competition may result in declining margins in the Bank's principal businesses.

The Bank is subject to significant levels of competition from other Philippine banks and branches of international banks, including competitors which in some instances have greater financial and other capital resources, bigger market share, and stronger brand name recognition than the Bank. The Philippine banking industry has, in recent years, been subject to consolidation and liberalization, including liberalization of foreign ownership regulations.

The recent mergers and consolidations in the banking industry, as well as the liberalization of foreign ownership regulations in banks, have allowed the emergence of foreign banks and bigger local banks in the market. For example, there has been increased foreign bank participation in the Philippines following the lifting of the ban on the granting of new licences by the Monetary Board, as well as the amendment of banking laws with respect to the limit on the number of foreign banks. This has led to Sumitomo Mitsui Banking Corporation, Cathay United Bank, Industrial Bank of Korea – Manila Branch, Shinhan Bank – Manila Branch, United Overseas Bank Limited Manila Branch, Hua Nan Commercial Bank, First Commercial Bank – Manila Branch, CIMB Bank Philippines, Inc., Industrial and Commercial Bank of China Limited – Manila Branch, and Chang Hwa Commercial Bank, Ltd. – Manila Branch being granted new licences, and also equity investments by Bank of Tokyo-Mitsubishi UFJ into Security Bank, Cathay Life into Rizal Commercial Banking Corporation, Woori Bank into Wealth Development Bank, and Tyme Group in GoTyme Bank Corporation. In addition, the establishment of the ASEAN Economic Community in 2015 may enhance cross-border flows of financial services (in addition to goods, capital, and manpower) among member nations. This is expected to increase the level of competition from both Philippine banks and branches of international banks, and may impact the Philippine banks' operating margins.

As of 30 June 2025, there were a total of 44 domestic and foreign universal and commercial banks operating in the Philippines. For the commercial banks, two are private domestic banks, two are foreign bank subsidiaries, and 18 are branches of foreign banks. For the universal banks, 13 are private domestic banks, three are government banks, and six are branches of foreign banks. The Philippines also had six digital banks.

The emergence of digital banks and financial technology (fintech) companies in recent years has also resulted in increased competition, especially in the context of the BSP's promotion of digitalisation and financial inclusion. In 2021, the BSP granted digital bank licences to six entities. There is also a large number of fintech companies providing various banking and financial services, such as payment gateways, buy-now-pay-later, mobile point-of-sale solutions, credit scoring, and fraud detection solutions. These fintech companies may rapidly develop their business and expand their service coverage and more fintech companies may be established, increasing the competition.

Going forward, the Bank may face increased competition from local and foreign banks in terms of the range of commercial banking services and products, wider distribution network, or greater financial resources. There can be no assurance that the Bank will be able to compete effectively in the face of such increased competition. Increased competition may make it difficult for the Bank to increase the size of its loan portfolios and deposit

bases and may cause increased pricing competition, which could have a material adverse effect on its growth plans, margins, ability to pass on increased costs of funding, results of operations, and financial position.

5.2.2 The Bank may have to comply with strict regulations and guidelines issued by regulatory authorities in the Philippines, including the BSP and the BIR and international bodies, including the FATF.

On 25 June 2021, the Financial Action Task Force (“**FATF**”) released its grey list of countries that will be subjected to increased monitoring to prove their progress as they address strategic deficiencies in their regimes against money laundering, terrorist financing, and proliferation financing. With its inclusion in the grey list, the Philippines needs to implement the eighteen (18) action items required within the prescribed timelines to ensure the country’s removal from such list. Progress reports must likewise be submitted to the FATF thrice a year. The AMLC emphasized, however, that the Philippines will not yet be subjected to countermeasures. It is only when a country fails to meet the deadlines that the FATF will call on countries to impose countermeasures against it.

The Bank is regulated and supervised principally by and has reporting obligations to the BSP. The Bank is also subject to the banking, corporate, taxation and other laws in effect in the Philippines, administered by agencies such as the Anti-Money Laundering Council (“**AMLC**”), the Bureau of Internal Revenue (the “**BIR**”), the Philippine Securities and Exchange Commission (the “**SEC**”) and the Philippine Stock Exchange (“**PSE**”). The Bank is also subject to recommendations and pronouncements of international bodies such as the Financial Action Task Force (the “**FATF**”) which have been adopted, incorporated, or referred to by BSP in its regulatory issuances.

In recent years, existing rules and regulations have been modified, new rules and regulations have been enacted and reforms have been implemented which are intended to provide tighter control and added transparency in the Philippine banking sector. These rules include new guidelines on the monitoring and reporting of suspected money laundering activities as well as regulations governing capital adequacy of banks in the Philippines. Institutions that are subject to the Anti-Money Laundering Act of 2001 (“**RA 9160**”), as amended, are required to establish and record the identities of their clients based on official documents, and update said client information no less than once every three years. In addition, all records of transactions are required to be maintained and stored for a minimum of ten years from the date of the relevant transaction. Records of closed accounts must also be kept for five years after their closure.

The BSP has also ordered universal, commercial, and thrift banks to conduct real estate stress tests to determine whether their capital is sufficient to absorb a severe shock. The real estate stress test limit (“**REST Limit**”) combines a macro prudential overlay of a severe stress test scenario, the principle of loss absorbency through minimum capital ratio thresholds and heightened supervisory response. Should a bank fail to comply with the prescribed REST Limits, it shall be directed to explain why its exposures do not warrant immediate remedial action. Should the same be found insufficient, the bank shall be required to submit an action plan to meet the REST Limits within a reasonable time frame.

In June 2016, the BSP implemented the interest rate corridor (“**IRC**”) which effectively narrowed the band among the BSP’s key policy rates. The pricing benchmark, which used to be the special deposit account prior to the implementation of the IRC, was replaced by the overnight deposit facility and forms the lower band of the IRC. Meanwhile, the rate for the overnight lending facility replaced the repurchase facility. The rate for the overnight lending facility forms the upper band of the IRC. The BSP likewise introduced the term deposit facility to serve as the main tool for absorbing liquidity through weekly term deposit facility auctions, the frequency for which may be changed depending on the BSP’s liquidity forecasts.

The BIR has also promulgated rules on the submission of an Alphabetical List (“**Alphalist**”) of portfolio investors receiving income payments and dividends. The BIR requires all withholding agents to submit an Alphalist of payees on income payments subject to creditable and withholding taxes and prohibit the lumping into a single amount and account of various income payments and taxes withheld. In the case of The Philippine Stock

Exchange, Inc. v. Secretary of Finance, G.R. No. 213860 dated 5 July 2022, the Supreme Court, however, struck down the said BIR rule as unconstitutional.

Additionally, universal and commercial banks are required by the BSP to maintain reserves against deposits and deposit substitute liabilities, which, effective 25 October 2024, are imposed at the following rates: (a) 7.0% against demand deposits, negotiable order of withdrawal (“**NOW**”) accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable certificates of time deposits (“**CTDs**”), long-term non-negotiable tax-exempt CTDs, deposit substitutes, Peso deposits lodged under due to foreign banks, and Peso deposits lodged under due to head office/branches/agencies abroad of banks (a Philippine branch of a foreign bank); (b) nil against deposit substitutes evidenced by repurchase agreements; (c) 4.0% against long-term negotiable certificates of time deposits; (d) 1.0% against green, social sustainable bonds as defined under the relevant regulations of the SEC or other relevant regional or international standards acceptable to the market (Sustainable Bonds) issued within one year from 6 January 2024; (e) nil for Sustainable Bonds issued one year after 6 January 2024, effective for another 12 months; (f) 3.0% against bonds other than Sustainable Bonds; and (e) nil against basic deposit accounts as defined under Section X222 of the MORB.

In the event of any changes to existing guidelines or rules, or introduction of additional regulations, the Bank will have to comply with the same and may incur substantial compliance and monitoring costs. The Bank’s failure to comply with current or future regulations and guidelines issued by regulatory authorities in the Philippines and in other relevant jurisdictions could have a material adverse effect on the Bank’s business, financial condition, and results of operations. Such failure to comply could also result in the imposition of administrative sanctions or filing of criminal charges against the Bank and its employees responsible for violations.

5.2.3 In case of non-compliance with FATCA, it may cause material and adverse impact on the Bank’s business, financial conditions, and results of operations.

FATCA is the Foreign Account Tax Compliance Act enacted into law in the U.S. on 18 March 2010 as part of the Hiring Incentives to Restore Employment (“**HIRE**”) Act. It is a new regime for finding income overseas as a response to a landmark court case in which a large international bank agreed to pay U.S.\$780 million in fines for their role in assisting U.S. citizens in evading income taxes.

FATCA impacts a number of organizations and individuals. It first affects U.S. persons with income abroad. Secondly, foreign financial institutions (“**FFIs**”) that invest in U.S. markets will be impacted as well as U.S. financial institutions that do business with FFIs. Additionally, local government and taxing authorities in each country will see the effects of the act as well. It also brought forth an expansion of tax reporting for non-resident aliens.

An FFI will have to set up a process to identify U.S. accounts as part of its on-boarding procedures. Once that is in place, it will also have to identify any current accounts with U.S. indicia. Additionally, there is a need to set up a process to monitor account changes for indicia of U.S. status.

After the identification of impacted accounts, an FFI will have to collect documentation on each of these accounts to prove whether or not they are a U.S. person. If they are not a U.S. person and the FFI has the appropriate documentation, the FFI’s obligations have been fulfilled. If they are a U.S. person, the FFI’s next move will depend on the country that has jurisdiction over the FFI. By default, the Participating Foreign Financial Institutions (“**PFFIs**”) in countries without an intergovernmental agreement will directly report to the IRS.

FATCA requires certain U.S. taxpayers holding foreign financial assets with an aggregate value exceeding U.S.\$50,000 to report certain information on a new form (Form 8938 — Statement of Specified Foreign Financial Assets) that must be attached to the taxpayer’s annual return.

There is a requirement for PFFIs to withhold 30% of income from recalcitrant account holders in order to comply with FATCA. A recalcitrant account holder is one who fails to comply with reasonable requests pursuant to IRS

mandated verification and due diligence procedures to identify U.S. accounts, to provide a name, address and TIN or fails to provide a bank secrecy waiver upon request.

Specific to the Bank's compliance with FATCA, the Bank and its subsidiaries registered on 7 April 2014 as an Expanded Affiliated Group i.e. Security Bank Corporation (lead financial institution) and subsidiaries. The Bank subsequently updated its FATCA status to Registered Deemed Compliant Foreign Financial Institution under a Model 1 Intergovernmental Agreement ("IGA"). The Bank's FATCA ID and Global Intermediary Identification Number is VF107Z.00000.LE.608.

Under the IGA, the Secretary of Finance or Commissioner of Internal Revenue is the competent authority to receive FATCA information for reporting to the U.S. Internal Revenue Service. FATCA reporting will not take place until the PH-US FATCA IGA has been concurred by the Philippine Senate and has entered into force.

Philippine banks also face the threat of being assessed for documentary stamp tax upon their issue of passbooks for higher interest rate deposits. The Court of Tax Appeals has, in several cases against other Philippine banks, affirmed the BIR's position that passbooks for higher interest rate deposits having the essential features of a certificate of deposit are subject to the documentary stamp tax imposed on certificates of deposit. It has been ruled by the Supreme Court that a passbook representing an interest earning deposit account issued by a bank qualifies as a certificate of deposit drawing interest. The Supreme Court also held that to claim that time deposits evidenced by passbooks should not be subject to documentary stamp tax is a clear evasion of the rule on equality and uniformity in taxation that requires the imposition of documentary stamp tax on documents evidencing transactions of the same kind i.e., on all certificates of deposits drawing interest. These Supreme Court rulings could result in the Bank's taxation charge being increased.

In addition, new taxation regulations issued by the BIR may have an adverse effect on the Bank. If the Bank is unable to comply with existing and new rules and regulations applicable to it, it could incur penalties and its business reputation may suffer, which could have a material adverse effect on its business, financial position and results of operations.

5.2.4 Increased enforcement by the Government of priority lending for the agrarian reform and agricultural sectors could adversely affect the Bank's business, financial condition, and results of operations.

The Government mandated that all banking institutions, whether government or private, except newly established banks for a period of five (5) years from the date of commencement of the banks' operations, shall set aside a credit quota, or a minimum mandatory agricultural and fisheries financing requirement of at least twenty-five percent (25%) of their total loanable funds. Failure to meet the specified level of loans may result in fines being assessed against a non-compliant bank.

Because the Bank is unable to generate sufficient exposure to the agrarian reform-based sector that meets its credit and risk management standards, the Bank has paid fines in the past and may continue to do so in the future. There can be no assurance that the Government will not increase its penalties for non-compliance or force banks to lend in accordance with the policy in the future. If the Government substantially increases the penalty for non-compliance or the Bank is forced to extend loans to the agrarian reform and agricultural sectors that are inconsistent with the Bank's credit and risk management policies, its business, financial condition, and results of operations could be adversely affected.

5.2.5 The Bank may experience difficulties due to the implementation of Basel III in the Philippines

On 1 July 2007, BSP Circular No. 538, which was issued by the BSP on 4 August 2006, took effect. This circular contains the implementing guidelines of the revised International Convergence of Capital Measurement and Capital Standards known as Basel II.

On 15 January 2009, the BSP issued Circular No. 639 covering the Internal Capital Adequacy Assessment Process (“ICAAP”) which supplements the BSP’s risk-based capital adequacy framework under BSP Circular No. 538. The BSP requires banks to have in place an ICAAP that (i) takes into account not just the credit, market, and operational risks but also all other material risks to which a bank is exposed (such as interest rate risk in the banking book, liquidity risk, compliance risk, strategic/business risk and reputation risk); (ii) covers more precise assessments and quantification of certain risks (i.e. credit concentration risk); and (iii) evaluates the quality of capital.

In December 2010, a new update to the Basel Accords, known as Basel III, was issued by the Basel Committee on Banking Supervision (“**Basel Committee**” or “**BCBS**”) containing new standards that modify the structure of regulatory capital. The Basel III regulations include tighter definitions of Tier 1 capital and Tier 2 capital, the introduction of a leverage ratio, changes in the risk weighting of counterparty credit risk, a framework for counter-cyclical capital buffers, and short and medium-term quantitative liquidity ratios.

On 10 January 2011, the BSP issued BSP Circular No. 709, which aligns with the Basel Committee on Banking Supervision on the eligibility criteria on Additional Group Concern capital and Tier 2 capital to determine eligibility of capital instruments to be issued by Philippine banks/quasi-banks as Hybrid Tier 1 capital and Lower Tier 2 capital. Moreover, on 25 March 2011, the BSP issued Circular No. 716, which amends the definition of qualifying capital instruments under the risk-based capital adequacy framework for Philippine banks/quasi-banks. Under BSP Circular No. 716, among the conditions to be eligible to be qualified as a Lower Tier 2 capital is the submission of a written external legal opinion that the requirements enumerated for Lower Tier 2 capital, including subordination features, have been met. Further, in January 2013, the BSP issued Circular No. 781 as the Basel III Implementing Guidelines on Minimum Capital Requirements, which took effect in January 2014. The guidelines include the following highlights:

- adoption of a new categorization of the capital base;
- adoption of an eligibility criteria for each capital category that is not yet included in BSP Circular No. 709;
- allowing the BSP to adopt regulatory deductions in Basel III, as applicable;
- keeping the minimum capital adequacy ratio (“**CAR**”) at 10%, and prescribing: (i) a minimum common equity Tier 1 (“**CET1**”) ratio of 6.0%, (ii) a minimum Tier 1 CAR ratio of 7.5%, and (iii) an additional capital conservation buffer (“**CCB**”) of 2.5%;
- revaluation of certain available for sale (“**AFS**”) securities and of impairments that could arise from trading losses;
- if the Bank is classified as “**systemically important**”, it may be required to hold additional capital reserves;
- by 1 January 2014, rendering ineligible existing capital instruments as of 31 December 2010 that do not meet the eligibility criteria for capital instruments under the revised capital framework;
- by 1 January 2016, rendering ineligible regulatory capital instruments issued under BSP Circulars No. 709 and 716 before the revised capital framework became effective; and
- subjecting covered banks and quasi-banks to the enhanced disclosure requirements pertaining to regulatory capital.

On 29 October 2014, the BSP issued Circular No. 856, or the “Implementing Guidelines on the Framework for Dealing with Domestic Systemically Important Banks (“**D-SIBs**”) under Basel III” to address systemic risk and interconnectedness by identifying banks which are deemed systemically important within the domestic banking industry. Banks that will be identified as D-SIBs shall be required to have higher loss absorbency, on top of the minimum CET1 capital and CCB. Identified D-SIBs will need to put up an additional 1.5 to 3.5% CET1 depending on their classification. Compliance with this requirement was phased-in starting 1 January 2017, with full compliance required by 1 January 2019.

On 10 March 2016, the BSP issued Circular No. 905, or the “Implementation of Basel III Framework on Liquidity Standards — Liquidity Coverage Ratio (“**LCR**”) and Disclosure Standards”. Furthermore, banks face new liquidity requirements under Basel III’s new liquidity framework, namely, the LCR and the net stable funding ratio (“**NSFR**”). The LCR requires banks to hold sufficient level of high-quality liquid assets to enable them to withstand a 30 day-liquidity stress scenario. Beginning on 1 January 2018, the LCR threshold that banks will be required to meet will be 90%, which will be increased to 100% beginning on 1 January 2019. During the observation period prior to 1 January 2018, banks are required to submit quarterly LCR reports for monitoring purposes.

On 26 January 2017, the BSP issued Circular No. 943 which approved a one-year extension of the Basel III Leverage Ratio monitoring period from 31 December 2016 to 31 December 2017 and set new deadlines for the submission of the reporting and disclosure requirements. During the monitoring period, the BSP will continue to assess the calibration and treatment of the components of the leverage ratio. Final guidelines will be issued in view of the changes to the framework as well as migration from monitoring of the leverage ratio to a Pillar 1 requirement starting 1 January 2018.

Meanwhile, the NSFR requires banks’ assets and activities to be structurally funded with long-term and more stable funding sources. On 4 June 2018, the BSP announced the Monetary Board’s approval of the adoption of the NSFR for universal and commercial banks. Beginning 1 January 2019, covered institutions are required to maintain an NSFR of 100.0% on both solo and consolidated bases. Although these measures are aimed at strengthening the ability of banks to withstand liquidity stress and promote resilience of the banking sector, compliance with these ratios may also further increase competition among banks for deposits as well as high quality liquid assets.

As of 31 December 2024, the Bank’s single currency LCR was 178.3% on a consolidated basis and NSFR was 130.4% on a consolidated basis.

These may result in an increase in the capital adequacy requirement of the Bank. Unless the Bank is able to access the necessary amount of additional capital, any incremental increase in the capital requirement due to the implementation of ICAAP and Basel III, may impact the Bank’s ability to grow its business, which could materially and adversely affect the Bank’s business, financial condition and results of operations. There can be no assurance that the Bank will be able to raise adequate additional capital in the future on terms favorable to it or at all and comply with the requirements of Basel III as implemented by the BSP.

Whenever the capital accounts of a bank are deficient with respect to the prescribed risk-based CAR of 10%, the Monetary Board, may impose monetary and non-monetary sanctions. The Monetary Board will also prohibit the opening of new branches whenever a bank’s CAR falls below 12% on a non-consolidated and consolidated basis. Furthermore, the Monetary Board will also prohibit the distribution of dividends whenever a bank’s CET1 ratio and CAR falls below 8.5% and 10%, respectively. Such limitations or restrictions imposed by the BSP’s implementation of Basel III could materially and adversely affect the Bank’s business, financial condition and results of operations.

On 4 May 2020, BSP issued Memorandum No. M-2020-039 which provides for the utilization of Basel III capital and liquidity buffers in light of the COVID-19 situation. A covered bank or quasi-bank (“**QB**”) which has built up its CCB and LCR buffer is allowed to utilize the same during the state of COVID-19 health emergency, but is expected to integrate regulatory flexibilities into its internal policies and processes to ensure that these buffers are efficiently utilized. First, in relation to the CCB, the covered bank/QB which draws down 2.5% minimum CCB will not be considered in breach of the Basel III risk-based capital adequacy framework. When the CCB is utilized, the covered bank/QB is restricted from making distributions in the form of dividends, profit remittance in the case of a foreign bank branch, share buybacks, discretionary payments on other Tier 1 capital instruments, or discretionary bonus payments to staff. Second, for the LCR, the covered bank/QB may draw on its stock of liquid assets to meet liquidity demands even if this may cause the bank to maintain an LCR below the 100% minimum

requirement. However, a bank which has recorded a shortfall in the stock of its High-Quality Liquid Assets for three banking days within any two-week rolling calendar period, thereby causing the LCR to fall below 100%, must notify the BSP of such breach on the banking day immediately following the occurrence of the third liquidity shortfall. After the COVID-19 crisis, covered banks/QB are to be given a reasonable time period to restore their Basel III CCB and LCR. The Memorandum also provides that the non-compliance by a covered bank/QB with the minimum risk-based capital adequacy ratios and the minimum 100% Net Stable Funding Ratio as a result of the COVID-19 situation will be handled on a case-by-case basis by the BSP.

As of 31 December 2024, the Bank's consolidated Tier 1 capital adequacy ratio/CET1 ratio and total consolidated capital adequacy ratio were 12.9 and 13.8%, respectively.

On 29 October 2014, the BSP issued BSP Circular No. 855 regarding guidelines on sound credit risk management practices, including the amendment on loan loss provisions on loans secured by real estate mortgages. Under this regulation, loans may be considered secured by collateral to the extent the estimated value of net proceeds at disposition of such collateral can be used without legal impediment to settle the principal and accrued interest of such loan, provided that such collateral has an established market and a sound valuation methodology. Under the new rules, the maximum collateral value for real estate collateral shall be 60% of the value of such collateral, as appraised by an appraiser acceptable to the BSP. While this maintains existing regulations already applicable to universal and commercial banks, the collateral value cap will be particularly relevant in securing directors, officers, stockholders and related interests (“**DOSRI**”) transactions and in potentially accelerating the setting up of allowable loan for losses in case a loan account gets distressed.

The BSP also clarified that the collateral cap on real estate mortgages is not the same as a loan-to-value ratio limit. Under the current rules, the minimum borrower equity requirement remains a bank-determined policy (which, according to the BSP, averages 20% under current industry practice). However, under the enhanced guidelines of the BSP, the bank's internal policy as to minimum borrower equity will be subject to closer regulatory scrutiny as to whether the borrower equity requirement of a bank is prudent given the risk profile of its target market.

Stricter lending and prudential regulations may reduce the lending appetite of the Bank or cause the Bank to alter its credit risk management systems, which may adversely affect the Bank's business, financial condition and results of operations.

On 28 April 2020, the BSP issued BSP Memorandum No. M-2020-034 which provides for the temporary relaxation in the assigned credit risk weight for loans to micro-, small- and Medium Enterprises (“**MSMEs**”) for the purpose of computing compliance with the BSP's Risk-Based Capital Adequacy Frameworks. MSME exposures that meet the criteria of a qualified MSME portfolio and current MSME exposures that do not qualify as a highly diversified MSME portfolio shall be assigned a credit risk weight of 50%. Nonetheless, the provisions on the use of credit risk mitigation in the MORB and the Manual of Regulations for Non-Bank Financial Institutions (“**MORNBF**”) as well as provisions on claims with eligible collateral or guarantees in the MORB will continue to apply. The relaxation of the credit risk weight for loans to MSMEs is effective until 31 December 2021.

Although intended to strengthen banks' capital positions and thwart potential asset bubbles, the new BSP and Monetary Board regulations will add pressure to local banks to meet these additional capital adequacy requirements, which may effectively create greater competition among local banks for deposits and temper bank lending in the commercial property and home mortgage loan sectors given that banks' ability to lend to these sectors depends on their exposure to the sector and the capital levels they maintain. This may also lead banks in the Philippines to conduct capital raising exercises. Through its compliance with these regulations, the Bank's business, financial position and results of operations may be adversely affected.

5.2.6 The Philippine banking industry faces higher credit risks and greater market volatility than banks in more developed countries.

Philippine banks are subject to the credit risk that Philippine borrowers may not make timely payments of principal and interest on loans and more particularly, upon such failure to pay, Philippine banks may not be able to enforce any security interest that they may have. The credit risk of Philippine borrowers is, in many instances, higher than that of borrowers in more developed countries due to:

- the greater uncertainty associated with the Philippine regulatory, political, legal, and economic environment;
- the dependence of the Philippine economy in general on the export and agricultural sectors and OFW remittances for economic growth;
- the high levels of debt of the Government and certain industry sectors, relative to the gross domestic product of the Philippines; and
- the volatility of interest rates and Peso/U.S. dollar exchange rates.

Higher credit risk has a material adverse effect on the quality of loan portfolios and exposes Philippine banks, including the Bank, to more potential losses and higher risk than banks in more developed countries. In addition, higher credit risk generally increases the cost of capital for Philippine banks compared to their international counterparts. Such losses and higher capital costs arising from this higher credit risk may have a material adverse effect on the Bank's liquidity, business, financial position, and results of operations. According to latest available data from the BSP, the average gross non-performing loan ("NPL") ratios net of interbank loans in the Philippine universal and commercial banking group were 2.94%, 3.20%, 3.30%, and 3.38% as of the years ended 31 December 2022, 2023, 2024, and for the period ended 31 March 2025, respectively. According to data published by the BSP as of March 2025, past due ratios in the Philippine banking system were at 4.22%. Further, the NPL coverage ratio in the Philippine banking system only amounted to 94.57%. as of March 2025. Fresh disruptions in the Philippine financial sector, or general economic conditions in the Philippines, such as persistent inflation or slowdown in growth, in Asia or globally, may cause the Philippine banking sector in general, and the Group in particular, to experience similar problems to those faced in the past, including substantial increases in NPLs, problems meeting capital adequacy requirements, liquidity problems and other challenges.

5.2.7 The ability of Philippine banks to assess, monitor and manage risks inherent in their business differs from the standards of their counterparts in more developed countries.

Philippine banks are exposed to a variety of risks, including credit risk, market risk, portfolio risk, foreign exchange risk and operational risk. The effectiveness of their risk management is limited by the quality and timeliness of available data in the Philippines in relation to factors such as the credit history of proposed borrowers and the loan exposure borrowers have with other financial institutions. In addition, the information generated by different groups within each bank, including the Bank, may be incomplete or obsolete. The Bank may have developed credit screening or loan evaluation standards in response to such inadequacies in quality of credit information that are different from, or inferior to, the standards used by its international competitors. As a result, the Bank's ability to assess, monitor and manage risks inherent in its business would not meet the standards of its counterparts in more developed countries. If the Bank is unable to acquire or develop in the future the technology, skills set and systems available to meet such standards, it could have a material adverse effect on the Bank's ability to manage these risks and on the Bank's financial condition, liquidity and results of operations.

5.2.8 The Philippine banking sector may face another downturn, which could materially and adversely affect the Bank.

In the past, the Philippine banking sector has generally recovered from global economic crises. According to data published by the BSP as of June 2025, past due ratios in the Philippine universal and commercial banking system was at 3.75%. Further, the NPL coverage ratio in the Philippine universal and commercial banking group reached 99.81% as of June 2025, according to the BSP. However, the Philippine banking industry may face significant financial and operating challenges. These challenges may include, among others, a sharp increase in the level of NPLs, variations of asset and credit quality, significant compression in bank net interest margins, low loan growth and potential or actual under-capitalization of the banking system. Fresh disruptions in the Philippine financial

sector, or general economic conditions in the Philippines, may cause the Philippine banking sector in general to experience similar problems to those faced in the past, including substantial increases in NPLs, problems meeting capital adequacy requirements, liquidity problems and other challenges.

5.2.9 Future changes in PFRS and accounting standards may affect the Bank's financial reporting

The Philippine Financial Reporting Standards Council (PFRSC), along with other relevant regulatory bodies, periodically issues updates and amendments to financial accounting and reporting standards. These changes may affect the basis upon which the Bank prepares its consolidated financial statements. There can be no assurance as to the implementation of new accounting standards in the Philippines and the significance of the impact it may have on the Bank's financial statements in the future.

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The listing consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have significant impact on the consolidated financial statements.

Effective beginning on or after January 1, 2025

- *PFRS 17, Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

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

- *Amendments to PAS 21, Lack of Exchangeability*

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information.

Effective beginning on or after January 1, 2026

- *Amendments to PFRS 9 and PFRS 7, Classification and Measurement of Financial Instruments*

The amendments clarify that a financial liability is derecognized on the ‘settlement date’, i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. They also introduce an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met.

The amendments also clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features. Furthermore, the amendments clarify the treatment of non-recourse assets and contractually linked instruments.

- Annual Improvements to PFRS Accounting Standards - Volume 11

The amendments are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversight or conflicts between the requirements in the Accounting Standards. The following is the summary of the Standards involved and their related amendments.

- Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*

The amendments included in paragraphs B5 and B6 of PFRS 1 cross references to the qualifying criteria for hedge accounting in paragraph 6.4.1(a), (b) and (c) of PFRS 9. These are intended to address potential confusion arising from an inconsistency between the wording in PFRS 1 and the requirements for hedge accounting in PFRS 9.

- Amendments to PFRS 7, *Gain or Loss on Derecognition*

The amendments updated the language of paragraph B38 of PFRS 7 on unobservable inputs and included a cross reference to paragraphs 72 and 73 of PFRS 13.

- Amendments to PFRS 9

- Lessee Derecognition of Lease Liabilities

The amendments to paragraph 2.1 of PFRS 9 clarified that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, the lessee is required to apply paragraph 3.3.3 and recognize any resulting gain or loss in profit or loss.

- Transaction Price

The amendments to paragraph 5.1.3 of PFRS 9 replaced the reference to ‘transaction price as defined by PFRS 15 *Revenue from Contracts with Customers*’ with ‘the amount determined by applying PFRS 15’. The term ‘transaction price’ in relation to PFRS 15 was potentially confusing and so it has been removed. The term was also deleted from Appendix A of PFRS 9.

- Amendments to PFRS 10, *Determination of a ‘De Facto Agent’*

The amendments to paragraph B74 of PFRS 10 clarified that the relationship described in B74 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor.

- Amendments to PAS 7, *Cost Method*

The amendments to paragraph 37 of PAS 7 replaced the term ‘cost method’ with ‘at cost’, following the prior deletion of the definition of ‘cost method’.

Effective beginning on or after January 1, 2027

- PFRS 18, *Presentation and Disclosure in Financial Statements*

The standard replaces PAS 1 Presentation of Financial Statements and responds to investors’ demand for better information about companies’ financial performance. The new

requirements include:

- Required totals, subtotals and new categories in the statement of profit or loss
 - Disclosure of management-defined performance measures
 - Guidance on aggregation and disaggregation
- PFRS 19, *Subsidiaries without Public Accountability*
The standard allows eligible entities to elect to apply PFRS 19's reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other PFRS accounting standards. The application of the standard is optional for eligible entities.

Deferred effectivity

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

5.2.10 Heightened uncertainty and instability in global market conditions could adversely affect the Bank's business, financial condition, and results of operations.

Global markets have experienced, and may continue to experience, significant dislocation and turbulence due to economic and political instability in several areas of the world. These ongoing global economic conditions have led to significant volatility in capital markets around the world, including Asia, and further volatility could significantly impact investor risk appetite and capital flows into emerging markets including the Philippines.

Geopolitical tensions, coupled with the slowing of economic growth in various regions around the world, have had an impact on the prospective economic growth in the global financial markets and downward pressure on equity prices. In particular, the ongoing Russia-Ukraine conflict and Gaza-Israel conflict, and the supply chain bottleneck and high inflation which are partially attributable to the conflicts, would also have a negative impact on the world's and the Philippines' economy and thus adversely affect the Bank's business. On 14 April 2022, the head of the IMF warned that the Russia-Ukraine conflict was weakening the economic prospects for most of the world's countries and called the high inflation a clear and present danger to the global economy. On 8 June 2022, the OECD reduced its outlook for global economic growth for 2022 to 3% from the 4.5% it predicted in December 2021, and its expected global economic growth was 2.8%. As the situation evolves, there can be no assurance that the conflict, high inflation, and any adverse impact would not continue or even worsen, and there can be no assurance that the Philippine economy and the Bank's depositors, borrowers and other customers would not be adversely affected, thus resulting in an adverse impact on the Bank's results of operations, financial condition, and prospects.

In March 2023, as a result of elevated interest rates and a sluggish economy, regional banks in the United States, namely Silicon Valley Bank, Signature Bank, and First Republic Bank, collapsed, declaring insolvency. This series of bank runs, known as the Banking Crisis of 2023, may continue to have long-term effects on consumers' confidence levels in the banking system. Additionally, in March 2023, Credit Suisse, the second-largest bank in

Switzerland and one of the global leading financial institutions, collapsed following numerous scandals in recent years. The collapse led to the bank being bought by rival UBS Group AG for approximately U.S.\$3.3 billion to prevent more devastation in the global financial system.

Trade tensions between the United States and major trading partners, most notably China, remain heightened following the introduction of a series of tariff measures in both the United States and China and a U.S. investment ban on certain Chinese companies. The U.S. administration has also issued executive orders to impose new tariffs on imports, including on steel and aluminum, from its key economic partners, including China, Canada, and Mexico, giving rise to fears of a global trade war. In particular, in March and April 2025, the U.S. imposed “**retaliatory tariffs**” on exports from nearly every other nation and jurisdiction in the world, which has prompted other jurisdictions and major economies such as the European Union, Canada, and China to retaliate with tariffs on U.S. exports. The imposition of tariffs and escalating trade war has severely shocked equity and commodity markets and increased volatility to levels not seen since the global financial crisis in 2008 or the beginning of the COVID-19 pandemic in 2020. As a result of the imposition of tariffs, based on news reports, certain economists and banks have predicted a major slowdown in U.S. and global growth and an increased probability of a recession in the near term. As of 10 April 2025, the U.S. had imposed tariffs of over 100% on China, and China has imposed tariffs of over 80% on certain U.S. exports. On 27 June 2025, the U.S. and China have confirmed that a deal has been signed between the two countries to uphold the agreements made in the Geneva deal. Notably, the Philippines is one of the jurisdictions subject to U.S. tariffs. Although the tariff of 17% imposed by the U.S. on exports from the Philippines is lower than other Southeast Asian nations (other than Singapore) and the Philippine government has announced that it is willing to negotiate tariffs with the U.S. and/or open to cut tariffs on imports from the U.S., there is no assurance that such actions will be able to abet or mitigate any negative or long-term effects of the raised tariffs on the Philippine economy or the potential reduction in U.S. consumption or demand for Philippine exports. The U.S. and/or its trading partners may announce further trade restrictions, the scope and effect of which remain uncertain. These tensions could significantly impact global trade. Such tensions are set to continue in the areas of data and technology security and the maritime claims in the South and East China Seas, and as the result of China-Taiwan relations and human rights accusations. In addition, financial market volatility and increased economic uncertainty may arise due to factors for specific countries. For example, the Chinese government may maintain tight regulatory oversight on specific sectors (such as property and platform technology companies) and rein in debt increases, even as it attempts to stabilize economic growth.

The Bank does not foresee any immediate operational or financial distress; it continues to remain in active discussions with potentially affected clients to monitor any emerging concerns, particularly related to pricing pressure, export flow disruptions, or changes in customer behavior. Furthermore, the Bank closely monitors export-exposed accounts/ clients through sectoral watchlists and early warning triggers.

To the extent that uncertainty regarding the economic outlook is heightened and starts to negatively impact consumer confidence and consumer credit factors globally or regionally, the Bank’s business, financial condition and results of operations could be significantly and adversely affected. There has also been continued and lingering political unrest in certain countries within the Southeast Asia region in recent years. Such geopolitical risks could continue to emerge in the region, resulting in economic slowdown, financial and commodity market volatilities and capital flight from emerging markets.

Moreover, the continued appreciation of the U.S. dollar relative to a number of emerging economy currencies (including the Peso) in recent years resulted in capital outflows from these economies. Further, economic conditions in some Eurozone sovereign states, including as a result of uncertainty caused by Brexit, could possibly lead to a material change in the current political and/or economic framework of the European Monetary Union.

The broad ramifications of Brexit in the United Kingdom, the European Union and the global economy have started to surface, casting uncertainty on global prospects and possible volatility in financial markets. In addition, the interplay of U.S. tariffs, fiscal and monetary policies may lead to more volatile global capital flows, which could in turn impact global growth. There can be no assurance that the uncertainties affecting global markets will

not negatively impact credit markets in Asia, including in the Philippines. These developments may adversely affect trade volumes with potentially negative effects on the Philippines. A potential tightening of liquidity conditions in the future as a result of further deterioration of public finances of certain countries, for example, may lead to new funding uncertainty, resulting in increased volatility and widening credit spreads. The success of the Bank's business is highly dependent upon its ability to maintain certain minimum liquidity levels, and any rise in market interest rates could materially and adversely affect the Bank's liquidity levels and force it to reduce or cease its offering of certain banking and other financial services.

5.2.11 The ability of Philippine banks to assess, monitor, and manage risks inherent in their business differs from the standards of their counterparts in more developed countries.

Philippine banks are exposed to a variety of risks, including credit risk, market risk, portfolio risk, foreign exchange risk, operational risk, and sustainability risk. The effectiveness of their risk management is limited by the quality and timeliness of available data in the Philippines in relation to several factors such as the credit history of proposed borrowers and the loan exposure borrowers have with other financial institutions. In addition, the information generated by different groups within each bank, including the Bank, may be incomplete or obsolete. The Bank may have developed credit screening standards in response to such inadequacies in quality of credit information that are different from, or inferior to, the standards used by its international competitors. As a result, the Bank's ability to assess, monitor and manage risks inherent in its business would not meet the standards of its counterparts in more developed countries. If the Bank is unable to acquire or develop in the future the technology, skills set and systems available to meet such standards, it could have a material adverse effect on the Bank's ability to manage these risks and on the Bank's financial condition, liquidity, and results of operations.

However, the BSP's early adoption of Basel III on 1 January 2014 a year ahead of the BCBS's recommended implementation timeline, as well as the imposition of higher limits and stricter minimum requirements for regulatory capital relative to international standards, with no transition period, are seen as efforts to boost the Philippine banking industry's resiliency and enhance its ability to absorb risks.

5.2.12 Any future changes in Philippine taxation may materially and adversely affect the Bank's business, financial condition, and results of operations.

The Bank is subject to the taxation laws and regulations in effect in the Philippines. In the event of any changes to existing laws, the Bank's business, financial condition, and results of operations could be materially affected. The TRAIN Law, which is the first package of the Comprehensive Tax Reform Program (CTRP) of the Duterte administration, brought about extensive changes to individual income taxation. Republic Act No. 11534, or the Corporate Recovery and Tax Incentives for Enterprise Act (CREATE Act), which became effective on 11 April 2021, amended the fiscal incentives and lowered the regular corporate income tax rate from 30% to 25% (with retroactive application from 1 July 2020). On 8 November 2024, RA No. 12066, known as the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE), was passed, amending the CREATE Act. The CREATE MORE establishes a simplified value-added tax (VAT) refund system to reduce delays in tax processes. Moreover, the CREATE MORE streamlines processes for projects that are eligible for incentives, by raising the investment capital threshold for approval by investment promotion agencies. Finally, the CREATE MORE also extends the maximum duration of availment of tax incentives from 17 years to 27 years.

On 29 May 2025, the President of the Philippines signed into law Republic Act No. 12214, or the Capital Markets Efficiency Promotion Act (CMEPA). The CMEPA provides for the following salient terms:

- Stock transaction tax on the sale of listed shares was reduced from 0.6% to 0.1% of the gross selling price or the gross value in money of the shares of stock sold, exchanged, or otherwise disposed;
- Capital gains tax on unlisted foreign shares is subject to a tax rate of 15%;
- Employers who contribute an amount equal to or greater than their employees' contributions to a Personal Equity and Retirement Account (PERA), as established under RA No. 9505, are entitled to an additional

tax deduction equal to 50% of their actual contributions, subject to the maximum allowable contribution of ₱100,000.00, or its equivalent in any convertible foreign currency, for local employees;

- A final withholding tax of 20% is imposed on all interest income, regardless of the instrument's nature or tenure, except interest income of non-resident aliens not engaged in trade or business and non-resident foreign corporations, whose interest income is still subject to a 25% final withholding tax;
- Royalties realized by citizens, resident aliens, non-resident aliens engaged in trade or business in the Philippines, domestic corporations and resident foreign corporations, which were previously included under the same category as interests, are now distinguished separately and subjected to 20% as well, with the exception of royalty payments on books, other literary works, and musical compositions, which are subject to 10%;
- Documentary stamp tax on original issuance of shares was reduced to 0.75%; and
- No documentary stamp tax shall be imposed original issuance, redemption, or other disposition of shares in mutual funds and unit investment trust funds (UITFs), further promoting investment in collective investment schemes.

If the Bank is unable to comply with existing and new rules and regulations applicable to it, it could incur penalties and its business reputation may suffer, which could have a material adverse effect on its business, financial position, and results of operations. Any increase in taxes on the Bank will reduce the net income of the Bank, which may have a material and adverse effect on the Bank's business, results of operations and financial condition. Further, the expiration, non-renewal, revocation or repeal of any tax exemptions or tax incentives, the enactment of any new laws, or any increase in taxes could have an effect on the Bank's business, financial condition, and results of operations.

5.3 RISKS RELATING TO THE BANK AND ITS BUSINESS

5.3.1 The Bank may not be successful in implementing its strategies.

Part of the Bank's strategy is to grow mass affluent and corporate share, focusing on customers with high potential for growth and where the Bank can differentiate on service. This may expose the Bank to a number of risks and challenges including, among others, the following:

- The targeted segments may have less growth or profit potential than the Bank anticipates, and there can be no assurance that new business activities will become profitable at the level the Bank desires or at all;
- The Bank's competitors may have substantially greater experience and resources for the targeted segments putting it at a disadvantage with its competitors; and/or
- Economic conditions, such as rising interest rates or inflation, could hinder the Bank's expansion, particularly with respect to loans.

In addition, new business endeavors may require knowledge and expertise which differ from those used in the current business operations of the Bank, including different management skills, risk management procedures, guidelines and systems, credit risk evaluation, monitoring, and recovery procedures. The Bank may not be successful in developing such knowledge and expertise. Furthermore, managing such growth and expansion requires significant managerial and operational resources, which the Bank may not be able to procure on a timely basis or at all. The Bank's inability to implement its business strategy could have a material adverse effect on the business, financial position, and results of operations of the Bank.

5.3.2 Increased exposure to consumer debt could result in increased delinquencies in the Bank's loan and credit card portfolios.

Economic difficulties in the Philippines that have a significant adverse effect on Philippine consumers could result in reduced growth and deterioration in the credit quality of the Bank's consumer loan and credit card portfolios. A rise in unemployment or an increase in interest rates could have an adverse impact on the ability of borrowers to make payments and increase the likelihood of potential defaults and reduce demand for consumer loans.

5.3.3 The Bank’s unsecured lending portfolio entails higher credit risk and may have a negative impact on its business, financial condition, and results of operations.

As of 31 December 2024, 77.8% of the Bank’s lending portfolio was unsecured. Unsecured loans, which primarily consist of credit cards, personal loans and loans to top tier corporates, entail a higher degree of credit risk than loans secured by collateral. For example, a downturn in the Philippine or global economies may result in a higher level of NPLs with unsecured obligations which would, in turn, negatively impact the Bank’s asset quality and increase write-offs without the possibility of mitigation through the acquisition of collateral assets. Any increase in the level of NPLs with unsecured obligations could materially and adversely affect the Bank’s business, financial condition and results of operations.

5.3.4 The Bank has high concentrations of loans to certain customers and to certain sectors and if a substantial portion of these loans were to become non-performing, the quality of its loan portfolio could be adversely affected.

As of 31 December 2024, the Group’s total exposure to borrowers (receivable from customers, net of unearned discounts and deferred credits but gross of allowance for credit losses) was ₱684.4 billion. The ten largest corporate borrowers in aggregate accounted for 12.8% of the Bank’s consolidated gross exposure from receivable from customers and its ten largest borrower groups in aggregate accounted for 21.8% of its total exposure. The BSP generally prohibits any bank from maintaining a financial exposure to any single person or group of connected persons in excess of 25.0% of its net worth. As of 31 December 2024, the Bank’s single borrower limit was ₱34.7 billion. In determining whether the Bank meets the single borrower limit of the BSP, the Bank includes exposure to related accounts (including accounts of subsidiaries and parent companies of the borrower). The Bank’s largest individual corporate borrower as of 31 December 2024, accounted for 3.2% of the Bank’s total exposure and 15.3% of the Bank’s total capital funds. The largest borrower group as of 31 December 2024, accounted for 3.7% of the Bank’s total exposure and for 18.0% of the Bank’s total capital funds. Credit losses on these large single borrower and group exposures could adversely affect the business, financial condition, and results of operations of the Bank.

The Bank has extended loans to several sectors in the Philippines. The table below sets out the Bank’s five largest industry exposures as of 31 December 2024.

Rank	Industry	Amount (₱ millions)	Percentage of Total Exposure to Borrowers
1	Real estate activities*	168,456	24.6%
2	Wholesale and retail trade; repair of motor vehicles and motorcycles	118,311	17.3%
3	Activities of households as employers; undifferentiated goods and services producing activities of households for own use**	97,285	14.2%
4	Electricity, gas, steam and air conditioning supply	96,138	14.0%
5	Manufacturing	51,882	7.6%
	Total	532,072	77.7%

*Include loans to individuals for housing purposes and loans to land developers/construction companies for socialized and low-cost residential properties which are both excluded in the 25% real estate limit set by the BSP.

**Excludes loans and receivables on real estate or dwelling units which are considered production activities and classified under “Real estate”

The Bank’s exposures to these five sectors, totalling ₱532.1 billion, constituted 77.7% of the Bank’s total loan portfolio as of 31 December 2024. The global and domestic trends in these industries may have a bearing on the Bank’s financial position. Although the Bank’s portfolio contains loans to a wide variety of businesses, financial

difficulties in these industries could increase the level of non-performing assets and restructured assets, and adversely affect the Bank's business and its future financial performance.

5.3.5 The Bank may face increasing levels of non-performing loans and provisions for impairment losses which may adversely affect the Bank's business, financial position, results of operations, and capital adequacy.

Any lending activity is exposed to credit risk arising from the risk of default by borrowers. The Bank's results of operations have been, and continue to be, negatively affected by the level of its non-performing loans. For the years ended 31 December 2024, 2023 and 2022, the Bank's provisions for credit and impairment losses amounted to ₱6.6 billion, ₱4.8 billion and ₱2.8 billion, respectively, which represented 15.1%, 13.8%, and 9.7% respectively, of net interest income in those periods. A slowdown in global growth momentum may adversely affect the ability of the Bank's borrowers to finance their indebtedness and, as a result, the Bank may experience an increase in non-performing loans and impairment provisions.

These and other factors could result in an increased number of non-performing loans in the future. As of 31 December 2024 and 2023, the Bank's consolidated non-performing loans-net amounted to ₱8.9 billion and ₱7.5 billion respectively, which represented 1.3% and 1.4% respectively, of the Bank's total gross loans. The Bank has experienced significant growth in its loan portfolio in recent years and it may experience problems in non-payment arising from these new loans in the future. Any significant increase in the Bank's non-performing loans would have a material adverse effect on its financial condition, capital adequacy and results of operations. The Bank believes that it has set aside adequate provisions and reflected current valuations as regards its investment portfolio. However, there can be no assurance that the value of the Bank's investment portfolio will not deteriorate should volatility in global financial markets continue.

5.3.6 The Bank's provisioning policies are based on PFRS 9 expected credit loss standards which require significant subjective determinations.

Certain accounting standards, including the PFRS 9 expected credit loss standards, have been adopted in the Philippines which requires banks to use the Expected Credit Loss (ECL) methodology in estimating loan loss provisioning. ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

The level of provisions currently recognized by the Bank with respect to its loan portfolio depends largely on the payment status (current or past due), credit classification (Pass, Especially Mentioned, Substandard, Doubtful, or Loss), probability of default (PD), and security (clean or secured). If the Bank's evaluations or determinations are inaccurate, the level of the Bank's provisions may not be adequate to cover actual losses resulting from its existing classified loan portfolio. The Bank may also have to increase its level of provisions if there is any deterioration in the overall credit quality of the Bank's existing loan portfolio, including the value of the underlying collateral. In particular, the amount of the Bank's reported loan losses may increase in the future as a result of factors beyond the Bank's control.

While the Bank believes its current level of provisions and collateral position are more than adequate to cover its NPL exposure, an unexpected or significant increase in NPL levels may result in the need for higher level of provisions in the future. If the Bank fails to properly appraise or review its collateral or its appraised value declines, the Bank's provisions may be inadequate and the Bank may be required to make further provisions, which could have a material adverse effect on its business, financial condition, and results of operations.

5.3.7 The Bank may be unable to recover the assessed value of its collateral when its borrowers' default on their obligations, which may expose the Bank to significant losses.

As of 31 December 2024, the Bank's secured loans represented 22.2% of the Bank's total loans (gross of unearned discounts and deferred credits), and 59.0% of the collateral on these secured loans consisted of real property. The recorded values of the Bank's collateral may not accurately reflect its liquidation value, which is the maximum amount the Bank is likely to recover from a sale of collateral, less expenses of such sale. There can be no assurance that the realized value of the collateral would be adequate to cover the Bank's loans. In addition, some of the valuations in respect of the Bank's collateral may also be out of date or may not accurately reflect the value of the collateral. In certain instances, where there are no purchasers for a particular type of collateral, there may be significant difficulties in disposing of such collateral at a reasonable price. Any decline in the value of the collateral securing the Bank's loans, including with respect to any future collateral taken by the Bank, would mean that its provisions for credit losses may be inadequate and the Bank may need to increase such provisions. There can be no assurance that the collateral securing any particular loan will protect the Bank from suffering a partial or complete loss if the loan becomes non-performing. Any increase in the Bank's provisions for credit losses would adversely affect its business, its financial condition, results of operations, and capital adequacy ratio.

In addition, the Bank may not be able to recover in full the value of any collateral or enforce any guarantee due, in part, to difficulties and delays involved in enforcing such obligations through the Philippine legal system. To foreclose on collateral or enforce a guarantee, banks in the Philippines are required to follow certain procedures specified by Philippine law which may be burdensome. The resulting delays can last several years and lead to the deterioration in the physical condition and market value of the collateral, particularly where the collateral is in the form of inventory or receivables. In addition, such collateral may not be insured. These factors have exposed, and may continue to expose, the Bank to legal liability while in possession of the collateral. These difficulties may significantly reduce the Bank's ability to realize the value of its collateral and therefore the effectiveness of taking security for the loans it makes. Under PAS 40 Investment Property, the Bank carries the value of the foreclosed properties at the fair value at the time of foreclosure and, in the case of depreciable property, depreciated over such property's useful life. While the Bank, at each balance sheet date, provides for impairment losses on its foreclosed properties in accordance with PFRS, it may incur further expenses to maintain such properties and prevent their deterioration. In realizing cash value for such properties, the Bank may incur further expenses such as legal fees and taxes associated with such realization. There can be no assurance that the Bank will be able to realize the full value, or any value, of any collateral on its loans.

5.3.8 The Bank relies principally on short-term deposits for funding.

The Bank's funding is principally satisfied from demand, savings and time deposits and long-term negotiable certificates of deposit, and to a smaller extent, borrowings from other banks. As of 31 December 2024, 81.3% of the Bank's financial liabilities were sourced from deposits, which had a weighted average contractual remaining maturity of 212.6 days, and 9.3% from bills payable and securities sold under repurchase agreements. As of 31 December 2024, the Bank's loan-to-deposit ratio was 84.6%.

Although the Bank's funding sources have historically been stable, no assurance can be given that this will continue to be the case in the future. In the event a substantial number of the Bank's depositors withdraw, or do not roll over their deposits, or if other banks do not lend short term funds to the Bank as they have in the past, the Bank's liquidity position could be adversely affected, which could result in its inability to fund its operations and may require the Bank to seek alternative sources of funding. The Bank can provide no assurance as to the availability or terms of such funding. To the extent the Bank is unable to obtain sufficient funding on acceptable terms or at all, the Bank's liquidity and financial condition and results of operations will be adversely affected.

5.3.9 The Bank is subject to credit, market, and liquidity risk which may have an adverse effect on its credit ratings and its cost of funds.

To the extent any of the instruments and strategies the Bank uses to manage its exposure to market or credit risk is not effective, the Bank may not be able to mitigate effectively its risk exposures, in particular to market

environments or against particular types of risk. The Bank's balance sheet growth will be dependent upon economic conditions, as well as upon its determination to securitize, sell, purchase or syndicate particular loans or loan portfolios. The Bank's trading revenues and interest rate risk exposure are dependent upon its ability to properly identify and mark-to-market the changes in the value of financial instruments caused by changes in market prices or rates. The Bank's earnings are dependent upon the effectiveness of its management of migrations in credit quality and risk concentrations, the accuracy of its valuation models and its critical accounting estimates and the adequacy of its allowances for credit losses. To the extent its assessments, assumptions or estimates prove inaccurate or not predictive of actual results, the Bank could suffer higher than anticipated losses. The successful management of credit, market, and operational risk is an important consideration in managing its liquidity risk because it affects the evaluation of its credit ratings by rating agencies. A failure by the Bank to effectively manage its credit, market, and liquidity risk could have a negative effect on its business, financial condition and results of operations.

5.3.10 The Bank is subject to interest rate risk.

The Bank realizes income from the margin between interest-earning assets (due from BSP, due from other banks, interbank loans receivable and securities purchased under resale agreement with BSP, investment securities and loans and receivables), and interest paid on interest-bearing liabilities (deposit liabilities, bills payable and securities sold under repurchase agreements ("SSURA"), notes payable and subordinated note). The business of the Bank is subject to fluctuations in market interest rates as a result of mismatches in the re-pricing of assets and liabilities. These interest rate fluctuations are neither predictable nor controllable completely and may have a material adverse impact on the operations and financial condition of the Bank. In a rising interest rate environment, if the Bank is not able to pass along higher interest costs to its customers, it may negatively affect the Bank's profitability. If such increased costs are passed along to customers, such increased rates may make loans less attractive to potential customers and result in a reduction in customer volume and hence operating revenues. In a decreasing interest rate environment, potential competitors may find it easier to enter the markets in which the Bank operates and to benefit from wider spreads. As a result, fluctuations in interest rates could have an adverse effect on the Bank's margins and volumes and in turn adversely affect the Bank's business, financial condition, and results of operations.

5.3.11 The Bank is subject to foreign exchange risk.

As a financial organization, the Bank is exposed to foreign exchange risk arising directly from its trading operations and indirectly from economic uncertainties which abrupt changes in the exchange rate may cause. Under BSP guidelines, the Bank is required to provide 100.0% foreign asset cover for all foreign currency liabilities in its Foreign Currency Deposit Unit ("FCDU") books.

As of 31 December 2024, the Bank had ₱446.1 billion of assets and ₱446.1 billion of liabilities in FCDU books, denominated primarily in U.S. dollars. The decline in the value of the peso against foreign currencies, in particular the U.S. dollar, may affect the ability of the Bank's customers or the Government to service debt obligations denominated in foreign currencies and, consequently, increase NPLs. Conversely, increases in the value of the peso can depress the export market which can negatively affect the ability of the Bank's customers to repay their debt obligations or may reduce credit quality or demand. There can be no assurance that the peso will not fluctuate further against other currencies and that such fluctuations will not ultimately have an adverse effect on the Bank.

5.3.12 The Bank's business, reputation, and prospects may be adversely affected if the Bank is not able to detect and prevent fraud or other misconduct committed by the Bank's employees or outsiders on a timely basis.

The Bank is exposed to the risk that fraud and other misconduct committed by employees or outsiders could occur. Such incidences may adversely affect banks and financial institutions more significantly than companies in other industries due to the large amounts of cash that flow through their systems. Any occurrence of such fraudulent events may damage the reputation of the Bank and may adversely affect its business, financial condition, results of operations, and prospects. In addition, failure on the part of the Bank to prevent such fraudulent actions may

result in administrative or other regulatory sanctions by the BSP or other Government agencies, which may be in the form of suspension or other limitations placed on the Bank's banking and other business activities. In addition, this may also result in a loss of confidence of current and potential deposit customers. As the Bank continues to further automate its various internal processes and expand its internet banking operations, the potential for fraud and security problems arising from the exploitation of technological weaknesses may increase. Although the Bank has in place certain internal control procedures to prevent and detect fraudulent activities, these may be insufficient to prevent such occurrences from transpiring. There can be no assurance that the Bank will be able to avoid incidents of fraud in the course of its business.

5.3.13 The Bank's failure to manage risks associated with its information and technology systems could adversely affect its business.

The Bank is subject to risks relating to its information and technology systems and processes. The hardware and software used by the Bank in its information technology are vulnerable to damage or interruption by human error, misconduct, malfunction, natural disasters, power loss, sabotage, computer viruses, or the interruption or loss of support services from third parties such as internet service providers, ATM operators, and telephone companies. Any disruption, outage, delay, or other difficulties experienced by any of these information and technology systems could result in delays, disruptions, losses, or errors that may result in loss of income and decreased consumer confidence in the Bank. These may, in turn, adversely affect the Bank's business, financial condition, and results of operations.

The Bank employs measures to protect its computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems caused by the Bank's increased use of the internet. For example, in connection with the installation, maintenance, and upgrading of new technology systems, the Bank grants third party access to its systems and there can be no assurance that such access will not result in security breaches or other disruptive problems. Computer break-ins and security breaches would affect the security of information stored in and transmitted through these computer systems and network infrastructure. The Bank employs security systems and maintains operational procedures to prevent break-ins, damage, and failures. The potential for fraud and securities problems is likely to persist and there can be no assurance that these security measures will be adequate or successful. The costs of maintaining such security measures may also increase substantially. Failure to implement security measures could have a material adverse effect on the Bank's business, financial condition and results of operations.

5.3.14 Inability to adapt to technology shifts and address changing consumer demand may negatively impact the Bank's competitiveness and customer experience.

The proliferation of smartphones, connectivity devices, and mobile data applications has witnessed a surge in platforms offering online payment solutions, electronic money, and digital wallets, among other comparable services and products. This advent of web- and app-based offerings has significantly intensified the competition posed by traditional banking institutions, such as Security Bank. Furthermore, the imposition of quarantine measures and movement restrictions during the COVID-19 pandemic has further propelled the demand for digital and online solutions.

Banks compete with expanding financial technology ("FinTech") solutions covering (i) mobile payment or e-wallet applications such as but not limited to GCash and PayMaya and (ii) peer-to-peer lending platforms, among others. Moreover, the BSP has granted several digital bank licenses to Overseas Filipino Bank, Tonik Digital Bank, Inc., UNObank, UnionDigital Bank, GoTyme Bank, and Maya Bank. On 31 August 2021, the BSP imposed a three-year moratorium on the grant of digital banking licenses, limiting the number of digital banks to the current six banks. On 8 August 2024, BSP issued BSP Circular No. 1025 which lifted the moratorium on the grant of new digital banking licenses starting 1 January 2025 and allowed a maximum of ten digital banks to operate in the country. The grant of new digital bank licenses also included the conversion of an existing bank's license to a digital bank license. In addition, there are banks offering no-branch banking services through their respective mobile apps, such as CIMB Bank Philippines which provides all-online retail banking services despite having an existing commercial banking license.

To address these challenges, the Bank is committed to investing in technological upgrades and staying at the forefront of banking technology in the Philippines. However, it acknowledges that there are no substantial barriers preventing its competitors from adopting more advanced technology for their own product and service offerings. Consequently, maintaining technological competitiveness remains a key focus for the Bank. Failure to do so may have significant implications, including the potential impact on fee-based revenue, customer acquisition, funding costs, and overall business performance. Therefore, the Bank is dedicated to continually enhancing its infrastructure and systems to meet evolving customer preferences and ensure its sustained position in the market.

One area of focus for the Bank has been the development and improvement of its digital banking platforms. The bank has invested significant resources in creating user-friendly and feature-rich mobile and web applications that offer a seamless and convenient banking experience to its customers. These digital platforms provide services such as online banking, mobile payments, fund transfers, and account management, empowering customers to perform banking transactions anytime and anywhere.

5.3.15 The Bank is involved in many businesses subject to a variety of regulatory regimes and guidelines, and any changes in the relevant regulatory regimes or guidelines may adversely affect the Bank’s businesses, financial condition, and results of operations.

The Bank has business interests in a number of highly regulated sectors, including but not limited to, banking, leasing, and credit cards. Each of these businesses is subject to separate regulatory regimes and guidelines that are periodically subject to change. Failure to comply with relevant laws and regulations may result in financial penalties or administrative or legal proceedings against the Bank, including the revocation of the Bank’s licenses, permits or certificates. Regulators of the Bank’s businesses may alter current regulations or introduce new regulations to control any particular line of business. There can be no assurance that the guidelines issued by the regulatory authorities will not materially and adversely affect the Bank’s business, financial condition, or results of operations. For a discussion of the banking regulations governing the Bank, see “**Banking Regulation and Supervision.**”

5.3.16 The Bank is effectively controlled by two substantial shareholder groups.

The Dy Group led by Frederick Y. Dy is the largest shareholder of the Bank with majority voting control, and MUFG Bank is its second-largest shareholder with a 20% stake through the latter’s capital investment in 2016. See “**Principal Shareholders.**” As such, the Dy Group and MUFG are able to influence the composition of the Board of Directors and the approval of certain corporate proposals or transactions, investment decisions and payment of dividends, among others. As of reporting period ended December 2024, the Board of Directors is comprised of 15 members, seven of whom are independent directors and two of whom are nominated by MUFG. The interests of the Dy Group and MUFG may differ significantly from, or conflict with, the interests of the Bank and the Bank’s other shareholders. There can be no assurance that their interests will be aligned with one another’s interests or with that of the Bank and the Bank’s other shareholders. In addition, there can be no assurance that the Bank’s business, financial position and results of operations will not be adversely affected in the event that either of these substantial shareholder groups reduces part of or disposes all of their respective shareholdings in the Bank.

5.3.17 The Bank relies on certain key management and senior executives and the loss of any such key individuals or the inability to attract and retain other highly capable individuals may negatively affect its business.

The Bank’s success depends upon, among other factors, the retention of its key management and senior executives and upon its ability to attract and retain other highly capable officers. The loss of some of the Bank’s key management, senior executives or an inability to attract or retain other key individuals could materially and adversely affect the Bank’s business, financial position and results of operations.

5.3.18 If the Bank is not able to integrate any future acquisitions, the Bank’s business could be disrupted.

The Bank may seek opportunities for growth through acquisitions or be required to undertake mergers mandated by the BSP. Any future acquisitions or mergers may involve a number of risks, including deterioration of asset quality, diversion of its management's attention required to integrate the acquired business, failure to retain key acquired personnel and clients, leverage synergies, rationalize operation, or develop the skills required for new businesses and markets, or unknown and known liabilities, some or all of which could have an adverse effect on its business.

5.3.19 An inability to manage the Bank's growth could disrupt its business and reduce its profitability.

The Bank has experienced high growth in recent years. The Bank expects this growth to place significant demands on its resources, operations, management and require it to continuously evolve and improve its operational, financial and internal controls across the organization. In particular, continued expansion increases the exposure to certain additional risks, including but not limited to:

- difficulties raising capital for expansion in light of financial market disruptions might increase leverage if equity funds are not available when needed;
- difficulties arising from operating a significantly larger and more complex organization and expanding into new geographic areas and territories;
- difficulties in the assimilation and seamless integration of the assets and operations of the expanded operations with the existing business;
- the diversion of management's attention;
- the failure to realize expected profitability or growth in new ventures;
- the failure to realize expected synergies and cost savings;
- difficulties arising from coordinating and consolidating corporate and administrative functions, including integration of internal controls and procedures;
- changes in technology;
- unforeseen legal, regulatory, contractual, labor or other issues; and
- an inability to attract new talent due to limited resources in the market.

An inability to manage its growth may have an adverse effect on the Bank's business and results of operations.

5.3.20 A downgrade of the Bank's credit rating could have a negative effect on its financial condition and results of operations.

As of 15 April 2025, the Bank was given a credit rating of Baa2, with a negative outlook, for its long-term bank deposits rating and long-term issuer rating by Moody's. Japan Credit Rating Agency, Ltd. gave the Bank a foreign currency long term Issuer rating of A- with a stable outlook on 30 August 2024. In the event of a downgrade of the Bank by one or more credit rating agencies, the Bank may have to accept terms that are not as favorable in its transactions with counterparties, including capital raising activities, or may be unable to enter into certain transactions. This could have a negative impact on the Bank's treasury operations and also adversely affect its financial condition and results of operations. Rating agencies may reduce or indicate their intention to reduce the ratings at any time. The rating agencies may also decide to withdraw their ratings altogether, which may have the same effect as a reduction in its ratings. Any reduction in the Bank's ratings (or withdrawal of ratings) may increase its borrowing costs, limit its access to capital markets and adversely affect its ability to sell or market its products, engage in business transactions, particularly longer-term and derivatives transactions, or retain its customers. This, in turn, could reduce the Bank's liquidity and materially and adversely affect the Bank's business, financial condition, and results of operations.

5.3.21 The Bank is involved in litigation, which could result in financial losses or harm its business.

The Bank is and may in the future be, implicated in lawsuits on an ongoing basis. Litigation could result in substantial costs to, and a diversion of effort by, the Bank and/or subject the Bank to significant liabilities to third parties. There can be no assurance that the results of such legal proceedings will not materially harm the Bank's business, reputation or standing in the marketplace or that the Bank will be able to recover any losses incurred

from third parties, regardless of whether the Bank is at fault. In addition, there can be no assurance that: (i) losses relating to litigation will not be incurred beyond the limits, or outside the coverage, of such insurance, or that any such losses would not have a material adverse effect on the results of the Bank's business, financial condition or results of operation, or (ii) provisions made for litigation related losses will be sufficient to cover the Bank's ultimate loss or expenditure.

5.4 RISKS RELATING TO AN INVESTMENT IN THE SECURITIES

5.4.1 The Securities may not be a suitable investment for all investors.

Each potential investor in the Securities must determine the suitability of investing in the Securities in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Offering Circular or any applicable supplement
- have access to, and knowledge of, the appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact the Securities will have on its overall investment portfolio
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Securities and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Securities are complex financial instruments and investors may purchase such instruments as a way to manage risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Securities unless it has the expertise (either alone or with a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of the Securities and the impact this investment will have on such potential investor's overall investment portfolio.

5.4.2 The Securities may have limited liquidity.

Any Tranche of the Securities issued under the Program will constitute a new issue of securities for which there is no existing market. The Selling Agents have not made any commitment and are not obligated to make a market in any Tranche of the Securities.

No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for the Securities issued under the Program. If an active trading market for any Securities does not develop or is not maintained, the market price and liquidity of such Securities may be adversely affected. If such a market were to develop, the Securities could trade at prices that may be higher or lower than the price at which the Securities are issued depending on many factors, including, but not limited to:

- prevailing interest rates;
- the Bank's results of operations and financial condition;
- political and economic developments in and affecting the Philippines;
- the market conditions for similar securities; and
- the financial condition and stability of the Philippine financial sector.

Investors may not be able to sell their investment in the Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Securities that are especially sensitive to interest rates, currency or market risks, are designed for specific

investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Securities generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of the Securities.

The Bank intends to list the Securities issued from this Program on PDEX. However, there can be no assurance that the Securities will obtain or be able to maintain such a listing or that, if listed, a trading market will develop for the Securities on the PDEX. Lack of a liquid, active trading market for the Securities may adversely affect the price of the Securities or may otherwise impede a holder's ability to dispose of the Securities.

5.4.3 The Holder may face possible gain or loss if the Securities are sold at the secondary market.

As with all fixed income securities, the Securities' market values move (either up or down) depending on the change in interest rates. The Securities when sold in the secondary market are worth more if interest rates decrease since the Securities have a higher interest rate relative to the market. Likewise, if the prevailing interest rate increases, the Securities are worth less when sold in the secondary market. Therefore, holders may either make a gain or incur a loss when they decide to sell the Securities.

5.4.4 The Securities have no preference under Article 2244(14)(a) of the Civil Code.

Under Philippine law, in the event of liquidation of a company, unsecured debt of the company (including guarantees of debt) which is evidenced by a public instrument as provided in Article 2244(14)(a) of the Civil Code of the Philippines will rank ahead of unsecured debt of the company which is not so evidenced. Under Philippine law, a debt becomes evidenced by a public instrument when it has been acknowledged before a notary or any person authorized to administer oaths in the Philippines. Although the position is not clear under Philippine law, it is possible that a jurat (which is a statement of the circumstances in which an affidavit was made) may be sufficient to constitute a debt evidenced by a public instrument. However, a domestic lender may acknowledge debt before a notary or a person authorized to administer oaths without notice to the Bank. Philippine courts have not addressed this matter, and it is uncertain whether a document evidencing the debt, notarised without one party's participation, would be considered documented by a public instrument. If, however, such debt was definitively considered documented by a public instrument, then, as with other documents similarly situated, it would rank ahead of the debt securities if the Bank goes into insolvency and is unable to meet its debt obligations.

5.4.5 The Bank may be unable to redeem the Securities.

At maturity of the relevant Securities, the Bank will be required to redeem such Securities. The Bank may not have sufficient cash in hand and may not be able to arrange financing to redeem the Securities in time, or on acceptable terms, or at all. The ability to redeem the Securities may also be limited by the terms of other debt instruments. Failure to repay, repurchase, or redeem the Securities by the Bank would constitute an event of default under the Transaction Agreements, which may also constitute a default under the terms of other indebtedness of the Bank. The Bank believes that it has sufficient resources which will allow it to service the principal and interest of the Securities given its strong recurring cash flow and the high level of liquidity in its balance sheet.

5.4.6 The Conditions contain provisions which may permit their modification without the consent of the Holders and without regard to the individual interests of particular Holders.

The Conditions contain provisions for calling meetings of Holders to consider matters affecting their interests, in general. These provisions permit defined majorities to bind all Holders including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority.

The Conditions also provide that the Bank and Trustee may, without prior notice to or the consent of the Holders or other parties, amend or waive any provisions of the terms and conditions of the Securities if such amendment or waiver is of a formal, minor, or technical nature or to correct a manifest error or inconsistency provided in all

cases that such amendment or waiver does not adversely affect the interests of the Holders and that all Holders are notified of such amendment or waiver.

5.4.7 The credit ratings assigned to the Bank may not reflect all risks associated with an investment in the Securities.

One or more independent credit rating agencies may assign credit ratings to the Bank. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Securities. A credit rating is not a recommendation to buy, sell, or hold securities and may be revised or withdrawn by the rating agency at any time

5.5 RISKS RELATING TO INFORMATION IN THIS OFFERING CIRCULAR

5.5.1 Risks relating to unaudited interim financial statements deemed incorporated by reference.

Any published unaudited interim financial statements of the Bank (whether prepared on a consolidated or a non-consolidated basis) which are, from time to time, deemed to be incorporated by reference in this Offering Circular will not have been audited by the auditors of the Bank. Accordingly, there can be no assurance that, had an audit been conducted in respect of such financial statements, the information presented therein would not have been materially different, and investors should not place undue reliance on them.

5.5.2 The Bank cannot assure you of the accuracy or comparability of facts, forecasts, and statistics contained in this Offering Circular with respect to the Philippines, its economy or the Philippines and global banking industries.

Facts, forecasts, and statistics in this Offering Circular relating to the Philippines, the Philippine economy and the Philippines and global banking industries, including the Bank's market share information, are derived from various governmental sources which are generally believed to be reliable. However, the Bank cannot guarantee the quality and reliability of such material. In addition, these facts, forecasts and statistics have not been independently verified by the Bank and may not be consistent with information available from other sources and may not be complete or up to date. The Bank has taken reasonable care in reproducing or extracting the information from such sources.

However, because of potentially flawed methodologies, discrepancies in market practice and other problems, these facts, forecasts, and other statistics may be inaccurate or may not be comparable from period to period or to facts, forecasts, or statistics of other economies.

SECTION 6. CAPITALIZATION AND INDEBTEDNESS

The following table sets forth the indebtedness and capitalisation of the Bank as of 31 December 2024. This table should be read in conjunction with the Bank's audited consolidated financial statements as of and for the year ended 31 December 2024 and the notes presented elsewhere herein.

	As of 31 December 2024
	(P millions)
Liabilities	
Deposit Liabilities ⁽¹⁾	801,079.1
Financial Liabilities at Fair Value through Profit or Loss	1,716.0
Derivatives Designated as Hedges	3,841.2
Bills Payable and Securities Sold Under Repurchase Agreements	91,179.6
Acceptances Payable	1,669.9
Margin Deposits and Cash letters of Credit	169.9
Manager's and Certified Checks Outstanding	5,339.4
Income Tax Payable	456.4
Notes and Bonds payable	61,195.1
Accrued Interest, Taxes and Other Expenses	5,931.1
Other liabilities	15,425.5
Total liabilities	988,003.2
Equity	
Capital stock	7,635.4
Additional paid-in capital	38,524.3
Surplus	104,155.9
Net unrealized (loss) on financial assets at fair value through other comprehensive income	(7,474.0)
Net unrealized gain on subsidiaries' financial assets at fair value through other comprehensive income.....	22.8
Cumulative foreign currency translation.....	(129.7)
Cost of hedging reserve.....	(1,597.1)
Total equity	141,137.6
Total capitalization and indebtedness	1,129,140.8

Notes:

(1) Deposit liabilities include Demand, Savings and Time Deposits and Long-term negotiable certificates of deposit.

Except as described above, there has been no significant change in the indebtedness or capitalisation or contingent liabilities of the Bank since 31 December 2024.

SECTION 7. SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables present selected consolidated financial information of the Bank and should be read in conjunction with the consolidated financial statements and the related notes included elsewhere in this Offering Circular and the section entitled “**Description of the Bank**” in this Offering Circular. The selected financial information presented below as of and for the years ended 31 December 2024, 2023, and 2022 were derived from the consolidated financial statements of the Bank and audited by SyCip Gorres Velayo & Co. (“**SGV**”) in accordance with Philippine Standards on Auditing. The selected financial information set out below does not purport to project the consolidated results of operations or financial position of the Bank for any future period or date.

7.1 CONSOLIDATED STATEMENTS OF INCOME

	For the year ended 31 December		
	2024	2023	2022
	<i>(P millions, except for share figures)</i>		
	<i>(audited)</i>		
Interest income on			
Loans and receivables	48,387.4	38,140.1	29,686.4
Financial assets in fair value through other comprehensive income and investment securities at amortized cost..	12,473.7	8,555.2	5,848.2
Financial assets at fair value through profit or loss	959.2	1,303.8	759.6
Interbank loans receivable and securities purchased under resale agreements with the Bangko Sentral ng Pilipinas	776.9	993.8	374.0
Deposits with banks and others.....	208.8	102.2	86.8
	<u>62,806.0</u>	<u>49,095.1</u>	<u>36,755.0</u>
Interest expense on			
Deposit liabilities	6,892.7	8,195.1	5,043.1
Subordinated note, bills payable, securities sold under repurchase agreements, notes payable and other borrowings	6,473.7	5,473.2	1,987.7
Derivatives designated as hedges	5,576.1	–	–
Lease liabilities	100.0	81.0	71.5
Derivatives instruments	41.1	612.1	406.4
	<u>19,083.6</u>	<u>14,361.4</u>	<u>7,508.7</u>
Net interest income	<u>43,722.4</u>	<u>34,733.7</u>	<u>29,246.3</u>
Service charges, fees and commissions.....	8,920.7	6,068.0	5,285.0
Profit from assets sold/exchanged.....	935.2	1,211.8	1,496.9
Rent.....	931.7	708.4	631.1
Trading and securities gain (loss) - net	283.2	288.6	(25.9)
Share in net income of subsidiaries and joint ventures	1.9	179.6	147.4
Foreign exchange gain (loss) - net	(1,757.3)	(2,092.8)	966.7
Gain on disposal/redemption of investment securities at amortised cost	–	–	4.0
Miscellaneous	1,896.8	1,861.4	1,883.7
Total Operating Income	<u>54,934.6</u>	<u>42,958.7</u>	<u>39,635.2</u>
Operating expenses			
Compensation and fringe benefits.....	10,838.6	8,912.8	7,538.9
Provision for credit losses	6,653.7	4,666.2	2,634.3
Taxes and licenses	3,766.4	3,195.4	3,060.0
Depreciation and amortization	2,746.6	2,150.2	2,114.5
Amortization of software costs	904.9	675.0	551.2
Occupancy costs	469.1	388.5	370.1
Provision for (recovery of) impairment losses	(43.8)	134.7	207.1
Miscellaneous	14,358.8	10,777.0	9,274.0
Total operating expenses	<u>39,694.3</u>	<u>30,899.8</u>	<u>25,750.1</u>
Income before income tax	<u>15,240.3</u>	<u>12,058.9</u>	<u>13,885.1</u>
Provision for income tax	<u>4,001.9</u>	<u>2,953.5</u>	<u>3,329.5</u>

	For the year ended 31 December		
	2024	2023	2022
	<i>(P millions, except for share figures)</i> <i>(audited)</i>		
Net income	11,238.4	9,105.4	10,555.6
Attributable to:			
Equity holders of the Parent Company	11,238.4	9,105.4	10,555.6
Net income	11,238.4	9,105.4	10,555.6
Basic/Diluted Earnings Per Share	14.9	12.1	14.0

7.2 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of 31 December		
	2024	2023	2022
	<i>(P millions)</i> <i>(audited)</i>		
Assets			
Cash and Other Cash Items	13,165.1	13,947.1	13,180.2
Due from Bangko Sentral ng Pilipinas	35,104.8	45,821.2	63,011.4
Due from Other Banks	15,370.5	12,022.0	20,097.3
Interbank Loans Receivable and Securities Purchased Under Resale			
Agreements with the Bangko Sentral ng Pilipinas	9,393.6	4,081.0	27,515.4
Financial Assets at Fair Value Through Profit or Loss	16,821.4	10,886.4	7,566.6
Derivatives Designated as Hedges	634.9	-	-
Financial Assets at Fair Value through Other Comprehensive Income	181,836.7	139,861.0	112,891.5
Investment Securities at Amortized Cost	138,733.4	76,156.1	69,230.0
Loans and Receivables	677,813.3	538,329.4	502,617.4
Investments in Subsidiaries and Joint Ventures	2,626.6	2,625.1	2,440.5
Property, Equipment, and Right-of-use Assets	8,034.8	6,429.5	5,278.9
Investment Properties	6,282.8	4,790.6	3,204.7
Deferred Tax Assets	6,259.1	5,703.1	4,851.1
Goodwill	841.6	841.6	841.6
Intangible Assets	6,590.7	4,969.1	3,735.2
Other Assets	9,631.5	5,046.3	5,829.3
Total Assets	1,129,140.8	871,509.5	842,291.1
Liabilities and Equity			
Liabilities			
Deposit Liabilities			
Demand	279,240.3	245,268.2	232,536.2
Savings	140,868.6	118,280.8	117,513.4
Time	370,536.4	232,566.4	231,020.1
Long Term Negotiable Certificates of Deposits	10,433.8	10,416.0	24,766.8
	801,079.1	606,531.4	605,836.5
Financial Liabilities at Fair Value Through Profit or Loss	1,716.0	2,968.7	1,752.8
Derivatives Designated as Hedges	3,841.2	-	-
Bills Payable and Securities Sold Under Repurchase Agreements	91,179.6	51,339.1	40,920.4
Acceptances Payable	1,669.9	2,782.7	1,085.3
Margin Deposits and Cash Letters of Credit	169.9	57.6	63.9
Manager's and Certified Checks Outstanding	5,339.4	5,208.9	4,103.1
Income Tax Payable	456.4	802.1	198.3
Notes and Bonds Payable	61,195.1	48,963.5	47,111.7
Accrued Interest, Taxes and Other Expenses	5,931.1	4,844.7	4,153.5
Other Liabilities	15,425.5	11,880.4	11,217.6
Total Liabilities	988,003.2	735,379.1	716,443.1
Equity Attributable to Equity Holders of the Parent Company			
Capital Stock	7,635.4	7,635.4	7,635.4
Additional paid-in capital	38,524.3	38,524.3	38,524.3

	As of 31 December		
	2024	2023	2022
Surplus	104,155.9	95,555.3	89,004.6
Net unrealized gain (loss) on financial assets at fair value through other comprehensive income.....	(7,474.0)	(5,534.4)	(9,238.9)
Net unrealized gain on subsidiaries' financial assets at fair value through other comprehensive income	22.8	20.6	16.6
Cumulative foreign currency translation	(129.7)	(70.8)	(94.0)
Cost of hedging reserve	(1,597.1)	–	–
Total Equity	141,137.6	136,130.4	125,848.0
Total Liabilities and Equity	1,129,140.8	871,509.5	842,291.1

7.3 SELECTED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended 31 December		
	2024	2023	2022
	<i>(P millions)</i> <i>(audited)</i>		
Net cash flows provided by (used in) operating activities	57,810.3	(6,565.3)	35,228.2
Net cash flows used in investing activities	(108,869.2)	(35,571.3)	(84,906.9)
Net cash flows provided by (used in) financing activities	45,984.5	(3,986.8)	51,473.7
Effect of exchange rate differences	1,737.2	187.0	(3,013.1)
Net increase (decrease) in cash and cash equivalents	(3,337.2)	(45,936.4)	(1,218.1)
Cash and cash equivalents at beginning of the year	73,871.2	119,807.6	121,025.7
Cash and cash equivalents at end of the year	70,534.0	73,871.2	119,807.6

7.4 SELECTED FINANCIAL RATIOS

	As of 31 December		
	2024	2023	2022
	(Unaudited) (P millions, except percentages and per share data)		
Return on average assets ⁽¹⁾	1.1	1.1	1.4
Return on average equity ⁽²⁾	8.1	7.0	8.4
Net interest margin ⁽³⁾	4.7	4.5	4.2
CET1 ratio ⁽⁴⁾	12.9	15.3	16.1
CAR ⁽⁵⁾	13.8	16.2	16.6
Net non-performing loans ratio ⁽⁶⁾	1.3	1.4	1.0
Non-performing loans-net ⁽¹⁰⁾	8,897.5	7,543.4	5,684.8
Total gross loans ⁽⁹⁾	693,527.3	551,660.3	542,574.7
Non-performing loan cover ⁽⁹⁾	80.8	82.1	101.1
Total allowance for credit losses ⁽¹¹⁾	15,970.9	15,202.0	16,159.7
Total NPLs gross of specific allowance ⁽⁹⁾	19,775.6	18,510.2	15,981.2
Allowance for credit losses to total non-performing assets ⁽⁹⁾	62.7	65.7	83.5
Allowance for credit losses ⁽¹²⁾	15,970.9	15,202.9	16,160.0
Total non-performing assets ⁽⁸⁾	25,457.5	23,139.8	19,344.8
Earnings per share (P) ⁽⁷⁾	14.91	12.1	14.0
Cost to income ratio	60.2	60.8	57.8
Total operating expenses	39,694.3	30,899.8	25,750.0
Less: Provision for credit losses.....	6,653.7	4,666.2	2,634.3
Provision for (recovery of) impairment losses	(43.8)	134.7	207.1
Total operating expenses before Provision for credit and impairment losses	33,084.4	26,098.9	22,908.6
Total operating income	54,934.6	42,958.8	39,635.4
Net loans to deposits.....	84.6	88.8	83.0
Loans and receivables, net	677,813.3	538,329.4	502,617.4

	As of 31 December		
	2024	2023	2022
	(Unaudited)		
	(₱ millions, except percentages and per share data)		
Total deposits.....	801,079.1	606,531.4	605,836.5
Total assets to equity	8.0	6.4	6.7
Total assets	1,129,140.8	871,509.5	842,291.1
Total equity.....	141,137.6	136,130.4	125,848.0

Notes:

1. Net income after income tax divided by average total assets.
2. Net income after income tax divided by average total capital accounts.
3. Net interest income divided by average interest-earning assets.
4. Net Tier 1 capital divided by total risk weighted assets, as reported to BSP.
5. Total qualifying capital less deductions divided by total risk weighted assets, as reported to BSP.
6. Total non-performing loans - net ("NPL") divided by total gross loans per BSP.
7. Net income divided by weighted average number of outstanding common shares.
8. Computed based on BSP Circulars 941 and 1011.
9. Computed based on BSP guidelines.
10. Total NPL (net of specific allowance, computed based on BSP guidelines).
11. Computed based on BSP guidelines (parent).
12. Computed based on BSP guidelines (consolidated).

SECTION 8. DESCRIPTION OF THE BANK

8.1 OVERVIEW

Security Bank Corporation (the “**Bank**”) is a publicly-listed Philippine universal bank which serves wholesale and retail clients. Established in 1951, Security Bank has remained steadfast in its focus and commitment to serve its clients and stakeholders with distinction. Its headquarters is located at the Security Bank Centre, 6776 Ayala Avenue, Makati City, Metro Manila, Philippines.

Based on the Published Balance Sheet report as of December 31, 2024, Security Bank ranked as the 6th largest in total assets and 8th largest in capital funds (₱1.4 trillion and ₱138.3 billion, respectively), among private domestic universal banks (“**PDUBs**”) in the Philippines. Security Bank ranked 6th largest in market capitalization among listed PDUBs in the Philippines as of end 2024. The Bank’s strategy, execution and results are guided by its strong focus on our clients, our employees, and shareholders.

As of 31 December 2024, the Bank had a network of 346 branches located across the Philippines, 186 branches of which are strategically located in Metro Manila and 160 situated outside Metro Manila. The Bank also has 689 ATMs, Cash Recycler Machines (“**CRMs**”) and Cash Acceptance Machines (“**CAMs**”).

The products and services offered by the Bank are divided into the following main operating business segments: (i) Retail Banking, (ii) Wholesale Banking, (iii) Business Banking, (iv) Financial Markets, and (v) all other segments.

For further information on the Bank’s main operating business segments, see “*Principal Business Activities.*”

As of 31 December 2024, the Bank’s Tier 1 capital ratio and total capital adequacy ratio remained greater than the minimum regulatory requirements of 7.5% and 10.0%, respectively, with a Tier 1 capital ratio of 12.9% and a total capital adequacy ratio of 13.8%.

As of 31 December 2024, 2023, 2022, the Bank had total assets of ₱1.1 trillion, ₱871.5 billion, ₱842.3 billion, respectively, and net income of ₱11.2 billion, ₱9.1 billion, ₱10.6 billion, respectively.

8.2 HISTORY

The Bank was incorporated on 8 May 1951 and started its operations as a commercial bank on 18 June 1951. In the late 1950s, the Bank expanded its distribution capabilities by setting up branches in various parts of Metro Manila. Beginning in the 1960s, the Bank began expanding its branch network outside of Metro Manila with the opening of its first provincial branch. Throughout the decade, branches were established in various parts of the Visayas and Mindanao regions.

In 1989, the new majority owners, led by Frederick Y. Dy, assumed control of the Bank. As part of the strategy of the new management, the Bank secured approval from the BSP in 1994 to operate as a universal bank, allowing the Bank to expand its financial services and revenue sources. In 1995, the Bank was publicly listed on the PSE.

In 2016, the Bank entered into a strategic partnership with MUFG, the largest bank in Japan and member of the Mitsubishi UFJ Financial Group. The transaction was completed on 1 April 2016, with MUFG infusing capital of ₱36.9 billion, representing a 20% stake in the Bank. The Bank believes that this collaboration has resulted in greater access to Japanese corporates and enhancement of the Wholesale to Retail (“**W2R**”) business. In the same year, SB Cards Corporation (“**SB Cards**”) sold a substantial portion of its existing Diners Club International credit card portfolio and its cardholder base.

In 2018, the Bank issued U.S.\$300 million of 5-Year senior unsecured fixed rate notes under the U.S.\$1 billion Medium Term Note (MTN) Program on 17 September 2018; priced at 99.588, yield of 4.593%, coupon rate of 4.50% p.a. (semi-annual payment).

In August 2019, the Bank announced that it has formed a strategic partnership with the Bank of Ayudhya (“**Krungsri**”) through the Bank’s consumer finance subsidiary SB Finance. Both banks have MUFG Bank, Ltd. as a common shareholder. The partnership intends to provide top-notch consumer finance products to more Filipinos and plans to explore opportunities in personal loans, motorcycle loans and insurance, while leveraging on Krungsri’s expertise in the ASEAN retail financial market. Regulatory approvals in the Philippines and in Thailand were subsequently obtained on 20 October 2020 and the Joint Venture Agreement (“**JVA**”) between the Bank and Krungsri was executed, with the Bank completing the sale of 50% outstanding shares of SB Finance to Krungsri.

The Bank also raised funds in 2019 via the issuance of the following: ₱18.0 billion 5.875% fixed rate peso corporate bonds due 2021, ₱6.06 billion 4.00% fixed rate long term negotiable certificates of deposits (“**LTNCD**”) due 2025, and ₱2.31 billion 4.00% fixed rate LTNCD due 2025.

On April 8, 2024, the Executive Committee as delegated by the BOD of the Parent Company, approved a joint venture agreement with Mitsubishi Motors Corporation (Mitsubishi Motors) of Japan. The agreement establishes Mitsubishi Motors Finance Philippines Inc. (MMFP) and provides for a capital injection totaling to ₱4.0 billion, to be paid in tranches. Pursuant to the agreement, the Parent Company holds a 49.0% ownership stake in MMFP, while Mitsubishi Motors holds a 51.0% ownership stake. On November 26, 2024, upon fulfillment of certain closing conditions, the Parent Company paid the first tranche of capital injection amounting to ₱1.25 billion. MMFP was incorporated on January 21, 2025 and started commercial operations in April 2025.

The Bank returned to the bond capital market in year 2024 with two five-year issuances that received strong investor support. In May 2024, the Bank issued U.S.\$400 million of Senior Unsecured Fixed Rate Notes due 2029 out of its MTN Program, with coupon rate of 5.50%. Subsequently in August 2024, it issued ₱20.0 billion 6.0500% fixed rate peso corporate bonds due 2029.

On May 2, 2025, Security Bank Corporation completed its acquisition of a 25% stake in HC Consumer Finance Philippines, Inc. (HCPH), also known as Home Credit Philippines, the country’s leading consumer financing company. This strategic move underscores the Bank’s commitment to enhancing its consumer finance capabilities and expanding its market presence.

8.3 STRENGTHS

Security Bank differentiates itself from competition as a strong, independent, domestic bank with a global reach. The Bank is committed to provide superior customer experience in line with its brand promise of *Better Banking*, stemming from an in-depth understanding of customers’ needs and providing solutions in a professional, problem-free, personalized, and prompt manner. The Bank’s strategic partnership with Mitsubishi UFJ Financial Group (“**MUFG**”), the largest financial group in Japan, enables it to provide customers with access to an extensive global network.

8.3.1 Established independent banking entity that has cultivated strong relationships with conglomerate clients

The Bank is not a member of or allied with any business conglomerate in the Philippines, unlike many of the larger commercial banks in the Philippines. As a result, the Bank believes that it has established itself as an independent banking entity that does not directly or indirectly compete with its clients, particularly large conglomerates. Thus, the Bank avoids potential conflicts of interest while building trust in the banking relationship. The Bank believes that its customers seek out this independence when choosing to bank with it and that its independence helps to cultivate strong relationships of trust and confidence with its clients.

8.3.2 Access to global networks through MUFG and other alliances

The Bank differentiates itself in the industry as a strong, domestic bank with a network of global alliances that allow it to serve the international needs of its customers. In 2016, the Bank entered into a strategic partnership with MUFG, the largest bank in Japan and member of the Mitsubishi UFJ Financial Group, which allows the Bank to offer clients access to MUFG's products, services, expertise, and global network. The collaboration has resulted in expansion of relationships with Japanese corporates to include their employees and ecosystem, driving continuous improvement in several areas such as Retail Banking, Wholesale Banking, Wholesale to Retail, and Risk Management.

In August 2019, the Bank announced its strategic partnership with Thailand's Bank of Ayudhya (otherwise known as Krungsri, the number one consumer finance provider in Thailand, with presence in Laos, Cambodia and Myanmar). The partnership is through SB Finance (a 50:50 joint venture with Krungsri). SB Finance is a non-bank finance company that services the mass retail market in the Philippines. The partnership intends to provide top-notch consumer finance products to more Filipinos while leveraging on Krungsri's expertise in the ASEAN retail finance market. Both Security Bank and Krungsri have MUFG Bank, Ltd. as a common shareholder.

In April 2024, the Bank signed a Joint Venture ("JV") agreement with Japanese automobile manufacturer Mitsubishi Motors Corporation ("MMC") to establish Mitsubishi Motors Finance Philippines Inc. ("MMFP") and offer financing services to MMC customers in the Philippines. This will help the Bank reach more customers while offering Mitsubishi Motors dealers the tools to compete with other car manufacturers.

On May 2, 2025, Security Bank Corporation completed its acquisition of a 25% stake in HC Consumer Finance Philippines, Inc. ("HCPH"), also known as Home Credit Philippines, the country's leading consumer financing company. This strategic investment enables the Bank to deepen its participation in the fast-growing consumer finance space and present new opportunities to better serve the evolving financial needs of its clients.

8.3.3 Recognized franchise and brand with a diversified business portfolio

The Bank has a solid niche among the mass-affluent Filipino-Chinese community and has consistently been recognized and awarded by reputable institutions through the years (see "*Awards and Recognition*").

The Bank offers a diversified range of banking and financial products and services, allowing for a varied stream of income from its four core businesses, including financial markets, wholesale banking, business banking, and retail banking.

8.3.4 Key financial ratios at healthy levels

The Bank's business model is to operate its chosen core businesses (wholesale banking, retail banking, business banking, financial markets) to maximize on all opportunities using the same branch network, while operating along its core disciplines of capital strength, asset quality, and cost efficiency. Asset quality remained healthy, with gross and net non-performing loan ("NPL") ratio at 3.1% and 1.5%, respectively, as of 31 March 2025. The NPL reserve cover was at 79.0%. The Bank's capital ratios remain healthy, with CET 1 capital adequacy ratio at 13.2% and total capital adequacy ratio at 14.1% as of 31 March 2025. Cost-to-income ratio was at 60.6% as of March 2025, as the Bank made strategic investments in technology and manpower to accelerate transformation and drive growth.

8.3.5 Above-industry net margins

The Bank has maintained an above-industry net interest margin of 4.7%, 4.5%, and 4.2% relative to industry average of 4.0%, 3.8%, and 3.4% for the years ended 31 December 2024, 2023, and 2022 respectively. The Bank's net interest margin performance is underpinned by its strong earning asset yield, which amounted to 6.8%, 6.3%, and 5.3% as compared to its funding cost of 2.3%, 2.1%, and 1.2% for the years ended 31 December 2024, 2023, and 2022, respectively.

8.3.6 Strong and experienced management team

The Bank's management team and board of directors comprise highly experienced individuals with an average of more than 20 years of expertise in key areas, including retail and wholesale banking and they have proven abilities to grow the Bank's business. The Bank believes that its management team is well regarded and connected within the industry as evidenced through senior representation within various industry associations, as well as in affluent communities, such as the Filipino-Chinese community. The Bank's day-to-day business is based on a streamlined management structure and managed by officers who have extensive experience in banking operations from leading banks in the country and abroad. Given the experience and track record of the Bank's senior management, the Bank believes that it possesses extensive knowledge of all aspects of the banking industry, strong relationships with other banks and financial institutions, and familiarity with the Bank's target clients and their banking needs. The management team also provides the Bank with a broad perspective from which it can make strategic management and operational decisions.

8.4 STRATEGIES

The Bank's vision is to become the most customer-centric bank in the Philippines. To be customer-centric, the Bank will strengthen its capabilities to address its customers' evolving needs and continue to invest in what matters to them.

8.4.1 Strategic Goals

To track the Bank's progress in reaching its vision, it has set the following goals:

8.4.1.1 Grow mass affluent and corporate share, focusing on customers with high potential for growth and where the Bank can differentiate on service

Integral to the Bank is customer acquisition and satisfaction. By improving processes and providing optimized points for customer interaction, the Bank strives to continue to grow its share in the mass affluent and corporate market while providing differentiated service.

8.4.1.2 Become the industry leader in Net Promoter Score ("NPS") for Retail, Corporate, Commercial, and Business ("MSME") segments – serving clients' financial needs and partnering with them for success

Delivering *Better Banking* requires an understanding of clients' concerns and expectations. Through multiple forms of engagement, the Bank is able to identify what matters to its clients. Through continuous improvement backed by data-driven insights, the Bank strives to become the industry leader in NPS. The Bank has invested heavily in critical areas to enhance customer experience: its employees, data and digital infrastructure, cybersecurity, core technology, process excellence, and automation.

8.4.1.3 Be an Employer of Choice, promoting a healthy environment, flexible working, and a connected culture

The Bank champions employee well-being and development. This is demonstrated by its recognition as the top local bank for employment at the 2023 Philippines' Best Employers survey led by Statista, the world's leading data and business intelligence portal. Further, the Bank has been named the Philippines' Best Bank for Diversity and Inclusion at the 2022 Asiamoney Best Bank Awards and was recognized as having the Best Advance in Managing a Remote Workforce by Retail Banker International ("RBI") at the 2022 RBI Asia Trailblazer Awards.

8.4.1.4 Enhance shareholder value by targeting the Top 3 Peer Return on Equity (ROE)

The Bank believes that its track record of strong results led to MUFG's investment of ₱36.9 billion in equity capital for a 20% stake in the Bank in 2016. To date, this is the largest equity investment in a Philippine financial institution by a foreign investor. The Bank will continue to transform and innovate, with a focus on increasing

ROE leadership by increasing profitability in pursuing new growth engines while maintaining disciplined cost structures.

8.4.2 Strategic Priorities

The strategic priorities of the Bank include the following:

8.4.2.1 Retail Banking

The Retail Banking Segment strategy is: “Grow faster than market, be financially viable, and establish a sustainable market share in the segment of choice.” To execute this, the Retail Banking Segment will continue to focus on the mass affluent market, expand existing-to-bank share of wallet and capture new-to-bank growth opportunities, execute its customer value propositions, and improve the customer journey by engaging in different transformation initiatives and leverage on data analytics. It will manage credit risk through quality acquisition, portfolio management and collections.

8.4.2.2 Wholesale Banking

The Wholesale Banking Segment strategy is: “Be the thought leader and preferred adviser by building strong client relationships through innovative solutions.” To execute this, the Wholesale Banking Segment will enhance collaboration to offer complex cash management solutions, increase cross-selling, and achieve commercial excellence by streamlining lending processes and improving both asset quality and service management. It will also focus on expanding its customer coverage and banking experience through digital platform/s and innovative solutions.

8.4.2.3 Business Banking

The Business Banking Segment strategy is: “Driven by data and serving MSMEs with holistic offerings via a multi-channel approach”. To execute this, the Business Banking Segment will focus on broadening sales coverage to serve high growth areas, expanding core offerings through digital campaigns and client engagements as well as launching partnerships. It aims to achieve best-in-market loan turnaround time and to enhance its customer experience by continuing with the lending journey re-engineering.

8.4.3 Enablers

To support these goals, the Bank continues to fortify the following key enablers:

8.4.3.1 Human Capital Management

The Human Capital Management (“**HCM**”) team transforms the employee lifecycle to equip them to deliver on the Bank’s strategic ambition. Initiatives to manage employees’ learning and development, leadership and performance, and personal well-being are implemented by HCM.

8.4.3.2 Risk Management Group

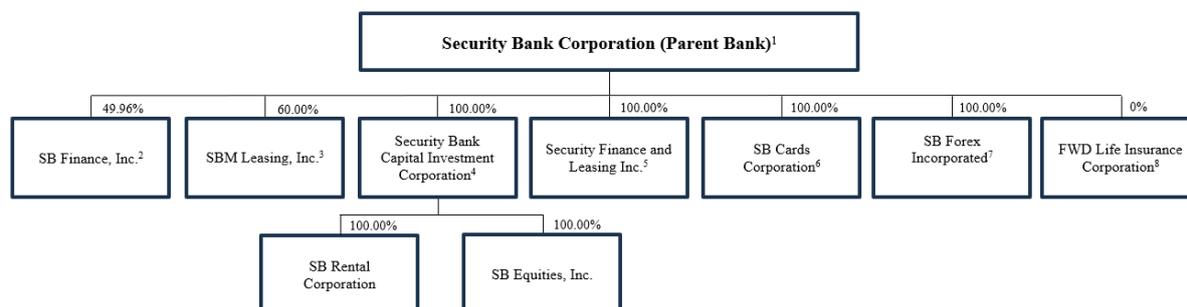
The Risk Management Group (“**RMG**”) builds the Bank’s capabilities to allow for agility, the ability to take calculated risks, and pivot when challenges arise. RMG maintains a proactive approach towards risk management through a robust and well-established Risk Management Framework, ensuring appropriate mitigation strategies are deployed to navigate uncertainties.

8.4.3.3 Information Technology Group

The Information Technology Group modernizes and future-proofs the Bank’s infrastructure, while building resource capacity and enhancing its capability to execute on its goals.

8.5 CORPORATE STRUCTURE

The following chart sets forth the Bank’s corporate structure as of 31 December 2024:



¹MUFG owns 20% of voting shares of SBC

Common Shares: Par value is P10.00; Total Outstanding Shares – 753, 538,887

Preferred Shares: Par value is P0.10; Total Outstanding Shares – 1,000,000,000

²Joint venture. Formerly SB Finance Company, Inc.

³Joint venture

⁴Formerly SB Capital Investment Corporation, with Securities and Exchange Commission (SEC) approval on November 12, 2024 to change corporate name

⁵Formerly Landlink Property Investments (SPV-AMC), Inc., With BOD approval in 2024 to shorten corporate life on December 31, 2025, awaiting approval from SEC

⁶Corporate term ended on December 31, 2024, for processing of tax clearance

⁷Corporate term ended on February 28, 2022, awaiting clearance from Bureau of Internal Revenue (BIR)

⁸With irrevocable power of attorney/proxy to vote certain shares of FWD Life Insurance Corporation

For further information on the Bank’s subsidiaries, see “— Subsidiaries and Affiliates.”

8.6 PRINCIPAL BUSINESS ACTIVITIES

The Bank’s operating businesses are recognized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit. The products and services offered by the Bank are divided into the following main operating business segments: (i) Retail Banking, (ii) Wholesale Banking, (iii) Business Banking, (iv) Financial Markets, and (v) Other Segments.

The following table sets forth the revenues, net of interest expense of each business segment for the periods presented:

	For the years ended 31 December					
	2024		2023		2022	
	Amount	%	Amount	%	Amount	%
	(P millions, except percentages)					
Retail banking	28,492	51.9	22,451	52.3	18,002	45.4
Wholesale banking	15,647	28.5	15,086	35.1	14,300	36.1
Business banking.....	5,393	9.8	4,192	9.8	2,846	7.2
Financial markets	3,767	6.9	1,619	3.8	4,239	10.7
Elimination and Others.....	1,635	2.9	(389)	(1.0)	249	0.6
Total	54,934	100.0	42,959	100.0	39,636	100.0

8.6.1 Retail Banking

The Retail Banking segment serves individual clients. It covers deposits, consumer loans, credit cards, bancassurance and investments. Share in net income from SB Finance is also part of the segment.

The Retail Banking segment makes up 51.9% of the Bank’s revenue, net of interest expense, for the year ended 31 December 2024.

The Bank's principal consumer banking products and services include branch banking and consumer finance including credit card products, home mortgage loans, and vehicle finance.

8.6.1.1 Branch Banking

The Bank's branch banking business offers a wide range of products and services, ranging from demand deposit accounts, savings and time deposits, to lending facilities. In addition, dedicated trade finance and foreign exchange facilities are offered at branches where such services may be required.

As of 31 December 2024, the Bank's branch network comprised of 346 branches across the Philippines, 186 branches of which are strategically located in Metro Manila and 160 situated outside Metro Manila. All of the Bank's branches are connected and networked to the Bank's IT systems and infrastructure to facilitate daily operations.

The Bank provides 24-hour banking services through its online banking facility and its 689 ATMs, including Cash Recycler Machines ("CRMs") and Cash Acceptance Machines ("CAMs") located on-site in its branches and at off-site locations, such as shopping malls. As of 31 December 2024, 392 ATMs are on-site while 297 ATMs are off-site. Customers are given access to the ATM facilities through the Bank's ATM cards issued to checking and savings account holders. The Bank is a member of the Bancnet ATM network, allowing customers to use ATM terminals operated by other banks in the Bancnet network. Clients can also use ATM terminals worldwide that are part of the MasterCard network.

The Bank's branch banking group manages the entire branch network of the Bank. It monitors each branch's profitability, and each branch accounts for its own expenses and revenues. Each branch is subject to spot audits, as well as a more comprehensive annual audit. Each of the Bank's branches has electronic security systems and armed guards. The Bank also ensures that the amount of cash held in the vaults of its branches is maintained within authorized limits. The Bank believes that it maintains adequate insurance coverage for loss and theft.

8.6.1.2 Credit Card

The Bank's credit card business is focused on selected customers in the affluent and mass affluent market. As of 31 December 2024, 2023 and 2022, the Bank had a credit card receivable portfolio of ₱54.0 billion, ₱34.1 billion and ₱23.6 billion, respectively. In 2024, the Bank's Wave Mastercard was named Credit Card Initiative of the Year, Sustainability Initiative of the Year, and ESG Program of the Year (Bronze) at the Asian Banking and Finance Retail Awards.

8.6.1.3 Real estate mortgages and motor vehicle loan

The Bank strives to deliver to prospective home and motor vehicle buyers fast processing times, competitive rates, flexible payment terms, and innovative loan products. The Bank's nationwide branch network enables it to efficiently serve its customers. The Bank intends to grow this business with its increased focus on the retail banking market.

The Bank offers home mortgage loans to individuals for home acquisition, construction, improvement and refinancing of their property. Consumer lending tailors loan terms, which offer customers competitive rates and more flexibility regarding their repayments. Home mortgage loans are typically payable in monthly amortizations with interest rates that are repriced periodically based on prevailing market rates, although borrowers also have fixed rate options. As of 31 December 2024, the Bank's residential mortgage loan portfolio (gross of unearned discounts and deferred credits and allowance for credit losses) stood at ₱99.2 billion.

The Bank provides motor vehicle financing to individuals for the acquisition or refinancing of new and used motor vehicles. The Bank also provides fleet financing for companies in need of motor vehicles for their operations. The applicable interest rate is generally fixed with amortizing repayment schedules over the term of the loan. As of 31

December 2024, the Bank's motor vehicle loan portfolio (gross of unearned discounts and deferred credits and allowance for credit losses) stood at ₱46.0 billion.

8.6.2 Wholesale Banking

The Wholesale Banking Segment ("WBS") addresses the corporates, institutional, public sector markets, and commercial clients. Services include loans, trade, cash management and deposits, FX and trust, leasing, and rental arrangements. WBS also provides structured financing and advisory services relating to debt and equity capital raising, project financing, and mergers and acquisitions advisory via Security Bank Capital. Operating leases from SB Rental Corporation ("SBRC") and share in net income from SBM Leasing, Inc., ("SBML") are also part of the segment.

The Wholesale Banking segment contributed 28.5% of the Bank's revenue, net of interest expense, for the year ended 31 December 2024.

8.6.2.1 Commercial Banking

The Bank provides a wide range of banking products and services to its commercial customers. In addition to term loans and credit facilities, the banking products and services offered by the Bank to its commercial banking customers include deposit products, bills purchase facilities, trade finance, payment remittances and foreign exchange transactions. In addition, the Bank cross-sells the other products and services of the Group, including investment and trust banking services, to its commercial banking customers.

As of 31 December 2024, 2023, and 2022, accounts of the Bank's commercial customers represented 30.5%, 31.0% and 32.2% of the Bank's receivable from customers (gross of unearned discounts and deferred credits and allowance for credit losses), respectively. As of 31 December 2024, 2023 and 2022, the contribution of the Bank's commercial banking business to the Bank's receivable from customers (gross of unearned discounts and deferred credits and allowance for credit losses) was ₱209.2 billion, ₱170.1 billion and ₱165.6 billion, respectively.

Most of the Bank's commercial customers are engaged in the wholesale and retail trade, manufacturing, construction, and real estate industries. The predominant needs of the Bank's Filipino-Chinese commercial middle-market customers are trade financing facilities (such as letters of credit, trust receipts, export-financing, and the discounting of commercial bills, as well as inventory financing) and term loans.

The Bank offers both Peso-denominated and foreign currency (primarily U.S. dollar-denominated) loans. It is the Bank's policy to extend foreign currency loans primarily to customers who have foreign currency revenues or who are otherwise hedged.

8.6.2.2 Corporate Banking

The Bank offers a wide range of products and services to its corporate customers including term loans, revolving credit lines, foreign currency loans, infrastructure loans, trade finance, and transaction banking such as cash management products and services.

As of 31 December 2024, 2023 and 2022, accounts of corporate banking customers of the Bank represented 37.6%, 39.6% and 43.2% of the Bank's receivable from customers (gross of unearned discounts and deferred credits and allowance for credit losses), respectively. The Bank believes that a majority of the top 1,000 Philippine companies are currently customers of the Bank. Most of the Bank's corporate lending is typically undertaken on a non-syndicated basis, although the Bank does syndicate certain large transactions. Substantially all of the Bank's corporate clients are based in the Philippines and are engaged in the wholesale and retail trade, utilities, manufacturing, financial intermediation, and real estate industries. Almost all of the Bank's corporate lending activities support projects and businesses in the Philippines. Facilities offered to corporate customers include both secured and unsecured loan products, with pricing based on the credit risks associated with the customer and their

business. The majority of the Bank's current corporate lending consists of short- to medium-term term loans. The Bank participates in syndicated loans and provides a limited amount of working capital funding by way of bills purchased and/or trade finance. The Bank also offers deposit taking and cash management services for its corporate clients.

The Bank uses the transaction banking business to further entrench the Bank in its relationships with its customers. The Bank's cash management system is known as Security DigiBanker and the Bank believes it provides a wide array of cash management solutions to its customers. The Bank will continue to enhance its Cash and Trade portals in the DigiBanker system to provide clients with improved user experiences.

The Bank offers both Peso-denominated and foreign currency (primarily U.S. dollar-denominated) loans. It is the Bank's policy to extend foreign currency loans only to those customers who have U.S. dollar revenues or who are otherwise hedged.

The Bank has a customer-focused strategy and has recruited qualified professionals, including relationship managers and other management personnel, to strengthen its business development and portfolio management capabilities. The Bank aims to develop and maintain mutually beneficial relationships with institutional clients within its target market segments by providing wholesale banking services including, but not limited to, corporate finance, investment banking, cash management, trade services, and structured finance. The Bank's relationship managers are responsible for business generation, new product development, customer satisfaction and maintenance of a high-quality loan portfolio. Relationship managers are also focused on selling the Bank's wide range of financial products and services. The expanded line of non-lending services offered by the Bank, including investment and trust banking services, are actively promoted by the Bank's relationship managers to existing and potential clients. As of 31 December 2024, the Group's corporate banking loan portfolio was highly concentrated on wholesale and retail trade, utilities (power, electricity and water distribution), real estate, manufacturing, financial intermediaries, transportation and storage, and information and communication.

The Bank has also directed its efforts toward increasing deposits from its corporate banking clients.

8.6.2.3 Investment Banking

The Bank's investment banking activities are principally undertaken through Security Bank Capital, a wholly-owned subsidiary of the Bank. Security Bank Capital is a leading underwriter and arranger of loan syndications and issues of debt equity and equity-linked securities in the Philippine capital markets. It also deals in project finance, private placements, financial advisory, and mergers and acquisitions. Security Bank Capital has been involved in major fund raising exercises for top-tier business conglomerates, middle-market clients and the public sector such as the San Miguel group, the Ayala group, the Aboitiz group, the Lopez group, the Metro Pacific Group, the JG Summit group, the Sy group and the Bureau of Treasury (Republic of the Philippines).

For the years ended 31 December 2024, 2023 and 2022, Security Bank Capital's (including SB Equities) total assets amounted to ₱3.2 billion, ₱2.9 billion and ₱3.5 billion, respectively and Security Bank Capital's net income was ₱246.7 million, ₱285.6 million and ₱180.4 million, respectively.

8.6.2.4 Leasing

The Bank operates its leasing business through the 60%-owned subsidiary SBML and the wholly-owned subsidiary SBRC.

SBML is a joint venture leasing company 60%-owned by the Bank and 40%-owned by Marubeni Corporation of Japan. SBML specializes in heavy equipment financing, servicing the leasing and financing requirements of Maxima Machineries Inc.'s customers involved in the construction and mining industries.

SBRC is principally engaged in the business of renting, leasing (excluding financial leases) and hiring a wide range of machinery and equipment, automotive equipment, automobiles, motor vehicles and land, air or water transportation systems.

For the years ended 31 December 2024, 2023 and 2022, SBML generated a net income of ₱36.5 million, ₱29.5 million and ₱19.7 million, respectively. SBRC generated net income of ₱61.7 million for the period ended 31 December 2024.

8.6.3 Business Banking

The Business Banking segment serves MSMEs with holistic propositions covering deposits, loans, cash management, insurance, and investments. The Business Banking segment constitutes 9.8% of the Bank's revenue, net of interest expense, for the year ended 31 December 2024.

8.6.4 Financial Markets

The segment focuses on providing money market, foreign exchange, financial derivatives, debt and equity securities brokerage, asset management, trust and fiduciary services, as well as the management of the funding operations of the Bank. The Group's equity brokerage operations is also part of this segment.

The Financial Markets segment contributed 6.9% of the Bank's revenue, net of interest expense, for the year ended 31 December 2024.

8.6.4.1 Treasury

The Treasury Group is responsible for managing the Bank's sources of funding and ensuring that the Bank has adequate liquidity at all times. As part of this function, Treasury manages the Bank's domestic and foreign currency denominated investment instruments. Treasury actively engages in securities dealership, foreign exchange trading, and derivatives transactions for its own account, as well as for the accounts of individual and institutional investors. The customers of the Bank's Treasury Group include domestic and offshore banks, insurance companies, financial institutions, corporations, small and medium enterprises, high net worth individuals, and retail companies.

Treasury manages the securities trading and investment portfolios of the Bank. As a Government Securities Eligible Dealer, the Bank has been an active participant in the primary and secondary trading of Government Securities. The Treasury Group also manages the Bank's foreign currency exposure, engaging in proprietary trading of currencies and offering foreign exchange and risk hedging derivative instruments to the Bank's customers such as forward contracts, interest rate swaps, currency swaps, and foreign currency options.

8.6.4.2 Fixed Income Securities Distribution

The Fixed Income Securities Division ("FISD") is the Bank's main distribution arm for financial instruments in the primary and secondary markets. The division caters to the fixed income needs of Corporate, Institutional, and Retail Investors who require direct access to the bond market without paying steep management fees.

8.6.4.3 Foreign Exchange & Rates Hedging

The Foreign Exchange & Rates Hedging ("FXRH") Division of the Bank focuses on providing institutional, corporate, and retail clients with a solutions-driven approach to hedging their FX and Interest Rate Risk. These range from traditional FX spot transactions to derivative-based solutions that best fit the requirements of clients.

8.6.4.4 Investment Solutions Group

The Investment Solutions Group (“ISG”) services the investment requirements of the Bank’s Wealth Management clients. ISG provides data-driven research, offering clients personalized financial solutions to help them achieve their financial goals.

8.6.4.5 SBC Trust and Asset Management Group

The Bank’s trust, investment management and fiduciary products and services are offered through the Trust and Asset Management Group (“TAMG”), which operates under a trust license granted by the BSP in 1983.

SBC TAMG offers a wide range of trust products and services that address the needs of each of the Bank’s market segments that include fund and investment management of unit investment trust funds (“UITFs”), employee benefit trusts or retirement funds, personal, corporate, and pre-need funds as well as fiduciary services that include management and administration of EMI trust, escrows, facility and collateral agency and trustee services. Revenues from the trust and fiduciary business is generated through trust fees.

In 2025, two of TAMG’s UITFs won the Best Managed Funds awarded by the CFA Society Philippines. The SB Peso Bond Fund won the Best Long Term Peso Bond Fund, winning it for the second year in a row and is its 5th win since 2016 when CFA Society Philippines first started the annual recognition of Best Managed Funds in the Philippines. On the other hand, the SB Philippine Equity Index Fund also won, winning the Best Peso Equity Index Fund for the second year in a row (2024 and 2025), demonstrating SBC TAMG’s ability to consistently perform better than the Philippine Stock Exchange Index (PSEi) against peer funds, showcasing excellence in equity fund management and long-term growth potential. In 2024, two (2) of our Fixed Income Fund Managers were recognized as the Most Astute Investors (Rank 1 and Rank 2) by The Asset Benchmark Research. Beyond individual accolades, TAMG also secured the title of Top Investment House (Rank 2) from the same award-giving body for the second consecutive year. In 2023, TAMG was likewise recognized by the Philippine Daily Inquirer and Statista as the Philippines’ Best Customer Service provider in the Asset Management Category, reflecting TAMG’s strong commitment to delivering exceptional client experience, professional excellence, and service responsiveness in managing and growing clients’ assets.

SBC TAMG’s assets under management (“AUM”) totalled ₱154.1 billion, posting a stellar growth of 42% year on year, from ₱108.6 billion in 2024 with 3 year and 5 year CAGR of 23% and 22%, respectively. The AUM growth was driven by the increase across all products led by Segregated Corporate Accounts and Other Fiduciary & Services Accounts which for these two products, posted a combined annual growth of 87%. In terms of investments, funds managed by SBC TAMG were primarily invested in a combination of fixed income investments comprising of government securities, corporate bonds and notes, direct loans and bank deposits and as well as in equities mainly comprising common and preferred shares listed in the PSE. Gross revenues from trust operations were ₱311.1 million, ₱291.0 million and ₱285.9 million for the years ended 31 December 2024, 2023 and 2022, respectively.

8.6.4.6 SB Equities

The Bank’s stock brokerage activities are undertaken through SB Equities, a wholly-owned subsidiary of Security Bank Capital. SB Equities participates in stock market trading and investment advisory and research services to business units within the Bank and institutional funds for its customers.

8.6.5 Other Segments

8.6.5.1 Alternative Delivery Channels

In addition to the Bank’s branches located across the Philippines, the Bank also offers its customers access to banking services through Internet banking, phone banking, and the Bank’s customer contact center.

8.6.5.1.1 Internet and Mobile Banking

The Bank launched the all-new Security Bank app on 3 August 2024 with a redesigned user interface and seamless onboarding process that allows customers to manage their accounts, credit card purchases, and investments easily.

The cloud-based platform garnered recognition from The Digital Banker's Digital CX Awards 2025 for Outstanding use of Digital Channels for improved CX and the Asian Banking and Finance Retail Banking Awards 2025 for Mobile Banking & Payment Initiative of the year. Available for iOS, Android, Huawei, and web users, the app underscores the Bank's dedication to delivering superior customer service and innovative banking solutions.

The Bank's award-winning DigiBanker platform enables Corporate customers to efficiently manage their business' cash flows and payments. The platform facilitates management of receivables, eGov payments, vendor payments, liquidity management, and fund transfers.

8.6.5.1.2 Phone Banking

The Bank's customer contact center was established in 2003 to service the credit card business of the Bank. It was expanded in 2010 to provide customer service assistance to the Bank's retail customers, specializing in deposits, consumer loans, credit cards, remittance and other retail products. The customer contact center also supports the Bank's acquiring business and its electronic banking services.

The customer contact center operates 24 hours a day, seven days a week, with personnel who are equipped with a customer relationship management system which allows them to deliver personalized customer service and conduct precise cross-selling initiatives. It also enables customer service officers to build customer contact data, which helps the Bank manage and respond to customers' needs more effectively and efficiently.

The Bank also utilizes interactive voice response service technology via the telephone to provide retail customers access to their accounts, and make banking transactions such as balance inquiries via a touchtone phone.

8.7 SUBSIDIARIES AND AFFILIATES

SB Finance, Inc. ("**SB Finance**"), formerly a private development bank incorporated in 1960 as Premiere Development Bank, renamed Security Bank Savings ("**SBS**") after the Bank's acquisition of its shares in February 2012 and subsequently converted into a financing company after securing regulatory approvals from Bangko Sentral ng Pilipinas ("**BSP**") and SEC in 2017. On 21 September 2022, SEC approved the Amended Articles of Incorporation and By-Laws of the company amending the corporate name from SB Finance Company, Inc. to SB Finance, Inc.

On 8 August 2019, the Board of Directors ("**BOD**") of the Bank approved the terms and conditions of the joint venture agreement and other transaction documents necessary to establish a consumer finance joint venture with Bank of Ayudhya Public Company Ltd., commonly known as Krungsri ("**Krungsri**"), including the sale of 50% of the outstanding shares of SB Finance to Krungsri.

On 20 October 2020, after obtaining regulatory approvals in the Philippines and in Thailand, the Joint Venture Agreement ("**JVA**") between the Bank and Krungsri was executed, with the Bank completing the sale of 50% outstanding shares of SB Finance shares to Krungsri. Accordingly, SB Finance ceased to be a subsidiary of the Bank. The financial statements of SB Finance were deconsolidated from the consolidated financial statements of the Group. Under the JVA, the parties agreed to use SB Finance as a joint venture entity and requires the unanimous consent of both the Bank and Krungsri for any significant decisions made in the ordinary course of business of SB Finance.

Security Bank Capital Investment Corporation ("**Security Bank Capital**"), formerly SB Capital Investment Corporation, is the Bank's wholly-owned investment banking arm. It provides a wide range of investment banking and financial services aimed at satisfying the diverse financial needs of institutions and individuals. Since the

onset of its commercial operations in 1996, Security Bank Capital has participated in a myriad of significant capital raising and advisory services involving conglomerates, top-tier and middle-market clients as well as the public sector.

Despite the global economic headwinds and geo-political concerns in 2024, Security Bank Capital managed to remain resilient in its business operations and managed to deliver a decent financial performance as the company completed and participated in notable investment banking transactions during the year.

In terms of public debt issuances, the debt market saw an improvement in terms of both volume and value of corporate bond offerings as issuers tapped the debt capital market space to fund capital expenditure requirements, expansion plans, refinance maturing debt obligations and other general corporate purposes. For 2024, Security Bank Capital acted in joint lead capacities in big-ticket fixed rate bond offerings of top-tier corporations including Filinvest Development Corporation (₱10 billion in February 2024); Energy Development Corp. (₱10 billion in May 2024); SM Prime Holdings, Inc. (₱25 billion in June 2024); San Miguel Corporation (₱20 billion in July 2024); Megawide Construction Corporation (₱5 billion in July 2024); and SMC Tollways Corporation (₱35 billion in December 2024).

Security Bank Capital was also involved as joint lead underwriter and bookrunner for Ayala Land, Inc.'s consecutive ₱6 billion and ₱8 billion Sustainability bond issues in July 2024 and November 2024, respectively. Said issuances by Ayala Land, Inc. are the only sustainability-linked bonds issued to date by a Philippine company. Moreover, this debt capital transaction earned numerous recognitions from international award giving bodies, to include: Best Sustainability-linked Transaction 2024 and Best Local Currency Bond Deal of the Year 2024, respectively, during Alpha Southeast Asia's 18th Annual Best Deal & Solution Awards 2024 held in Hongkong last December 2024. The transaction was also given the award of Most Innovative Deal 2024 (APAC) Southeast Asia Highly Commended Philippines Winner by Finance Asia.

Amid the muted equities capital market environment during the year highlighted by the decline in equity capital market offerings brought about by financial market jitters and geo-political uncertainties, Security Bank Capital was present and remained visible in a number of perpetual preferred share offerings of its clients acting as joint lead underwriter and joint bookrunner capacities for the following transactions: Petron Corporation (₱16 billion in September 2024); Ayala Corporation (₱15 billion in October 2024); and Vista Land & Lifescapes, Inc. (₱3 billion in October 2024). Security Bank Capital was also a domestic lead underwriter for the ₱5.3 billion initial public offering of Citicore Renewable Energy Corporation in June 2024.

Security Bank Capital likewise lead arranged a number of big-ticket and landmark project finance syndicated term loans during the year involving the renewable energy sector particularly solar and onshore wind projects including: Negros PH Solar, Inc.'s ₱4.85 billion loan facility (solar); Alternergy Tanay Wind Corporation's ₱8.0 billion loan facility (wind); Hexa Renewables' combined ₱4.21 billion loan facilities for acquisition financing (solar); and 3 Barracuda Energy Corp.'s ₱18.2 billion syndicated term loan facility for the company's 550 MW solar power project in Bugallon, Pangasinan, which was the largest renewable energy project finance as of 2024. Security Bank Capital was also a joint lead arranger for the ₱80 billion syndicated loan facility of New NAIA Infra Corp., the proceeds of which, would partially fund the redevelopment of the Ninoy Aquino International Airport. ("NAIA"). The foregoing loan transaction accorded the Best Syndicated Loan Deal of the Year during the during the 18th Annual Best Deal & Solution Awards 2024 of Alpha Southeast Asia Awards 2024 held in Hongkong last December 2024.

Security Bank Capital also acted as mandated lead arranger and bookrunner for the U.S.\$70 million top-up loan in favor of Silangan Mindanao Mining Co Inc. in February 2024. Security Bank Capital also capped 2024 with the successful signing of the facility agreement for the U.S.\$100 million term loan facility of Prime Energy Resources Development Corp., the proceeds of which will be used to finance Prime Infra Group's corresponding share in the equity requirement in the Malampaya Expansion Project.

Other notable private debt transactions lead arranged by Security Bank Capital during the year also included the ₱800 million corporate notes issuance of Country Funders Finance Corp. in November 2024 and the ₱4 billion corporate notes facility of Unistar Finance and Credit Corp. also in November 2024, the proceeds of which were utilized by the foregoing companies to expand their loan receivables portfolios which cater to serve the needs of the unbanked and underserved customers in line with said companies' commitment to provide financial inclusion to those who have limited access to formal financing channels. Security Bank Capital was also a mandated lead arranger for the U.S.\$115 million loan facility of Asialink Finance Corporation (“**Asialink**”), together with the Asian Development Bank and the Hongkong Shanghai Banking Corp (Philippines). The proceeds from this social notes facility will be utilized by Asialink to provide financing to more small and medium-sized enterprises (“**SMEs**”) in the country. including those owned by women.

Security Bank Capital also earned advisory income/fees in the form of retainer, upfront and certain milestone-based activities (e.g. preparation of valuation reports) in relation to the financial advisory services rendered to its clients who are either (i) in search of potential joint venture or strategic partners, (ii) divesting or selling assets/business as well as those (iii) in search of investment or acquisition opportunities.

In 2024, Security Bank Capital also garnered accolades and recognitions for some of its completed landmark deals from the following prestigious and reputable award giving bodies:

Institutional Awards and Recognitions

- **19th PDS Annual Awards Night**
Investment House Category - Top Corporate Issue Manager/ Arranger (2nd Place)
- **Euromoney Securities Awards 2024**
Best ESG House – Philippines
- **Finance Asia Awards 2024**
Best ECM House - Domestic (Highly Commended)
- **The Asset Benchmark Research Awards 2024**
Top Arranger – Investors' Choice for Primary Issues – Government Bonds (2nd place)

Deal Awards

- **The Asset Triple A Awards for Sustainable Infrastructure 2024 - Transport Deal of the Year 2023**
SMC Mass Rail Transit 7
₱100 Bn Syndicated Term Loan Facility
Lead Arranger
- **The Asset Triple A Awards for Sustainable Infrastructure 2024 - Social Infrastructure Deal of the Year 2023**
8990 Housing Development Corporation
₱6.5 Bn Corporate Notes
Co-Lead Arranger
- **The Asset Triple A Awards for Sustainable Infrastructure 2024 - Telecom Deal of the Year 2023**
Ison Tower Limited, Inc.
₱4.8 Bn Term Loan Facility
Joint Lead Arranger
- **Alpha Southeast Asia 2024 - Best Sustainability-linked Transaction 2024**

Ayala Land Inc.
₱6 Bn Tranche 1 ASEAN Sustainability-Linked Bonds and
₱8 Bn Tranche 2 ASEAN Sustainability-Linked Bonds
Joint Lead Underwriter and Joint Bookrunner

- **Alpha Southeast Asia 2024 - Best Local Currency Bond Deal of the Year in Southeast Asia 2024**
Ayala Land Inc.
₱6 Bn Tranche 1 ASEAN Sustainability-Linked Bonds and
₱8 Bn Tranche 2 ASEAN Sustainability-Linked Bonds
Joint Lead Underwriter and Joint Bookrunner
- **Alpha Southeast Asia 2024 - Best Syndicated Loan Deal of The Year 2024**
New NAIA Infrastructure Corporation
₱80 Bn Syndicated Term Loan Facility
Joint Lead Arranger
- **Finance Asia 2024 Best Equity Deal 2024 (APAC) | Highly Commended**
San Miguel Corporation
₱34 Bn Perpetual Preferred Shares Offering
Joint Lead Underwriter and Joint Bookrunner
- **Finance Asia 2024 Most Innovative Deal 2024 (APAC) | Southeast Asia Highly Commended| Philippines Winner**
Ayala Land, Inc.
₱6 Bn ASEAN Sustainability Linked Bond
Joint Lead Underwriter and Joint Bookrunner
- **IHAP 2024 - Deal of the Year (Large Cap) 2023**
SMC Mass Rail Transit 7
₱100 Bn Syndicated Term Loan Facility
Lead Arranger
- **IHAP 2024 - Best Fixed Income Deal (Large Cap) 2023**
Bureau of the Treasury
U.S.\$1.26Bn Retail Onshore Dollar Bonds 2
Joint Issue Manager
- **IHAP 2024 - Best Equity Deal (Large Cap) 2023**
ACEN Corporation
₱25 Bn Preferred Shares Offering
Joint Lead Underwriter and Joint Bookrunner
- **IHAP 2024 - Best Project Finance Deal (Large Cap) 2023**
SMC Mass Rail Transit 7
₱100 Bn Syndicated Term Loan Facility
Lead Arranger
- **IHAP 2024 - Best Fixed Income Deal (Small-Mid Cap) 2023**
Asialink Finance Corporation
₱2 Bn Private Placement Corporate Notes
Joint Issue Manager, Joint Lead Arranger and Joint Bookrunner

- **The Asset Triple A Awards for Sustainable Awards 2024 - Best New Bond 2023**
Asialink Finance Corporation
₱2 Bn Private Placement Corporate Notes
Joint Issue Manager, Joint Lead Arranger and Joint Bookrunner
- **The Asset Triple A Awards for Sustainable Awards 2024 - Best Equity Deal 2023**
ACEN Corporation ₱25 Bn Preferred Shares Offering
Joint Lead Underwriter and Joint Bookrunner
- **The Asset Triple A Awards for Sustainable Awards 2024 - Best Green Bond 2023**
Citicore Energy REIT Corporation
₱4.5 Bn Fixed Rate ASEAN Green Bonds
Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner
- **The Asset Triple A Awards for Sustainable Awards 2024 - Best Corporate Bond 2023**
SM Prime Holdings, Inc.
₱33 Bn Fixed Rate Bond
Joint Lead Underwriter and Joint Bookrunner
- **The Asset Triple A Awards for Sustainable Awards 2024 - Best Acquisition Financing 2023**
Aboitiz Equity Ventures
₱17.45 Bn Fixed Rate Bond
Joint Lead Underwriter and Joint Bookrunner
- **Asian Banking & Finance – Corporate Investment and Banking Awards 2024 - Project Infrastructure Finance Deal of the Year 2023 – Philippines**
SMC Mass Rail Transit 7
₱100 Bn Syndicated Term Loan Facility
Lead Arranger
- **Asian Banking & Finance – Corporate Investment and Banking Awards 2024 - Equity Deal of the Year 2023 – Philippines**
ACEN Corporation
₱25 Bn Preferred Shares Offering
Joint Lead Underwriter and Joint Bookrunner

SB Rental Corporation (“SBRC”) is a wholly owned subsidiary of Security Bank Capital. The company is the operating lease arm of Security Bank group of companies in which its primary purpose is to engage in the business of renting, leasing (excluding financial leases) of various machineries and equipment, automotive equipment, automotive vehicles such as cars, vans, pick-ups, trucks, tractors, trailers, buses and a variety of land, air or water transportation equipment.

SB Equities, Inc. (“SB Equities”), a subsidiary of Security Bank Capital, was incorporated on 1 August 1987, ranks 10th overall among domestic brokerages in the country in terms of volume turnover according to the Philippine Stock Exchange (“PSE”) as of 31 December 2024.

SB Cards Corporation (“SB Cards”) was incorporated on 9 October 1980 as Security Diners International Corporation and formerly also known as Security International Card Corporation. SB Cards acquired the exclusive franchise ownership of Diners Club international credit card in the Philippines. In September 2016, SB Cards sold the Diners Card portfolio to Banco de Oro. The corporate term of SB Cards ended on 31 December 2024.

SBM Leasing, Inc. (“SBML”), formerly Security Finance, Inc. incorporated on 1 August 1994, is a joint venture leasing and finance company of Security Bank Corporation (60%) and Marubeni Corporation of Japan (40%). SBML specializes in heavy equipment (i.e., construction and mining), finance and services the clientele of Maxima Machineries, Inc. (a Marubeni subsidiary and exclusive distributor of Komatsu Trucks and Heavy Equipment in the Philippines) and of Security Bank.

SB Forex, Incorporated (“SB Forex”) was incorporated on 27 September 1994 to handle the foreign exchange brokerage business of the Bank but has been inactive due to changes in the regulatory environment. The Bank has absorbed the foreign exchange business previously coursed through SB Forex. The operations for this subsidiary were suspended in 2008. The corporate term of SB Forex ended on 28 February 2022.

Security Finance and Leasing Inc. (“SFLI”) (formerly Landlink Property Investments (SPV-AMC), Inc.), was incorporated in the Philippines primarily to engage third parties to manage, operate, collect and dispose of nonperforming assets acquired from a financial institution. The Company was incorporated on 17 September 2004 and has not started commercial operations.

8.8 INSURANCE

It is the Bank’s policy to adequately insure all of its properties against different types of risks. The Bank maintains insurance for operational risks, for cyber liability, and for officers and directors.

The Bank also has a policy of requiring appropriate insurance coverage based on the market value of collateral provided by its customers.

The Bank’s insurance policies are subject to exclusions which are customary for insurance of the type held by the Bank, including those exclusions which relate to war and terrorism-related events.

The Bank believes that its insurance policies as described above are appropriate and sufficient for its business.

8.9 CAPITAL EXPENDITURES

As part of the Bank’s strategy, capital expenditures in the past few years were mainly attributed to investments in information technology, renovation or relocation of branch premises, and investment for new branches. The efficient use of technology is expected to boost productivity, reduce transaction processing costs, improve management information preparation and delivery, result in alternative customer channels, efficient business communications, and more timely risk management. It would also assist in reducing operations at the branch level, thereby allowing branch personnel to focus more on customer service. Investment in the branch network is consistent with the strategy to grow the retail business.

8.10 PROPERTIES

The Bank’s head office is located at Security Bank Centre, 6776 Ayala Avenue, Makati City, Philippines. The Bank owns the premises occupied by its head office, including most of its branches. The following table provides a geographic breakdown of the Philippine branch network owned by the Bank:

<u>Location</u>	Number of Owned Branches as of 31 December	
	2024	2023
Metro Manila.....	22	21
Luzon	14	14
Visayas	1	1
Mindanao	8	8
Total	45	44

The Bank leases premises for its remaining branches. Generally, the Bank’s lease contracts for its branches are for periods ranging from three to five years and are renewable under certain terms and conditions.

The following table provides a geographic breakdown of the Bank’s Philippine branches that occupy leased premises:

<u>Location</u>	Number of Leased Branches as of 31	
	December	
	2024	2023
Rest of Metro Manila	164	162
Luzon	70	63
Visayas	37	31
Mindanao	30	25
Total	301	281

8.11 INTELLECTUAL PROPERTY

The Bank has applied for, and received, intellectual property protection for a number of trademarks and tradenames, including the logo of the Bank and “Security Bank”. The Bank has not been the subject of any disputes relating to its intellectual property rights.

8.12 AWARDS AND RECOGNITIONS

The Bank has received numerous awards and industry recognitions for its products and services as well as its market leading position among universal banks in the Philippines.

In 2024, the Bank was awarded with the following, among others:

- Euromoney
 - The Philippines’ Best Bank for Corporates
 - The Philippines’ Best for High-New-Worth
- Corporate Governance Asia
 - Best Investor Relations Company (Philippines)
 - Sustainable Asia Award
- Institute of Corporate Directors
 - Three Golden Arrow Recognition for Excellence in Corporate Governance
- The Asian Banker
 - Best Branch Digitisation Implementation for the Mosaic Voyager Telling and Lobby Management System
 - Best New Product Launch Strategy in the Philippines for the Wave Mastercard
- Asian Banking and Finance
 - Credit Card Initiative of the Year for the Wave Mastercard
 - Sustainability Initiative of the Year for the Wave Mastercard
 - ESG Program of the Year (Bronze) for the Wave Mastercard
 - Domestic Digital Payment Initiative of the Year for the Biling Invoice Presentment and Payment System

In 2023, the Bank was awarded with the following, among others:

- Asiamoney

- Best Corporate Bank in the Philippines
- Best for High Net Worth in the Philippines
- Alpha Southeast Asia
 - Best Retail Bank in the Philippines
 - Best Payment Solution in the Philippines – BIPPS (Billing Invoice Presentment and Payment System)
- Institute of Corporate Directors
 - 4 Golden Arrow Recognition
- Corporate Governance Asia
 - Best Investor Relations Company (Philippines)
 - Asia’s Best CSR Company
- FinanceAsia
 - Best Small Cap Company, Philippines 2023 – Silver
- ESGBusiness Awards
 - Workplace Wellness Programme Award – Philippines
- Forbes’ World’s Best Employers in 2023

In 2022, the Bank was awarded with the following, among others:

- Alpha Southeast Asia
 - Best Retail Bank in the Philippines
- Corporate Governance Asia
 - Best Investor Relations Company (Philippines)
 - Asia’s Best CSR Company
- Euromoney
 - Market Leader in Corporate Social Responsibility
 - Market Leader in Diversity & Inclusion
- Asiamoney
 - Best for Mass Affluence/HNW in the Philippines
 - Best Bank for Diversity and Inclusion in the Philippines
- The Asian Banker
 - Best Credit Card Product in the Philippines (Security Bank’s Complete Cashback Platinum Mastercard)

8.13 COMPETITION

The Philippine banking industry is characterized by highly competitive price and service offerings, and a high level of regulation. All banks have similar products and compete via differentiation in servicing and targeting specific niches. In 2024, the industry experienced intensified competition alongside increased customer service standards.

There are a total of 22 universal banks in the Philippine banking system, of which 13 are domestic private universal banks, three are government banks and six are branches/subsidiaries of foreign banks, as of March 2025. In addition, there are 22 commercial banks in the country.

8.14 EMPLOYEE AND LABOUR RELATIONS

In support of the Bank’s strategic growth initiatives, the Bank’s complement increased from 8,190 in 2023 to 9,305 in 2024.

The following table presents the number of employees by category as of 31 December 2024 (excluding employees of entities not consolidated):

Rank and File	2,794
Officers.....	6,511
Total	<u>9,305</u>

As of 31 December 2024, 15% of the Bank’s employees were rank and file employees who are subject to Collective Bargaining Agreements (“CBA”). The current CBA will expire on 31 August 2026.

The Bank believes in supporting the growth of the whole person, recognizing that people’s lives have different aspects that should be given appropriate time and attention.

Human Capital Management (“HCM”) has been a major mover for championing Security Bankers’ well-being and development. The awards received by HCM in 2024 are a testament to the Bank’s Employee Value Proposition – “YOU matter”.

Awards Received in 2024:

- **Time and Statista**
 - #1 Philippine bank, #2 Philippine company, #5 in employee satisfaction globally on the World’s Best Companies 2024 list
- **HR Asia**
 - Best Companies to Work for in Asia
- **HR Excellence Awards**
 - Excellence in Digital Transformation (Gold)
 - Excellence in Employee Engagement (Gold)
 - Excellence in Work-Life Harmony (Silver)
- **Prosple Philippines Top 100 Employers for Fresh Graduates**
 - #7 on the list
- **Stevie Awards for Great Employers**
 - Chief Human Resources Officer of the Year – Silver (Nerissa Berba)
 - Human Resources Team of the Year – Silver
 - Stevie Awards for Technology Excellence
 - Technical Innovation of the Year for Operational Data Platform – Bronze
- **LinkedIn Talent Awards**
 - Talent Insights Awards

8.15 LEGAL PROCEEDINGS

The Bank is a party in legal proceedings which arise in the ordinary course of its business activities. None of such legal proceedings arising in the ordinary course, either individually or in the aggregate, are expected to have a material adverse effect on the Bank or its consolidated financial position.

SECTION 9. RISK MANAGEMENT

The Bank's risk management organization and culture is a fundamental component of its corporate governance.

9.1 POLICY STATEMENT

The Board of Directors and Management of the Bank and its subsidiaries commit to the principles and best practices that promote good corporate governance such as the "Principles for Enhancing Corporate Governance" issued by the Basel Committee on Banking Supervision as embodied in the regulations of the regulatory authorities of the Philippines such as the BSP and the SEC.

The Bank's Board of Directors and Senior Management believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness and ensure compliance with corporate governance policies and practices within the organization.

Under the Bank's Governance System, the Board of Directors has ultimate responsibility for the Bank's business and risk strategy, organization, financial soundness and governance.

The Board reviews and approves the strategic plans and the operational plans of the Bank, taking into account the Bank's long-term financial interests, its exposure to risks and its ability to manage risks effectively. Accordingly, the Board monitors the overall business strategy execution of the Bank.

9.2 RISK MANAGEMENT ORGANIZATION

The Group is faced with multiple risks inherent to the business it has chosen, largely in the form of market, liquidity, credit, operational and sustainability risks. To protect the customers and stakeholders, as well as the opportunities for growth and value creation, the Group's risk management is structured to continuously and effectively address these risks by category where risk is managed primarily via structures of policies, processes and measurement tools established and provided by the Risk Management Group for the Bank. The same structures are adapted by the subsidiaries and tailor-fitted to suit their specific activities.

In 2021, the Bank's Board approved an Environmental and Social Risk Management Framework which sets out the Bank's policy and process in identifying, assessing, and managing environmental and social risks. In line with BSP Circular No. 1085, the Bank has also adopted a transition plan to establish its Environmental and Social Risk Management Systems by 2023.

The Group's risk management, internal control process and infrastructure are designed to keep pace with developments of the Group, including balance sheet and revenue growth, increasing complexity of the business, risk configuration or operating structure, geographical expansion, mergers and acquisitions, or the introduction of new products or business lines, as well as with the external risk landscape, business environment and industry practice. In this respect, the Group's risk data aggregation and risk reporting are conducted with accuracy, integrity, completeness, timeliness and adaptability. Actual risk management processes are outlined by risk category.

The Risk Management Group's activities primarily consist of assisting the Board of Directors, through the Risk Oversight Committee ("**ROC**"), in fulfilling its risk management responsibilities mainly through the following fundamental tasks:

1. Development and review of risk appetite/limits and policies;
2. Assessment, measurement, monitoring and reporting of the Group's risk-taking and risk management activities, including risk limit utilization and performance;

3. Providing subject matter expertise in business, product and project developments, and other strategic decision-making activities;
4. Elevation of issues and findings to Senior Management and the ROC.

9.3 CREDIT RISK

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to perform or complete in a timely manner its obligations during the life of a transaction. This includes risk of non-payment by borrowers or issuers, failed settlement of transactions, and default on contracts. Credit risk arises from both the lending and investment activities of the Group. As one of the primary risks inherent to the banking business, the Group manages credit risk through a systemized approach which includes:

- Policy Development and Implementation – The Credit Portfolio Risk Management Department (“CPRMD”) maintains and develops credit policies and procedures to guide business and support units involved in the credit process to make appropriate actions and decisions pertaining to credit transactions. Policy formulation also supports the Bank’s “**Single Credit Engine**” concept which provides for a uniform understanding and consistent application of credit policies and procedures across the entire institution.
- Risk Assessment and Measurement – Credit risk officers identify and evaluate existing and potential exposures, assess the probability of each risk materializing and estimate possible effect and cost of risk factors. The team uses different credit risk measurement and valuation methods such as Probability of Default (“PD”), Expected Credit Loss (“ECL”), Credit Classification, credit concentrations, residual risks on collateral, and credit stress testing.
- Risk Control and Mitigation – Credit facilities are granted primarily based on the borrower’s credit quality and repayment capacity. Where possible, the Bank takes credit risk mitigants as a secondary recourse to the borrower to mitigate credit risk. On the Wholesale Credit side, the Bank accepts collateral such as cash, real estate, marketable securities, trade receivables, and standby letters of credit, among others. In addition, the Bank limits vulnerabilities and manages risks to an acceptable level through the following: (i) lending limits that encompass industry, single name, group and large exposures; (ii) proactive impairment process involving the Lending Units as well as the Remedial Management Division; and (iii) timely ECL provisioning. On the Retail Credit side, acceptable collateral includes cash, automobile, equipment, and real estate. In addition, the Bank limits vulnerabilities and manages risks to an acceptable level through the following: (i) Minimum Risk Acceptance Criteria; (ii) regular Portfolio Quality Reviews with Business, Credit, Collections and Risk Units; and (iii) timely ECL provisioning.
- Risk Monitoring and Reporting – Continuous monitoring and periodic reporting of credit risk positions are integral parts of the Bank’s credit risk management activities. Regular reporting to the ROC and Senior Management covers credit risk exposures, concentration risks, credit mitigation and residual risks across the Group.
- Independent Risk Assessment (“IRA”) – The IRA is the pre-approved evaluation of individual credits by the Independent Credit Risk Assessment Department. In scope credit proposals are subject to IRAs which evaluate the soundness of credits by documenting identified risk issues, assessing alignment of account plans with industry risk-reward portfolio actions, and providing recommendations on risk mitigations and credit structures to ensure portfolio quality.
- Credit Risk Review (“CRR”) – The CRR is an independent audit exercise conducted by CPRMD to assess both portfolio quality as well as credit process quality. The CRR’s emphasis is on identifying weaknesses, trends, and other risk issues to allow for proactive mitigation as needed via collateral,

covenants and alternative repayment sources, as well as adjustments to policies, procedures or awareness activities where applicable.

- Remedial Management – The remediation function on Wholesale Banking Segment borrowing accounts encountering payment difficulties is likewise within the responsibility of the Risk Management Group through the Remedial Management Division (“**RMD**”). The RMD is tasked to devise and implement remedial strategies to correct the problem and/or maximize recovery/minimize loss within the shortest possible time of the accounts endorsed to it for handling.

9.4 MARKET RISK

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Group classifies exposures to market risk into either trading or non-trading portfolios and manages those portfolios separately.

1. Price Risk, the risk that the Bank’s capital and gains will decline due to the impact of changes in the level or volatility of market factors to positions taken or held in the trading books.
2. Interest Rate Risk in the Banking Book (“**IRRBB**”), the risk that the Bank’s capital and earnings will deteriorate due to the effects of interest rate movements on the Bank’s balance sheet, mainly on the accrual books.

Given the sensitivity to and the pace of change of market factors, the Bank manages market risk through a variety of structures including the following:

1. Use of Value at Risk (“**VaR**”) methodologies, Earnings at Risk (“**EaR**”) techniques, Economic Value of Equity (“**EVE**”) measures, loss triggers and stress testing;
2. Adoption of limits aside from those related to VaR, EaR, EVE and Profit and Loss (P&L), such as duration and position limits, and performance of stress testing to augment the primary measures;
3. Periodic reporting of limit status, re-pricing gaps (for IRRBB) and P&L to the ROC, Senior Management and other concerned parties;
4. Development and review of risk models that are used for monitoring market risk, as well as validating the models developed internally or by third party vendors.

Risk appetite is defined in terms of limits assigned by the ROC to cover all market risk-taking activities of the Bank and its subsidiaries. The Market Risk Management Team establishes these limits annually based on the targets set in the planning process.

The Chief Risk Officer, Market Risk Officer, Market Risk/Liquidity Risk Analysts, Model Development Officers and Model Risk Officers ensure the continuous enhancement of market risk management across the Bank, monitoring and reporting regularly to Senior Management, the Assets and Liabilities Committee (“**ALCO**”), and the ROC.

Integral to the effectiveness of the Bank’s market risk management infrastructure is the dynamic relationship between the independent risk management unit and the business unit it supports and looks after. Risk Management goes beyond the traditional control function and seeks to add greater value to the institution by being an independent risk partner with its own voice and assessments of proposals and exposures. By being in step with the developments in the business side, Risk Management not only readily identifies potential risk areas, but also helps the business manage risks from the onset.

9.5 LIQUIDITY RISK

Liquidity risk is the risk that the Bank will not be able to meet its obligations when they become due. It may be classified into two sub-types:

1. Funding Liquidity Risk, the risk that a firm cannot obtain the necessary funds to meet its obligations as they fall due. It stems from the mismatch of asset, liability, exchange contracts, and contingent commitment maturities.
2. Trading Liquidity Risk, the risk that an entity will be unable to unwind a position in a particular instrument at or near its market value because of lack of depth or disruption in the market for that instrument.

Liquidity risk is mainly monitored through tools such as liquidity gap reports including the Maximum Cumulative Outflow (MCO) status, liquidity ratios and assessment of deposit concentration. This is further augmented by periodic liquidity stress testing. Regular reports and dashboards are then provided to Senior Management, the ALCO and the ROC. Moreover, the Bank has established Contingency Funding Plans to deal with potential liquidity crisis situations.

Through the ALCO, Risk Management Group provides an independent assessment of the depth and magnitude of funding liquidity risk that the Bank takes and suggests ways that can be explored to enhance the Bank's liquidity risk profile or keep exposure within the Bank's risk appetite. Risk Management Group also provides its views on proposals or strategies concerning balance sheet structure, funding mix or concentration, and bond or note issuance.

To protect itself from market liquidity concerns, the Group also established bond issue concentration limits effective across the trading and investment entities of the Group. The limit puts a cap on the relative share of the Group vis-à-vis the total bond issue size. The aim is to minimize concentration risk.

9.6 INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Bank defines Interest Rate Risk in the Banking Book as the risk of deterioration in the net interest income or capital of bank arising from the timing and rate mismatch of its assets and liabilities combined with unfavorable movements in interest rates.

The Parent Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates is kept within acceptable limits. Management of IRRBB entails identifications of risks in the banking book, modelling of balance sheet account behavior, measurement of interest rate gap, estimation of Earnings-at-Risk, interest rate stress-testing, calculation of change in Economic Value of Equity ("EVE"), reporting to ALCO, Risk Oversight Committee and the Board of Directors, model validation and maintenance, and regular audit.

Interest rate risk exposures are reported via the repricing gap schedule. The repricing gap report highlights mismatches in the repricing tenors of assets and liabilities. Repricing gaps are calculated by distributing the statements of financial position accounts into time buckets based on the next repricing dates of individual items. For non-maturing deposits, distinction is made between the stable (i.e. core) and non-stable portions, where the former is spread in time buckets aligned with Basel's IRRBB document while the latter is bucketed in short-term tenors. For time deposits and loans, model assumptions were developed based on historical experience of the Bank to capture early redemption risk and prepayment risk. These are adjusted using scaling factors under different interest rate shocks and stress scenarios when measuring the impact of IRRBB in economic value. After slotting the balance sheet items into time buckets, the resulting difference between the amount of the assets and the amount of the liabilities that will reprice within a particular time bucket constitutes a repricing gap.

The Group employs gap analysis to measure the sensitivity of its assets and liabilities to fluctuations in market interest rates for any given period. A positive gap occurs when the amount of interest rate-sensitive assets exceeds the amount of interest rate-sensitive liabilities during a period of rising interest rates since it is in a better position to invest in higher yielding assets more quickly than it would need to refinance its interest-bearing liabilities.

Conversely, during a period of falling interest rates, a positively gapped position could result in restrained growth or declining net interest income.

The Delta EVE is a cash flow calculation that takes the present value of all asset cash flows and subtracts the present value of all liability cash flows. This measure is defined as a bank's value sensitivity to changes in market rates. Delta EVE complements earnings-at-risk (“**EaR**”) and value-at-risk (“**VaR**”) as the Group’s measure of interest rate risk. As of December 31, 2024, the Parent Company’s Delta EVE is at 14.5%, arising from parallel shock up interest rate scenario.

In 2022, to manage repricing gaps in relation to the re-establishment of the HTC government securities business model, the Parent Company has applied a notional limit to its HTC government securities as a percentage of its total interest earning assets.

The following tables set forth the asset-liability gap position of the Bank as of 31 December 2024, 2023 and 2022:

	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
31 December 2024						
Rate-sensitive Financial Assets						
Financial assets at FVTPL:						
HFT investments:						
Government securities	P14,309	P–	P–	P–	P–	P14,309
Private bonds	981	–	–	–	–	981
Total HFT investments	15,290	–	–	–	–	15,290
Derivative assets	–	–	2	4	78	84
Total financial assets at FVTPL	15,290	–	2	4	78	15,374
Financial assets at FVTOCI	1,549	298	3,324	8,886	167,199	181,256
Financial assets at amortized cost - gross of allowance:						
Due from BSP and other banks and Interbank loans receivable and SPURA with the BSP						
	57,310	–	50	10	2,500	59,870
Investment securities at amortized cost - gross of allowance						
Receivable from customers and other receivables - gross of allowance	–	3,587	3,701	6,505	125,008	138,801
	176,730	50,149	75,532	33,010	358,704	694,125
Total financial assets at amortized cost	234,040	53,736	79,283	39,525	486,212	892,796
Total rate-sensitive assets	250,879	54,034	82,609	48,415	653,489	1,089,426
Rate-sensitive Financial Liabilities						
Deposit liabilities	500,530	106,826	39,460	58,188	96,075	801,079
Financial Liabilities at FVTPL	779	588	220	70	59	1,716
Bills payable and SSURA	29,143	21,900	34,068	3,721	2,348	91,180
Notes and bonds payable	18,496	–	–	–	42,699	61,195
Total rate-sensitive liabilities	548,948	129,314	73,748	61,979	141,181	955,170
Asset-Liability Gap	(P298,069)	(P75,280)	P8,861	(P13,564)	P512,308	P134,256

	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
31 December 2023						
Rate-sensitive Financial Assets						
Financial assets at FVTPL:						
HFT investments:						
Government securities	P9,682	P–	P–	P–	P–	P9,682
Private bonds	282	–	–	–	–	282
Total HFT investments	9,964	–	–	–	–	9,964
Derivative assets	–	–	164	121	7	292
Total financial assets at FVTPL	9,964	–	164	121	7	10,256
Financial assets at FVTOCI	2,286	3,579	1,470	291	131,714	139,340

	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
31 December 2023						
Financial assets at amortized cost - gross of allowance:						
Due from BSP and other banks and Interbank loans receivable and SPURA with the BSP	57,925	–	2,000	500	1,500	61,925
Investment securities at amortized cost - gross of allowance	–	140	7,548	7,115	61,405	76,208
Receivable from customers and other receivables - gross of allowance	114,832	39,096	67,019	31,118	301,781	553,846
Total financial assets at amortized cost	172,757	39,236	76,567	38,733	364,686	691,979
Total rate-sensitive assets	185,007	42,815	78,201	39,145	496,407	841,575
Rate-sensitive Financial Liabilities						
Deposit liabilities	428,011	68,750	21,906	30,213	57,652	606,532
Financial Liabilities at FVTPL	–	–	(29)	–	–	(29)
Bills payable and SSURA	12,151	6,043	27,521	3,266	2,358	51,339
Notes and bonds payable	15,995	–	14,572	–	18,396	48,963
Total rate-sensitive liabilities	456,157	74,793	63,970	33,479	78,406	706,805
Asset-Liability Gap	(P271,150)	(P31,978)	P14,231	P5,666	P418,001	P134,770

	Within 30 Days	31 to 60 Days	61 to 180 Days	181 to 360 Days	Over 360 Days	Total
31 December 2022						
Rate-sensitive Financial Assets						
Financial assets at FVTPL:						
HFT investments:						
Government securities	P4,804	P–	P–	P–	P–	P4,804
Private bonds	98	–	–	–	–	98
Total HFT investments	4,902	–	–	–	–	4,902
Derivative assets	622	536	303	455	748	2,664
Total financial assets at FVTPL	5,524	536	303	455	748	7,566
Financial assets at amortized cost:						
Due from BSP and other banks and Interbank loans receivable and SPURA with the BSP	106,626	–	2,000	–	1,998	110,624
Investment securities at amortized cost - gross of allowance	328	1,030	737	3,519	63,616	69,230
Receivable from customers and other receivables - gross of allowance	108,095	27,193	37,947	74,622	271,239	519,096
Total financial assets at amortized cost	215,049	28,223	40,684	78,141	336,853	698,950
Financial assets at FVTOCI	2,302	518	222	231	109,204	112,477
Total rate-sensitive assets	222,875	29,277	41,209	78,827	446,805	818,993
Rate-sensitive Financial Liabilities						
Deposit liabilities	439,036	46,946	43,642	52,574	23,640	605,838
Bills payable and SSURA	18,701	10,854	6,181	33	5,151	40,920
Notes and bonds payable	–	–	–	16,705	30,407	47,112
Total rate-sensitive liabilities	457,737	57,800	49,823	69,312	59,198	693,870
Asset-Liability Gap	(P234,862)	(P28,523)	(P8,614)	P9,515	P387,607	P125,123

9.7 OPERATIONAL RISK

Operational risk is the current and prospective risk to earnings or capital arising from fraud, operational error, and the inability to deliver products or services, maintain a competitive position, and manage information. It is inherent in all activities, products and services, and cuts across multiple activities and business lines within the Bank and across the Subsidiaries.

The Bank's operational risk governance structure is built on a foundation of 5 core values namely: people, integrity, execution excellence, innovation, and empowerment. The Bank aims to be among the best banks in the Philippines, with its competitive advantage of providing a secure, sustainable and long-term Better Banking

experience. In delivering the promised brand, the Bank puts the customer first and takes initiative to be its financial partner while adhering to corporate integrity and the highest ethical standards. Whilst the management of risk is the collective responsibility of all employees, the Bank follows the Three Lines of Defense framework in mitigating operational risk exposures:

- The First Line of Defense is everyone in the organization. In the course of day-to-day work, each employee shall conduct business in line with the Board-approved business strategies and within the related risk appetites and limits. He or she will contribute to promoting a strong risk culture and sustainable risk-reward decisions in doing business by adhering to established risk and control mechanisms as defined by relevant policies and procedures.
- The Second Line of Defense is primarily composed of risk oversight functions, mainly composed of Risk Management Group (“**RMG**”) and Compliance Group. These functions provide independent oversight of the risk management activities carried out by the First Line of Defense.

RMG is responsible for establishing risk management policies and implementing guidelines for the Bank and its subsidiaries, including the risk appetite framework with input from top management. The unit is also responsible for establishing and monitoring risk limits and thresholds as well as communicating with the President/CEO and the Board the Bank’s risk profile and limit breaches on a regular basis. It provides independent oversight across all types of risk, business units and location.

The Compliance Group is responsible for promoting and monitoring adherence to relevant regulations. It provides guidance to business units and operating units to help them understand new and amendatory regulations, ensuring their policies, practices, and procedures align with regulatory expectations and adopt a sound corporate governance principles. Compliance risk management is designed to specifically identify and mitigate risks that may erode the franchise value of the Bank, such as risks of regulatory sanctions, material financial loss, or reputational damage the Bank may suffer due to non-compliance with applicable rules, self-regulatory organization standards, and codes of conduct.

- As the Third Line of Defense, Internal Audit provides independent and objective assurance to assess whether the Bank's governance, risk management, and internal controls are well-designed and operating effectively. By doing so, it supports the Board and Senior Management in ensuring that these processes and controls are comprehensive, aligned with the Bank's risk profile, and compliant with regulatory expectations.

9.7.1 Operational Risk Management Tools

Various tools, programs and methods are being used by the Bank in the operational risk management process, including, but not limited to, the following:

- The Risk and Control Self-Assessment (“**RCSA**”) and the Risk and Control Assessment (“**RCA**”) tools are used to identify, assess and monitor current and emerging risks, as well as evaluate the sufficiency and effectiveness of the declared controls;
- Issues and incidents are elevated through the Issue Escalation and Incident Reporting Process; and
- Information is collected and analyzed through a series of Key Risk Indicators and assessed through a Risk mapping process to alert Management and enable timely action on potential issues arising from operational risks.

The performance of the Bank’s efforts to manage operational risk is presented on a periodic basis to Senior Management, as well as to the ROC.

9.8 MODEL RISK

Model Risk is the potential loss that an institution may incur primarily due to fundamental errors in the design, implementation or use of a model. A model refers to a quantitative method, system or approach that applies statistical, economic, financial or mathematical theories, techniques and assumptions to process input data into quantitative estimates for decision making. This also includes expert judgement models which are based on views of subject matter experts provided that the outputs are quantitative in nature.

- Model Development – Model development represents the very beginning of the model lifecycle where the model owner identifies its objectives and business requirements. The development of the models can be carried out by the model owners themselves, or externally if there are no available resources.
- Model Validation – The Model Risk Management Division (“MRMD”) is responsible for the independent review, attestation and validation of all models to support existing supervisory guidance and business objectives. All model components (inputs, processes and outputs) shall be subjected to both quantitative and qualitative review to ensure that the model is sound and can be relied upon for decision-making purposes. This is to ensure that the models are within the model risk appetite of the Bank and are compliant to the internal policies and regulatory requirement/s.
- Model Approval – Once the model passed the validation, the model will be endorsed by the model owner to the designated approving body for approval. For models that cannot be validated prior to use, this will be approved by the designated Board-level committee and the BOD prior to implementation.
- Testing and Implementation – Testing is an integral part of the model lifecycle to ensure an accurate and smooth implementation of the model. As such, there will be a rigorous pre- and post-implementation testing procedures to determine if the model is performing as intended and is producing accurate results.
- Model Monitoring – When the model goes into use, its performance shall be validated against experience to make sure that the model functions as intended. The monitoring will serve as an early warning indicator for any performance deterioration and trigger appropriate action. The MRMD shall monitor the models on an ongoing basis the frequency of which depends on the model rating, the nature of the model, and best practices. To aid in the monitoring of the models, a model inventory will be maintained by the MRMD to provide a comprehensive overview of all models in use. It will contain all implemented, developed, and recently discontinued models.

9.9 MANAGEMENT OF OTHER RISKS

While the risks that the Bank faces are chiefly categorized either as credit, market, liquidity or operational types, the Bank recognizes with as much importance the other risks that can hinder its pursuit of value creation. In particular, the Bank acknowledges the threats posed by reputational and strategic (or business) risks.

- Reputational risk refers to the potential adverse effects arising from the Bank’s reputation deviating negatively from its expected level with regards to competence, integrity and reliability. The Bank manages this risk within the institution through policies and processes implemented under Operational Risk (including Information Security), Compliance and Human Resources, such as those related to complaints resolution and management; fraud detection, prevention and overall management; and service quality assurance. As part of the Bank’s corporate-wide risk management, the Board ensures the maintenance of a sound consumer protection risk management system.
- Sustainability risk refers to the negative impact of an environmental, social or governance event or condition to the Bank’s financial and operating performance. To mitigate sustainability risk, the Bank has begun to incorporate environmental and social factors into the lending process and customer dialogue to ensure sustainable lending. The Bank understands that failing to appropriately manage environmental and social risk (E&S) issues can directly impact its reputation, its clients’ operations, and its environment and communities where the Bank and its clients operate.

- Strategic or business risk is the current and prospective impact on earnings or capital arising from adverse business decisions, ineffective or failed implementation of decisions, or lack of responsiveness to industry changes that may affect the franchise value of the Bank. This risk is not managed separately from other risks. In essence, the Bank manages this risk through careful planning and close monitoring of execution of plans. To wit:
 - The Group undergoes an annual Planning Cycle, where the business environment, medium-term plans of business units and potential risks to the Bank are assessed. Budget Plan is produced at the end of this activity. Through this plan, the BOD provides direction for the Group taking into account probable new risks that may emerge over the planning cycle.
 - Periodic review of the strategies and performance of key functional areas of indicators are undertaken by Senior Management and the BOD. The Bank understands that the risk universe is not limited to the ones enumerated above. As such, other types of risk – new or evolving – are uncovered and addressed through the different initiatives in the main risk management groups, which motivate risk taking and risk management units to assess and to attend to emerging threats to capital adequacy and profitability.

SECTION 10. DESCRIPTION OF THE BANK'S ASSETS AND LIABILITIES

10.1 FUNDING AND LIQUIDITY

10.1.1 Overview

The Bank's funding is primarily provided by savings, demand, time deposits and long-term negotiable certificates of deposits ("LTNCD"). Of the total amount of deposits of ₱801.1 billion as of 31 December 2024, these amounted to 17.6%, 34.8%, 46.3% and 1.3%, respectively. The Bank also sources part of its funding requirements from the interbank market, particularly in periods of high liquidity which generally results in lower overall funding cost.

10.1.2 Sources of Funding

The Bank's principal source of funding is deposits. As of 31 December 2024, corporate and retail deposits accounted for 46.1% and 53.9% of total deposit liabilities, respectively. The Bank also sources funds in the interbank market and occasionally from special lending programmed funding (e.g., from the Development Bank of the Philippines) and the BSP rediscount window. The Bank turns to these funding sources as and when market circumstances prove favourable.

The following table sets forth the principal sources of:

	As of 31 December		
	2024	2023	2022
	(₱ millions)		
Deposits by type			
Demand.....	279,240.3	245,268.2	232,536.2
Savings.....	140,868.6	118,280.8	117,513.4
Time.....	370,536.4	232,566.4	231,020.1
LTNCD.....	10,433.8	10,416.0	24,766.8
Total	801,079.1	606,531.4	605,836.5
Deposits by currency			
Peso.....	454,710.9	422,515.3	513,762.7
Foreign.....	346,368.2	184,016.1	92,073.8
Total	801,079.1	606,531.4	605,836.5
Bills Payable			
Peso.....	17,497.1	383.7	12,541.6
Foreign.....	73,682.5	50,955.4	28,378.8
Total	91,179.6	51,339.1	40,920.4

The Bank has been successful in attracting and retaining its low cost deposit base. While the cost of deposits has largely been driven by interest rate movements, the average cost of deposits is also bolstered by the continued rise in checking and savings accounts ("CASA"). The Bank will continue to emphasize growth in its CASA through the launching of differentiated CASA products geared toward retail, middle market, and corporate customers. The Bank's depositors typically roll over their deposits at maturity, effectively providing the Bank with a base of core liquidity.

10.1.3 Liquidity

Effective 28 March 2025, both peso deposits and deposit substitutes are subject to a unified statutory and liquidity reserve requirement of 5%, pursuant to BSP Circular No. 1211, which was issued on 11 March 2025.

The entire reserve requirement is required to be deposited with the BSP. Amounts kept by banks in their vaults are now excluded from the reserve requirement.

The Bank's liquidity is adequate with a liquid assets-to-total assets ratio of 36.4% as of 31 December 2024. Liquid assets consist of cash and other cash items, due from BSP, due from other banks, interbank loans receivable, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and investment securities at amortized cost.

In connection with foreign currencies, the BSP requires banks to maintain an asset cover of 100.0% for foreign currency liabilities, of which 30.0% must be in liquid assets until 31 December 2017. Effective 1 January 2018, the liquid asset cover requirement for universal/commercial banks' foreign currency liabilities is 0% pursuant to BSP Circular No. 946. The Bank currently complies with all of the above requirements.

The scheduled maturity of the Bank's loans and receivables and other financial assets follow:

	Due within one year	Over one year
	%	%
31 December 2024		
Receivable from customers and other receivables*	48.4	51.6
Other financial assets	29.3	70.7
31 December 2023		
Receivable from customers and other receivables*	45.6	54.4
Other financial assets	36.0	64.0

*Gross of unearned discounts and deferred credits and allowance for credit losses

The main source of the Bank's funding are deposits, the bulk of which are in CASA, which may be withdrawn on demand without any prior notice from the customer. Although the majority of the Bank's customer deposits are short-term, they typically roll over their deposits at maturity, effectively providing the Bank with a source of long-term funds.

The Bank measures its liquidity risk via the MCO or "Liquidity Gaps" Report. Separate limits have been established for both the Peso book and the U.S. dollar book.

The following table sets forth information with respect to the Bank's liquidity position as of the dates indicated:

	As of 31 December		
	2024	2023	2022
	(P millions, except percentages)		
Liquid assets ⁽¹⁾	411,060.4	302,774.8	313,492.4
Cash and other cash items	13,165.1	13,947.1	13,180.2
Due from Bangko Sentral ng Pilipinas	35,104.8	45,821.2	63,011.4
Due from other banks	15,370.5	12,022.0	20,097.3
Interbank loans receivable and SPURA with BSP	9,393.6	4,081.0	27,515.4
Financial assets at fair value through profit or loss	16,821.4	10,886.4	7,566.6
Derivatives Designated as Hedges	634.9	-	-
Financial assets at fair value through other comprehensive income	181,836.7	139,861.0	112,891.5
Investment securities at amortized cost	138,733.4	76,156.1	69,230.0
Total assets	1,129,140.8	871,509.5	842,291.1
Total deposits	801,079.2	606,531.4	605,836.6
Loans and receivables – net.....	677,813.3	538,329.4	502,617.4
Financial ratios			
Liquid assets-to-total assets	36.4%	34.7%	37.2%
Liquid assets-to-total deposits	51.3%	49.9%	51.7%
Net loans ⁽²⁾ -to-total deposits.....	84.6%	88.8%	83.0%

Notes:

- (1) Including investment securities at amortized cost.
(2) Loans and receivables, net.

10.2 LOAN PORTFOLIO

As of 31 December 2024, the Bank's consolidated gross receivable from customers amounted to ₱686.5 billion, representing 60.8% of the total assets. As of 31 December 2024, loans to corporates represented 68% of the Bank's total receivable from customers, 17.5% composed of consumer lending while 14.5% and 0.1% composed of residential mortgages and small business lending, respectively.

The following table sets out, for the periods indicated, the allocation of the consolidated gross receivable from customers held by the Bank among its principal lending units.

	As of 31 December		
	2024	2023	2022
	(₱ millions)		
Corporate lending.....	466,916.3	386,695.6	388,777.5
Consumer lending	119,811.2	77,207.4	53,639.3
Residential mortgages	99,239.7	83,664.5	71,311.8
Small business lending.....	574.4	585.8	718.2
Total.....	686,541.6	548,153.3	514,446.8

The following table indicates total consumer lending as of the dates indicated:

	As of 31 December		
	2024	2023	2022
	(₱ millions)		
Credit cards	53,988.4	34,110.7	23,613.8
Auto loans	46,000.3	30,107.9	22,253.6
Personal loans and others	19,822.5	12,988.8	7,771.9
Total.....	119,811.2	77,207.4	53,639.3

The following table sets forth, for the periods indicated, an analysis of the Bank's loan portfolio by industry concentration, net of unearned discounts and deferred credits, as defined and categorized by the BSP:

	As of 31 December					
	2024		2023		2022	
	Amount	%	Amount	%	Amount	%
	(audited)					
	(₱ millions except percentages)					
Real estate activities	168,456	24.6	148,272	27.2	124,325	24.3
Wholesale and retail trade; repair of motor vehicles and motorcycles	118,311	17.3	92,584	17.0	85,691	16.7
Activities of households as employers undifferentiated goods and services producing activities of households for own use*	97,285	14.2	61,035	11.2	43,305	8.4
Electricity, gas, stream and air conditioning supply	96,138	14.0	77,611	14.2	76,678	15.0
Manufacturing	51,882	7.6	46,917	8.6	60,430	11.8
Financial and insurance activities	32,799	4.8	22,199	4.1	15,583	3.0
Construction	26,940	3.9	20,504	3.8	17,156	3.3
Transportation and storage	25,506	3.7	21,750	4.0	21,631	4.2
Information and communication	21,567	3.2	17,239	3.2	23,783	4.6
Water supply, sewerage, waste management and remediation activities	10,640	1.6	9,418	1.7	9,892	1.9
Agriculture, forestry and fishing	9,291	1.4	9,881	1.8	10,407	2.0
Professional scientific and technical services	6,935	1.0	4,310	0.8	10,298	2.0
Others	18,603	2.7	14,291	2.6	13,392	2.6

	As of 31 December					
	2024		2023		2022	
	Amount	%	Amount	%	Amount	%
	(audited)					
	(P millions except percentages)					
Total	684,353	100.0	546,011	100.0	512,571	100.0

*Excludes loans and receivables on real estate or dwelling units which are considered production activities and classified under "Real estate"

Loans to the manufacturing sector include exposure to the following sub-sectors: metals, machinery and equipment, food, chemicals, petroleum, coal, rubber and plastic, non-metallic mineral products, wood and wood products, paper and paper products, textiles, wearing apparels, leather and others. No loan exposure to any of these industries / sub-sectors exceeds the prescribed limit of 15.0%.

The Bank monitors its exposure to specific sectors of the economy such as agriculture and MSMEs to comply with BSP regulations. The BSP regulations currently require all Philippine banks to set aside 25.0% of their loanable funds for loans to the Agricultural, Fisheries and Rural Development Financing (AFRD) sector (or invest in eligible securities as an alternative form of compliance). The Bank endeavours to comply with regulatory requirements.

10.2.1 Loan Maturity Profile

The following table sets out an analysis of the Bank's consolidated gross loans and receivables by maturity:

	As of 31 December					
	2024		2023		2022	
	Amount	%	Amount	%	Amount	%
	(audited)					
	(P millions, except percentages)					
Within one year	336,878.6	48.4	253,416.7	45.6	276,721.4	53.1
More than one year	359,434.8	51.6	302,572.5	54.4	244,249.6	46.9
Total	696,313.4	100.0	555,989.2	100.0	520,971.0	100.0

As of 31 December 2024, 48.4% of the Bank's consolidated gross loans and receivables had a maturity of less than one year.

10.2.2 Foreign Currencies

The following table sets out an analysis of the Bank's consolidated gross loans and receivables by currency:

	As of 31 December					
	2024		2023		2022	
	Amount	%	Amount	%	Amount	%
	(audited)					
	(P millions except percentages)					
Philippine peso	648,510.3	94.5	513,002.7	93.6	475,874.1	92.5
Foreign currency	38,031.3	5.5	35,150.6	6.4	38,572.7	7.5
Total	686,541.6	100.0	548,153.3	100.0	514,446.8	100.0

As of 31 December 2024, 94.5% of the Bank's consolidated gross loans and receivables was denominated in Peso with 5.5% being denominated in foreign currency, a substantial proportion of which was in U.S. dollars.

Lending in foreign currency is now primarily to customers who have identifiable sources of foreign currency earnings from which to repay the loans, and to importers who have authorization from the BSP to purchase foreign currency to service their foreign currency obligations.

10.2.3 Interest Rates

As of 31 December 2024, 29.4% of the Bank's total receivables from customers are subject to periodic interest repricing. The Bank follows a prudent policy on managing its assets and liabilities to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.

Interest rate risk exposures are reported via the monthly repricing gap schedule. The repricing gap report highlights mismatches in the repricing tenors of assets and liabilities. Repricing gaps are calculated by distributing the statement of financial position accounts into time buckets based on the next repricing dates of individual items. For non-maturing deposits, distinction is made between the stable (i.e., core) and non-stable portions, where the former is spread in time buckets aligned with Basel's IRRBB Document while the latter is bucketed in short-term tenors. For time deposits and loans, model assumptions were developed based on the historical experience of the Bank to capture early redemption risk and prepayment risk. These are adjusted using scaling factors under different interest rate shocks and stress scenarios when measuring the impact of IRRBB to economic value. After slotting the balance sheet items into time buckets, the resulting difference between the amount of the assets and the amount of the liabilities that will reprice within a particular time bucket constitutes a repricing gap.

The following table shows the total amount of the Bank's receivable from customers that have fixed interest rates and variable or adjustable interest rates:

	As of 31 December					
	2024		2023		2022	
	Amount	%	Amount	%	Amount	%
	(audited)					
	(P millions except percentages)					
Fixed rate.....	484,698.4	70.6	369,044.3	67.3	322,367.2	62.7
Variable.....	201,843.2	29.4	179,109.0	32.7	192,079.6	37.3
Total	686,541.6	100.0	548,153.3	100.0	514,446.8	100.0

10.2.4 Size and Concentration of Loans

The Bank monitors its financial exposure to its customers in order to ensure that concentration risk is prudently managed. As of 31 December 2024, the Bank's single largest corporate borrower accounted for 3.2% of the Bank's consolidated gross receivable from customers. As of 31 December 2024, the Bank's ten largest borrowers in the aggregate accounted for P87.8 billion, or 12.8% of its consolidated gross receivable from customers. There are no NPLs in the top ten loan accounts.

The BSP generally disallows any bank from maintaining a financial exposure to any single person or group of connected persons in excess of 25.0% of the Bank's unimpaired capital and surplus, which includes combined capital accounts, paid-in-capital and surplus, but excludes reserves for valuation purposes, liabilities and deferred income tax.

The following table sets out a breakdown of the Bank's total receivables from customers (gross of unearned discounts and deferred credits and allowance for credit losses) by security:

	As of 31 December					
	2024		2023		2022	
	Amount	%	Amount	%	Amount	%
	(audited)					
	(P millions except percentages)					
Secured						
Real estate mortgage.....	89,865	13.1	84,439	15.4	74,325	14.4
Assignment of projects/company assets/contracts.....	20,351	3.0	22,556	4.1	20,661	4.0
Chattel mortgage	20,178	2.9	18,032	3.3	16,883	3.3

	As of 31 December					
	2024		2023		2022	
	Amount	%	Amount	%	Amount	%
	(audited)					
	(P millions except percentages)					
Mortgage trust indenture	7,783	1.1	8,338	1.5	9,485	1.8
Deposit hold-out.....	4,260	0.6	2,945	0.5	3,278	0.6
Others	9,943	1.5	10,765	2.0	11,655	2.4
Total secured	152,380	22.2	147,075	26.8	136,287	26.5
Unsecured	534,162	77.8	401,078	73.2	378,160	73.5
Total	686,542	100.0	548,153	100.0	514,447	100.0

As of 31 December 2024, 77.8% of the Bank's total loans are unsecured.

10.2.5 Loan Administration and Loss Provisioning

In compliance with BSP Circular No. 855, the Bank has developed and continually reviews and calibrates its internal risk rating system for credit exposures aimed at uniformly assessing its credit portfolio in terms of risk profile. Where appropriate, it obtains security, enters into master netting agreements, and limits the duration of exposures to maintain and even further enhance the quality of the Bank's credit exposures.

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

The credit quality of trading and financial investment securities is generally monitored through internal ratings except for foreign entities which use external ratings of eligible external credit rating institutions. Credit exposures to foreign corporations and foreign financial institutions are limited to entities that are rated investment grade. The minimum acceptable risk rating is BBB- stable (for S&P) and Baa3 (for Moody's).

In the Bank's mapping of risk ratings of its asset classes, S&P and Moody's investment grade ratings and BB+/Ba1 are considered high grade, BB/Ba2 down to B-/B3 ratings are considered medium grade, and below B-/B3 ratings are considered low grade.

For loan exposures, the credit quality is generally monitored using its internal credit risk ratings system. It is the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates management to focus on major potential risks and the comparison of credit exposures across all lines of business, demographics and products. The rating system is supported by a variety of financial analytics, combined with an assessment of qualitative factors such as management and market information to provide the main inputs for the measurement of credit or counterparty risk. Other variables that may impact the borrower's creditworthiness but are not yet factored into the baseline rating are considered in the model overlay to arrive at the final PD rating. All PD ratings are tailored with various categories and are derived in accordance with the Bank's rating policy. The attributable risk ratings are assessed and updated regularly.

The Bank uses PD Ratings to classify the credit quality of its receivables portfolio. This is currently undergoing upgrade to enhance credit evaluation parameters across different market segments and achieve a more sound and robust credit risk assessment. The description of the loan grades used by the Bank for receivable from customers, except credit card receivables and receivables of SBEI, are as follows:

10.2.6 Wholesale Banking Segment Scorecards

The Bank has two (2) Wholesale Banking Segment scorecards, differentiated according to the revenue size of the borrower: Big Accounts scorecard for borrowers with at least ₱2.0 billion in revenue size, and Small Accounts scorecard for borrowers with less than ₱2.0 billion revenue size. Both scorecards are mapped to an 11-grade scale masterscale with each grade having a corresponding probability of default (PD).

- *High Grade (PD Rating of 1 to 7)*
Accounts in this category have a low probability of defaulting on their obligations over the next 12 months. A comfortable degree of stability and diversity can be found in these borrowers.
- *Medium Grade (PD Rating of 8 to 9)*
The probability of default (PD) of accounts in this category is slightly higher than high grade borrowers. Accounts whose financial ratios exhibit an amount of buffer though somewhat limited. These accounts can withstand minor economic weaknesses but may suffer if conditions deteriorate in a significant way and therefore, default risk is present under such adverse conditions. Repayment ability is more or less assured if economic and industry conditions remain stable
- *Low Grade (PD Rating of 10 to 11)*
Accounts for which default risk are very much present and those that have defaulted already are included in this category.

For SBEL's receivable portfolio, the Group classifies accounts that are neither past due nor impaired as follows:

- *High Grade* - receivables from counterparties with no history of default and with apparent ability to settle the obligation. In case of receivables from customers, the outstanding amount must be more than 200.0% secured by collateral.
- *Medium Grade* - receivable from counterparties with no history of default, with apparent ability to settle the obligation and the outstanding amount must be 100.0% - 200.0% secured by collateral.
- *Low Grade* - receivable from counterparties with history of default and partially secured or unsecured accounts.
- *Unrated* - receivable from employees and refundable deposits.

For Auto Loans Receivables, the Bank classifies accounts that are neither past due nor impaired as follows:

- *High Grade* – Accounts with behavioral score >752
- *Medium Grade* – Accounts with behavioral score >679-752 or with behavioral score >565-679 and uses 0 Delinquency Segment scorecard
- *Low Grade* – Accounts with behavioral score >565-679 and uses 0+ Delinquency Segment scorecard; or with behavioral score <=564
- *Unrated* – Accounts with no behavioral score such as new bookings

For Credit Card receivables, the Bank classifies accounts that are neither past due nor impaired as follows:

- *High Grade* – Accounts with behavioral score >715
- *Medium Grade* – Accounts with behavioral score >580-715
- *Low Grade* – Accounts with score <=580
- *Unrated* – Accounts which are inactive in the last 12 months; too early or not enough information to rate

For Business Banking Loan receivables, scorecards are used to determine the PD of the account. The Bank classifies accounts that are neither past due nor impaired as follows:

- *High Grade (PD Rating of <1%)* – Accounts in this category have a low probability of defaulting on their obligations over the next 12 months. A comfortable degree of stability and diversity can be found in these borrowers.

- *Medium Grade (PD Rating of 1% to 10%)* – The probability of default (PD) of accounts in this category is slightly higher than high grade borrowers. These accounts can withstand minor economic weaknesses but may suffer if conditions deteriorate in a significant way and therefore, default risk is present under such adverse conditions. Repayment ability is more or less assured if economic and industry conditions remain stable.
- *Low Grade (PD Rating of 10+% and above)* – Accounts for which an assumed default risk is present.
- *Unrated* – Accounts which are unrated and 0-30 Days Past Due.

For the other products in the consumer loans portfolio, the Bank is currently building a separate credit rating system to enhance credit evaluation parameters across different market segments and achieve a more sound and robust credit risk assessment. Accounts which are neither past due nor impaired are presented as unrated.

The tables below show the credit quality by class of receivable from customers (gross of allowance for credit losses and net of unearned discounts and deferred credits) of the Bank.

	Neither Past Due nor Individually Impaired				Past due but not impaired	Past due and impaired	Total
	High Grade	Medium Grade	Low Grade	Unrated			
(P millions)							
31 December 2024							
Receivable from customers:							
Corporate lending	234,835.6	164,193.1	51,670.7	–	286.9	14,812.1	465,798.4
Consumer lending.....	15,693.9	31,692.6	629.6	15,427.4	885.1	1,445.9	65,774.5
Small business lending	26.3	440.7	52.5	–	–	54.7	574.2
Residential mortgages	76,057.8	11,754.9	7,741.5	–	1,244.5	2,157.0	98,955.7
Credit card receivables - individual.....	13,007.0	36,334.7	612.7	66.7	1,379.2	1,630.7	53,031.0
Receivable from customers (SBEI)	10.8	17.1	190.4	–	1.4	–	219.7
Total receivable from customers...	<u>339,631.4</u>	<u>244,433.1</u>	<u>60,897.4</u>	<u>15,494.1</u>	<u>3,797.1</u>	<u>20,100.4</u>	<u>684,353.5</u>
31 December 2023							
Receivable from customers:							
Corporate lending	206,351.4	121,918.2	43,141.4	–	86.9	14,060.7	385,558.6
Consumer lending.....	10,431.1	20,446.3	672.9	9,102.3	922.3	1,434.2	43,009.1
Small business lending	9.0	465.3	55.5	–	4.0	51.8	585.6
Residential mortgages	6,988.1	72,452.1	1,438.5	–	861.8	1,635.4	83,375.9
Credit card receivables - individual.....	6,667.5	20,919.9	603.2	2,413.0	1,027.9	1,511.7	33,143.2
Receivable from customers (SBEI)	74.7	201.5	51.5	–	10.5	–	338.2
Total receivable from customers...	<u>230,521.8</u>	<u>236,403.3</u>	<u>45,963.0</u>	<u>11,515.3</u>	<u>2,913.4</u>	<u>18,693.8</u>	<u>546,010.6</u>
31 December 2022							
Receivable from customers:							
Corporate lending	194,660.8	119,062.6	61,036.1	–	677.0	11,705.4	387,141.9
Consumer lending.....	4,989.2	13,003.0	3,145.6	6,101.8	957.6	1,543.7	29,740.9
Small business lending	9.0	274.8	371.4	–	–	62.9	718.1
Residential mortgages	2,082.6	294.0	1,029.4	65,051.5	636.8	1,757.0	70,851.3
Credit card receivables - individual.....	3,458.5	16,274.0	570.2	1,196.1	700.7	889.4	23,088.9
Receivable from customers (SBEI)	121.7	582.9	292.7	–	33.0	–	1,030.3
Total receivable from customers...	<u>205,321.8</u>	<u>149,491.3</u>	<u>66,445.4</u>	<u>72,349.4</u>	<u>3,005.1</u>	<u>15,958.4</u>	<u>512,571.4</u>

As of 31 December 2024, the Bank's allowance for credit losses on loans on a consolidated basis was ₱16.0 billion. As a percentage of the Bank's NPL portfolio, such allowance for credit losses was 80.8% as of 31 December 2024.

10.3 NON-PERFORMING ASSETS

The following table sets forth details of the Bank's NPLs, non-performing assets ("NPAs") (as described below), restructured loans, and write-offs for loan losses for the specified periods:

	As of 31 December		
	2024	2023	2022
	(P millions, except percentages)		
Non-performing loans - net ⁽¹⁾	8,897.5	7,543.4	5,684.8
Total gross loans ⁽²⁾	693,527.3	551,660.3	542,574.7
Net non-performing loans ratio ⁽³⁾	1.3%	1.4%	1.0%
Non-accruing loans.....	21,261.3	18,942.5	17,231.3
Non-accruing loans-to-total loans	3.1%	3.4%	3.2%
Non-performing assets.....	25,457.5	23,139.8	19,344.8
Non-performing assets as a percentage of total assets.....	2.3%	2.7%	2.3%
Allowance for credit losses (loans).....	15,970.9	15,202.0	16,159.7
Non-performing loans - gross ⁽²⁾	19,775.6	18,510.2	15,981.2
Non-performing loan cover ⁽⁴⁾	80.8%	82.1%	101.1%
Total restructured loans	11,112.4	11,333.0	13,011.3
Non-performing restructured loans.....	5,386.6	5,011.1	4,559.8
Non-performing restructured loans as a percentage of total loans	0.8%	0.9%	0.9%
Loans - written off.....	(4,984.3)	(3,905.3)	(3,280.9)

Notes:

- (1) Total NPL (net of specific allowance, computed based on BSP guidelines).
- (2) Computed based on BSP guidelines.
- (3) Net NPL divided by total gross loans.
- (4) Total allowance for credit losses divided by total gross NPLs (Computed based on BSP Circular 941 and 1011).

As a general rule, loans, investments, receivables, or any financial asset, including restructured loans, shall be considered past due when any principal and/or interest or installment due, or portions thereof, are not paid at their contractual due date, in which case, the total outstanding balance thereof shall be considered as past due. However, BSP supervised financial institutions ("BSFIs") may provide a cure period on a credit product-specific basis, not to exceed 30 days within which to allow the obligors or borrowers to catch up on their late payment without being considered as past due: Provided, that any cure period policy shall be based on verifiable collection experience and reasonable judgment that support tolerance of occasional payment delays: Provided further, that the observance of a cure period policy shall not preclude the timely adverse classification of an account that has developed material credit weakness/es, and that BSFIs shall regularly review the reasonableness of its cure period policy. For microfinance and other small loans that feature high frequency payments, the cure period allowable by policy shall not exceed 10 days.

Loans which have been foreclosed or transferred to the investment properties account are no longer classified as NPLs. Accrued interest arising from the loan accounts are classified according to the classification of their corresponding loan accounts except for those which remain uncollected after six months from the date such loans or instalments have matured or have become past due for which a 100.0% allowance is set up for uncollected accrued interest receivables.

Loans are restructured on a case-to-case basis. Restructured loans are loans and other credit accommodations wherein the original contractual terms and conditions of which have been modified in accordance with a formal restructuring agreement that sets forth a revised schedule of payments for the purpose of lessening the financial

difficulty of the borrower and maximizing collection and realizable economic value on an obligation within a reasonable period of time. The modification may include, but is not limited to, change in principal due, maturity, interest rate and other charges, collateral, or other terms and conditions.

In accordance with BSP guidelines, NPLs, which are successfully restructured, are considered to be current and no longer non-performing, in general, following a period of six months of continued payments on the restructured loan. As of 31 December 2024, the Group had a portfolio of P5.7 billion of restructured loans which were treated as performing.

On 1 January 2018, the BSP implemented Circular No. 941, “**Amendments to Guidelines on Past Due and Non-Performing Loans**” which changed the definition of past due accounts and non-performing loans.

10.3.1 Past Due

As a general rule, loans, investments, receivables or any financial assets, including restructured loans shall be considered past due when any principal and/or interest or instalment due, or portions thereof, are not paid at their contractual due date, in which case, the total outstanding balance thereof shall be considered as past due. However, the BSP allows banks to provide a cure period on a credit product-specific basis, not to exceed 30 days (10 days for small loans with high frequency payments) within which to allow the obligors or borrowers to catch up on their late payment without being considered as past due.

10.3.2 Non-Performing Loans

Loans, investments, receivables, or any financial asset shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and/or interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

10.3.3 Top 10 NPLs

As of 31 December 2024, the Bank’s 10 largest NPLs accounted for 0.9% of the Bank’s total loans to customers and 32.0% of its gross NPLs to customers. As of the same date, the Bank’s exposure to its 10 largest NPLs ranged from P291.2 million to P1.5 billion, and amounted to approximately P6.4 billion in aggregate.

The following table shows the breakdown of non-performing receivable from customers net of unearned discounts and deferred credits as of 31 December 2024, 2023 and 2022, which are stage 3 accounts based on PFRS guidelines (amounts in P millions):

	2024	2023	2022
Corporate lending	P14,812.1	P14,060.7	P11,705.4
Consumer lending	3,076.7	2,946.0	2,433.0
Residential mortgages	2,157.0	1,635.3	1,757.0
Small business lending	54.7	51.8	62.9
	P20,100.5	P18,693.8	P15,958.3

The Bank’s gross NPLs represented 2.9% of the Bank’s total gross loan portfolio as of 31 December 2024.

As of 31 December 2024, the Bank had no DOSRI loans that are non-performing.

10.4 CREDIT MANAGEMENT POLICIES AND PROCEDURES

The credit management process involves all levels of the organization, from line personnel up to the Board of Directors. This section discusses the broad responsibilities of the various functions in the credit management process.

Board of Directors

The Board of Directors directs the Bank's over-all risk management strategy. The risk management processes of the subsidiaries are the separate responsibilities of their respective Board of Directors. The Board of Directors performs an oversight function on the Bank's implementation of its risk policies through various committees that it has created as follows:

Executive Committee

The Executive Committee oversees the strategy, financial, liquidity, and capital management of the Group. It shall exercise the authority of the BODs as delegated by the Board and as may be allowed by law during intervals between meetings of the BODs.

Risk Oversight Committee

The Risk Oversight Committee (ROC) develops, approves and oversees the enterprise risk management framework and program of the Group, including its implementation by management. It also defines Group's risk appetite as well as approves and oversees adherence to the risk appetite statement (RAS), risk appetite levels and risk tolerance limits.

Corporate Governance Committee

The Corporate Governance Committee assists the BOD in fulfilling its corporate governance responsibilities, including the approval and oversight of the implementation of the corporate governance framework. The Committee is responsible for monitoring the Board's effectiveness and ensuring adherence to established corporate governance principles and guidelines.

Audit Committee

The Audit Committee assists the Board in fulfilling its oversight responsibilities on the integrity of the Bank's financial statements, and evaluate the adequacy and effectiveness of internal controls and risk management, and compliance with laws and regulations.

Senior Credit Committee

The Senior Credit Committee is the highest credit decision-making body in the Bank and works closely with the ROC in managing the overall credit risk of the Bank. The committee reviews and approves proposals and facilities related to credit risk, except for Directors, Officers, Stockholders and Related Interests (DOSRI) and material related party transactions (RPT) accounts. It also approves remedial and/or recovery strategies of the Bank for identified problem loan accounts.

Related Party Transaction Committee

The Related Party Transaction Committee ensures 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 depositors, creditors and other stakeholders.

Nominations and Remunerations Committee

The Nominations and Remunerations Committee has oversight over Board nominees and other appointments requiring Board approval. The Committee reviews and approves transparent procedures and policies on remuneration of officers to ensure that compensation is consistent with the Bank's culture, strategy, and the business environment in which the Bank operates.

Trust Committee

The Trust Committee is primarily responsible for overseeing the Trust, IMA, and Other Fiduciary businesses of the Bank through its Trust and Asset Management Group (TAMG), including the oversight of investments of funds and assets contributed to and held by these Trust, IMA, and Other Fiduciary accounts.

Transformation and Technology Committee

The Transformation and Technology Committee oversees the development and implementation of strategy, transformation, innovation and information technology initiatives of the Bank and its subsidiaries and affiliates, in support of the Group's vision, mission and strategic objectives.

The Bank's organizational structure includes the Risk Management Group (RMG), which is responsible for driving the following risk management processes of the Bank:

- Independent assessment, measurement, monitoring and reporting of the Bank's risk-taking activities; and
- Formulation, review and recommendation of risk-related policies and control structures.

Nevertheless, the Bank's risk management framework adopts the basic tenet that risks are owned by the respective business and process owners. Everyone in the organization is therefore expected to proactively manage the risks inherent to their respective area by complying with the Bank's risk management framework, policies and standards.

The Bank and its subsidiaries manage their respective financial risks separately. The subsidiaries have their own risk management procedures but are structured similar to that of the Bank. To a certain extent, the respective risk management programs and objectives are the same across the Group.

10.5 CREDIT RATING / SCORING SYSTEM

The Bank has credit rating/scoring systems in place to assess the credit risk associated with a prospective or existing loan account for corporate, retail, and MSME lending business. The Bank's credit rating system uses a combination of quantitative and qualitative factors, which generally assess the financial position and probability of default of the borrower.

Credit risk rating is carried out by the Enterprise Risk Evaluation Division for top corporations and by the Business Risk Evaluation and Development Unit for the middle-market accounts. The Bank updates the rating of an existing loan account at least once a year, which is normally the credit renewal/annual review date. However, the Bank may adjust the credit rating within a shorter period if there are identified factors which could affect the borrower's credit quality, or the Bank becomes aware of any adverse development with respect to the borrower or secured collateral. For the retail and MSME lending business, application and behaviour scores are implemented in the various products and embedded in the system which automatically calculates based on the profile of the borrower.

10.6 CREDIT APPROVAL PROCESS

Before the Bank approves any extension of credit, it first identifies the needs of the prospective borrower, analyses the appropriateness of the exposure and evaluates any inherent risks. For the corporate and middle market accounts, the Bank assigns a Relationship Manager (RM) to every prospective borrower to start the credit approval

process. The account officer identifies the borrowing requirements of the client and assists in the preparation of the loan application together with the required documentary support. Full credit evaluation via Credit Proposal (CP) is undertaken by the Enterprise Risk Evaluation Division for corporate accounts and the Business Risk Evaluation and Development Unit for middle market accounts.

The *Board of Directors (BOD)* has the highest credit approving authority. The BOD has the authority to approve all types and amounts of credits including the sole responsibility of approving loans of any director, officer, stockholders, and other related interest of the Bank (DOSRI loans) and loans to subsidiaries. Credit items requiring BOD approval must first be presented to the Credit Committee (Crecom) and as needed, to the Senior Credit Committee (SCC) in compliance with the policy on Delegation of Authority Limits.

The *Senior Credit Committee* is the highest credit decision-making body in the Bank after the BOD. As mandated by the BOD, its main purpose is to review and approve proposals and facilities related to credit (except for DOSRI and material RPT accounts which are reviewed and endorsed for BOD approval), approve remedial and/or recovery strategies of the Bank for identified problem loan accounts, and to work closely with the Risk Oversight Committee (ROC) in managing the overall credit risk of the Bank. The composition and functions of the Senior Credit Committee shall be reviewed by the BOD on an annual basis. *The Credit Committee* is one of the credit approving bodies of the Bank and consists of senior credit officers designated by the President. As delegated by the Board of Directors (BOD), the body shall review and approve all credit facilities and transactions within their prescribed limits.

For retail and MSME loans, the credit approval process is based on Minimum Risk Acceptance Criteria (“MRAC”) and Approved Credit Policies and Guidelines. Credit Underwriters review and evaluate a loan application based on the credit worthiness and documents submitted by the client. Approval of regular loan applications will be based on the recommended credit limit or loan amount that will be endorsed to the approving officer based on the delegated authority. However, accounts with a significant deviation require one level higher approval.

10.7 CREDIT ADMINISTRATION PROCESS

The Bank has a Credit Department unit that ensures the following: (a) proper documentation of approved credit proposals; (b) proper encoding of approved credit limits in the systems used by the Bank to ensure that exposures do not exceed the approved limits; (c) proper safekeeping of loan and collateral documents with the Central Records Section or authorized branch custodians; and (d) proper maintenance and confidentiality of credit files for borrowing clients. No loan drawdowns are implemented without the clearance obtained from the Credit Documentation and Review Unit to ensure all loans and collateral documents are in order or the necessary approval for any deviation is duly approved by the appropriate approving authority.

10.8 CREDIT COMMITTEE

The Credit Committee is responsible for executing and managing the credit strategy of the Bank as defined by the Board of Directors and the Senior Credit Committee. In line with this, the Credit Committee is responsible for:

- Maintaining a sound and effective credit risk management system;
- Participating in portfolio planning;
- Reviewing and approving exceptions to standard credit policies up to its authority limit;
- Keeping aggregate credit risk levels within established limits;
- Reviewing the effectiveness of credit training policies across the Unibank;
- Ensuring that completeness and validity of information contained in all credit media presented to the Senior Credit Committee for approval or ratification;
- Approving and reviewing credit transactions/decisions, within its authority as established by the BOD; and,
- Reviewing large or complex exposures and potential transactions, and provides advice on matters

10.9 LOAN ADMINISTRATION AND PROVISIONING

See “Description of the Bank’s Assets and Liabilities—Funding and Liquidity—Loan Portfolio—Loan Administration and Provisioning.”

10.10 REMEDIAL MANAGEMENT

The Bank has a Remedial Management Division (“RMD”) that manages and administers problem loan accounts. The Bank’s relationship officers identify and transfer accounts which in their assessment exhibit early warning signals of a deteriorating credit or have been classified as substandard or worse.

RMD seeks to maximize the recovery of the loan through continued payments, rehabilitation of the problem account or through alternative means of payment. In cases of accounts involving a credit consortium of banks, the RMD strives to take a lead role in the recovery efforts to protect the Bank’s interest.

In instances where the remedial action implemented provides for payment via *dacion en pago* or other actions such as foreclosure, management of the resulting investment property is handled by the Bank’s Property and Management Division (“PMD”). The Legal Division provides PMD with any legal assistance that may be required for investment property management. RMD also provides case-to-case assistance to the PMD in cases where investment property management may require account management approaches and solutions.

10.11 SECURITIES PORTFOLIO MANAGEMENT

The Bank classifies its securities in three categories, in line with the Bank’s business model: Hold to collect (“HTC”), Fair Value Through Other Comprehensive Income (“FVTOCI”) and Held for Trading (“HFT”) securities.

The classification depends on the objective for which the investments were acquired. Securities classified as HFT are held to realize fair value changes arising from changes in stock prices, credit spreads, and yield curves. Securities classified as FVTOCI are held to collect both contractual cash flows and to realize fair value changes through sales. Securities classified as HTC are held to collect contractual cash flows over the life of the instrument and are measured at amortized cost.

	As of 31 December 2024		As of 31 December 2023		As of 31 December 2022	
	Carrying Value	Market Value	Carrying Value	Market Value	Carrying Value	Market Value
	(P millions)					
Financial assets at FVTPL:						
HFT investments:						
Government securities	14,308.6	14,308.6	9,681.9	9,681.9	4,804.0	4,804.0
Private bonds	981.4	981.4	282.1	282.1	98.1	98.1
Total HFT investments	15,290.0	15,290.0	9,964.0	9,964.0	4,902.1	4,902.1
Derivative assets:						
Currency forwards	1,445.7	1,445.7	629.9	629.9	1,646.3	1,646.3
Interest rate swaps	52.6	52.6	239.9	239.9	710.8	710.8
Interest rate future	–	–	40.8	40.8	–	–
Cross-currency swaps	31.4	31.4	11.8	11.8	304.8	304.8
Bond forwards and options	1.7	1.7	–	–	2.5	2.5
Total derivative assets	1,531.4	1,531.4	922.4	922.4	2,664.4	2,664.4
Total financial assets at FVTPL	16,821.4	16,821.4	10,886.4	10,886.4	7,566.5	7,566.5
Derivative assets designated as hedges	634.9	634.9	–	–	–	–
Financial assets at FVTOCI						
Treasury notes and bills	95,392.7	95,392.7	82,365.4	82,365.4	52,666.2	52,666.2

	As of 31 December 2024		As of 31 December 2023		As of 31 December 2022	
	Carrying Value	Market Value	Carrying Value	Market Value	Carrying Value	Market Value
	(P millions)					
Treasury bonds	84,484.1	84,484.1	55,451.2	55,451.2	55,759.9	55,759.9
Private bonds	1,333.3	1,333.3	1,523.2	1,523.2	4,051.0	4,051.0
Equity securities	626.6	626.6	521.3	521.3	414.5	414.5
Total financial assets at FVTOCI	181,836.7	181,836.7	139,861.1	139,861.1	112,891.6	112,891.6
	199,293.0	199,293.0	150,747.5	150,747.5	120,458.1	120,458.1
Financial assets at amortized cost						
Investment securities at amortized cost:						
Private bonds	60,038.6	59,706.8	57,825.1	56,775.0	57,224.4	54,764.9
Treasury bonds	33,465.3	33,437.9	14,958.5	14,988.7	9,308.4	9,045.3
Treasury notes and bills	45,229.5	45,489.8	3,372.5	3,447.4	2,697.2	2,705.8
Total investment securities at amortized cost	138,733.4	138,634.5	76,156.1	75,211.1	69,230.0	66,516.0

SECTION 11. MANAGEMENT

11.1 BOARD OF DIRECTORS

The names and positions of the Bank's directors follow. The members of the Board of Directors are elected at the annual stockholders' meeting to hold office until the next annual meeting and until their respective successors have been elected.

Name	Position	Date Elected To The Board	Citizenship	Age*
Frederick Y. Dy	Chairman Emeritus	4 April 1989	Filipino	69
Cirilo P. Noel	Chairman	24 April 2018	Filipino	67
Diana P. Aguilar	Vice Chairperson	26 April 2017	Filipino	61
Daniel S. Dy	Director	27 April 2021	Filipino	38
Nobuya Kawasaki***	Director	25 April 2023	Japanese	52
Maria Cristina A. Tingson	Director	27 June 2023	Filipino	64
Juichi Umeno**	Director	25 April 2023	Japanese	50
Sanjiv Vohra	Director/President & CEO	01 July 2019	Indian	63
Gerard H. Brimo	Independent Director	30 April 2019	Filipino	73
Enrico S. Cruz	Independent Director	1 August 2019	Filipino	67
Esther Wileen S. Go	Independent Director	27 April 2021	Filipino	54
Jikyeong Kang	Independent Director	26 April 2017	British	63
Jose Perpetuo M. Lotilla	Independent Director	27 April 2021	Filipino	68
Napoleon L. Nazareno	Lead Independent Director	26 April 2017	Filipino	75
Stephen G. Tan	Independent Director	07 May 2024	Filipino	47

*Age as of 31 December 2024

**Term ended as Director on April 29, 2025

***Resigned effective May 27, 2025

FREDERICK Y. DY, 69, Filipino, was elected Chairman Emeritus on 28 April 2015. He was elected Vice Chairman of the Board on 4 April 1989 before assuming the Chairman's position from April 1991 to April 2015. He is the Chairman of St. Luke's Medical Center (since August 2011).

CIRILO P. NOEL, 67, Filipino, was elected as Chairman of the Board on 7 May 2024. Prior to this, he was Interim Chairman from 3 May 2023 to 6 May 2024, and was Vice Chairman of the Board from 28 April 2020 to 2 May 2023. He was first elected as a Director of Security Bank on 24 April 2018.

Mr. Noel is also Vice Chairman of Security Bank's Corporate Governance and Audit Committees, and a member of the Executive, Senior Credit, and Risk Oversight Committees.

He is the Chairman of Palm Concepcion Power Corporation (since June 2018), Juxtapose Ergo Consultus, Inc. (since May 2019), and Confiar Land Corp (since September 2021).

He is a member of the Board of Directors of PLC-Globe Telecom, Inc. (since April 2018), PLC-San Miguel Foods and Beverage, Inc. (since September 2018), PLC-Robinsons Retail Holdings (since August 2020), PLC-First Philippine Holdings Corporation (since May 2021), Eton Properties, Inc. (since April 2019), Amber Kinetics Holdings Co., PTE Ltd. (since March 2018), and LH Paragon Group, Golden ABC (since January 2018).

He is also a member of the Board of Trustees of St. Luke's Medical Center Quezon City (since April 2017) and St. Luke's Medical Center College of Medicine (since April 2018). He sits as a board member of St. Luke's Medical Center- Global City (since April 2017) and St. Luke's Foundation, Inc. (since August 2018).

He is currently affiliated with the Makati Business Club, Harvard Law School Association of the Philippines, and Harvard Club of the Philippines.

He was a member of the Board of Directors of Philippine Airlines (from 2018 to 2019), PLC PAL Holdings, Inc. (from 2018 to 2019), and PLC-JG Summit Holdings (from 2018 to 2021).

He was awarded an Honorary Life Member by the Philippine Institute of Certified Public Accountants in November 2024. He was also recognized as the Outstanding Professional of the Year in 2019 in the field of Accountancy by Professional Regulations Commission for his distinguished contributions to the fields of accountancy, tax, and law. He was also awarded as one of the 75 Most Outstanding UE Alumni by the University of the East in 2021. In March 2023, he was presented the Accountancy Centenary Award of Excellence by the Professional Regulatory Board of Accountancy for being one of the notable CPAs in the country.

Before joining the Bank, he held various positions in SGV & Co. including Chairman (from 2010 to 2017), Managing Partner (from 2009 to 2010), Vice Chairman & Deputy Managing Director (from 2004 to 2009), Head of Tax Division (from 2001 to 2008) and Partner, Tax Services (from 1993 to 2017).

For two terms, he was an Ernst & Young (EY) Global Advisory Council member. He was also EY ASEAN Tax Head and Far East Area Tax Leader from 2004 to 2009 and the Presiding Partner of EY Asia Pacific Council.

He graduated from the University of the East with a Bachelor of Science degree in Business Administration and obtained his Bachelor of Laws from the Ateneo Law School. He took Master of Laws at Harvard Law School. He is a Harvard International Tax Program fellow and attended the Asian Institute of Management's Management Development Program.

DIANA P. AGUILAR, 61, Filipino, was elected to the Board on 25 April 2017. Prior to this, she was a Director of Security Bank Corporation (from November 2010 to April 2016) and was appointed Senior Advisor to the Board (from July 2016 to April 2017). She was appointed as Vice Chairperson on 7 May 2024.

She is the Chairperson of the Trust Committee and a Member of the Related Party Transaction. She also serves as Chairperson of Security Bank Capital Investment Corporation (since August 2016).

Ms. Aguilar is an investment banker with extensive experience in capital markets transactions and an entrepreneur with businesses in the fields of information technology and electronic payments, retail trade, and property management. She holds concurrent directorships in the fields of investment and commercial banking, social protection, information technology & e-payments, retail and supply chain, education, and property management.

She was appointed as one of the Commissioners of the Social Security System (since August 2010). She also serves as the Chairperson of the Risk Management and Investment Committee, and Member of the Audit Committee, and the Social Security Commission's Governance Committee.

Ms. Aguilar's concurrent board positions are as follows: Chairperson of the Board of Trustees of La Salle Greenhills (since September 2021); Member of La Salle Institute's International Economic Council in Rome (since October 2022); Member of De La Salle Philippines Investment Committee (since July 2018); Member of De La Salle Medical and Health Sciences Institute's Finance Committee of the Board (since November 2022); Director of PLC-PXP Energy Corporation (since February 2018); an Independent Director, Board Member and Chairperson of the Audit Committee of Makati Medical Center (since July 2018); Consultant Advisor to the Board of Philippine Seven Corporation (since January 2015); Independent Director of Science Park of the Philippines, Inc., (since June 2020); Governor and Vice President of Employers Confederation of the Philippines (since January 2017); Board Member of Capital Markets Development Board (since 2013); Payment One (since 2019); and Director of PLC-Philex Mining Corporation (since February 2024).

Her past board positions include Board of Trustees of De La Salle Medical and Health Science Institute (October 2000-November 2022); Member of De La Salle-College of Saint Benilde, Inc. Executive Finance Committee of the Board (July 2020-November 2022); Member of La Salle East Asia Boards LEAD Economic Council and

LEAD Investment Board (August 2020-May 2023); Chairperson of Finance Committee and Treasurer of La Salle Greenhills (December 2019-September 2021); Director of PXP Mining Corporation; Director of Wenphil Corporation (from 2012 to 2019); Director of Electronic Commerce Payments, Inc., (from 2004 to 2019); Director of Ionics, Inc., (from 2016 to 2019); Treasurer of De La Salle Santiago Zobel (from 2004 to 2017) and Trustees (2010-2024); Director of PXP Energy Corporation (from May 2014 to March 2017); Director of Philippine Seven Corporation (1999-January 2015), and Director of Phoenix Petroleum Philippines, Inc. (2010-March 2013). Director of Philamlife Tower Management Corporation (2022-2024), Board Member of PSE Capital Markets Development (2013-2019), Director CLSA Exchange Capital Corporation (2001-2022), Vice President of Jardine Fleming Exchange Capital (1998-2001).

Ms. Aguilar's academic background encompasses the fields of International Business, Finance and Computer Science. She earned her Masters' Degree in International Business and Finance, with honors, at Pepperdine University, Malibu, California, and her Bachelor of Science Degree in Computer Studies at De La Salle University, Taft Ave., Manila.

DANIEL S. DY, 38, Filipino, was elected to the Board on 27 April 2021. He is the Chairman of the Executive Committee and a member of the Transformation and Technology, and Nomination and Remuneration Committees. He is a Director of SB Finance, Inc. (since 2020).

Mr. Dy previously held various front-office and back-office leadership roles in Security Bank Corporation. Prior to this, he was with Mortgage-Backed Securities Group of Trust Company of the West in Los Angeles.

He graduated with a Bachelor of Science degree in Economics – Accounting from Claremont McKenna College.

NOBUYA KAWASAKI, 52, Japanese, was elected to the Board on 25 April 2023. He is a member of the Bank's Corporate Governance Committee.

He is a Commissioner of PT Bank Danamon Indonesia, TBK since 2019.

Mr. Kawasaki joined The Bank of Tokyo Mitsubishi, Ltd. in 1997 where he held various roles in areas of global commercial banking, M&A advisory, and corporate finance. He is an Executive Officer & Deputy Group Head of Global Commercial Banking Business Group in the Pacific Rim area. Prior to his assignment in Global Commercial Banking, he was the Managing Director for the M&A Division of Mitsubishi UFJ Morgan Stanley Securities. He was involved in various M&As including the strategic investment in Bank Danamon in Indonesia, and Security Bank Corporation in the Philippines.

He graduated from Keio University, Tokyo with a Bachelor of Mechanical Engineering. He earned a Master of Mechanical Engineering from the same university.

MARIA CRISTINA A. TINGSON, 64, Filipino, was elected to the Board on June 27, 2023. She is the Chairperson of the Senior Credit Committee, the Vice Chairperson of the Executive Committee, and a member of the Bank's Nominations and Remuneration, Trust, Risk Oversight, and Information Security Risk Management Committees.

She is a Director of SB Rental Corporation (since May 2014) and the Chairperson of SB Cards Corporation (since May 2019). She is also a Corporate Member of CCT Multipurpose Cooperative (since 2024).

Ms. Tingson was a Director of SB Finance (2013-2024). She was an Executive Vice President and Retail Banking Segment Head of Security Bank Corporation until December 31, 2022. She was also a member of the Bank's Assets and Liabilities and People Empowerment Committees and an alternate member of the Credit Committee.

She was the President of SB Cards Corporation (2015- 2017). Prior to her appointment as President of SB Cards Corporation, she was the Senior Vice President and Head of Corporate Banking until 2013. She joined Security Bank as an Account Service Assistant in 1982 and assumed various positions including Relationship Manager

and Head of Enterprise Risk Management of the Corporate Banking Division before assuming her position as Corporate Banking Head in 2009.

Ms. Tingson holds a Bachelor of Arts degree in Business Administration from Maryknoll College.

JUICHI UMENO, 50, Japanese, was elected to the Board on 25 April 2023. He is a member of the Bank's Senior Credit, Risk Oversight, and Information Security Risk Management Committees.

He is an Executive Vice President and Alliance Segment Head (since April 2023).

Mr. Umeno joined The Bank of Tokyo Mitsubishi, Ltd. in 1996 where he held various roles in the areas of strategic industry research, credit assessment, risk management, corporate planning, governance, and financial planning. In terms of overseas assignments, he was in Singapore from 2013 to 2019 and engaged in regional planning for Asia. He also served as a Director of MUFG Bank China in charge of Risk Management from 2020 to 2021. Prior to joining Security Bank Corporation, he was a Managing Director, MUFG Bank (Europe) N.V. ("**MBE**") based in Amsterdam, the Netherlands from 2021 to 2023.

He graduated from Waseda University with a Bachelor of Political Science and Economics.

SANJIV VOHRA, 63, Indian, was elected as Director and appointed as President and Chief Executive Officer effective 1 July 2019. He is the Chairman of People Empowerment, Asset Disposal, Enterprise Control Board, and SBC Retirement Committees and a member of the Bank's Executive, Transformation and Technology, Senior Credit, Trust, and Assets and Liabilities Committees.

He is the Chairman of SB Finance, Inc. and a Director of Bankers Association of the Philippines and BAP Data Exchange, Inc. He is also a Trustee in Operation Smile Philippines, Inc. Mr. Vohra was a Director of Security Bank Capital Investment Corporation (2023) and Philippine Payments Management Inc. (2019-2023).

He has over 30 years of experience in banking, having held a number of senior leadership positions in Asia—in Citibank India in various roles from 1986 to 1999, Corporate Bank Head at ABN AMRO Bank, India (1999-2000), Consumer Industry Head, Asia-Pacific at ABN AMRO Bank Singapore (2001-2002), Managing Director, Head of Corporate Banking (India, Sri Lanka, Bangladesh) at Citigroup India (2002-2005), Country Executive at Royal Bank of Scotland in India (2013), Head of Corporate Banking (Asia Pacific) at Deutsche Bank (2014-2017) and Managing Director, Head of Corporate Banking for Asia & Oceania and Co-Head of Investment Banking for Asia & Oceania at MUFG Bank, Ltd. (2017- 2019); as well as experience in the domestic market as Country Head of Citibank Philippines (2006-2013).

He graduated with a Bachelor's degree in Technology from the Indian Institute of Technology and a Master's degree in Business Administration from the University of Delhi in India.

11.1.1 Independent Directors

GERARD H. BRIMO, 73, Filipino, was elected to the Board on 30 April 2019. He is the Chairman of the Audit Committee and a member of the Corporate Governance Committee and Nominations and Remuneration Committees.

He is an Independent Director of Commonwealth Foods, Inc. since 2021 and Director of Taganito Mining Corporation since 2018.

Mr. Brimo was the Chairman of PLC-Nickel Asia Corporation from 2018 to 2024 and its subsidiary companies: Cagdianao Mining Corporation, Cordillera Exploration Co., Inc., Dinapigue Mining Corporation, and Newminco Pacific Mining Corporation. He was also a Director of Nickel Asia Corporation subsidiaries Rio Tuba Nickel Mining Corporation, and Emerging Power, Inc., and served as Chairman of the Board of Directors of these

companies from 2018 to 2024. Mr. Brimo was also a Director and Vice Chairman of Nickel Asia Corporation subsidiary Hinatuan Mining Corporation and was Chairman of the Board thereof from 2018 to 2024.

Prior to his career in mining, Mr. Brimo worked for Citibank for eight years, with his last role as Vice President of the Capital Markets Group in Hong Kong, before joining PLC-Philex Mining Corporation as Vice President-Finance. He served as Chairman and CEO of PLC-Philex Mining Corporation from 1994 until his retirement in December 2003. He served as President of the Chamber of Mines of the Philippines from 1993 to 1995, as Chairman from 1995-2003 and 2017-2021, and as Vice Chairman from 2022 – 2023.

Mr. Brimo received his Bachelor of Science degree in Business Administration from Manhattan College, USA, and his Master's in Business Management degree from Asian Institute of Management.

ENRICO S. CRUZ, 67, Filipino, was elected to the Board on 01 August 2019. He is the Chairman of the Bank's Risk Oversight Committee, Vice Chairman of the Nominations and Remuneration Committee, Member (Independent-Non-Voting) of the Senior Credit and Executive Committees, and Member of the Information Security Risk Management Committee.

He is an Independent Director and the Vice Chariman of Security Bank Capital Investment Corporation. He is an Independent Director of PLC-Ayala Reit Inc., PLCThe Keepers Holdings Inc., PLC-DITO CME Holdings Corporation, PLC-Robinsons Retail Holdings Inc., CIBI Information Inc., and Lead Independent Director of Maxicare Healthcare Corporation and Maxicare Life Insurance Corporation (Maxilife).

Prior to his election to the board, he was the Managing Director and Chief Country Officer for Deutsche Bank AG Manila Branch (DB) from 2003 to 2019. He joined Deutsche Bank in 1995 as a Director and Head of Global Markets. Prior to DB, he served as Senior Vice President and Head of Treasury at Citytrust Banking Corporation (Citytrust), an affiliate of Citibank NA. He joined Citytrust in 1979 as an Executive Development Program Trainee and worked in various operations departments until his appointment as Head of Treasury in 1989.

Mr. Cruz graduated from University of the Philippines with a Bachelor of Science degree in Business Economics and a Master's degree in Business Administration.

ESTHER WILEEN S. GO, 54, Filipino, was elected to the Board on 27 April 2021. She is the Chairperson of the Transformation and Technology and Information Security Risk Management Committees. She is also the Vice Chariperson of the Risk Oversight Committee and a member (Independent-Non-Voting) of the Executive Committee.

She is currently the President and Chief Executive Officer of MediLink Network, an electronic network serving the health ecosystem. She is also a Director of Equicom Savings Bank, Maxicare Healthcare Corporation, and Maxicare Life Insurance Corporation.

She was a Vice President of CitiGroup New York handling Operations, Product Development, e-Strategy and Implementation, and Payment Innovation. Prior to this, she worked with Booz Allen Hamilton, SM Department Stores, Equitable Card Network, and the US Committee for UNICEF.

Ms. Go holds a Master's degree in Business Administration from Harvard Business School and a Bachelor of Arts degree with double majors in Computer Science and Economics (magna cum laude) from Smith College.

DR. JIKYEONG KANG, 63, British, was elected to the Board on 25 April 2017. She is the Chairperson of the Nominations and Remuneration Committee. She is also the Vice Chairperson of the Transformation and Technology Committee and a member of the Risk Oversight Committee.

Dr. Kang has been the President and Dean of the Asian Institute of Management (AIM) and its MVP Chair in Marketing since 2015.

She is a Board member of the European Foundation for Management Development (EFMD); President of the Association of Asia-Pacific Business Schools (AAPBS); a Board member of the UN Global Compact Principles for Responsible Management Education (PRME); and Vice-Chair of the Global Business School Network (GBSN). She is a Fellow of the prestigious International Academy of Management (IAOM), an exclusive, invitation-only forum of world-class global thought and business leaders committed to co-creating a leadership agenda to address critical opportunities created by global challenges.

In addition, Dr. Kang serves on international advisory boards of several premier international business schools, including Stockholm School of Economics (Sweden), ESADE Business School (Spain), Luiss Business School (Italy), Insper Instituto de Ensino e Pesquisa (Brazil), Shanghai Jia Tong University Antai College of Economics and Management (China), Waseda University (Pakistan), and Yonsei Business School (Korea).

She is an Independent Director of Kesoram Industries, part of the BK Birla Group of Companies in India. Dr. Kang is also a member of local business organizations, such as the Management Association of the Philippines (MAP), the Makati Business Club (MBC), the American Chamber of Commerce, and the British Chamber of Commerce, among others.

Dr. Kang was a Board member of the Association to Advance Collegiate Schools of Business (AACSB) for the maximum term of six years, during which she was elected by an international membership for a three-year term as Vice Chair, Chair, and Immediate Past Chair. AACSB is the world's largest and arguably the most prestigious business education alliance. Since its establishment over 100 years ago in 1916, no one from an Asian business school has ever been elected to take the critically important leadership role as the Chair of the International Board of AACSB.

In 2017, Dr. Kang received The Asia HRD Award for Contribution to Organization. This award is bestowed upon individuals who have built their success on innovative systems, processes, and practices that have impacted overall employee development and productivity with an accompanying effect on the bottom line. Dr. Kang also received the Brand Laureate Best Brands' International Brand Personality Award in 2018. With her leadership, AIM was given the 2019 Asia Pacific Entrepreneurship Award for Corporate Excellence in Education and Training for demonstrating sustainable growth, responsible leadership, and operational excellence. She was also awarded the 2021 Philippines Education Leadership Award, presented by the Asian Confederation of Businesses and endorsed by the World Federation of Academic and Educational Institutions, to recognize excellence in the application of leadership principles to education.

ATTY. JOSE PERPETUO M. LOTILLA, 68, Filipino, was elected to the Board on 27 April 2021. He is the Chairman of the Corporate Governance Committee, the Vice Chairman of the Trust Committee, and a member of the Related Party Transaction Committees.

He is currently an Independent Director of PLC-Synergy Grid and Development Philippines, Inc. (since 2019), Philippine Commercial Capital, Inc. (since 2021), and Land Registration Systems, Inc. (since 2023). He is also the Chairman of Carabineros Development, Inc. (since 2019), the Corporate Secretary of Amber Kinetics Phil. (since 2019), and a Legal Consultant of San Miguel Corporation (since 2017). He is Dean of the School of Law of Manuel L. Quezon University (since 2023).

Atty. Lotilla is a member of the Integrated Bar of the Philippines (IBP) and a Special Adviser to the Roman Catholic Diocese of San Jose de Buenavista Antique. He served as Undersecretary for Legal Affairs and Undersecretary in charge of Civil Aviation at the Department of Transportation and Communications (2012-2015). He also served as government representative to the Board of PNOC Petrochemical Corporation for several years.

Prior to joining government, Atty. Lotilla was a Senior Partner at Sycip Salazar Feliciano and Hernandez Law Offices. He became a partner in the firm's Corporate, Special Projects and Banking, Finance and Securities Practice Groups in 1989. He was Corporate Secretary of GD Searle Philippines for many years. He was an

Independent Director of Security Bank Corporation (2002-2012), Security Bank Capital Investment Corporation (2004- 2012), and Security Finance, Inc. (2010-2011). He was involved in major mergers and acquisitions, banking, finance, securities, and capital markets transactions in the Philippines.

He was a former President, Trustee, and Director of the Philippine Bar Association. He was also a former Chairman of the Committee on Bar Discipline and Governor for Western Visayas of the Integrated Bar of the Philippines. As a banking and finance lawyer, he was rated as the sole band 1 Philippine lawyer for several years by Chambers until he retired from Sycip Law.

Atty. Lotilla graduated from Ateneo de Manila University with a Bachelor of Arts degree in Economics and earned his degree in Bachelor of Laws from University of the Philippines.

NAPOLEON L. NAZARENO, 75, Filipino, was elected to the Board on 25 April 2017. He is the Chairman of the Related Party Transactions Committee, the Vice Chairman of the Information Security Risk Management Committee, and member of the Corporate Governance, Audit, and Risk Oversight Committees.

He is an Independent Director of Paymongo Philippines Inc. since 2023. He was a Member of the Supervisory Board of Rocket Internet (2014-2017), Trustee of Philippine Disaster Recovery Foundation, Inc. (2013-2015) and Ideaspace (2012-2015), President and Trustee of First Pacific Leadership Academy (2012-2015), and Chairman of the Board of Trustees and Board of Governors of the Asian Institute of Management (2011-2017).

Mr. Nazareno was the Chairman of several subsidiaries of PLDT and Smart, including PLDT Communications and Energy Ventures, Inc. (PCEV), ePLDT, Inc. (2013-2015), Digital Telecommunications Phils., Inc. (Digitel) (2012- 2015), Digitel Mobile Philippines Inc. (Digitel Mobile) (2012-2015), Smart Broadband Inc. (2005-2015) and i-Contacts Corporation (2001-2015). He was the President and Chief Executive Officer of PLC-Philippine Long Distance Telephone Company (PLDT) (February 2004- 2015), PLC-Smart Communications, Inc. (January 2000- 2015), Connectivity Unlimited Resources Enterprise, Inc. (2008-2015), Aces Philippines Cellular Satellite Corporation (2000-2015), and PLDT Communications and Energy Ventures (2004-2011).

He likewise served as Director of PLC-Manila Electric Company, PLDT Global Corporation, Mabuhay Satellite Corporation, Rufino Pacific Tower Condominium, and Operation Smile. He was a non-Executive Director of First Pacific, a Hong Kong Stock Exchange-listed company, and a Supervisory Board Member of Rocket Internet AG, a company which provides a platform for the rapid creation and scaling of consumer internet businesses outside the US and China. Mr. Nazareno's business experience spans several countries in over 40 years and his exposure cuts across a broad range of industries, namely packaging, bottling, petrochemicals, real estate and, in the last 16 years, telecommunications and information technology.

Mr. Nazareno received his Master's degree in Business Management from Asian Institute of Management, completed the INSEAD Executive Program of the European Institute of Business Administration in Fontainebleau, France, and was conferred a Doctor of Technology degree (Honoris Causa) by the University of San Carlos in Cebu City.

DR. STEPHEN G. TAN, 47, Filipino, was elected to the Board on May 7, 2024. He is the Vice Chairman of the Bank's Senior Credit Committee.

He is currently the President and Senior Pastor of Grace Christian Church of the Philippines. He has spoken at conferences, schools, and churches, throughout North America, Europe, and Asia and has served as a guest lecturer at several seminaries and Bible colleges.

Dr. Tan currently serves on several boards of nonprofits and NGOs working toward community transformation such as Wycliffe Philippines (Chairman of the Board), Spartan Scholarships (since 2006), and Center for Community Transformation (since 2023), and educational institutions such as FEBIAS College of the Bible (since 2021), and Biblical Seminary of the Philippines (since 2022).

He previously worked as a management consultant for Deloitte Consulting, consistently ranked as a top performing analyst. He also worked at SBC Communications (now AT&T) as a Manager of Engineering Design and as a Research Assistant in the Solid State Research Group of SMU, with a published article on Semiconductor Microbolometers in the prestigious IEEE journal.

Dr. Tan holds a Doctorate (research focusing on transformational leadership and change management) from Dallas Seminary and a Master of Theology (summa cum laude) degree from the same school. He also has a Bachelor of Science in Electrical Engineering (cum laude) and a Bachelor's of Science in Mathematics (cum laude) from Southern Methodist University in Texas.

Corporate Secretary

ATTY. JOEL RAYMOND R. AYSON, 60, Filipino, was elected Corporate Secretary on 19 July 2004.

He is a Partner in Quasha Law (since May 1998 to the present). He is a member of Integrated Bar of the Philippines, President and Trustee of the Philippine Bar Association, member of Immigration Lawyers Association of the Philippines and University of the Philippines Law Alumni Association. He is a Founding member of Students Law for Integrity and Democracy UP College of Law and the UP Association of Political Science Majors.

Atty. Ayson is the Chairman of Unigrowth Resources & Development Corporation and President and Director of Dubor Backtrenmittel Und Apparatebau AG (Philippines), Inc., Vice President and Director of Amtel Trading Corporation and Chairman and President of Ceragon Networks (Philippines), Inc.

He is a Director of Quo Vadis Palawan Resort, Inc., Parex Realty Corporation, Trevi Foundations Philippines, Inc., and Konika Minolta Marketing Services (Philippines), Inc., BioSystems Regents & Instruments Inc., Directors Think Tank Manila, Inc., Sound Business Holdings, Inc.

Atty. Ayson is also a Corporate Secretary and Director of IXSFORALL, Inc., Himlayang Pilipino, Inc., Himlayang Pilipino Plans, Inc., List International, Blue Sky Sea Resort Corp., Bohol Agro Marine Development Corp., Artbank Holdings, Inc., Tambuli Development Corp., Metropolitan Philippines Resort Corporation and Corporate Secretary of Lapu Lapu Resort Development, Inc., Bohol Resort Dev., Inc., Lapu Lapu Resort, Nexlogic Telecommunications Network, Inc., SELC-Global Center Philippines Corporation. He is a Resident Agent of Ceragon Network (HK) Ltd., Medical Services of America Inc., Tanis Food Tec BV, Wagenborg Shipping Holdings BV, Dubor RHQ, OTV France Philippines, and Rademaker B.V.

He was the Treasurer and Vice President/Director of the Integrated Bar of the Philippines, Makati City Chapter (from 2001-2009) before he assumed his position as President (from 2009 to 2011). He was the Treasurer of Instoremedia Philippines, Inc. His practice areas are Corporate Law, Civil Litigation, Administrative law, Immigration Law, Insurance Law, Regulatory, General Practice and Special Projects.

Atty. Ayson graduated Cum Laude with a degree in Political Science and took post graduate studies of Bachelor of Laws at the University of the Philippines.

11.2 KEY OFFICERS

Position	Name	Age	Citizenship
President and Chief Executive Officer	Sanjiv Vohra*	63	Indian
Executive Vice Presidents	Eduardo M. Olbes***	55	Filipino
	Gina S. Go	64	Filipino
	John Cary L. Ong	51	Filipino
	Juichi Umeno	50	Japanese
	Leslie Y. Cham	59	Filipino
	Lucose T. Eralil	56	Indian
	Luz Pilar U. De Guzman	49	Filipino
	Nerissa Gloria C. Berba	55	Filipino
	Rahul S. Rasal	57	Indian
Senior Vice Presidents	Amaneci Grace R. De Silva	48	Filipino
	Anna Christina M. Chinjen	53	Filipino
	Aristotle I. Cruz	53	Filipino
	Balaji Vijayan	56	Indian
	Charles Malvin T. Ching	47	Filipino
	Criselda Q. De Sagun-Madrid	42	Filipino
	Cristina V. Henson	60	Filipino
	David Peter B. Holmes	49	British
	Dennis M. Tangonan	49	Filipino
	Hirofumi Umeno	48	Japanese
	Irene E. Guban	48	Filipino
	Jason T. Ang	54	Filipino
	Jefferson T. Ko****	49	Singaporean
	Jiri Matousek	37	Czech
	John David G. Yap**	47	Singaporean
	Jonathan C. Diokno	51	Filipino
	Jorge Lindley S. Ong	52	Filipino
	Juan A. Mestas	42	Peruvian
	Kim O. Lim	52	Filipino
	Ma. Carmencita R. Lopez	59	Filipino
	Ma. Patricia N. Tan	50	Filipino
	Ma. Paz Victoria R. Gonzalez	57	Filipino
	Malcolm C. Yow*****	46	Australian
	Maria Margarita R. Mirabueno	52	Filipino
	Maris Lou S. Velicaria	52	Filipino
	Marlette P. Brodett	53	Filipino
	Myla R. Untalan	54	Filipino
	Orencio Andre P. Ibarra III	51	Filipino
	Patrick M. Meneses	50	Filipino
	Prakash Sudhakar Mahajan	52	Indian
	Price Edward C. Yap**	51	Singaporean
	Rahul M. Sadarangani	44	Indian
	Ronald I. Austria	53	Filipino
	Sohel H. Kanchwala*****	59	Indian
	Stephen John Bell	56	British

Position	Name	Age	Citizenship
	Yoshimasa Itaka	49	Japanese
	Yvonne Joanna P. Marcelo	54	Filipino

**Member of the Board of Directors*

***Promoted as Executive Vice President effective July 1, 2025*

****Early retirement effective September 15, 2025*

*****Resigned effective August 29, 2025*

******Resigned effective September 6, 2025*

****** Retirement effective October 1, 2025*

SANJIV VOHRA, 63, Indian, was elected as Director and appointed as President and Chief Executive Officer effective July 1, 2019. He is the Chairman of the People Empowerment, Asset Disposal, Enterprise Control Board, and SBC Retirement Committees and a member of the Bank’s Executive, Transformation and Technology, Senior Credit, Trust, and Assets and Liabilities Committees.

He is the Chairman of SB Finance, Inc. and Mitsubishi Motors Finance Philippines, Inc., and a Director of Bankers Association of the Philippines and BAP Data Exchange, Inc. He is also a Trustee in Operation Smile Philippines, Inc. Mr. Vohra was a Director of Security Bank Capital Investment Corporation (2023) and Philippine Payments Management Inc. (2019 – 2023).

He has over 30 years of experience in banking, having held a number of senior leadership positions in Asia—in Citibank India in various roles from 1986 to 1999, Corporate Bank Head at ABN AMRO Bank, India (1999-2000), Consumer Industry Head, Asia-Pacific at ABN AMRO Bank Singapore (2001-2002), Managing Director, Head of Corporate Banking (India, Sri Lanka, Bangladesh) at Citigroup India (2002-2005), Country Executive at Royal Bank of Scotland in India (2013), Head of Corporate Banking (Asia Pacific) at Deutsche Bank (2014-2017) and Managing Director, Head of Corporate Banking for Asia & Oceania and Co-Head of Investment Banking for Asia & Oceania at MUFG Bank, Ltd. (2017- 2019); as well as experience in the domestic market as Country Head of Citibank Philippines (2006-2013). He graduated with a Bachelor’s degree in Technology from the Indian Institute of Technology and a Master’s degree in Business Administration from the University of Delhi in India.

GINA S. GO, 64, Filipino, is Executive Vice President and Senior Adviser to the President & Head of Remedial Management Division (since September 9, 2024). Prior to this, she was the Chief Risk Officer from December 2017 to September 8, 2024.

She is a member of the Bank’s Asset Disposal and Sub-Committee of Commercial Banking Group.

She was the President of Security Bank Savings Corporation (now known as SB Finance, Inc.) from February 2012-2016. Prior to this, she was Chief Risk Officer of the Bank (2006-2011) and Head of Remedial Management Division (2000-2005). Prior to joining the Bank in September 2000, she was connected with Equitable PCI Bank where she accumulated 20 years of solid credit experience, having assumed various PCI Bank responsibilities in their Corporate Banking, Middle Market Lending and Specialized Financial Services Divisions.

She graduated from the University of the Philippines with a bachelor’s degree in business economics and a master’s degree in business administration.

JOHN CARY L. ONG, 51, Filipino, is Executive Vice President and Wholesale Banking Segment Head. He was the Transaction Banking Group / Channel Network Head from May 2020 to July 2023.

He is a member of the Bank’s Assets and Liabilities, People Empowerment, Anti-Money Laundering & Counter Financing of Terrorism, Sustainability Committees and Chairman of Credit Committee, Sub-Committees for Corporate Banking and Commercial Banking Groups.

He is the Chairman of SBM Leasing, Inc and SB Rental Corporation, Director of Security Bank Capital Investment Corporation and member of its Engagement Underwriting Committee, and acts as SBC Representative in Bancnet.

Prior to this, he was Head of Transaction Banking Center of Union Bank of the Philippines (2016-April 2020); Country Head, Treasury and Trade Solutions (2013-2016) and Client Sales Management Head (2011-2013) in Citibank N.A.; Head of Trade Finance and Cash Management for Corporates (2006-2011); Head of Operations (2005); and Head of Global Markets Operations (2003-2005) in Deutsche Bank AG Manila; and Senior Banking Consultant in Misys International Banking Systems (2000-2003).

He has extensive exposure in the fields of Electronic Payments, Transaction Banking, Treasury, Trade Finance, and Fixed Income Instruments.

He graduated Cum Laude with a bachelor's degree in Legal Management from the Ateneo de Manila University.

JUICHI UMENO, 50, Japanese, was elected to the Board on April 25, 2023. He is an Executive Vice President and Alliance Segment Head since April 2023.

He is a member of the Bank's Senior Credit, Risk Oversight, and Information Security Risk Management Committee.

Mr. Umeno joined The Bank of Tokyo Mitsubishi, Ltd. (now known as MUFG Bank, Ltd.) in 1996 where he held various roles in the areas of strategic industry research, credit assessment, risk management, corporate planning, governance, and financial planning. In terms of the overseas assignment, he was assigned in Singapore from 2013 to 2019 and engaged in the regional planning for Asia. He also served as a Director of MUFG Bank China in charge of risk management from 2020 to 2021. Prior to joining Security Bank Corporation, he was a Managing Director, MUFG Bank (Europe) N.V. ("MBE") based in Amsterdam, the Netherlands from 2021 to 2023.

He graduated from Waseda University with a Bachelor of Political Science and Economics.

LESLIE Y. CHAM, 59, Filipino, is Executive Vice President and Head of the Branch Banking Group (since October 1, 2008). He is a member of the Bank's People Empowerment, Occupational Safety & Health, and Anti-Money Laundering & Counter Financing of Terrorism Committees.

He was a Director of SB Finance, Inc., formerly known as Security Bank Savings Corporation (from 2012 to 2020).

He has over 25 years of work experience and has extensive exposure in the fields of Sales, Distribution, Wealth Management, International Banking, Trust and Investment services, and Bancassurance. Before joining the Bank, he served as Senior Vice President and Head of Sales and Distribution of Chinatrust Phils. Commercial Bank Corp. until September 2008. He served in various positions in other institutions, including First Vice President of Standard Chartered Bank (from 1999 to 2003), Vice President of Philippine Commercial International Bank (1997-1999), and Vickers Ballas Asset Management LTD PTE (1995-1997). He was an Assistant Vice President of Citytrust Banking Corporation (1987-1995).

He received a Bachelor of Science degree in Commerce, Major in Marketing Management from De La Salle University and completed with Distinction the one-year course of the Trust Institute Foundation of the Philippines.

LUCOSE T. ERALIL, 56, Indian, is Executive Vice President and Chief Operating Officer. Prior to this, he was the Enterprise Technology and Operations Segment Head from June 28, 2022 to February 29, 2024.

He is a member of the Bank's People Empowerment, Transformation and Technology, Enterprise Control Board, and Product Committees.

Mr. Eralil brings with him 30 years of work experience from Helius Technologies Pte. Ltd., AlphaEl Enterprises Pte. Ltd., Credit Suisse, and NIIT Ltd. He has extensive exposure in the fields of cross-segment banking, product architecture, and transformation management. Prior to joining the Bank, he was a Director, Consulting and Advisory for Helius Technologies Pte. Ltd. Prior to Helius Technologies, he was a Managing Director at Credit Suisse, where he was the Global Head of Technology Operations and a member of the Global Technology Management Team.

He graduated with an Advanced Diploma in Systems Management from National Institute of Information Technology, has Post Graduate Diplomas in Digital Business, Innovation & Design Thinking from the Emeritus Institute of Management and holds the following certifications: Big Data Analytics and Data Science Foundation, Microsoft Product Specialist, Prince 2 Foundation, and Blockchain for Technical Executives.

LUZ PILAR U. DE GUZMAN, 49, Filipino, is Executive Vice President and Chief Risk Officer.

She is a member of the Integrity, Sustainability and Outsourcing Committees. She is also the Vice Chairperson of the Product Committee.

Ms. De Guzman brings with her 26 years of work experience from Standard Chartered Bank and Hongkong and Shanghai Banking Corporation in Hong Kong. Prior to joining the Bank, she has well-rounded exposure in risk management for retail and wholesale banking. Her most recent assignment was as Managing Director and Global Head of Business Banking Risk of Standard Chartered Bank.

She is a Certified Public Accountant, Certified Credit Risk Professional and Chartered Financial Analyst. She graduated with a Bachelor of Science degree in Business Administration and Accountancy from University of the Philippines, Quezon City.

NERISSA GLORIA C. BERBA, 55, Filipino, is Executive Vice President and Group Head/Chief People Officer of Human Capital Management.

She is a member of the Bank's Integrity, Outsourcing, Sustainability, People Empowerment, and SBC Retirement Committees. She is also the Chairperson of the Bank's Occupational Safety and Health Committee.

Prior to this, she was Senior Vice President and Head of Human Resources of The Hongkong and Shanghai Banking Corporation Limited (2018 to 2019); HR Director/Country Head of Deutsche Bank (2015 to 2018); HR Leader in Asia in General Electric (2010 to 2015); Vice President-Talent Acquisition/Career Management in the Bank of the Philippine Islands (February 2010-August 2010); Senior Vice President and Head of HR in GE Money Bank (2006 to 2010); First Vice President and Senior Human Relationship Manager in Standard Chartered Bank (2004 to 2006); Senior Business HR Manager in Philips Electronics and Lighting Inc. (2003 to 2004); Associate/Human Resource Manager in Bo'Le` Associates Ltd. (2000 to 2003); and Human Resource Manager in New Zealand Milk Products, Phils. (1999 to 2000).

She graduated with a Bachelor of Science degree in Psychology from Assumption College.

RAHUL S. RASAL, 57, Indian, is Executive Vice President and Retail Banking Segment Head.

He is a member of the Bank's Assets and Liabilities, and People Empowerment Committees. He is also a Director of Mitsubishi Motors Finance Philippines, Inc. effective October 29, 2024.

Prior to joining the Bank, he held such various positions as Chief Operating Officer & Executive Vice President at Future Generali India Life (2018-2021); Managing Director at Citibank NA (1995-2017).

He graduated with a degree in Engineering and earned his master's degree in Management Studies from Jammnalal Bajaj Institute of Management Studies at the University of Mumbai, India.

AMANECI GRACE R. DE SILVA, 48, Filipino, is Senior Vice President and Shared Services CTO under ITG – Change the Bank Group. She is an advisory member of the Enterprise Control Board Committee.

Prior to joining the Bank, she worked with Banco de Oro Unibank Incorporated for 10 years from January 2013 to June 2023. She also held a various position in Chartis Technology and Operations Management Group from 2006 to 2012; Avon Cosmetics, Incorporated from 2001 to 2006; Systems Standards, Incorporated from 1999 to 2001; Bayan Telecommunications as Account Specialist last 1999.

She graduated with a Bachelor's degree in Electronics and Communication Engineering from Saint Louis University.

ANNA CHRISTINA M. CHINJEN, 53, Filipino, is Senior Vice President and Chief Compliance Officer. She is the Chairman of the Anti-Money Laundering & Counter financing of Terrorism Committee, Vice-Chairman of the Sustainability Committee, and member of the Outsourcing, Product and Integrity Committees.

She is a Director of the Association of Bank Compliance Officers, Inc. (ABCOMP) and member of the Bankers Institute of the Philippines (BAIPHIL).

She has 22 years of work experience, with extensive exposure in the field of financial crime compliance, risk management, corporate banking, and payment and cash management implementation.

Prior to joining the Bank, she was with The Hongkong and Shanghai Banking Corporation Limited in various positions including Senior Vice President for Wholesale Banking & Markets Advisory Lead for Financial Crimes Compliance (2017-2019), Anti-Money Laundering Lead (2016-2017), Global Standards Execution Lead (2013-2016), Chief Risk & Administration Officer (2012-2013), Strategy, Planning & Business Management (2009-2012), Vice President for Operations, Solutions and Support (2006-2009), Assistant Vice President and Relationship Manager (2003-2006), Head of Implementation - Payments and Cash Management (2001-2003), Relationship Manager for Non-Borrowing Companies (2000-2001), and Resident Manager (1999-2000).

She graduated with a Bachelor's degree in Business Administration from the University of the Philippines Diliman. She earned her Master's degree in Business Administration from the same university.

ARISTOTLE I. CRUZ, 53, Filipino, is Senior Vice President and Senior Relationship Manager/Team Head 1 under Corporate Banking Group.

Prior to joining the Bank in 2004, he held various positions in Metrobank & Trust Company (2002-2004), Global Business Bank (2000-2002), Bank of the Philippine Islands (2000-2005), Far East Bank & Trust Company (1995-2000), First Bank (1994-1995), and Citibank (1993-1994).

He graduated with a degree in Economics from De La Salle University and earned his Master's degree in Business Administration from the Ateneo Graduate School of Business.

BALAJI VIJAYAN, 56, Indian, is Senior Vice President and Retail and Business Banking Risk Management Head (since September 1, 2024). Prior to this, he was the Head of the Retail Credit Risk Management Division from August 2020 to August 2024.

Prior to joining the Bank, he held various positions including Advisor to Retail Risk Directorate of Bank Mandiri-Indonesia (2015-2020); Director and Risk Head for Middle East Consumer Bank of Citibank N.A.-UAE (2007-2014); Vice President and Risk Head for Bank of Handlowy - Consumer Bank of Citibank N.A.-Poland (2004-2007); Vice President and Risk Head in ABN Amro Bank in Taiwan and Indonesia (1999-2003); Vice President and Credit Policy Head in Citibank N.A.-Indonesia (1997-1999); various positions in Citibank N.A.-India (1990-1996); Account Executive in Ogilvy & Mather Direct in India (1989); and Marketing Executive in Wipro Systems in India (1988). He has extensive exposure in the field of retail credit and fraud risk.

He earned his Master's degree in Management from BITS Pilani, India.

CHARLES MALVIN T. CHING, 47, Filipino, is Senior Vice President and Chief Administrative Officer. He is Vice Chairman of the Asset Disposal Committee and a member of the Bank's Product, and Outsourcing Committees. He is also a Director of SB Rental Corporation and Chairman of the 6776 Condominium Corporation.

Prior to joining the Bank, he was the Director/Chief Operating Officer and headed various units such as Legal Entity Close Manila, Head Office and Branch Reporting at Deutsche Bank Group (2013-2021). He also held various roles at Citibank N.A. ROHQ across 2005 to 2013, with last role as Senior Vice President and Corporate Reporting Production Head.

He graduated with a Bachelor of Science degree in Management Engineering from Ateneo de Manila University.

CRISELDA Q. DE SAGUN-MADRID, 42, Filipino, is Senior Vice President and Data Science & AI COE Head under Enterprise Data Office.

Prior to joining the Bank, she held the position of Vice President at Metrobank Bank & Trust Company (2018-2023). She also held the position in Vitamin Shoppe Industries as Distribution Analyst from 2012 to 2014 and as Manager of Inventory Control Accuracy from 2015 to 2017; General Manager under Brightcloud, Incorporated from 2008 to 2012; Junior Associate under Mitchell Madison Group from 2005 to 2008.

She graduated with a Bachelor's degree in Business Administration and Accountancy from University of the Philippines, Diliman and earned her Master's degree in Business Analytics from New York University, Stern School of Business.

CRISTINA V. HENSON, 60, Filipino, is Senior Vice President and Operations Head. She is a member of the Bank's Product, Anti-Money Laundering & Counter Financing of Terrorism, and Occupational Safety and Health Committees.

She joined the Bank as Bookkeeper in 1988 and assumed various positions in branches and operations, including Service Channels & Support Division Head and Branch Banking Operations Group Deputy Head until her appointment as First Vice President and Operations Head in 2019.

She graduated from Holy Angel University with a Bachelor of Science degree in Accounting.

DAVID PETER B. HOLMES, 49, British, is Senior Vice President and Branch and Operations Transformation Head.

Mr. Holmes brings with him 26 years of work experience from Metrobank, Citibank, Royal Mint, and Nesbits. He has extensive exposure in the fields of retail, operations, customer service, and transaction banking. Prior to joining the Bank, his most recent assignment was as Branch Operations Head for Metrobank.

He graduated with a Bachelor of Arts (Hons) in Ancient History from Bristol University, United Kingdom. He also completed his Master's degree in Business Administration from Cranfield School of Management, United Kingdom.

DENNIS M. TANGONAN, 49, Filipino, is Senior Vice President and Chief Information Officer under ITG – Run the Bank Group. He is an advisory member of the Enterprise Control Board Committee.

Prior joining the Bank, he worked with Banco De Oro Unibank from 2010 to 2023; Citibank from 2007 to 2009, UOB Singapore from 2005 to 2006. He has extensive exposure in the field of design and architecture, project delivery, operations management, and technology transformation.

He graduated with Bachelor of Science in Computer Science from University of Saint Louis and he earned his Master's in Business Administration – Executive from Ateneo de Manila University.

HIROFUMI UMENO, 48, Japanese, is Senior Vice President and MUFG Business Development Head. He is a member of the Bank's Sustainability Committee.

Prior to joining the Bank, he held the position of Managing Director (2019-2022) and Director (2018-2019) under Mitsubishi UFJ Financial Group Bank, Limited, Singapore. He also held the position of Senior Manager (2012-2018), Manager (2007-2012) and Officer (2000-2001) under The Bank of Tokyo Mitsubishi, Limited.

He earned his degree in School of Policy Studies from Kwansei Gakuin University (Hyogo, Japan).

IRENE E. GUBAN, 48, Filipino, is Senior Vice President and Head of Retail Strategy and Analytics Group.

Prior to joining the Bank, she worked with Eastwest Banking Corporation as Auto Credit Policy & Consumer Lending Cluster Risk Support Head (2016-2018), Standard Chartered Bank as Credit Risk Head (2009- 2016), GE Money Bank as Portfolio Analytics Head (2008-2009), Standard Chartered Bank as Credit Risk Manager (2006-2008), Optimum PTE Solutions as Analyst (2006), and Globe Telecom as Senior Credit Specialist (1996-2006).

She graduated with a Bachelor's degree in Mathematics from University of the Philippines, Los Banos and earned her Master's degree in Business Administration from Ateneo de Manila Graduate School of Business.

JASON T. ANG, 54, Filipino, is Senior Vice President and Branch Banking Visayas and Mindanao Distribution Head since January 1, 2024.

He joined the Bank in 2007 as First Vice President and Area Head for Visayas and Mindanao and became Region 4 Head under Branch Banking Group until December 31, 2023. Prior to this, he was Vice President and Region Head of International Exchange Bank (1996-2007). Previously, he was with Citytrust Banking Corporation where he held various positions (1991-1996).

He graduated from the Ateneo de Davao University with a Bachelor of Science and Commerce degree, Major in Accounting.

JEFFERSON T. KO, 49, Singaporean, is Senior Vice President and Head of Investment Solutions Group. He is a Director of SB Equities, Inc. since May 2023.

Prior to joining the Bank, he was Head of Market Sales Group for China Banking Corporation (2021-2022). He was also Consultant at China Banking Corporation (2020), Director of Market Sales under NORD/LB Singapore (2015- 2017), Senior Director and Head of Structured Products and FX under Maybank Singapore (2013-2015), Director, Structured Products under DZ Bank AG Singapore (2007-2013), Vice President, Structured Products under ING Bank NV Singapore (2004-2007) and Vice President, Sales Under ING Bank NV Manila (1997-2004).

He graduated with a Bachelor of Science degree in Management Engineering from Ateneo de Manila University.

JIRI MATOUSEK, 37, Czech, is Senior Vice President and Retail Transformation Head of the Retail Banking Segment.

He first joined Security Bank as Consultant in 2021 and was Director for Asia and the Pacific at Adastra Business Consulting S.R.O. in Czech Republic (2011-2021).

He completed his general education with specialization in German from Gymnázium Na Pražačce; his Master's in Mathematical and Computer Modelling from Charles University, Prague, Czech Republic; and Mathematical Modelling from the University of Hamburg in Germany.

JOHN DAVID G. YAP, 47, Singaporean, is Senior Vice President and Segment Head of the Business Banking Segment. He is a member of the Bank's Assets and Liabilities Committee.

Prior to joining the Bank, he was based in Singapore and held regional leadership roles at Grab Finance (2019-2020), United Overseas Bank (2015-2019); Fullerton Financial Holdings (2010-2015); and Standard Chartered Bank (2005-2010). He started his career in IT in the Philippines from 1999-2003.

He completed his Bachelor of Science degree in Management Information Systems from Ateneo de Manila University. He earned his Master's degree in Business Administration from Nanyang Technological University.

JONATHAN C. DIOKNO, 51, Filipino, is Senior Vice President and Cash Management Head under Deposits Business Division.

He has extensive exposure in the fields of cash management services, remittance origination, and retail banking. Prior to joining the Bank in February 2019, he was First Senior Vice President and Global Filipino Banking Head of Rizal Commercial Banking Corporation (2017-2019). He served in various positions in Banco de Oro (2001-2016), Citibank N.A. (1999-2001), Standard Chartered Bank (1997-1999), and the Bank of the Philippine Islands/ Citytrust Banking Corporation (1994-1997).

He graduated with a Bachelor of Science degree in Business Administration from the University of the Philippines.

JORGE LINDLEY S. ONG, 52, Filipino, is Senior Vice President and Head of Commercial Banking Group. He is a member of the Bank's Credit Committee and SubCommittee for Commercial Banking Group.

He joined the Bank in 2007. He was the Head of Kalookan and North Metro Banking Center. Prior to joining the Bank, he was a Senior Relationship Manager in BDO Unibank (1995-2007).

He graduated from the University of Santo Tomas with a Bachelor of Science degree in Commerce.

JUAN A. MESTAS, 42, Peruvian, is Senior Vice President and Strategy, Architecture and Platform Head (since March 2024). Prior to this, he was the Architecture & Integration Head under ITG – Change the Bank Group from February 2023 to February 2024 and was assigned as IT – Central API Team Head from September 2022 to January 2023. He is an advisory member of the Enterprise Control Board Committee.

Prior to joining the Bank, he was the Group Head of Enterprise Architecture and Platform under Group 42, UAE (2021-2022), He also held the position of Managing Director under PricewaterhouseCoopers, Singapore (2020), Enterprise Architecture Lead under United Overseas Bank Limited (UOB) Group Bank, Singapore (2017-2019), Senior Manager and Digital Architecture under Allied Irish Banks PLC (AIB Bank) Ireland (2016-2017), Architecture Manager under Deloitte & Touche Europe, the Middle East, and Africa (EMEA) (2011-2016), Regional Director of Microsoft LatAm (2007-2011), Software Architect under Banco Financiero (2004-2006), Oracle HLR Architect under Sixbell, Chile (2002-2004) and Senior Software Engineer under SONDA, Peru (1999-2000).

He graduated with an Engineering degree from Ricardo Palma University in Peru. He also earned his Master's degree in Computer Software Engineering from University of Tarapaca in Chile and holds various certifications.

KIM O. LIM, 52, Filipino, is Senior Vice President and Region Head of Region 1 – West Metro Manila under the Branch Banking Group.

He joined the bank in 2013 as Vice President/Area Head (2013-2017), became Vice President/Region Head in 2017 and First Vice President/Region Head in 2018.

Prior to joining the Bank, he held the position of Retail Branch Head and Area Head (2011-2013) and Retail Branch Head (2010-2011) under Hongkong Shanghai Banking Corporation Savings Bank. He also held the position of District Manager (2009-2010), Business Manager (2007-2009), Relationship Officer and OIC (2006-2007) and Relationship Officer (2006) under Citibank Savings Incorporation, Customer Service Head (2003-2006), Senior Personal Bank (2002-2003), Reserved Assistant (2000-2002), Policy Analyst (2000), Control Assistant (1995-1999) and Bank Statement Clerk (1993-1995) under Rizal Commercial Banking Corporation.

He graduated with a Bachelor of Science degree in Commerce, majoring in Accounting from Zamboanga A.E. College.

MA. CARMENCITA R. LOPEZ, 59, Filipino, is Senior Vice President and Head of Trust and Asset Management Group. She is a member of the Trust Committee.

She started to work with the Bank as Department Head of Account Management & Servicing Division last 2022. Prior to this, she worked with 1st Ebank Corp as Senior Manager (1994-2002). She graduated with a Bachelor's degree in Commerce major in Business Management from De La Salle University.

MA. PATRICIA N. TAN, 50, Filipino, is Senior Vice President and Chief Marketing Officer (since March 1, 2024). She was the Head of Customer Segmentation Group from July 16, 2021, to February 29, 2024.

Prior to joining the Bank in 2013, she served as OFW Segment Head of Philippine National Bank (2006-2013), Marketing Head of Globe Telecom (2004-2006), and Cards Marketing Head of Union Bank of the Philippines (1997-2004).

She graduated with a Bachelor's degree in Management of Financial Institutions from De La Salle University.

MA. PAZ VICTORIA R. GONZALEZ, 57, Filipino, is Senior Vice President and Head of Secured Lending. She was assigned as the Mortgage Banking Head from 2015 to 2023 before her current role.

Prior to joining Security Bank, she has worked in various bank industries for 20 years before joining Security Bank where she held several position from BDO Unibank (2009-2010), GE Money Bank (2007-2009), Philippine Savings Bank (2000-2006), Solid Bank (1996-2000) and Bank of Commerce (1990-1996).

She graduated with a Bachelor's degree in Commerce major in Marketing Management from De La Salle University.

MALCOLM C. YOW, 46, Australian, is Senior Vice President and Retail CTO under ITG – Change the Bank Group. He is an advisory member of the Enterprise Control Board Committee.

Prior to joining the Bank, he held the position of Centre Director under Vietnam Software Development Centre Co. LTD/Vietnam (2020-2022). He also held the position of Senior Consultant, Vietnam Delivery Centre under Hays Talent Solutions Contracted to National Australia Bank (NAB) (2019-2020), Executive Manager, Digital Delivery and Engineering under Commonwealth Bank of Australia (2015-2019), Engineering Manager, Development Manager, Team Leader, Senior IT Specialist and IT Specialist under BWA Group Services PTY Limited, Australia (2004-2015).

He graduated with a Bachelor's degree in Engineering from University of Western Australia and holds the following certifications: 2018 Certified LeSS Practitioner, 2014 Certified Product Owner, 2012 Agile Fundamentals, and 2010 Foundation Certificate in ITIL v3.

MARIA MARGARITA R. MIRABUENO, 52, Filipino, is Senior Vice President and Wealth Relationship Management Group Head since August 2024. She joined the bank as Wealth Management Head and First Vice President in 2015.

Prior to joining the Bank, she held the position of Citigold Head (2011-2014) and Investment Specialist (2004-2010). She also held the position of Investment Officer under Chinatrust (Philippines) (1999-2002), Investment Officer under ALL Asia Capital & Trust Corporation (1998) and Marketing Assistant under Metrobank (1993-1997).

She completed her Bachelor of Arts degree in Interdisciplinary Studies and her master's degree in Business Administration from Ateneo De Manila University.

MARIS LOU S. VELICARIA, 52, Filipino, is Senior Vice President and Retail Credit Operations Head.

Prior joining the Bank, she held various positions in Philippine Savings Bank including Vice President and Collections and Remedial Management Division Head (2015-2016) and Credit Administration Group Head (2012-2015); Assistant Vice President and Division Head (2008-2012); Senior Manager and Division Head (2006-2008); Manager and Division Head (2004-2006); Senior assistant Manager and Division Head (2001-2004) of Credit Administration Group. She also held position in Development Bank of Singapore, Philippines as Senior Assistant Manager and Credit Department Unit Head (2000-2001), Assistant Manager and Credit Administration Credit Officer (1997-2000), Official Assistant and Consumer Business and Loans Group Credit Officer (1996-1997) and Staff and Consumer Business and Loans Group Credit Investigator (1995) at CityTrust Banking Corporation.

She graduated with a Bachelor's degree in Arts in Philippine Studies from University of the Philippines.

MARLETTE P. BRODETT, 53, Filipino, is Senior Vice President and Branch Banking Franchise Distribution Head since January 1, 2024. She joined the Bank in 2004 as Senior Assistant Vice President and Area Business Manager and became Region 3 Head under Branch Banking Group until December 31, 2023.

Prior to joining the Bank, she was Vice President and Region Head in Maybank Philippines, Inc. (2003-2004); First Assistant Vice President in Asiatrust Development Bank (2000-2003); and Branch Head with the Bank of the Philippine Islands (1992-2000).

She graduated with a Bachelor of Science degree in Communication Arts from Miriam College.

MYLA R. UNTALAN, 54, Filipino, is Senior Vice President and Head of Retail Channels Group.

Prior to joining the Bank, she brings with her 30 years of work experience from BDO Unibank, RCBC Bankard, AIG Credit Card Company Philippines and Solidbank Corporation. She has well-rounded exposure in digital transformation, data and analytics, project management and business process engineering. Her most recent assignment was as Senior Vice President and Data Protection Officer at BDO Unibank.

She graduated with a Bachelor's degree in Commerce major in Accounting from University of Sto. Tomas, Manila.

ORENCIO ANDRE P. IBARRA III, 51, Filipino, is Senior Vice President and Treasurer. He is the Chairman of the Bank's Assets and Liabilities Committee.

Prior to this, he was the First Vice President and Head of the ALM and Trading Division. He joined the Bank as Manager in 2000 and assumed various positions in the Treasury Group before he assumed the position of Chief Dealer in 2013. He was also ACI Philippines (The Financial Markets Association Inc.) President in 2017, Vice President in 2016, Secretary in 2015 and a member of the Board of Directors from 2014-2017.

He holds a Bachelor of Arts degree in Management Economics from the Ateneo de Manila University and a Master's degree in Business Management from the Asian Institute of Management.

PATRICK M. MENESES, 50, Filipino, is Senior Vice President and Chief Data Officer of Enterprise Data Office.

Prior to joining the Bank, he was the Chief Data and Analytics Officer with MDI Novare (2021-2022). He also held the position of ASEAN Director of Business Solutions under SAS Institute Singapore (2018-2021), Senior Engineering Manager under General Motors (2012-2018), Senior Technical Program Manager under Electronic Arts (2010-2012), Senior Technical Manager under SUN Microsystem (1999-2009), Project Manager under Hewlett-Packard (1997-1999) and Operations Manager under UNILAB (1996-1997).

As an Advanced Analytics Platform Principal at General Motors Company in Austin, Texas, he designed, built, and maintained an Enterprise Data and Analytic service. Lastly, he has extensive experience with Enterprise Data Warehouse builds and roles across other big technology companies in Silicon Valley such as Sun Microsystems and Hewlett Packard. Prior to that, he attended Purdue University at West Lafayette, Indiana, with a focus on Business Management and Communications.

PRAKASH SUDHAKAR MAHAJAN, 52, Indian, is Senior Vice President and Corp & FMS CTO under ITG-Change Bank Group. He is an advisory member of the Enterprise Control Board Committee.

Prior joining the Bank, He held positions as Digital Vice President from NSEIT Limited (2019-2022). He also worked with Helius Technologies Limited (2018- 2019), Indus Software Technologies Private Limited (2014-2018), Sakal Media Group (2013-2014), S1 Services, India (2005-2012), Indus Software, India (2002-2005), Intermedia Interactive Solutions, India (2001-2002), Octon Technologies Limited (1998-2001), Ajay Metachem Limited (1997-1998). He has extensive exposure in the fields of project management and digital transformation.

He graduated with Bachelor of Mechanical Engineering from Walchand College, India and holds various certifications.

PRICE EDWARD C. YAP, 51, Singaporean, is Senior Vice President and Treasury Sales Head and Officer-in-Charge of the Financial Markets Segment since February 1, 2025. He is a member of the Bank's Sustainability, SBC Retirement, and Assets & Liabilities Committees. Prior to joining the Bank in 2016, he accumulated 22 years of work experience from Mitsubishi UFJ Securities (Singapore), Ltd. (2011-2015); held various positions in Citigroup, Inc. (2000-2011); and Solid Bank Corporation (1997-2000).

He graduated with a Bachelor of Science degree in Management, major in Legal Management from the Ateneo de Manila University. He earned his Master's degree in Business Administration from the Ateneo Graduate School of Business.

RAHUL M. SADARANGANI, 44, Indian, is Senior Vice President and Enterprise Transformation Head.

Prior joining the Bank, he held position as Executive Director with Morgan Stanley Advantage Services Private Limited (2021-2023). He used to work also with Arcon Techsolutions Private Limited as Chief Technology Officer (2019-2021); Nuvama Wealth and Investment Limited as Associate Director (2017-2019); SMFG India Credit Company Limited as Senior Vice President (2014- 2017); Credit Suisse Business Analytics Private Limited as Vice President (2013-2014); Deutsche Bank Group as Vice President (2006-2013).

He graduated with Bachelor of Commerce from JAI Hind College and earned his higher diploma in software from Aptech Computer Education.

RONALD I. AUSTRIA, 53, Filipino, is Senior Vice President and Branch Banking Luzon Distribution Head since January 1, 2024. He joined the Bank in November 2009 as First Vice President and Area Head and became the Region 2 Head under Branch Banking Group until December 31, 2023.

Prior to this, he served in various positions in Standard Chartered Bank (1999-2008), PCI Bank (1996-1999), Far East Bank and Trust Company (1995-1996), and Citytrust Banking Group (1992-1995).

He holds a Bachelor of Arts degree in Economics from the Ateneo de Manila University.

SOHEL H. KANCHWALA, 59, Indian, is Senior Vice President and Head of Collections Department under Risk Management Group.

Prior to joining the Bank he was Senior Consultant for Kuwait Finance House (2019); Senior Vice President for First Abu Dhabi Bank (2017-2018); Director for Citibank N.A. Mumbai (2010-2017); Region Head for Quattro Risk Management Services (2007-2010); Senior Managing Consultant for Mastercard Worldwide-Advisors (2003- 2007); Credit and Risk Operations Head for Citibank N.A. Manila (1998-2003); Senior Manager for Saudi American Bank (Citigroup) (1994-1997); Manager for Citibank N.A. India (1990-1994).

He completed his Bachelor's degree in Commerce from Kishinchad Chellaram College and his Diploma in Business Management (Finance) from Sydenham Institute of Management and Research. He earned his Master's degree in Management Studies (Marketing) from Chetana's Ramprasad Khandelwal Institute of Management and Research.

STEPHEN JOHN BELL, 56, British, is Senior Vice President and Transformation Head (since July 1, 2024). Prior to this, he was the Channel Network Head under Payment Channel Division from August 2, 2021, to June 2024.

Before joining Security Bank, he held various positions including Director at PricewaterhouseCoopers (PWC) Vietnam (2018-2021); Partner at KPISOFT (Malaysia) (2017-2018); Head of Technology (2013-2016) and Senior Program Director (2011-2013) at ANZ Regional Office APEA (Singapore); Global Head of Product at ANZ Group (Australia) (2009-2011); Global Head of the Program Management Office (PMO) and Head of Asia Product at HSBC Hong Kong (1998-2009); Assistant Vice President at Bank of America (London & Hong Kong) (1994-1998); and Assistance Manager for Electronic Banking and Branch Banking roles at Lloyds Bank in London (1986-1994).

He completed the UK General Certification of Secondary Education from Shenfield Comprehensive.

YOSHIMASA ITAKA, 49, Japanese, is Senior Vice President and Senior Relationship Manager/Team Head – Japan Desk of the Corporate Banking Group.

Before joining Security Bank, he held various positions at MUFG Bank, Ltd., Ho Chi Minh City (from 2019-2021) and MUFG Bank Brasil, Ltd. (from 2015-2019). He rose through the ranks at the Bank of Tokyo-Mitsubishi UFJ (2006-2015) and started his career at the Bank of UFJ (1999-2005).

He completed his degree in Environmental Engineering from Kyoto University.

YVONNE JOANNA P. MARCELO, 54, Filipino, is Senior Vice President and Head of Corporate Banking Group. She is a member of the Bank's Credit Committee and Sub-Committee for Corporate Banking Group.

She joined the Bank in 2001. Prior to her current role, she was a Team Head and Senior Relationship Manager in Corporate Banking Group. She has extensive experience in corporate and project finance in infrastructure, real

estate, power and energy, utilities, mining, and other industries. She was Relationship Manager in Far East Bank and Trust Company (1996-2000), Assistant Manager in Union Bank of the Philippines (1995-1996), and Management Trainee and Pro-Manager in Bank of Commerce (1991-1994).

She graduated with a Bachelor of Science degree in Business Economics from the University of the Philippines and earned units for a Master's degree in Business Administration from the Ateneo de Manila University.

11.3 CORPORATE GOVERNANCE

The Bank consistently adheres to good corporate governance principles of fairness, accountability, and transparency in all its dealings, ensuring a high degree of integrity in the conduct of all its affairs.

The Board-approved Manual of Corporate Governance of the Bank embodies the corporate governance rules and regulations of the BSP, the SEC, the PSE, and global best practices, which incorporate policies in the compliance system.

The Bank is led by a Board of Directors composed of 15 members, 7 of whom are independent directors. The roles of the Chairman and the President & CEO are separate and clearly defined while the independent directors are a strong source of independent advice and judgment. The Board of Directors establishes the vision, strategic objectives, key policies, and procedures for the management of the Bank, and the mechanism for monitoring and evaluating management's performance. The Board of Directors likewise ensures the presence and adequacy of internal control mechanisms for good governance.

The Board of Directors meets regularly on a monthly basis. In compliance with the principles of good corporate governance, the Board of Directors constituted the Corporate Governance, Nominations and Remuneration, Risk Oversight, Operational Risk Management, Audit, Related Party Transactions, Trust, Senior Credit, Executive, Transformation and Technology, and Restructuring Committees to which it delegated specific responsibilities. Management committees like the Assets & Liabilities Committee, Credit Committee, Acquired Assets Committee, People Empowerment Committee, Anti-Money Laundering Committee, Integrity Committee and Outsourcing Committee are in place to implement strategy and corporate directions consistent with the principles behind the various board constituted committees.

11.4 CORPORATE SOCIAL RESPONSIBILITY

As a corporation serving the banking and financial needs of the communities in the Philippines, the Bank believes it is also important to fulfil its social duties by giving back to the society and the people who have been supporting the Bank for decades. Through Security Bank Foundation, Inc. (SBFI) and Corporate Communications, the Bank assesses community needs of and partner with strategic beneficiaries to deliver lasting impact. Initiatives in 2024 focused on educational services, health and wellness, arts, culture and heritage, and environmental stewardship.

11.4.1 Educational Services

- Build a School, Build a Nation (Classroom Construction) – Improves the quality of basic education by building classrooms in communities where the Bank operates
 - Impact in 2024: 62 classrooms
 - Total Impact: 845 classrooms
- Build a School, Build a Nation (Classroom Repair) – Sustains the integrity and safety of classroom donations every five years or after a calamity
 - Impact in 2024: 70 classrooms
 - Total Impact: 449 classrooms
- Mentoring Future Leaders for Nation-Building (Principals) – Three-year training program transforming principals into experts and mentors of problem solving, action planning, and stakeholder engagement to shape school environments.

- Impact in 2024: 53 principals
- Total Impact: 177 principals
- Mentoring Future Leaders for Nation-Building (Teachers) – Three-year training program transforming teachers into experts and mentors of model lesson planning and implementation; and stakeholder engagement to enhance students’ academic performance and 21st century skills
 - Impact in 2024: 90 teachers
 - Total Impact: 36,464 teachers
- Scholars for Better Communities (Integrated Scholarship) - Scholarship program for the Bank's employees, agency personnel, and college students across eight partner schools in Metro Manila.
 - Impact in 2024: 359 scholars
 - Total Impact: Over 2,000 scholars
- School painting – Volunteer program for Bank employees to paint donated classrooms
 - Impact in 2024: 29 classrooms; 320 employee volunteers
 - Total Impact: 115 classrooms, 1,202 employee volunteers
- Vision screening and eyeglasses – Partnership with Ideal Vision to provide elementary students free vision screening and eyeglasses to improve their reading ability and enhance their learning
 - Impact in 2024: 1,418 students screened, 1,012 eyeglasses recipients

11.4.2 Community Engagement

- FilipinaZ - This Fair fuels over 100 small enterprises, promoting female empowerment and supporting the livelihood projects of long-time community partner Zonta Club of Makati & Environs.
- Community Crafts Association of the Philippines (CCAP) Trade Fair - In March, the Bank supported the Lokalakalan: Kultura, Kababaihan, at Kabuhayan Fair, organized by female entrepreneurs from CCAP. This event showcased traditional crafts and mentored 23 communities through workshops on product development, design, and marketing, promoting economic sustainability and cultural heritage.
- Angat Nueva Ecija NGO Go Organic Kabukiran Project – The Bank collaborated with PWD beneficiary associations from Barangay Macapsing (69 members), Del Pilar (38 members), and Portal (39 members) to enhance food security in Nueva Ecija, enrich farmlands, reduce farming expenses, and increase income.
- Box-All-You-Can with Rural Rising Philippines - Supporting 100 farmers, the Bank facilitated the sale of produce at above-farm gate prices, enabling sustainable agriculture.
- ArteFino Maker's Lab: Totally Upcycled Design Challenge - In collaboration with ArteFino, the Bank supported this eight-week challenge which promoted sustainability and conscious consumerism among SOFA Design Institute scholars.

11.4.3 Health, Wellness, and Resiliency

- Art Association of the Philippines (AAP) workshops – The Bank hosted art workshops with AAP for Security Bank employees, their families, and cancer patients from Kythe Foundation. These sessions promoted a culture of giving, allowing employees to sponsor Noche Buena packs. Through creative activities, the art therapy provided young warriors a sense of healing and empowerment—a testament to the transformative power of art.

- National Heritage Month – The Bank’s commitment to Filipino pride and culture shone during National Heritage Month and National Flag Day, organized by the Filipino Heritage Festival, Inc. (FHFI). Bank representatives and clients joined the celebrations, showcasing vibrant national pride.

SECTION 12. PRINCIPAL SHAREHOLDERS

The Bank had approximately 1,745 common shareholders and 407 preferred shareholders of 28 February 2025. Common shares outstanding as of said date stood at 753,538,887 and outstanding Preferred shares stood at 1,000,000,000.

The top 20 Shareholders as of 28 February 2025 are:

12.1 COMMON SHARES

	STOCKHOLDERS NAME	NO. OF SHARES	% TO TOTAL VOTING SHARES
1	PCD NOMINEE CORPORATION (FILIPINO)	200,302,905	11.42%
2	THE BANK OF TOKYO-MITSUBISHI UFJ LTD. (MUFG BANK, LTD.)	150,707,778	8.59%
3	PCD NOMINEE CORPORATION (NON-FILIPINO)	128,299,658	7.32%
4	ASIASEC EQUITIES INC.	120,676,957	6.88%
5	FREDERICK Y. DY	86,865,273	4.95%
6	DANIEL S. DY	30,229,655	1.72%
7	SOCIAL SECURITY SYSTEM (SSS)	20,000,004	1.14%
8	GOODWOOD RESOURCES DEVELOPMENT INC	6,283,322	0.36%
9	JAMES JK HUNG	2,406,708	0.14%
10	SB EQUITIES INC.	1,887,793	0.11%
11	CAROUSEL HOLDINGS INC.	400,000	0.02%
12	MEPCO EMPLOYEES RETIREMENT PLAN	331,709	0.02%
13	RAFAEL F. SIMPAO, JR.	217,296	0.01%
14	SB EQUITIES INC. FAO L0015	175,902	0.01%
15	CENTRAL COLLEGES OF THE PHILIPPINES	159,214	0.01%
16	BEE BEE S. CHUA	138,212	0.01%
17	ELECTRONIC TELEPHONE SYSTEM IND. INC.	117,936	0.01%
18	ERNST BEHRENS	82,926	0.00%
19	EDWIN FRANCIS L. TAN	72,000	0.00%
20	ERIC RUBEN L. TAN	72,000	0.00%

12.2 PREFERRED SHARES

	Stockholders Name	No. of Shares	% to Total Voting Shares
1	FREDERICK Y. DY	335,207,671	19.12%
2	DANIEL S. DY	256,951,638	14.65%
3	THE BANK OF TOKYO-MITSUBISHI UFJ LTD. (MUFG BANK, LTD.)	200,000,000	11.41%
4	ASIASEC EQUITIES INC.	95,996,204	5.47%
5	SOCIAL SECURITY SYSTEM	37,644,497	2.15%
6	ANASTASIA Y. DY	33,000,000	1.88%

Stockholders Name	No. of Shares	% to Total Voting Shares
7 GOODWOOD RESOURCES DEVELOPMENT INC.	21,014,591	1.20%
8 GERALDINE S. DY	17,329,149	0.99%
9 SB EQUITIES INC.	12,252,527	0.70%
10 DEUTSCHE BANK AG MANILA OBO A/C 12129924744	3,771,656	0.22%
11 SB EQUITIES INC.	3,200,000	0.18%
12 SB EQUITIES INC.	2,184,329	0.12%
13 BPI SECURITIES CORPORATION	2,126,541	0.12%
14 HSBC OBO A/C 026-100297-557	1,846,813	0.11%
15 ABACUS SECURITIES CORPORATION	1,771,202	0.10%
16 ASIASEC EQUITIES INC.	1,524,917	0.09%
17 HSBC MANILA OBO A/C 000-595686-550	1,400,000	0.08%
18 DEUTSCHE BANK AG MANILA OBO A/C 12129924742	1,267,172	0.07%
19 SCB OBO RBC INVESTOR SERVICES TRUST CLIENT	1,260,000	0.07%
20 DEUTSCHE BANK AG MANILA OBO A/C 12129925301	1,190,216	0.07%

PCD Nominee Corporation, (“PCD”), a subsidiary of Philippine Depository & Trust Corp. (“PDTC”), is the registered owner of the shares in the books of the Bank’s transfer agent, Stock Transfer Service, Inc. The beneficial owners of such shares are PCD’s participants, who hold the shares on their behalf or on behalf of their clients. The participants have the power to decide how the PCD shares are to be voted. The Social Security System (“SSS”) is the state-sponsored agency responsible for administering social security protection to workers in the private sector.

SECTION 13. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank engages in transactions with its subsidiaries and affiliates, and with certain DOSRI.

The Bank's policy with respect to related party transactions is to ensure that related party transactions are all entered into at arm's length and in compliance with applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders. These transactions are made and entered into substantially on the same terms as other individuals and businesses of comparable risks.

Information related to transactions with related parties and with certain DOSRI is shown under Note 32 of the audited financial statements of the Bank included in this Offering Circular.

13.1 DOSRI LOANS AND DEPOSITS

In the ordinary course of business, the Bank has loan transactions with investees and certain DOSRI (as discussed in BSP Manual of Regulations Section 3414). Republic Act No. 8791 or the General Banking Law (the "**General Banking Law**") and BSP regulations require that (a) the amount of individual outstanding loans, other credit accommodations, and guarantees to DOSRI should not exceed an amount equivalent to their unencumbered deposits and the book value of their paid-in capital investment in the bank; (b) unsecured loans, other credit accommodations, and guarantees to DOSRI should not exceed 30.0% of their outstanding loans, other credit accommodations and guarantees, whichever is lower (except if granted for the purpose of project finance as defined in the MORB which is excluded from the 30.0% unsecured individual ceiling during the project gestation phase, subject to certain conditions); (c) the total outstanding loans, other credit accommodations and guarantees to DOSRI may not, without the prior approval of the Monetary Board, exceed 15.0% of the bank's total loan portfolio or 100.0% of the bank's net worth, whichever is lower. As of 31 December 2024, the Bank was in compliance with such BSP regulations.

The following table shows information relating to the Bank's DOSRI loans as of the dates indicated:

	2024		2023	
	DOSRI Loans	Related Party Loans*	DOSRI Loans	Related Party Loans
Consolidated				
Total outstanding loans (in ₱ millions)	281.6	16,733.7	258.4	14,889.2
Percent of DOSRI/Related Party Loans to total loan portfolio	0.04	2.41	0.05	2.71
Percent of unsecured DOSRI/Related Party Loans to total DOSRI/Related Party Loans	6.58	100.00	7.74	100.00
Percent of past due DOSRI/Related Party Loans to total DOSRI/Related Party Loans	—	—	—	—
Percent of non-performing DOSRI/Related Party Loans to total DOSRI/Related Party Loans	—	—	—	—

**Inclusive of DOSRI loans*

BSP Circular Nos. 560 and 464 provide the rules and regulations that shall govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said circular, the total outstanding loans, credit accommodations and guarantees to each of the bank's subsidiaries and affiliates shall not exceed 10.00% of the bank's net worth, the unsecured portion shall not exceed 5.00% of such net worth. Further, the total outstanding exposures shall not exceed 20.00% of the net worth of the lending bank.

Total interest income on related party loans in 2024, 2023, and 2022 amounted to ₱3.1 million, ₱3.1 million, ₱3.3 million, respectively, for the Group.

As of 31 December 2024, 2023 and 2022, the total outstanding loans, other credit accommodations, and guarantees to each of the Bank's subsidiaries and affiliates did not exceed 10.0% of the Bank's net worth, and the unsecured portion did not exceed 5.0% of such net worth.

Loans, other credit accommodations and guarantees granted by a bank to an entity (often a special purpose vehicle or SPE) that is a subsidiary or affiliate for the purpose of project finance as defined under MORB Sec. 344, shall be subject to a separate individual limit of 25% of the net worth of the Bank, subject to certain conditions.

The year-end balances as of 31 December 2024 and 2023 in respect of subsidiaries included in the Bank's financial statements are as follows (amounts in ₱ millions):

	As of 31 December 2024	As of 31 December 2023
Loans and receivables	1,886.3	1,909.1
Deposit liabilities	1,897.7	2,249.3

The income and expenses for the year ended 31 December 2024 and 2023 in respect of subsidiaries included in the Bank's financial statements are as follows (amounts in ₱ millions):

	For the year ended 31 December 2024	For the year ended 31 December 2023
Interest income	6.1	6.5
Interest expense	-	-

The effects of the foregoing transactions are shown under the appropriate accounts in the Bank's financial statements.

The significant inter-company transactions and outstanding balances of the Bank with its subsidiaries were eliminated in consolidation. The Bank is not a subsidiary of any corporation and had no transactions with promoters.

SECTION 14. PHILIPPINE BANKING INDUSTRY

The information presented in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Government, and has not been prepared or independently verified by the Bank, the Joint Lead Arrangers and Joint Bookrunners, the Selling Agents or any of their affiliates or advisers. None of the Bank, the Lead Arranger, the Selling Agents or any of their affiliates or advisers makes any representation as to the accuracy or completeness of this information.

14.1 OVERVIEW

The banking industry in the Philippines is composed of universal banks, commercial banks, savings banks, savings and mortgage banks, private development banks, stock savings and loan associations, rural banks, cooperative banks and Islamic banks.

According to statistics published on the official website of the BSP, as of 30 June 2025 the commercial sector consisted of 44 universal and commercial banks, of which 22 were universal banks and 22 were commercial banks. Of the 22 universal banks, 13 were private domestic banks, three were Government banks, and six were branches of foreign banks. Of the 22 commercial banks, two were private domestic banks, two were subsidiaries of foreign banks, and 18 were branches of foreign banks.

Commercial banks have all the general powers incident to corporations and all powers that may be necessary to carry on the business of commercial banking, such as the power to accept drafts and to issue letters of credit, to discount and negotiate promissory notes, drafts, bills of exchange and other evidences of indebtedness, accept or create demand deposits, receive other types of deposits and deposit substitutes, buy and sell foreign exchange and gold and silver bullion, and extend credit on a secured or unsecured basis. Universal banks are banks that have the authority, in addition to commercial banking powers, to exercise the powers of investment houses, to invest in the equity of businesses not related to banking and to own up to 100% of the equity in a thrift bank, a rural bank or a financial allied or non-allied enterprise. A publicly listed universal or commercial bank may own up to 100% of the voting stock of only one other universal or commercial bank.

Thrift banks primarily accumulate the savings of depositors and invest them, together with their capital, in loans secured by bonds, mortgages in real estate and insured improvements thereon, chattel mortgage, bonds and other forms of security or in loans for personal and household finance, secured or unsecured, or in financing for home building and home development; in readily marketable debt securities; in commercial papers and accounts receivables, drafts, bills of exchange, acceptances or notes arising out of commercial transactions. Thrift banks also provide short-term working capital and medium-and long-term financing for businesses engaged in agriculture, services, industry, and housing as well as other financial and allied services for its chosen market and constituencies, especially for midmarket corporates and individuals. As of 25 June 2025, there were 42 thrift banks (including microfinance-oriented banks), based on BSP's report on the Physical Network of the Philippine Banking System.

Rural banks are organized primarily to make credit available and readily accessible in the rural areas on reasonable terms. Loans and advances extended by rural banks are primarily for the purpose of meeting the normal credit needs of farmers and fishermen, as well as the normal credit needs of cooperatives and merchants. As of 25 June 2025, there were 379 rural and cooperative banks, according to the BSP.

Specialized government banks are organized to serve a particular purpose. The existing specialized banks are the Development Bank of the Philippines (“DBP”), Land Bank of the Philippines (“LBP”) and Al-Amanah Islamic Investment Bank of the Philippines (“AAIIB”). DBP was organized primarily to provide banking services catering to the medium and long-term needs of agricultural and industrial enterprises, particularly in rural areas and preferably for mid-market corporates. LBP primarily provides financial support in all phases of the Philippines’ agrarian reform program. In addition to their special functions, DBP and LBP are allowed to operate as universal banks. AAIIB was organized to promote and accelerate the socio-economic development of the Autonomous

Region in Muslim Mindanao through banking, financing and investment operations and to establish and participate in agricultural, commercial and industrial ventures based on Islamic banking principles and rulings.

During the past fifteen years, the Philippine banking industry has been marked by two major trends—the liberalization of the industry and mergers and consolidation.

Foreign bank entry was liberalised in 1994, enabling foreign banks to invest in up to 60.0% of the voting stock of an existing bank or a new banking subsidiary, or to establish branches with full banking authority. This led to the establishment of ten new foreign bank branches in 1995. The General Banking Law further liberalised the industry by providing that the Monetary Board may authorise foreign banks to acquire up to 100.0% of the voting stock of one domestic bank. Under the General Banking Law, any foreign bank, which prior to the effectiveness of the said law availed itself of the privilege to acquire up to 60.0% of the voting stock of a domestic bank, may further acquire voting shares of such bank to the extent necessary for it to own 100.0% of the voting stock thereof. As of 30 September 2018, there were 22 foreign banks with branches and two foreign banks with subsidiaries in the Philippines, based on BSP's report on the Physical Network of the Philippine Banking System, and as of 31 March 2018, they accounted for 8.4% of the total resources of the Philippine banking system.

Under Republic Act No. 10641 or An Act Allowing the Full Entry of Foreign Banks in the Philippines, Amending for the Purpose Republic Act No. 7721 (“**RA 10641**”) and BSP Circular No. 858, series of 2014 dated 21 November 2014, which amended the relevant provisions of the MORB implementing RA 10641, established, reputable and financially sound foreign banks may be authorised by the Monetary Board to operate in the Philippine banking system through any one of the following modes of entry: (a) by acquiring, purchasing, or owning up to 100.0% of the voting stock of an existing domestic bank (including banks under receivership or liquidation, provided no final court liquidation order has been issued); (b) by investing in up to 100.0% of the voting stock of a new banking subsidiary incorporated under the laws of the Philippines; or (c) by establishing branches and sub-branches with full banking authority. The foreign bank applicant must also be widely-owned and publicly-listed in its country of origin, unless the foreign bank applicant is owned and controlled by the government of its country of origin. Such established subsidiaries and branches of foreign banks shall be allowed to perform the same functions and enjoy the same privileges of, and be subject to the same limitations imposed upon, a Philippine bank of the same category. Privileges shall include the eligibility to operate under a universal banking authority subject to compliance with existing rules and regulations. Notwithstanding the entry of foreign banks, the BSP is mandated to adopt necessary measures to ensure that at all times the control of 60.0% of the resources or assets of the entire banking system is held by domestic banks, which are majority-owned by Filipinos.

The liberalisation of foreign ownership regulations in banks has allowed the emergence of foreign and local banks with foreign ownership in the market. This has led to the granting of new licenses to Sumitomo Mitsui Banking Corporation, Cathay United Bank, Industrial Bank of Korea, Shinhan Bank, Yuanta Bank and United Overseas Bank and the allowance of equity investments by Bank of Tokyo-Mitsubishi UFJ into Security Bank, Cathay Life into Rizal Commercial Banking Corporation and Woori Bank into Wealth Development Bank. As of 30 June 2025, there were 11 foreign universal bank branches and 19 commercial foreign bank branches in the Philippines.

The BSP has also been encouraging mergers and consolidations in the banking industry, seeing this as a means to create stronger and more globally competitive banking institutions. To encourage this trend, the BSP offered various incentives to merging or consolidating banks. Based on BSP data, since the new package of incentives took effect in September 1998, there have been at least 49 mergers, acquisitions, and consolidations of banks. However, while recent mergers increased market concentrations, BSP studies showed that they were not enough to pose a threat to the overall competition levels since market share remained relatively well dispersed among the remaining players.

Pursuant to the liberalisation, and to the mergers and consolidation trend, the BSP issued Circular No. 902, series of 2016 dated 15 February 2016 to implement the phased lifting of the moratorium on the grant of new banking licence or establishment of new domestic banks. As provided in the Circular “the suspension of the grant of new

banking licences or the establishment of new banks under the MORB is lifted under a two-phased approach. Under Phase 1 of the liberalisation, the grant of new universal/commercial banking licence shall be allowed in connection with the upgrading of an existing domestic thrift bank. Under Phase 2, the moratorium on the establishment of new domestic banks shall be fully lifted and locational restrictions shall be fully liberalised starting January 1, 2018.

In November 2020, BSP approved the framework for the creation and licensing of digital banks, as part of its efforts to extend financial services, and it is expected that at least 50% of payments will be done through digital transactions by 2023. Under the digital bank framework, digital banks will be subject to the same prudential requirements applicable to non-digital banks. At the same time, the Philippines is expected to attract more digital banking players, given its significant unbanked population of around 70%, which could be reached more easily by digital banks compared with traditional banks, and a relatively high national internet penetration rate of around 67%, based on the analysis of FitchSolutions.

In December 2020, the BSP signed BSP Circular No. 1105, as further amended in September 2022 pursuant to BSP Circular No. 1154, which provided guidelines for establishing digital banks in the Philippines and subjecting digital banks to the prudential requirements set out by the BSP, including with respect to corporate governance and risk management.

In 2020, the Philippine banking system has remained largely stable amidst the COVID-19 pandemic according to the BSP. Despite banks' daily operations affected by community quarantine and social distancing, growth in deposits still remained firm, which is partially attributable to the consumer shift towards digital payments. Loan growth was sluggish during the first 7 months of 2020, driven by the decrease in loan balances to borrowers operating in economic sectors such as wholesale and retail trade, manufacturing, construction (which was partially offset by the increase in loans to real estate borrowers), information and communications and other sectors. Meanwhile, loan quality slightly weakened but continued to be manageable, with the NPL coverage ratio going up following the increase in allowance for credit losses. The liquidity and capital position of the banking system remained intact.

As of 31 December 2024, six digital banks have been granted a Certificate of Authority by the BSP to operate in the Philippines: Tonik Digital Bank Inc. (**TONDB**), Maya Bank Inc. (**MAYA**), Overseas Filipino Bank Inc. (**OFBank**), UNObank Inc. (**UBI**), UnionDigital Bank Inc. (**UDB**) and GoTyme Bank Corporation (**GTyme**). The BSP has recently lifted the moratorium on granting digital bank licenses.

The following table sets out a comparison, based on publicly available data, of the three largest Philippine private domestic commercial banks in terms of assets, as of 31 December 2024:

(in ₱ Millions)	As of 31 December 2024			
	Total Assets	Total Capital	Total Loans & Receivables	Total Deposits
Bank of the Philippine Islands	3,318,813	759,205	2,238,765	2,614,802
BDO Unibank, Inc.	4,876,050	643,196	3,229,885	3,789,950
Metropolitan Bank and Trust Co.	3,520,355	323,814	1,816,010	2,573,878

*Source: Bank, Audited Financial Statements, based on Published Balance Sheet as of 31 December 2024

According to the results of the Q1 2025 Senior Bank Loan Officers' Survey (SLOS), majority of the participating banks maintained their credit standards for loans to businesses and consumers based on the modal approach.

Meanwhile, the diffusion index (“DI”) method indicated a net tightening of credit standards for business loans and households.

14.1.1 Changes in Credit Standards

For loans to enterprises, modal results showed that majority of the respondent banks retained their credit standards based on the modal approach. On one hand, the diffusion index approach reflected fewer respondents reporting tighter credit standards in Q1 2025. Over the next quarter, banks anticipate generally unchanged lending standards for enterprises. Likewise, the DI results indicated expectations of unchanged loan standards given steady economic outlook, as well as unchanged risk tolerance and profile of borrowers.

For loans to households, modal results pointed to a lower percentage of banks that maintained their credit standards in Q1 2025. Meanwhile, the DI method reflected a generally net tightening of credit standards in Q1 2025. Banks tightened their loan standards for households due to the deterioration of borrowers' profile, reduced tolerance for risk, and deterioration in the profitability of bank's portfolio. Over the following quarter, banks are anticipating unchanged consumer loan standards. Meanwhile, the DI approach revealed respondents' outlook of net tightening standards driven by banks' expectations of deterioration in the profitability of bank's portfolio and borrowers' profile.

14.1.2 Changes in Loan Demand

Majority of participating banks in the survey indicated unchanged overall demand for enterprise loans in Q1 2025 based on the modal approach. The proportion of banks that reported generally steady loan demand from businesses in Q1 2025 was lower than in the previous quarter. The DI method showed a net increase in firms' loan demand in Q1 2025 due to higher customer inventory financing needs and clients' more optimistic economic expectations. For the following quarter, the modal responses indicated that banks expect steady overall loan demand from enterprises. Meanwhile, the DI results indicated that surveyed banks anticipate a net rise in loan demand from businesses in the next quarter, driven by higher customer inventory financing needs, clients' more optimistic economic outlook, and an increase in borrowers' short-term financing needs.

Modal-based results showed that banks continue to indicate unchanged consumer loan demand in Q1 2025 from Q4 2024. On one hand, the DI approach indicated a net rise in demand for household loans in Q1 2025 compared to the previous quarter. The overall increase in household loan demand was mainly due to banks' more attractive financing terms and clients' higher consumption. Over the next quarter, results from the modal approach showed that more than half of surveyed banks expect steady demand for household credit. Meanwhile, DI results showed banks' expectations of a net increase in household loan demand owing to clients' rising consumption and banks' more favorable credit terms.

The BSP issued Circular No. 839, series of 2014 dated 27 June 2014 adopting a prudential REST Limit for universal banks, commercial banks, and thrift banks on a solo and consolidated basis on their aggregate real estate exposures. The REST Limit combines a macro-prudential overlay of a severe stress test scenario, the principle of loss absorbency through minimum capital ratio thresholds and heightened supervisory response.

The prudential REST Limits which shall be complied with at all times by universal banks and commercial banks are 6.0% of CET1 ratio and 10.0% of risk-based CAR, on a solo and consolidated basis, under the prescribed write-off rate. For thrift banks, the prudential REST Limits which shall be complied with at all times are 6.0% of CET1 capital, for thrift banks that are subsidiaries of universal banks and commercial banks, 6.0% of Tier 1 capital, for stand-alone thrift banks, and 10.0% of risk-based CAR for all thrift banks.

On 20 August 2020, the BSP issued Circular No. 1093 which expanded the real estate loan limit for universal and commercial banks from 20% to 25%. The REST Limit has also been amended to apply to the following real estate exposures: commercial real estate loans, investment in debt securities issued by land developers/construction companies and other corporate borrowers, such as real estate brokers, real estate lessors, property management companies, for purposes of financing real estate activities, and investments in equity securities issued by land

developers/construction companies and other corporate borrowers, such as real estate brokers, real estate lessors and property management companies, for purposes of financing real estate activities. Under the Circular, the manner of computing the REST Limit was revised to remove residential real estate for own occupancy as well as land developers and construction companies for the development of socialized and low-cost housing, which were included in the previous regulations. The real estate exposures shall not include loans and investments in debt and equity securities the proceeds of which are used to finance infrastructure projects for public use.

The BSP issued Circular No. 989 dated 4 January 2018 which imposed the Guidelines on the Conduct of Stress Testing Exercises. The BSP issued the stress testing guidelines as part of its continuing initiatives to further strengthen risk governance and contribute to the sustained safety and soundness of the Philippine banking industry. Circular No. 989 provides that a bank’s board of directors should consider the results of stress testing exercises in capital and liquidity planning, in setting risk appetite, and in planning for business continuity management, and, in the case of D-SIBs, in developing recovery plans. Banks are expected to employ a combination of different approaches for stress testing. Methodologies may range from simple sensitivity analysis to the more complex tools, such as scenario analysis and reverse stress testing. The guidelines are applicable to all types of banks on both a standalone and consolidated basis. Banks that are part of group structures should conduct stress testing exercises on a consolidated basis or at the parent bank’s level, covering all institutions considered as material entities in the banking group. The BSP has provided banks a period of two years from the effectivity date of Circular No. 989 to progress from their existing stress testing practices to the standards expected under Circular No. 989.

On 28 November 2022, the BSP issued Circular No. 1160, series of 2022 which provides for a framework for Bangko Sentral-Supervised Institutions (“BSIs”) to manage risks and potential harms to Financial Consumers and institutionalize consumer protection. This framework applies to all financial products created, developed, offered, or marketed by a BSI. Thus, BSIs must comply with the framework by (1) having a consumer protection risk management system (2) establishing board and senior management oversight; (3) maintaining consumer protection standards of conduct; and (4) providing appropriate design and delivery of financial products and services.

On 5 January 2023, the BSP issued Circular No. 1164, series of 2023, which provided for an expanded definition of “Capital” and amendments on the rules on credit risk transfer (“CRT”) arrangements. Under the circular, the term capital now refers to unimpaired capital and surplus, combined capital accounts, and net worth, and the total of the unimpaired paid-in capital, including paid-in surplus, retained earnings, and undivided profits. This amendment expands the definition of capital, thus allowing banks to raise the same and expand their lending and investment activities.

On 29 October 2014, the BSP issued Circular No. 854 which increased the minimum capital requirement for all bank categories, namely, universal, commercial, thrift, rural, and cooperative banks to strengthen the banking system. This was amended by BSP Circular No. 1151 issued on 24 August 2022, specifically for rural banks. Below are the amended minimum capital requirements for banks.

Bank Category/Network Size	Existing Minimum Capitalization	Required Minimum Capitalization
Universal Banks	₱ 4.95 billion**	
Head Office only		₱ 3.00 billion
Up to 10 branches *		6.00 billion
11 to 100 branches*		15.00 billion
More than 100 branches*		20.00 billion
Commercial Banks	2.40 billion**	
Head Office only		2.00 billion

Bank Category/Network Size	Existing Minimum Capitalization	Required Minimum Capitalization
Up to 10 branches*		4.00 billion
11 to 100 branches*		10.00 billion
More than 100 branches*		15.00 billion
Thrift Banks		
Head Office in: Metro Manila	1.00 billion**	
Cebu and Davao cities	500 million**	
Other Areas	250 million**	
Head Office in the National Capital Region (NCR)		
Head Office only		500 million
Up to 10 branches*		750 million
11 to 50 branches*		1.00 billion
More than 50 branches*		2.00 billion
Head Office in All Other Areas Outside NCR		
Head Office only		200 million
Up to 10 branches*		300 million
11 to 50 branches*		400 million
More than 50 branches*		800 million
Rural and Cooperative Banks		
Head Office in:		
Metro Manila	100 million**	
Cebu and Davao cities	50 million**	
Other cities	25 million**	
1st to 4th class municipalities	10 million**	
5th to 6th class municipalities	5 million**	
Head Office in NCR		
Head Office only		50 million
Up to 5 branches*		50 million
6 to 10 branches*		120 million
More than 10 branches*		200 million
Head Office in All Other Areas Outside NCR (All Cities up to 3rd Class Municipalities)		
Head Office only		20 million
Up to 10 branches*		30 million
11 to 50 branches*		40 million
More than 50 branches*		80 million
Head Office in All Other Areas Outside NCR (4th to 6th Class Municipalities)		
Head Office only		10 million
Up to 10 branches*		15 million
11 to 50 branches*		20 million
More than 50 branches*		40 million

* Inclusive of Head Office

** With no distinction for network size

14.2 COMPETITION

The Bank faces competition from both domestic and foreign banks, in part, as a result of the liberalisation of the banking industry by the Government. Since 1994, a number of foreign banks, which have greater financial resources than the Bank, have been granted licences to operate in the Philippines. Such foreign banks have generally focused their operations on larger corporations and selected consumer finance products, such as credit cards. The foreign banks have not only increased competition in the corporate market, but have as a result caused more domestic banks to focus on the commercial middle-market, placing pressure on margins in both markets.

Since September 1998, the BSP has been encouraging consolidation among banks in order to strengthen the Philippine banking system to create more globally competitive banking institutions. Mergers and consolidation result in greater competition, as a smaller group of “**top tier**” banks compete for business. The BSP offered various incentives available for merging or consolidating banks. On 11 October 2012, BSP Circular No. 771 was issued in order to grant incentives for investors who purchase a controlling stake in a bank. Accordingly, the coverage of relief incentives for mergers and consolidations now includes the purchase and acquisition of a majority of all of the outstanding shares of stock of a bank. Based on BSP data, since the new package of incentives took effect in September 1998, there have been an increasing number of mergers, acquisitions and consolidations of banks. However, while recent mergers increased market concentrations, BSP studies showed that they were insufficient to pose a challenge to the overall competition levels since market share remained relatively well dispersed among the remaining players.

On 21 January 2016, the Monetary Board approved the phased lifting of the moratorium on the grant of new banking licence or establishment of new domestic banks. The moratorium on the establishment of new domestic banks and locational restrictions shall be fully liberalised beginning on 1 January 2018.

As of 30 September 2020, the ten largest commercial banks (including unlisted banks such as LBP and DBP) account for approximately 77% of total assets and 80% of total deposits of the Philippine banking system based on published statements of condition. Certain factors arising from the 1997 Asian crisis and the 2008 global financial crisis also resulted in greater competition and exert downward pressure on margins. Banks instituted more restrictive lending policies as they focused on asset quality and reduction of their NPLs, which resulted in increasing liquidity. As Philippine economic growth further accelerates and banks apply such liquidity in the lending market, greater competition for corporate, commercial, and consumer loans is expected. As at 30 September 2020, the ten largest commercial banks (including unlisted banks such as LBP and DBP) account for approximately 77% of total assets and 80% of total deposits of the Philippine banking system based on published statements of condition.

Republic Act No. 10667 (the “**Philippine Competition Act**”) was signed into law on 21 July 2015 and took effect on 8 August 2015. This is the first anti-trust statute in the Philippines and it provides the competition framework in the Philippines. The Philippine Competition Act was enacted to provide free and fair competition in trade, industry, and all commercial economic activities. To implement its objectives, the Philippine Competition Act provides for the creation of a Philippine Competition Commission (the “**PCC**”), an independent quasi-judicial agency with five commissioners. Among its powers are to: conduct investigations, issue subpoenas, conduct administrative proceedings, and impose administrative fines and penalties. To conduct a search and seizure, the PCC must apply for a warrant with the relevant court.

The Philippine Competition Act prohibits anti-competitive agreements between or among competitors, and mergers and acquisitions which have the object or effect of substantially preventing, restricting, or lessening competition. It also prohibits practices which involve abuse of a dominant position, such as selling goods or services below cost to drive out competition, imposing barriers to entry or prevent competitors from growing, and setting prices or terms that discriminate unreasonably between customers or sellers or the same goods, subject to exceptions.

On 3 June 2016, the PCC issued the implementing rules and regulations of the Philippine Competition Act (“**PCA IRR**”). Under the PCA IRR, as a general rule, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of the acquiring or the acquired entities exceed ₱1.0 billion; and (b) the value of the transaction exceeds ₱1.0 billion, as determined in the PCA IRR; while parties to a joint venture transaction shall be subject to the notification requirement if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱1.0 billion, or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱1.0 billion.

On 1 March 2018, the PCC issued Memorandum Circular No. 18-001 (“**MC No. 18-001**”) to amend Section 3 Rule 4 IRR to increase the initial thresholds. Under MC No. 18-001, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of at least one of the acquiring or acquired entities, including that of all entities that the ultimate parent entity controls, directly or indirectly, exceed ₱5.0 billion (“**Size of Person**”); and (b) the value of the transaction exceeds ₱2.0 billion, as determined in the IRR (“**Size of Transaction**”); while parties to a joint venture transaction shall be subject to the notification requirement if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2.0 billion; or (b) the gross revenues generated in the Philippines by the assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2.0 billion. As provided in MC No. 18-001, the thresholds shall be automatically adjusted commencing on 1 March 2019 and on March 1st of every succeeding year, using as index the Philippine Statistics Authority’s official estimate of the nominal gross domestic product growth of the previous calendar year rounded up to the nearest hundred million.

On 21 February 2019, the PCC issued PCC Advisory No. 2019-001, effective 1 March 2019, amending the PCA IRR. It again increased the thresholds to ₱5.6 billion for the Size of Person and ₱2.2 billion for the Size of Transaction, as defined in the PCA IRR. Under the Advisory, as to joint venture transactions, notification is mandatory if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2.2 billion; or (b) the gross revenues generated in the Philippines by the assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2.2 billion. The revised thresholds under PCC Advisory No. 2019-001 shall not apply to mergers or acquisitions pending review by the PCC; notifiable transactions consummated before the effectivity of PCC Advisory 2019-001 (i.e. 1 March 2019); and transactions which are already subject of a decision by the PCC.

Effective 1 March 2025, the thresholds were increased to ₱8.5 billion for the Size of Party and ₱3.5 billion for the Size of Transaction.

Under Section 12 of the Philippine Competition Act, regardless of whether a proposed transaction would or would not trigger compulsory notification, a proposed transaction may still be within the powers of the PCC to review. The PCC may conduct investigation of, stop or redress, or intervene in or participate in proceedings of transactions and agreements that the PCC has reasonable grounds to believe are anti-competitive – those which are likely to substantially prevent, restrict or lessen competition in the market. As such, even if the Size of Person and Size of Transaction thresholds are not met, the PCC may, in its sole discretion, undertake a motu proprio review of a transaction.

Violations of the Philippine Competition Act and its IRR have severe consequences. Under the Philippine Competition Act and the PCA IRR, a transaction that meets the thresholds and does not comply with the notification requirements and waiting periods shall be considered void and will subject the parties to an administrative fine of 1% to 5% of the value of the transaction. Criminal penalties for entities that enter into these defined anti-competitive agreements include: (i) a fine of not less than ₱50.0 million but not more than ₱250.0 million; and (ii) imprisonment for two to seven years for directors and management personnel who knowingly

and wilfully participate in such criminal offenses. Administrative fines of ₱100.0 million to ₱250.0 million may be imposed on entities found violating prohibitions against anti-competitive agreements and abuse of dominant position. Treble damages may be imposed by the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

On 15 September 2017, the PCC published the 2017 Rules of Procedure (“**Rules**”) which apply to investigations, hearings, and proceedings of the PCC, except to matters involving mergers and acquisitions unless otherwise provided. It prescribes procedures for fact-finding or preliminary inquiry and full administrative investigations by the PCC. The Rules also include non-adversarial remedies such as the issuance of binding rulings, show cause orders, and consent orders.

On 23 November 2017, the PCC published the 2017 Rules on Merger Procedures (“**Merger Rules**”) which provides the procedure for the review or investigation of mergers and acquisition pursuant to the Philippine Competition Act. The Merger Rules provides, among others, that parties to a merger that meets the thresholds in Section 3 of Rule 4 of the IRR are required to notify the PCC within 30 days from signing of definitive agreements relating to the merger.

On 9 September 2018, the PCC issued Guidelines on Notification for Joint Ventures. The guidelines provide that in determining whether an acquisition of shares in an existing corporation constitutes a joint venture or an acquisition of shares under the PCA IRR, it must be examined if joint control will exist between or among the new and existing joint venture partners. Joint control refers to the ability of the joint venture partners to substantially influence or direct the actions or decisions of the joint venture, whether by contract, agency or otherwise. For purposes of notifying a proposed joint venture, the joint venture partners shall be considered the acquiring entities while the joint venture entity will be considered the acquired entity.

On 10 September 2019, the Supreme Court of the Philippines approved the Rules on Administrative Search and Inspection under the Philippine Competition Act. The rules govern the application, issuance, and enforcement of inspection orders for administrative investigations of alleged violations of the Philippine Competition Act. Inspection orders will allow the PCC and its deputized agents to enter, search and inspect business premises, offices, land and vehicles to examine, copy, photograph, record or print information in order to prevent their removal, concealment, tampering with or destruction.

14.3 DIGITALIZATION

Philippines is one of the Most Digitalized Countries in ASEAN Presenting a Massive Opportunity to Bank the Unbanked and Underbanked.

According to a Google-commissioned Kantar SEA e-Conomy 2021 research report, the gross merchandise value of Philippines’ internet economy is expected to experience a CAGR of 24% between 2021 to 2025 to reach U.S.\$40.0 billion, and the Philippines has seen 12 million new digital consumers since the start of the pandemic. This can be given evidence through Visa’s latest survey wherein half of the Filipino population opted to pay cashless back in 2022, having 82% of the Filipino attempting to go cashless during the same year. As digitalization continue to improve in a drastic manner, the population’s sentiment for cashless payments continue to increase having 89% of Filipinos using mobile wallets in 2022, showing a promising digital-intensive future.

There is massive market opportunity in the Philippines to bank the unbanked and underbanked. According to the World Bank, 48.6% of Philippines’ population aged above 15 does not own an account at a financial institution or with a mobile-money-service provider in 2021. The main pain points of the underbanked can be resolved by digital banks. According to the 2019 Philippines Financial Inclusion Survey, 45% of respondents quoted the high cost of opening and maintaining an account to be a reason for being unbanked, 26% quoted insufficient personal identification documents, 31% are intimidated by a formal bank setup while 8% cited the distance to bank branches to be a major consideration. As part of the National Strategy for Financial Inclusion 2022-2028, targets are to raise the percentage of adults, defined as aged 15 years and above, with transaction banking accounts from

29% in 2019 to 90% in 2028, and the percentage with savings in formal financial institutions from 22% in 2019 to 50% in 2028. The same strategy report recognizes that digital banks drive financial inclusion. The BSP's promotion in financial inclusion and digitalization aims to bring 70% of the Filipino adults into the banked population by 2023 and increase the volume of online payments to 50% by the same year (up from 20.1% in 2020). As more players within the Philippine banking capitalize on the large market opportunity with the digitalization of financial services, it brings more opportunities to the unserved and underserved areas all with the use of digital tools.

14.4 CERTAIN GOVERNMENT POLICIES AND REGULATIONS IN RELATION TO THE PHILIPPINE BANKING SYSTEM

The Philippine banking industry is highly regulated by the BSP and operates within a framework that includes guidelines on capital adequacy, corporate governance, management, anti-money laundering and provisioning for NPLs. The BSP can alter any of these and can introduce new regulations to control any particular line of business. Please see "*Banking Regulation and Supervision*" for a more detailed discussion.

SECTION 15. BANKING INDUSTRY SUPERVISION

The following description is a summary of certain sector specific laws and regulations in the Philippines, which are applicable to the Bank. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive and are only intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice or a detailed review of the relevant laws and regulations.

15.1 INTRODUCTION

Republic Act No. 7653 or the New Central Bank Act of 1993 (the “**New Central Bank Act**”) and the General Banking Law vest the Monetary Board of the BSP with the power to regulate and supervise financial intermediaries in the Philippines. Financial intermediaries include banks or banking institutions such as universal banks, commercial banks, thrift banks (composed of savings and mortgage banks, stock savings and loan associations, and private development banks), rural banks, co-operative banks as well as branches and agencies of foreign banks in the Philippines. Entities performing quasi-banking functions, trust companies, building and loan associations, non-stock savings and loan associations and other non-deposit accepting entities, while not considered banking institutions, are also subject to regulation by the Monetary Board of the BSP.

The supervisory power of the BSP under the New Central Bank Act extends to the subsidiaries and affiliates of banks and quasi-banking institutions engaged in allied activities. A subsidiary is defined as a corporation with more than 50% of its voting stock owned by a bank or quasi-bank. An affiliate is defined as a corporation whose voting stock, to the extent of 50% or less is owned by a bank or quasi-bank or which is related or linked or such other factors as determined by the Monetary Board.

The power of supervision of the BSP under the General Banking Law includes the issuance of rules of conduct or standards of operation for uniform application, conduct examination to determine compliance with laws and regulations, to oversee compliance with such rules and regulations and inquire into the solvency and liquidity of the covered entities. Section 7 of the General Banking Law provides that the BSP in examining a bank shall have the authority to examine an enterprise which is owned or majority-owned or controlled by a bank.

As a general rule, no restraining order or injunction may be issued by a court to enjoin the BSP from exercising its powers to examine any institution subject to its supervision. The BSP may compel any officer, owner, agent, manager or officer-in-charge of an institution subject to its supervision or examination to present books, documents, papers or records necessary in its judgment to ascertain the facts relative to the true condition of the institution as well as the books and records of persons and entities relative to or in connection with the operations, activities or transactions of the institution under examination, to the extent permitted by law. In addition to the general laws such as the General Banking Law and Republic Act No. 9160 or the Anti-Money Laundering Act of 2001, as amended (“**AMLA**”), among others, banks must likewise comply with letters, circulars and memoranda issued by the BSP some of which are contained in the MORB.

The MORB is the principal source of rules and regulations to be complied with and observed by banks in the Philippines. The MORB contains regulations that include those relating to the organisation, management and administration, deposit and borrowing operations, loans, investments and special financing programme, and trust and other fiduciary functions of the relevant bank. Supplementing the MORB are rules and regulations promulgated in various circulars, memoranda, letters and other directives issued by the Monetary Board.

The MORB and other regulations are principally implemented by the Supervision and Examination Sector (“**SES**”) of the BSP. The SES is responsible for ensuring the observance of applicable laws and rules and regulations by banking institutions operating in the Philippines (including Government credit institutions, their subsidiaries and affiliates, non-bank financial intermediaries, and subsidiaries and affiliates of non-bank financial intermediaries performing quasi-banking functions, non-bank financial intermediaries performing trust and other fiduciary activities under the General Banking Law, non-stock and savings loans associations under Republic Act

No. 3779 or the Savings and Loan Association Act, and pawnshops under Presidential Decree No. 114 or the Pawnshop Regulation Act.

15.2 PERMITTED ACTIVITIES

A universal bank, such as the Bank, in addition to the general powers incidental to corporations, has the authority to exercise (i) the powers of a regular commercial bank, (ii) the powers of an investment house and (iii) the power to invest in non-allied enterprises. In addition, a universal bank may own up to 100% of the equity in a thrift bank, a rural bank or a financial allied enterprise. A publicly listed universal or commercial bank may own up to 100% of the voting stock of only one other universal or commercial bank. A universal bank may also own up to 100% of the equity in a non-financial allied enterprise.

In addition to those functions specifically authorized by the General Banking Law and the MORB, banking institutions in general (other than building and loan associations) are allowed to (i) receive in custody funds, documents and valuable objects, (ii) rent out safety deposit boxes, (iii) act as financial agents and buy and sell, by order of and for the account of their customers, shares, evidences of indebtedness and all types of securities, (iv) make collections and payments for the account of others and perform such other services for their customers which are not incompatible with their banking business, and (v) upon prior approval of the Monetary Board, act as managing agent, adviser, consultant or administrator of investment management/advisory/consultancy accounts.

Financial allied undertakings include leasing companies, banks, investment houses, financing companies, credit card companies, and financial institutions catering to small-and medium-scale industries, including venture capital companies, companies engaged in stock brokerage/securities dealership and companies engaged in foreign exchange dealership/brokerage.

The total equity investments of a universal bank in all enterprises, whether allied or non-allied, are not permitted to exceed 50.0% of its net worth. Its equity investment in any one enterprise, whether allied or non-allied, is not permitted to exceed 25.0% of the net worth of the bank. Net worth is defined as the total unimpaired paid-in capital including paid-in surplus, retained earnings and undivided profit, net of valuation reserves and other adjustments as may be required by the BSP.

15.3 REGULATIONS RELATING TO CAPITAL STRUCTURE

Pursuant to the General Banking Law, no entity may operate as a bank without authority from the BSP through the Monetary Board. The Philippine SEC will not register the incorporation documents of any bank or any amendments thereto without a Certificate of Authority issued by the Monetary Board.

A bank may only issue par value stocks and it must comply with the minimum capital requirements prescribed by the Monetary Board. A bank may not purchase or acquire its own capital stock or accept the same as security for a loan, except when authorised by the Monetary Board. Any stock so purchased or acquired must be sold within six months from the time of its purchase or acquisition.

In accordance with BSP Circular No. 854, universal banks are required to have capital accounts of at least ₱3 billion for head office only, ₱6 billion for head office with up to 10 branches, ₱15.0 billion for head office with 11 to 100 branches, and ₱20.0 billion for head office with more than 100 branches. Commercial banks are required to have capital accounts of at least ₱2.0 billion for head office only, ₱4.0 billion for head office with up to 10 branches, ₱10.0 billion for head office with 11 to 100 branches, and ₱15.0 billion for head office with more than 100 branches. Thrift banks with head office in Metro Manila are required to have capital accounts of at least ₱500.0 million for head office only, ₱750.0 million for head office with up to 10 branches, ₱1 billion.0 for head office with 11 to 100 branches, and ₱2.0 billion for head office with more than 100 branches. Banks that fail to comply with the minimum capital requirements or fail to propose an acceptable capital build-up program face curtailment of future expansion plans. These minimum levels of capitalisation may be changed by the Monetary Board from time-to-time.

In August 2022, the BSP issued Circular No. 1151 wherein the BSP adjusted the minimum capitalisation for rural banks. Under these new guidelines, rural banks with head office only (without regard to the location of the head office) are required to have capital accounts of at least ₱50.0 million, ₱50.0 million for head office with up to four branches, ₱120.0 million for head office with five to nine branches, and ₱200.0 million for head office with more than nine branches. Further, in April 2023, the BSP issued Circular No. 1173 wherein the BSP modified the minimum capitalisation of conventional banks with Islamic banking units. This BSP Circular provides that the minimum capitalisation requirements for a universal bank shall apply to an Islamic Bank. A conventional bank that is a commercial bank or a subsidiary of a universal or commercial bank, which complies with the minimum capital requirements applicable to its respective banking category, may be allowed to operate an Islamic banking unit within a reasonable transitory period not exceeding five years reckoned from the date of BSP approval; provided, that, after the transitory period, such conventional bank shall have the minimum capitalisation requirement applicable to an Islamic Bank. These minimum levels of capitalisation may be changed by the Monetary Board from time to time.

For purposes of these requirements, the BSP issued BSP Circular No. 1164 on 5 January 2023 which states that the term “**capital**” shall be synonymous to unimpaired capital and surplus, combined capital accounts and net worth and shall refer to the total of the unimpaired paid-in capital, including paid-in surplus, retained earnings and undivided profits. The following are to be added to capital:

- Deposits for stock subscription recognized as equity pursuant to Section 123 of the Manual of Regulations for Banks; and
- Other instruments that meet the following criteria:
 - It must be paid-in;
 - It must have a minimum maturity of at least five (5) years;
 - It may be callable/redeemable at the initiative of the issuer only after a minimum of five (5) years;
 - It must be subordinated to depositors and general creditors of the bank; and
 - It must have the ability to be converted to common shares or written off upon the occurrence of a trigger event. A trigger event occurs when a bank is considered non-viable as determined by the *Bangko Sentral ng Pilipinas*.
- Treasury Stock;
- Unbooked allowance for probable losses (which includes allowance for credit losses and impairment losses) and other capital adjustments as may be required by the BSP;
- Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI granted by the bank;
- Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries;
- Total outstanding unsecured loans, other credit accommodations and guarantees granted to related parties that are not at arm’s length terms as determined by the appropriate supervising department of the BSP;
- Deferred tax assets that rely on future probability of the bank to be realized, net of any (a) allowance for future impairment and (b) associated deferred tax liability, if the conditions cited on PAS 12 on income

taxes are met, provided, that if the resulting figure is a net deferred tax liability, such excess cannot be added to net worth income tax;

- Reciprocal investment in equity of other banks or enterprise, whether foreign or domestic, the deduction shall be the lower of the investment of the bank or the reciprocal investment of the other bank or enterprises; and
- In the case of rural or cooperative banks, the government counterpart equity, except those arising from conversion of arrearages under the BSP rehabilitation programme.

BSP Circular No. 1060, series of 2019, likewise amended Section 102 of the MORB regarding the prerequisites for a grant of a universal banking authority. A domestic bank applying for such authority is required to conduct a public offering of its shares pursuant to the rules of the SEC on minimum public ownership and the listing rules of the PSE. Domestic banks must list their shares on the PSE within one (1) year from the date the authority to operate was granted.

On 15 July 2014, RA 10641 further liberalised the industry by providing that the Monetary Board may authorize foreign banks to acquire up to 100% (previously 60%) of the voting stock of one domestic bank. Under RA 10641, established, reputable and financially sound foreign banks may be authorised by the Monetary Board to operate in the Philippine banking system through any one of the following modes of entry: (a) by acquiring, purchasing or owning up to 100% of the voting stock of an existing bank; (b) by investing in up to 100% of the voting stock of a new banking subsidiary incorporated under the laws of the Philippines; or (c) by establishing branches with full banking authority. The foreign bank applicant must also be widely-owned and publicly-listed in its country of origin, unless the foreign bank applicant is owned and controlled by the government of its country of origin. A foreign bank branch authorised to do banking business in the Philippines under RA 10641 may open up to five sub-branches as may be approved by the Monetary Board. Locally incorporated subsidiaries of foreign banks authorised to do banking business in the Philippines under RA 10641 shall have the same branching privileges as domestic banks of the same category. Privileges shall include the eligibility to operate under a universal banking authority subject to compliance with existing rules and regulations. Notwithstanding the entry of foreign banks, the BSP is mandated to adopt necessary measures to ensure that at all times the control of 60% of the resources or assets of the entire banking system is held by domestic banks, which are majority-owned by Filipinos.

Under RA 10641, the Monetary Board was authorised to issue such rules and regulations as may be needed to implement the provisions of RA 10641. On 6 November 2014, the Monetary Board issued Resolution No. 1794 providing for the implementing rules and regulations of RA 10641 and on 21 November 2014, the BSP issued Circular No. 858, amending the relevant provisions of the MORB, accordingly. On 15 February 2016, BSP issued Circular No. 902, series of 2016 to implement the phased lifting of the moratorium on the grant of new banking license or establishment of new domestic banks pursuant to its policy to promote a competitive banking environment.

Under the General Banking Law, foreign individuals and non-bank corporations, Filipinos and domestic non-bank corporations may own or control up to 40% of the voting stock of a domestic bank. In determining the percentage of foreign-owned voting stock in a bank, the citizenship of the individual stockholders in that bank shall be considered.

The stockholders of individuals related to each other within the fourth degree of consanguinity or affinity, whether legitimate, illegitimate or common-law, shall be considered family groups or related interests and must be fully disclosed in all transactions by such an individual with the bank. Moreover, two or more corporations owned or controlled by the same family group or same group of persons shall be considered related interests, which must be fully disclosed in all transactions with the bank.

A bank cannot declare dividends greater than its accumulated net profits on hand deducting therefrom its losses and bad debts. A bank cannot also declare dividends, unless at the time of declaration, it has complied with the following:

- Clearing account with BSP is not overdrawn;
- Liquidity floor for government funds;
- Minimum capitalisation requirement and risk-based capital ratios as provided under applicable and existing capital adequacy framework;
- Capital conservation buffer requirement as defined in Appendix 59, Part III of the MORB, for UBs/KBs, and their subsidiary banks for QBs;
- Higher loss absorbency (HLA) requirement, phased-in starting 1 January 2017 with full implementation by 1 January 2019, in accordance with D-SIB Framework as provided under Subsec.X128 (now, Section 128) of the MORB, for UB/KBs, and their subsidiary banks and QBs that are identified as D-SIBs; or
- Has not committed any unsafe or unsound banking practice as defined under existing regulations and/or major acts or omissions as determined by BSP to be grounds for suspension of dividend distribution, unless this has been addressed by the bank as confirmed by the Monetary Board or the Deputy Governor, of the appropriate sector, as may be applicable, upon recommendation of the appropriate supervising department of the BSP. For this purpose, “**Major acts or omissions**” is defined as bank individual failure to comply with the requirements of banking laws, rules and regulations as well as Monetary Board directives having material impact on bank capital, solvency, liquidity or profitability, and/or those violations classified as major offenses under the Report of Examination, except those classified under unsafe or unsound practice.

Banks are required to ensure compliance with the minimum capital requirements and risk-based capital ratios even after the dividend distribution.

15.4 REGULATIONS WITH RESPECT TO BRANCHES

Section 20 of the General Banking Law provides that universal and commercial banks may open branches within or outside the Philippines upon prior approval of the BSP. The same provision allows banks, with prior approval from the Monetary Board, to use any or all of their branches as outlets for the presentation and/or sale of financial products of their allied undertakings or investment house units. In line with this, BSP Circular No. 854, series of 2014 provides various minimum capitalisation requirements for branches of banks, depending on the number of branches (*e.g.*, ranging from a minimum of ₱6.0 billion for up to 10 branches of universal banks to a maximum of ₱20.0 billion for more than 100 branches of universal banks). BSP Circular No. 847, Series of 2014 requires a ₱20.0 million special licensing fee for the relocation of head offices, branches/other banking offices (“**OBOs**”) and approved but unopened branches/ OBOs of universal and commercial banks to the restricted areas of Makati, Mandaluyong, Manila, Paranaque, Pasay, Pasig, Quezon City and San Juan. BSP Circular No. 624, Series of 2008 likewise provides the pre-qualification requirements for the grant of authority to establish a branch as well as the period within which a branch must be opened after obtaining the necessary approval.

Subject to compliance with the requirements provided in BSP Circular No. 624, issued on 13 October 2008, which provides for BSP’s branching policy and guidelines, the Bank may apply to the BSP for the establishment of branches outside its principal or head office. Generally, only universal/commercial and thrift banks may establish branches on a nationwide basis. Pursuant to BSP Circular No. 759, issued on 30 May 2012, once approved, a branch should be opened within three years from the date of approval. Pursuant to BSP Circular No. 505, issued on 22 December 2005, banks are allowed to establish branches in the Philippines, except in the cities of Makati, Mandaluyong, Manila, Paranaque, Pasay, Pasig and Quezon and the municipality of San Juan, Metro Manila.

However, this branching restriction was liberalised pursuant to BSP Circular No. 728, issued on 23 June 2011. Phase 1 of the liberalisation allowed private domestically incorporated universal and commercial banks and thrift banks with limited branch networks in the eight cities or “**restricted areas**” in Metro Manila until 30 September 2014 to apply for and establish branches in said restricted areas. In Phase 2, branching in the “**restricted**” areas was opened to all banks except rural banks and cooperative banks. However, branches of microfinance-oriented banks and microfinance-oriented branches of regular banks’ branches that will cater primarily to the credit needs of Barangay Micro Business Enterprises duly registered under the Barangay micro business enterprises Act of 2002 (Republic Act No. 9178) may be established anywhere upon the fulfilment of certain conditions. BSP Circular No. 759 further liberalised its policy on the establishment of branches by removing the limit set on the number of branches allowed to be applied for by a bank.

In BSP Circular No. 987, Series of 2017, the BSP approved the guidelines on the establishment of branch-lite units amending relevant provisions of the MORB. A branch-lite unit refers to any permanent office or place of business of a bank, other than its head office or a branch which performs limited banking activities and records its transactions in the books of the head office or the branch to which it is annexed.

15.5 REGULATIONS WITH RESPECT TO MANAGEMENT OF BANKS

The board of directors of a bank must have at least five and a maximum of 15 members. According to Republic Act No. 11232 or the Revised Corporation Code (the “**Revised Corporation Code**”), the board of directors of banks and quasi-banks must have independent directors comprising at least 20% of such board. The Revised Corporation Code also requires a compliance officer. Material contracts of a corporation vested with public interest with (1) one or more of its directors, trustees, officers or their spouses and relatives within the fourth civil degree of consanguinity or affinity must also be approved by at least 2/3 of the members of the board, with at least majority of the independent directors approving the same, in addition to common requirements for similar contracts for other companies pursuant to Section 31 of the Revised Corporation Code. Under the MORB, at least one-third but not less than two members of the board of directors of universal and commercial banks shall be independent directors. Further, Philippine SEC Memorandum Circular No. 24, Series of 2019, on the Code of Corporate Governance for Publicly-Listed Companies requires the board of directors of publicly listed companies, such as the Bank, to have a Board composed of a majority of non-executive directors and at least two independent directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher. In case of merged or consolidated banks, the number of directors shall not exceed 21. An independent director is a person who is independent of management and the controlling shareholder, and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.

Foreigners are allowed to have board seats to the extent of the foreign participation in the equity of the bank.

The Monetary Board shall issue regulations that provide for the qualifications and disqualifications to become a director or officer of a bank. After due notice to the board of directors of a bank, the Monetary Board may disqualify, suspend or remove any bank director or officer who commits or omits act which renders him unfit for the position.

The Monetary Board may regulate the payment by the bank of compensation, allowances, bonus, fees, stock options and fringe benefits to the bank officers and directors only in exceptional cases such as when a bank is under conservatorship, or is found by the Monetary Board to be conducting business in an unsafe or unsound manner or when the Monetary Board deems it to be in unsatisfactory condition.

Except in cases allowed under the Rural Bank Act, no appointive or elective public official, whether full time or part time, may serve as officer of any private bank, except if the service is incidental to financial assistance provided by government or government owned and controlled corporation or when allowed by law.

On 22 August 2017, the BSP issued Circular No. 971, prescribing the Guidelines on Risk Governance for BSP Supervised Financial Institutions (“**BSFIs**”), and requiring the appointment of a Chief Risk Officer (“**CRO**”) in universal and commercial banks to head the risk management function. In addition to overseeing the risk management function, the CRO shall also support the board of directors in the development of the risk appetite of the BSFI and for translating the risk appetite into a risk limits structure. The appointment, dismissal and other changes to the CRO requires the prior approval of the board of directors. Pursuant to this Circular, prospective directors have the burden of proving that they possess all the qualifications and none of the disqualifications listed in the MORB and must submit proof to the BSP of their qualifications. An elected director must be fit and proper for the position, taking into consideration his integrity/probity, physical/mental fitness, educational/financial literacy/training and other competencies relevant to the job. Each director must also have attended a seminar on corporate governance, subject to certain exemptions. Members of the board of directors may not be appointed as corporate secretary or chief compliance officer of the institution.

On the same date, the BSP also issued Circular No. 972, prescribing the Enhanced Guidelines in Strengthening Compliance Frameworks for BSFIs, and requiring the appointment of a Chief Compliance Officer (“**CCO**”). The CCO is tasked to oversee the identification and management of the BSFI’s compliance risk and shall supervise the compliance function staff. Additionally, the board of directors should ensure that a compliance program is defined for the BSFI and that compliance issues are resolved expeditiously. For this purpose, a board-level committee, chaired by a non-executive director, shall oversee the compliance program.

On 4 January 2018, BSP Circular No. 989 was issued providing the Guidelines on the Conduct of Stress Testing Exercises. Stress testing is a tool to evaluate the potential effects of specified changes in risk factors. The Board of Directors must consider the results in capital and liquidity planning and setting risk appetite, among others. Banks have a period of two years from effectivity date to gradually change their stress testing practices until it is in compliance with the circular’s requirements.

On 6 September 2019, the BSP issued Circular No. 1048, setting forth the Guidelines and Procedures Governing the Consumer Assistance and Management System of BSP-Supervised Financial Institutions and amending the MORB and MORNBF. It states that the Board of Directors is primarily responsible for approving and overseeing the implementation of the institution’s consumer protection risk management system. Senior management is responsible for ensuring that the institution’s practices are aligned with approved consumer protection policies and risk management system. The Circular likewise amends the consumer protection standards of conduct.

On 18 February 2020, the BSP issued Circular No. 1076, which amends the enumeration of persons permanently and temporarily disqualified to become directors and officers. It further modifies the procedures applicable to those directors and officers who are considered disqualified.

On 8 April 2021, BSP issued Circular No. 1112, which provides the amendments to the Operational Risk Management of BSP-supervised financial institutions (BSFIs) . The BSP recognizes that one of the major sources of operational risk is “**people risk**”. The BSP mandates BSFIs to be stringent in its recruitment and selection process and in the performance management of its personnel. In connection with this circular, the Human Resource Department of BSFIs shall require all those who passed the initial stage of pre-employment screening to accomplish the Authorization Form for Querying (AFQ) the Bangko Sentral Records.

On August 23, 2022, the BSP issued Circular No. 1149 which provided for guidelines on prudent conduct of investment activities and the minimum practices that a bank should establish for the management and control of risks associated with its investments. The guidelines cover all of a bank’s investments in the trading and banking books, excluding (a) investments that grant control over an enterprise and are accounted for using the equity method, (b) transactions in derivatives involving stand-alone contracts, and (c) receivables arising from repurchase agreements. Under the circular, a bank is mandated to institute a risk management system to manage the risks arising from its investment activities. This system includes having (1) board and senior management

oversight; (2) policies, procedures, and limits that provide a framework for managing investment activities; (3) risk measurement, monitoring and management information systems; and (4) internal controls and audit.

On 28 November 2022, the BSP issued Circular No. 1160, series of 2022 which provides for a framework for Bangko Sentral-Supervised Institutions (“**BSIs**”) to manage risks and potential harms to Financial Consumers and institutionalize consumer protection. This framework applies to all financial products created, developed, offered, or marketed by a BSI. Thus, BSIs must comply with the framework by (1) having a consumer protection risk management system (2) establishing board and senior management oversight; (3) maintaining consumer protection standards of conduct; and (4) providing appropriate design and delivery of financial products and services.

15.6 REGULATIONS WITH RESPECT TO BANK OPERATIONS

A universal bank, such as the Bank, may open branches or offices within or outside the Philippines subject to the prior approval by the BSP. A bank and its branches and offices shall be treated as one unit. A bank, with prior approval of BSP, may likewise use any of its branches as outlets for presentation and/sale of financial products of its allied undertakings or investment house units.

The Monetary Board shall prescribe the minimum ratio which the net worth of a bank must bear to its total risk assets which may include contingent accounts. In connection thereto, the Monetary Board may require that the ratio be determined on the basis of the net worth and risk assets of a bank and its subsidiaries, financial or otherwise, and prescribe the composition and the manner of determining the net worth and total risk assets of banks and their subsidiaries. To ensure compliance with the set minimum ratio, the Monetary Board may limit or prohibit the distribution of net profits by such bank and require that such net profit be used to increase the capital accounts of the bank until the minimum requirement has been met. It may also restrict or prohibit acquisition of major assets and the making of new investments by the bank.

A universal bank has the authority to exercise and perform i) activities allowed for commercial banks; ii) powers of an investment house; and iii) to invest in non-allied enterprise.

On 7 February 2019, the BSP issued Circular No. 1031, setting forth additional guidelines for the classification of licenses/authorities based on the types of licenses issued for permissible activities; and providing for corresponding amendments to the licensing requirements of the BSP. The Circular provides that a Type C license is required for the issuance of bonds and commercial paper.

On 22 February 2019, the BSP issued Circular No. 1033, which governs electronic payment and financial services (“**EPFS**”) offered by BSFIs. EPFS are classified as basic EPFS, which are limited to services allowing only receipt of funds or access to information, and advanced EPFS, which enable customers to send funds and initiate other financial transactions. BSFIs intending to offer advanced EPFS must obtain a Type A/B license, while those intending to offer only basic EPFS must obtain a Type C license. Once granted a license, a BSFI must comply with the regulations set forth in the Circular.

On 25 July 2019, the BSP issued Circular No. 1042 regarding the Guidelines on Investment Activities of BSP-Supervised Financial Institutions. These cover all of a BSFI’s investments in the trading and banking books. It provides the fundamental elements of a BSFI’s risk management framework as well as the supervisory expectations on the management of major risks that are inherent in investment activities.

On 7 February 2023, the BSP issued Circular No. 1166, which amended the Manual of Regulations for Banks and Manual of Regulations for Non-Bank Financial Institutions. Particularly, it made changes to the rules on the issuance of e-money and operations of e-money issuers in the Philippines (including rules on liquidity, capitalization, load limit, and guidelines on reporting and sanctions). The new guidelines set forth in this BSP Circular covers BSFIs that issue E-money and engage in E-money business in the Philippines. E-money issued under closed-loop electronic wallet systems is not covered by the guidelines.

15.7 GUIDELINES ON THE ESTABLISHMENT OF DIGITAL BANKS

On 2 December 2020, the BSP issued Circular No. 1105 which provides for the guidelines on the establishment of digital banks. Among the salient provisions are: (i) minimum capitalization of P1.0 billion; (ii) maintenance of a principal/head office in the Philippines to serve as main point of contact for stakeholders including the BSP and other regulators; (iii) allowable services which include granting loans, accepting savings and time deposits as well as foreign currency deposits, investing in readily marketable bonds and other debt securities, issuing credit cards, buying and selling foreign exchange, and selling and servicing microinsurance products; and (iv) other documentary and regulatory, including reportorial, requirements for the establishment of digital banks. On September 14, 2022, the BSP issued Circular No. 1154, further amending the MORB to clarify that the three (3)-year capital build-up shall not apply to committed capital infusion of new investors in the converting bank arising from acquisition, purchase/sale, transfer of the converting bank's shares of stock or other similar arrangements, where such required minimum capital shall be infused before the issuance of the Certificate of Authority to Register with the SEC. Currently, a moratorium on the application for a new digital bank license, including conversion of an existing bank's license to a digital bank license, has been imposed beginning 31 August 2021 to date, pursuant to BSP Memorandum No. M-2021-046. The moratorium also covers applications for the establishment of other types of banks which will primarily offer financial products and services that are processed end-to-end through a digital platform and/or electronic channel. In 2024, the Monetary Board approved the lifting of the moratorium on the grant of new digital banking licenses starting 1 January 2025 and has allowed a maximum of ten (10) digital banks to operate in the country.

15.8 CAPITAL ADEQUACY REQUIREMENTS AND RESERVE REQUIREMENTS

In July 2001, the Philippines adopted capital requirements based on the Basel Capital Accord.

BSP Circular No. 538, which took effect on 1 July 2007, serves as the implementing guideline of the revised International Convergence of Capital Measurement and Capital Standards known as Basel II.

In December 2010, a new update to the Basel Accords, known as Basel III, was issued by the BCBS containing new standards that modify the structure of regulatory capital. The Basel III regulations include tighter definitions of Tier 1 capital and Tier 2 capital, the introduction of a leverage ratio, changes in the risk weighting of counterparty credit risk, a framework for counter-cyclical capital buffers and short and medium-term quantitative liquidity ratios. To align with international standards, the BSP issued BSP Circular No. 709 effective 1 January 2011, which adopted part of the BCBS's eligibility criteria to determine eligibility of capital instruments to be issued by Philippine banks and quasi-banks as Hybrid Tier 1 capital and Tier 2 capital.

In January 2012, the BSP announced that the Philippine's universal and commercial banks, including their subsidiary banks and quasi-banks, were required to adopt in full the capital adequacy standards under Basel III which took effect from 1 January 2014. It aims to replace Basel II, further strengthen the local bank's loss absorption capacity and encourage banks to rely more on core capital instruments like Common Equity Tier 1 and Tier 1 issues.

BSP Memorandum No. M2012-002 outlines BSP's proposed new minimum ratios and conservation buffers. The revised risk-based capital adequacy framework (which will also cover risk measurement enhancement and provisions concerning the use of third-party credit assessment agencies) took effect on 1 January 2014. In March 2012, the BSP also circulated a discussion paper providing draft guidelines for Basel III implementation in the Philippines starting 1 January 2014. Philippine banks were invited to comment on the discussion paper until June 2012, after which the BSP finalized the guidelines for Basel III in the Philippines. Notable provisions include: (i) new categorization of the capital base with Tier 1 being composed of CET1 capital and Additional Tier 1 ("AT1") capital and elimination of the subcategories of Tier 2 capital; (ii) revised eligibility criteria for the different categories of regulatory capital; (iii) regulatory adjustments to be deducted from CET1 in a full deduction approach; (iv) higher minimum capital requirements; (v) loss absorbency of regulatory capital at the point of non-viability; (vi) introduction of a framework to promote the conservation of capital and the build-up of adequate

buffers above the minimum that can be drawn down in times of periods of stress; and (vii) additional disclosure requirements.

On 21 September 2012, BSP Circular No. 768 was issued, which provides, among others, that Hybrid Tier 1 and Lower Tier 2 capital must have loss absorption features providing that the instrument would be written off or converted into common equity upon the occurrence of a trigger event determined by the BSP.

Local banks were allowed one full year of transitioning to the new guidelines prior to the effective date of the new standards in 2014, marking an accelerated implementation compared to the Basel Committee's staggered timeline that stretches from January 2013 to January 2017. On 15 January 2013, the BSP issued the implementing guidelines for the adoption on 1 January 2014 of the revised capital standards under Basel III for universal and commercial banks.

The guidelines set new regulatory ratios for banks to meet specific minimum thresholds for CET1 capital and Tier 1 capital in addition to the CAR. The BSP maintained the minimum CAR at 10.0% and set a minimum CET1 ratio of 6.0% and a minimum Tier 1 capital ratio of 7.5%. The new guidelines also introduced a capital conservation buffer of 2.5% which shall be made up of CET1 capital.

In addition, banks which issued capital instruments from 2011 were allowed to count these instruments as Basel III-eligible until end of 2015. However, capital instruments that are not eligible in any of the three components of capital were derecognized from the determination of the regulatory capital on 1 January 2014.

Under the New Central Bank Act, the BSP requires banks to maintain cash reserves and liquid assets in proportion to deposits in prescribed ratios. If a bank fails to meet this reserve during a particular week on an average basis, it must pay a penalty to the BSP on the amount of any deficiency. Under BSP Memorandum No. 2020-011, as amended by BSP Memorandum No. 2020-025, the maximum penalty that may be imposed for reserve deficiencies were relaxed as part of the measures to provide operational relief to BSFIs affected by measures to manage the COVID 19 situation.

Under BSP Circular No. 732 issued on 3 August 2011, as further amended by BSP Circular No. 753 issued on 29 March 2012, BSP Circular No. 830 issued on 3 April 2014, BSP Circular No. 832 issued on 27 May 2014, BSP Circular No. 997 issued on 15 February 2018, BSP Circular No. 1004 issued on 24 May 2018, BSP Circular No. 1041 issued on 29 May 2019, BSP Circular No. 1054 issued on 11 October 2019, BSP Circular No. 1056 issued on 22 October 2019, BSP Circular No. 1063 issued on 3 December 2019, BSP Circular No. 1082 issued on 31 March 2020, and BSP Circular No. 1092 issued on 31 July 2020, universal and commercial banks are required to maintain regular reserves of: (a) 12% against demand deposits, negotiable order of withdrawal accounts, savings deposit (excluding basic deposit accounts), time deposits, negotiable certificates of time deposits, long-term non-negotiable tax-exempt certificates of time deposits, deposit substitutes, peso deposits lodged under due to foreign banks, and peso deposits lodged under due to head office/branches/agencies abroad (Philippine branch of a foreign bank); (b) 0% against deposit substitutes evidenced by repossession agreements covering government securities that are transacted in an organized market under the Government Securities Repo Program, interbank call loan transactions, and basic deposit accounts; (c) 4% against long-term negotiable certificates of time deposits; and (d) 3% against bonds.

On 29 October 2014, the Monetary Board approved the guidelines for the implementation of higher capital requirements on DSIBs by the BSP under Basel III. Banks deemed DSIBs by the BSP are required to maintain capital surcharges to enhance their loss absorbency and thus mitigate any adverse side effects both to the banking system and to the economy should any of the DSIBs fail. The assessment started in 2014 with the BSP informing banks confidentially of their DSIB statuses in 2015. To determine the banks' systemic importance, the BSP will assess and assign weights using the indicator-based measurement approach based on the following: size, interconnectedness, substitutability, and complexity. Depending on how they score against these indicators and the buckets to which the scores correspond, the DSIBs will have varying levels of additional loss absorbency

requirements ranging from 1% to 2.5%. Aside from the added capital pressure, DSIBs may be put at an undue disadvantage compared to Global Systemically Important Banks (GSIBs) given that this framework was patterned for regional/global banks and thus may not be appropriate for local banks. The phased-in compliance started on 1 January 2017 before becoming fully effective on 1 January 2019. On 12 February 2016, the Monetary Board approved the guidelines on the submission of a recovery plan by DSIBs which shall form part of the DSIBs' ICAAP submitted to the BSP every 31st of March of each year. The recovery plan identifies the course of action that a DSIB should undertake to restore its viability in cases of significant deterioration of its financial condition in different scenarios. At the latest, the recovery plan shall be activated when the DSIB breaches the total required CET1 capital, the HLA capital requirement and/or the minimum liquidity ratios as may be prescribed by the BSP. As a pre-emptive measure, the recovery plan should use early warning indicators with specific levels (i.e., quantitative indicators supplemented by qualitative indicators) that will activate the recovery plan even before the above-said breaches happen. This preparatory mechanism, including the operational procedures, monitoring, escalation and approval process should be clearly defined in the recovery plan. The ICAAP document, which includes the first recovery plan, was submitted on 30 June 2016 and will be re-submitted on the 31st of March of each year.

In May 2015, the BSP approved the guidelines for the implementation of Basel III leverage ratios (calculated by dividing banks' Tier 1 capital over its total on-book and off-book exposure). On 9 June 2015, the BSP issued Circular No. 881 amending the relevant provisions of the previously issued guidelines. Under the BSP Circular No. 881, universal and commercial banks are required to maintain a minimum leverage ratio of 5%, which is more stringent than the 3% minimum leverage ratio under Basel III by 1 January 2017 (which compliance period was extended to 1 January 2018 based on BSP Circular No. 943 issued in 2017). The guidelines also provided for a monitoring period up to end of 2016 during which banks were required to submit periodic reports. However, sanctions were not imposed on banks whose leverage ratios fell below the required 5% minimum during the period. The leverage ratio serves as a backstop measure to the risk-based capital requirements. While this has no material impact given that Philippine banks' ratios are above the required minimum, the leverage ratio along with other pending components of Basel III point to an increasing regulatory burden on banks. Further, local banks face new liquidity requirements under Basel III, namely, the LCR and the NSFR. The LCR requires banks to hold a sufficient level of HQLAs to enable them to withstand a 30 day-liquidity stress scenario. Meanwhile, the NSFR requires that banks' assets and activities are structurally funded with long-term and more stable funding sources. While both ratios are intended to strengthen banks' ability to absorb shocks and minimize negative spill-overs to the real economy, compliance with these ratios may further increase competition among banks for deposits as well as HQLAs.

On 22 January 2018, the BSP issued Circular No. 990 which approved the extension of the Basel III Leverage Ratio monitoring period from 31 December 2017 to 30 June 2018, and set new deadlines for the submission of the reporting and disclosure requirements. The monitoring of the leverage ratio shall be implemented as a Pillar 1 minimum requirement effective on 1 July 2018.

In March 2016, the Monetary Board approved the LCR framework with an observation period from 1 July 2016 until the end of 2017, during which banks were required to commence reporting their LCR to the BSP. On 1 January 2018, the LCR threshold that banks are required to meet is 90%, which will be increased to 100% commencing on 1 January 2019. On 15 March 2019, BSP Circular No. 1035 was issued, requiring covered banks to publicly disclose information related to the LCR in single currency and on solo and consolidated bases starting 2019 for universal and commercial banks. It likewise amended the method of LCR calculation.

The BSP issued BSP Circular No. 1007 and BSP Circular No. 1034 in 6 June 2018 and 15 March 2019, respectively, providing the guidelines on the adoption of the Basel III Liquidity Framework on Liquidity Standards – Net Stable Funding Ratio. The guidelines require that covered entities maintain an NSFR of at least 100% at all times. The framework applies to all universal and commercial banks (starting 1 January 2019), their subsidiary banks, and quasi-banks (starting 1 January 2020). The internationally agreed start date for the phase-in of liquidity requirements was as of 1 January 2015. The Circular provides for an observation period until 31 December 2018

for universal/commercial banks, during which NSFR Reports must be submitted and should a covered entity be unable to meet the minimum NSFR for a period of two consecutive weeks, it must immediately adopt a board-approved stable funding build-up plan.

On 12 February 2016, the Monetary Board approved the guidelines on the submission of a recovery plan by D-SIBs which shall form part of the D-SIBs' Internal Capital Adequacy Assessment Process (“ICAAP”); submitted to the BSP every 31st of March of each year. The recovery plan identifies the course of action that a D-SIB should undertake to restore its viability in cases of significant deterioration of its financial condition in different scenarios. At the latest, the recovery plan shall be activated when the D-SIB breaches the total required CET1 capital, the HLA capital requirement and/or the minimum liquidity ratios as may be prescribed by the BSP. As a pre-emptive measure, the recovery plan should use early warning indicators with specific levels (i.e., quantitative indicators supplemented by qualitative indicators) that will activate the recovery plan even before the above-said breaches happen. This preparatory mechanism, including the operational procedures, monitoring, escalation and approval process should be clearly defined in the recovery plan. The ICAAP document which includes the first recovery plan was submitted on 30 June 2016 and will be re-submitted on the 31st of March of each year.

In addition, Basel III capital rules for banks include setting up a Countercyclical Capital Buffer (“CCyB”) wherein banks build up the required level of capital during boom times and draw down on the buffer in the event of an adverse turn in the cycle or during periods of stress, thus helping to absorb losses. The CCyB will require banks to hold additional common equity or other fully loss absorbing capital in amounts ranging from 0% to 2.5% of the risk-weighted assets. The credit-to-GDP gap, defined as the difference between the credit-to-GDP ratio and its long-term trend, has been chosen as the Early Warning Indicator (“EWI”) for activating the CCyB. However, some economists have raised the issue that the credit-to-GDP gap is not the best EWI for banking crises or system vulnerabilities, especially for emerging markets (including the Philippines). Under the Bank of International Settlements (“BIS”), the CCyB is being phased in beginning on 1 January 2016 and will become fully effective on 1 January 2019.

On 6 December 2018, the BSP issued Circular No. 1024 which adopted the CCyB. For all UBs and KBs, with respect to the CET1 requirement, in addition to the minimum capital ratios, the following capital buffers shall likewise be imposed: (a) Capital conservation buffer (“CCB”) of 2.5%; and (b) CCyB of 0% subject to upward adjustment to a rate determined by the Monetary Board when systemic conditions warrant but not to exceed 2.5%. Any increase in the CCyB rate shall be effective 12 months after its announcement. Decreases, on the other hand, shall be effective immediately.

In October 2014, the BSP issued BSP Circular No. 855 which provides for new guidelines on sound credit risk management practices. The circular mandates banks to establish appropriate credit risk strategies and policies, processes and procedures including cash flow-based credit evaluation processes. The circular also mandates tighter provisioning guidelines. These are seen to increase costs as banks may have to upgrade their risk management systems and provisioning requirements.

Additionally, BSP Circular No. 855 sets the collateral value (“CV”) for a loan backed up by real estate to only 60% of its appraised value. Banks will still be allowed to lend more than 60% of the CV; however, the portion above 60% will be considered unsecured, thus requiring banks to set up loan loss provisions accordingly. The CV ruling should not be mistaken for the loanable value (“LV”), which is the loan amount extended by banks to its borrowers. The current industry practice is a loan-to-value (“LTV”) ratio of 70%-80%, which some banks may continue to grant provided that they have strict and consistent lending standards, adequate capital buffer and provisions. This new ruling, along with other BSP regulations intended to avert a property bubble, could result in an overall slowdown in lending to the real estate sector as banks adjust to these rulings.

To better monitor the banking industry's exposure to the property sector, the BSP in September 2012 approved guidelines that effectively widened the scope of banks' real estate exposures (“REEs”) to include mortgages and loans extended to individuals to finance the acquisition and construction of residential real estate for own

occupancy as well as land developers and construction companies for the development of socialized and low-cost housing. Securities investments issued for purposes of financing real estate activities are also included under the new guidelines. Banks were required to submit the expanded report starting December 2012.

Further, on 27 June 2014, the BSP issued Circular No. 839 requiring banks to undergo real estate stress test (“REST”) while setting prudential limits for banks’ REEs to ensure that they have adequate capital to absorb potential losses to the property sector. Universal and commercial banks as well as thrift banks must meet a CAR of 10% of qualifying capital after adjusting for the stress test results. Further, universal and commercial banks and their thrift bank subsidiaries are required to maintain a level of CET1 capital that is at least 6% of qualifying capital after factoring in the stress scenario. In addition, banks are mandated to submit quarterly report of their real estate exposures, in line with the new REST capital requirements.

On 10 October 2017, the BSP issued Circular No. 976 which approved amendments to the expanded report on the real estate exposure of banks, and required the submission of a report on project finance exposures to enable the BSP to gather more granular information regarding these exposures. It also clarified the definition of loans to finance infrastructure projects for public use that are currently exempt from the 20% limit on real estate loans.

On 23 November 2017, the BSP issued Circular No. 983 that prescribes the reduction in the reserve requirement rate on repurchase transactions, as well as sets forth the features of the repurchase program that shall be eligible for the zero-reserve rate requirement. Deposit substitutes evidenced by repurchase agreements covering government securities that are transacted in an organised market under the Government Securities Repo Program shall be subject to the reserve requirement of 0% beginning the first week of December 2017.

On 23 April 2020, the BSP modified Section 252 (on composition of required reserves) of the MORB through Circular No. 1083. On 27 May 2020, Section 252 was further amended by Circular No. 1087. It provides allowable modes of alternative compliance with required reserves against deposit and deposit substitute liabilities, subject to certain conditions. These modes include certain peso-denominated loans that are granted to micro-, small- and medium enterprises as well as certain peso-denominated loans granted to large enterprises. The required reserves and the alternative modes of compliance in the current period (reference reserve week) shall be computed based on the corresponding levels of deposit and deposit substitute liabilities of the prior week. The use of the foregoing loans as allowable alternative compliance with the reserve requirements shall be available to banks until 31 December 2021.

Pursuant to BSP Memorandum No. M 2020-029, issued on 23 April 2020, MSME loans that are utilized as alternative compliance with reserve requirements shall be temporarily reported by Universal Banks under Investments in bonds and Other Debt Instruments.

On 28 April 2020, the BSP issued Memorandum No. M-2020-034 which relaxed the credit risk weight for loans to MSMEs under the BSP’s risk-based capital adequacy frameworks. Banks’ exposure to qualified MSMEs, those that meet the criteria and the current MSME exposures that do not qualify as a highly diversified MSME portfolio, will only be assigned a credit risk weight of 50%, down from 75% previously. The foregoing relaxation in the credit risk weight for loans to MSMEs under the BSP’s risk-based capital adequacy frameworks shall apply until 30 June 2023, pursuant to Memorandum No. M-2022-041 issued by the BSP on 23 September 2022.

15.9 LIQUIDITY REQUIREMENTS

Local banks face new liquidity requirements, namely, the LCR and the NSFR, under Basel III. The LCR requires banks to hold sufficient level of HQLAs to enable them to withstand a 30 day-liquidity stress scenario. Meanwhile, the NSFR requires that banks’ assets and activities are structurally funded with long-term and more stable funding sources. While both ratios are intended to strengthen banks’ ability to absorb shocks and minimize negative spill over to the real economy, compliance with these ratios may also further increase competition among banks for deposits as well as HQLAs.

In March 2016, the Monetary Board approved the LCR framework with an observation period from 1 July 2016 until the end of 2017, during which banks are required to commence reporting their LCR to the BSP. Starting 1 January 2018, the LCR threshold that banks will be required to meet will be 90%, which was increased to 100% commencing on 1 January 2019. On 8 February 2018, the BSP issued BSP Circular No. 996 which amended the LCR framework and extended its coverage to subsidiaries of universal and commercial banks and quasi-banks on both solo (head office and branches/other offices) and consolidated (parent bank and subsidiary financial allied undertakings) bases.

On 15 March 2019, BSP issued BSP Circular No. 1035 which introduced certain amendments to the Basel III LCR Framework and Minimum Liquidity Ratio Framework. including the (i) extension of the observation period of the minimum Basel III LCR requirement to 31 December 2019 for subsidiary banks and quasi-banks of universal and commercial banks, (ii) adoption of the 70% LCR floor for subsidiary banks and quasi-banks during the observation period, and (iii) amendment of the formula for minimum liquidity ratio. The subsidiary banks and quasi-banks of universal and commercial banks are required to comply with the minimum LCR of 100% starting 1 January 2020.

On 6 June 2018, the BSP issued BSP Circular No. 1007 which sets out the guidelines on the adoption of the Basel III Framework on Liquidity Standards – NSFR. The guidelines require that covered entities maintain an NSFR of at least 100% at all times. The framework applies to all universal and commercial banks, their subsidiary banks, and quasi-banks. The Circular provides for an observation period until 31 December 2018, during which NSFR Reports must be submitted and should a covered entity be unable to meet the minimum NSFR for a period of two consecutive weeks, it must immediately adopt a board-approved stable funding build-up plan. On 15 March 2019, the Monetary Board approved the extension of the observation period for the NSFR of the subsidiary banks and quasi banks of universal and commercial banks until 31 December 2019, moving the effectivity dates of said ratios to 1 January 2010. During the extended observation period, subsidiary banks and quasi-banks of universal and commercial banks are required to comply with a 70% LCR and NSFR, which shall increase to 100% on 1 January 2020. The Monetary Board also approved enhancements to the LCR and minimum liquidity ratio guidelines, including netting of cash inflows and outflows to and from the same derivative counterparty for the LCR framework, and counting interbank placements as eligible liquid assets and adjusting qualifying liabilities through conversion factors to retail current and regular savings deposits worth ₱500,000 and below and certain liability accounts. The internationally agreed start date for the phase-in of liquidity requirements is 1 January 2015.

On 13 February 2020, the BSP issued Memorandum No. M-2020-003 which provided guidelines on the electronic submission of the Basel III Net Stable Funding Ratio (NSFR) Report and Liquidity Coverage Ratio Report (LCR). It states that all subsidiary banks and quasi-banks must observe the guidelines for the live implementation of the NSFR and LCR reports beginning reporting period ended 31 January 2020, in line with BSP Circular Nos. 1034 and 1035 both dated 15 March 2019 on the Amendments to the Basel III Framework on Liquidity Standards - Net Stable Funding Ratio and the Amendments to the Basel III Liquidity Coverage Ratio Framework and Minimum Liquidity Ratio Framework.

On 4 May 2020, the BSP issued BSP Memorandum Circular No. M-2020-039, which allows universal and commercial banks, and their subsidiary banks and quasi-banks, which have built up their CCB and LCR buffer, to utilize the same during this state of health emergency, subject to the following:

- A. the bank or quasi-bank which draws down its 2.5% minimum CCB will not be considered in breach of the Basel III risk-based capital adequacy framework but will be restricted from making distributions in the form of dividends (in the case of banks incorporated and established under Philippine laws) or, profit remittance (in the case of a foreign bank branch), share buybacks, discretionary payments on other Tier 1 capital instruments, or discretionary bonus payments to staff; and
- B. the bank or quasi-bank may draw on its stock of liquid assets to meet liquidity demands to respond to the current circumstances, even if this may cause its LCR to fall below the 100% minimum requirement. In

the event the bank or quasi bank has recorded a shortfall in the stock of its HLA for three banking days within any two-week rolling calendar period, thereby causing the LCR to fall below the 100%, such bank or quasi bank must notify the BSP of such a breach on the banking day immediately following the occurrence of the third liquidity shortfall.

Banks and quasi-banks will be given a reasonable time period to restore their Basel III capital conservation and liquidity buffers after the COVID-19 pandemic. Meanwhile, non-compliance with the minimum CAR and NSFR requirements as a result of the COVID-19 pandemic will be handled on a case-by-case basis by the BSP.

15.10 CREDIT RISK MANAGEMENT

In October 2014, the BSP issued Circular No. 855 which provides for new guidelines on sound credit risk management practices. BSP Circular No. 855 mandates banks to establish appropriate credit risk strategy and policies, processes and procedures including cash flow-based credit evaluation process, and tighter provisioning guidelines. These are seen to increase costs as banks may have to upgrade their risk management systems and provisioning requirements.

Additionally, BSP Circular No. 855 sets the collateral value (CV) for a loan backed up by real estate to only 60% of its appraised value. Banks will still be allowed to lend more than 60% of the CV; however, the portion above 60% will be considered unsecured, thus requiring banks to set up loan loss provisions accordingly. The CV ruling should not be mistaken for the loanable value, which is the loan amount extended by banks to its borrowers. The current industry practice is a LTV ratio of 70%-80%, which some banks may continue to grant provided that they have strict and consistent lending standards, adequate capital buffer and provisions. This new ruling, along with other BSP regulations intended to avert a property bubble, could result in an overall slowdown in lending to the real estate sector as banks adjust to these rulings.

To better monitor the banking industry's exposure to the property sector, the BSP in September 2012 approved the guidelines that effectively widened the scope of banks' real estate exposures to include mortgages and loans extended to the following: individuals to finance the acquisition/construction of residential real estate for own occupancy as well as land developers and construction companies for the development of socialised and low-cost housing. Securities investments issued for purposes of financing real estate activities are also included under the new guidelines. Banks were required to submit the expanded report starting end-December 2012.

Further on 27 June 2014, the BSP issued Circular No. 839 requiring banks to undergo real estate stress tests while setting prudential limits for banks' real estate exposures to ensure that they have adequate capital to absorb potential losses to the property sector. Universal and commercial banks as well as thrift banks must meet a capital adequacy ratio of 10% of qualifying capital after adjusting for the stress test results. Further, universal and commercial banks and their thrift bank subsidiaries are required to maintain a level of CET1 capital that is at least 6% of qualifying capital after factoring in the stress scenario. In addition, banks are mandated to submit quarterly report of their real estate exposures, in line with the new real estate stress test capital requirements.

On 10 October 2017, the BSP issued BSP Circular No. 976 which approved amendments to the expanded report on the real estate exposure of banks, and required the submission of a report on project finance exposures to enable the BSP to gather more granular information regarding these exposures. It also clarified the definition of loans to finance infrastructure projects for public use that are currently exempt from the 20% limit on real estate loans.

On 23 November 2017, the BSP issued BSP Circular No. 983 that prescribes the reduction in the reserve requirement rate on repurchase transactions, as well as sets forth the features of the repurchase program that shall be eligible for the zero-reserve rate requirement. Deposit substitutes evidenced by repurchase agreements covering government securities that are transacted in an organised market under the Government Securities Repo Program shall be subject to the reserve requirement of zero percent (0%) beginning the first week of December 2017.

On 28 April 2020, the BSP issued Memorandum No. M-2020-034, which relaxed the credit risk weight for loans to MSMEs under the BSP's risk-based capital adequacy frameworks. Banks' exposure to qualified MSMEs, those meeting the criteria, and current MSME exposures that do not qualify as a highly diversified MSME portfolio, will only be assigned a credit risk weight of 50%, reduced from the previous 75%. This relaxation in the credit risk weight for loans to MSMEs under the BSP's risk-based capital adequacy frameworks was effective until 30 June 2023, as stipulated by Memorandum No. M-2022-041 issued by the BSP on 23 September 2022.

On 20 August 2020, the BSP issued Circular No. 1093 which amends the real estate limits of banks. The previous limit of 20% on real estate exposure of universal and commercial banks had been increased to 25%. The REST Limit has also been amended to apply to the following real estate exposures: commercial real estate loans, investment in debt securities issued by land developers/construction companies and other corporate borrowers, such as real estate brokers, real estate lessors, property management companies, for purposes of financing real estate activities, and investments in equity securities issued by land developers/construction companies and other corporate borrowers, such as real estate brokers, real estate lessors and property management companies, for purposes of financing real estate activities. Under the Circular, the manner of computing the REST Limit was revised to remove residential real estate for own occupancy as well as land developers and construction companies for the development of socialized and low-cost housing which was included in the previous regulations. The real estate exposures shall not include loans and investments in debt and equity securities the proceeds of which are used to finance infrastructure projects for public use.

On August 23, 2022, the BSP issued Circular No. 1149 which provided for guidelines on prudent conduct of investment activities and the minimum practices that a bank should establish for the management and control of risks associated with its investments. The guidelines cover all of a bank's investments in the trading and banking books, excluding (a) investments that grant control over an enterprise and are accounted for using the equity method, (b) transactions in derivatives involving stand-alone contracts, and (c) receivables arising from repurchase agreements. Under the circular, a bank is mandated to institute a risk management system to manage the risks arising from its investment activities. This system includes having (1) board and senior management oversight; (2) policies, procedures, and limits that provide a framework for managing investment activities; (3) risk measurement, monitoring and management information systems; and (4) internal controls and audit.

15.10.1 Credit Quotas for Agriculture, Fisheries and Rural Development Financing

Republic Act No. 11901 or The Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022 ("**RA 11901**"), which lapsed into law on July 28, 2022, repealed Republic Act No. 10000 or The Agri-Agra Reform Credit Act of 2009 ("**Agri-Agra Law**").

RA 11901 provides that all banking institutions, whether government or private, except newly established banks for a period of five (5) years from the date of commencement of the banks' operations, shall set aside a credit quota, or a minimum mandatory agricultural and fisheries financing requirement of at least twenty-five percent (25%) of their total loanable funds. The law gives more flexibility to the banks in extending credit to the agriculture and agrarian reform sectors as the law removed the required allocation of credit between the agrarian reform beneficiaries (10%) and agricultural beneficiaries (15%) under the Agri-Agra Law. Banks may also comply through the following methods:

1. Actual extension of loans to rural community beneficiaries (gross of allowance for credit losses), for purposes of financing agricultural, fishery and rural development activities;
2. Purchase of eligible loans listed above on a "**without recourse**" basis from other banks and financial institutions;
 - (A) Invest in debt securities, provided that the proceeds therefrom will be used to finance agricultural, fishery and rural development activities;

- (B) Investments in sustainable finance instruments;
 - (C) Invest in shares of stock of the rural finance institutions (RFIs), Philippine Crop Insurance Corporation or in companies that primarily engage in agricultural, fishery or rural development;
 - (D) Investments in unsecured subordinated debt securities that meet the definition of regulatory capital and are issued by banks that are RFIs;
 - (E) Investments in MSMEs of farmers, fisherfolk, agrarian reform beneficiaries, agrarian reform communities, settlers, agricultural lessees, amortizing owners, farmworkers, fishworkers, owner cultivators, compact farmers, and tenant farmers by way of purchase of their securities through an organized market, initial public offering, follow-on offering, or through registered crowdfunding intermediaries;
1. Purchase of eligible securities (gross of allowance for credit losses but net of unamortized premium or discount), to wit:
 - a. Placements in deposit accounts and/or fixed term deposit products with RFIs;
 - b. Wholesale lending granted by banks to RFIs;
 - c. Rediscounting facility granted by banks to other banks covering eligible AFRD financing;
 - d. Actual extension of loans intended for the construction and upgrading of infrastructure;
 - e. Actual extension of loans to agri-business enterprises that maintain agricultural commodity supply-chain arrangements directly with qualified rural community beneficiaries;
 - f. Agricultural value chain financing (AVCF), including financing to electronic platforms that will facilitate AVCF and supply chain financing transactions among actors in agriculture that benefits rural communities;
 - g. Actual extension of sustainable finance in the form of loans; or
 - h. Purchase of eligible loans listed under (4)(d) to (4)(g) on a "**without recourse**" basis from other banks and Fls.

Banks which fail to comply or only partially comply with the minimum requirements shall be penalized by the BSP with an annual monetary penalty of 0.5% of the amount of non-compliance or under-compliance computed on a quarterly basis. Additionally, the BSP may impose administrative sanctions. The provisions related to the mandatory credit quota of 25% shall cease to be effective ten years from the approval of Republic Act No. 11901 or in 2032.

The law also provides that banks which are unable to directly lend to rural community beneficiaries may invest in debt and equity securities, undertake agricultural value chain financing, and grant agri-business loans to fund agricultural and community-enhancing activities, among others.

15.11 LIMITATIONS ON OPERATIONS

15.11.1 The Single Borrower's Limit

Consistent with the national interest, the total amount of loans, credit accommodations and guarantees that may be extended by a bank to any person, partnership, association, corporation or other entity shall at no time exceed 25% of the net worth of such bank. The basis for determining compliance with the single borrower's limit ("SBL") is the total credit commitment of the bank to or on behalf of the borrower. The total amount of loans, credit accommodations and guarantees above may be increased for specific circumstances as laid out in the relevant provision of the MORB.

BSP Circular No. 779 issued on 9 January 2013 and BSP Circular No. 908 issued on 14 March 2016, amended the MORB provisions on SBL. The amendments allowed for increases (on top of the 25% as already mentioned) on the amount of loans, credit accommodations and guarantees that a bank may issue to a borrower. The following are the increases that are conditional: (a) an additional 10% of the net worth of the bank as long as the additional liabilities are secured by shipping documents, trust or warehouse receipts or other similar documents which cover marketable, non-perishable goods which must be fully covered by insurance, (b) an additional 25% of the net worth of the bank provided that: (i) the additional loans, credit accommodations and guarantees are used to finance the infrastructure and/or development projects under PDP/PIP; (ii) these additional liabilities should not exceed 25% of the net worth of the bank; and (iii) the additional 25% shall only be allowed for a period of six years from 6 December 2010; (c) an additional 15% of the net worth of the bank provided that the additional loans, credit accommodations and guarantees are used to finance oil importation of oil companies which are not subsidiaries or affiliates of the lending bank which is also engaged in energy and power generation; and (d) an additional 25% of the net worth of the bank, provided that (i) the additional loans, credit accommodations and guarantees are granted to entities, which act as value chain aggregators of the lending banks' clients, and/or economically-linked entities that are also actors/players in the value chain, (ii) that the additional twenty-five percent (25%) will apply only to non- DOSRI/related party transaction loans, and (iii) that such additional twenty-five percent (25%) shall only be for a period of three (3) years, subject to review after said period.

The SBL limitations shall not apply to (a) loans and other credit accommodations secured by obligations of the BSP or of the Government; (b) loans and other credit accommodations fully guaranteed by the Government as to the payment of principal and interest; (c) loans and other credit accommodations secured by U.S. Treasury Notes and other securities issued by central governments and central banks of foreign countries with the highest credit quality given by any two internationally accepted rating agencies; (d) loans and other credit accommodations to the extent covered by the hold-out on or assignment of, deposits maintained in the lending bank and held in the Philippines; (e) loans, credit accommodations and acceptances under letters of credit to the extent covered by margin deposits; and (f) other loans or credit accommodations which the Monetary Board may from time to time specify as non-risk items.

On 5 July 2017, the BSP issued BSP Circular No. 965 approving the guidelines on the exclusion from the single borrower's limit of banks' and quasi-banks' short-term exposures to clearing and settlement banks arising from payment transactions pertaining to fund transfer services, check clearing, foreign exchange trades, security trades, security custody services, and other short-term payment transactions.

On 30 April 2018, the BSP issued BSP Circular No. 1001 which provided for a separate individual limit of 25.0% of the net worth of the lending bank for loans, credit accommodations and guarantees granted by a bank to an entity for the purpose of project finance. The applicability of the separate individual limit shall be subject to the following conditions: (a) the unsecured portion shall not exceed 12.5% of the net worth of the lending bank when the project is already operational; (b) such project finance loans are for the purpose of undertaking initiatives that are in line with the priority programs and projects of the government; (c) the lending bank shall ensure that the standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of a borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project document; (d) the lending bank shall consider its total project finance exposures in complying with the guidelines in managing large exposures and credit risk concentrations; (e) the subsidiary or affiliate is not a related interest of any of the director, officer, and/or stockholder of the

lending bank; and (f) the total outstanding loans, other credit accommodations and guarantees to all subsidiaries and affiliates shall be subject to the aggregate limits for related party transactions.

On 19 March 2020, BSP issued BSP Memorandum No. M-2020-011 which temporarily adjusted the SBL ceiling to 30% as a response to the COVID-19 situation. The adjusted ceiling is effective for a period of six months from 19 March 2020.

On 22 July 2020, the BSP issued Memorandum Circular No. 1091, which excluded debt securities held by market makers from the SBL for a period of ninety (90) days from the date of acquisition, if acquired from 1 August 2020 to 31 July 2021, and not exceeding sixty (60) days, if acquired after 1 August 2021. On 5 January 2023, the BSP issued Circular No. 1164 which provided for minimum operational requirements for credit risk transfer agreements to be excluded from the total credit commitment of a bank to a borrower in reckoning compliance with the SBL.

On 5 January 2023, the BSP issued Circular No. 1164, outlining minimum operational requirements for credit risk transfer agreements. This BSP Circular provides for the definition of credit risk transfer and clarifies that loans and other credit accommodations or portions thereof covered by an effective credit risk transfer arrangement in the form of a guarantee or credit derivative that complies with the minimum operational requirements provided under the MORB shall be excluded from the total credit commitment of the bank to a borrower in reckoning compliance with the SBL. Meanwhile, the portion of the loans and other credit accommodations that is not covered by an effective credit risk transfer arrangement, if any, shall still form part of the credit commitment of the bank to the borrower in reckoning compliance with the SBL.

15.11.2 Limitation on DOSRI Transactions

No director or officer of any bank shall directly or indirectly, for himself or as the representative or agent of others, borrow from such bank nor shall he become a guarantor, endorser or surety for loans from such bank to others, or in the manner be an obligor or incur any contractual liability to the bank except with the written approval of the majority of all the directors of the bank, excluding the director concerned.

After due notice to the Board of Directors of the bank, the office of any officer or director who violates the DOSRI limitation may be declared vacant and such erring officer or director shall be subject to the penal provisions of the New Central Bank Act. The DOSRI account shall be limited to an amount equivalent to their respective unencumbered deposits and book value of their paid-in capital contribution in the bank. The limitation excludes loans, credit accommodations and guarantees secured by assets which the Monetary Board considers as non-risk.

On 2 June 2016, the Monetary Board approved the revisions to prudential policy on loans, other credit accommodations, and guarantees granted to DOSRIs. The Monetary Board approved the exclusion of loans, other credit accommodation and guarantees granted by a bank to its DOSRI for the purpose of project finance from the 30.0% unsecured individual ceiling during the project gestation phase, provided, that the bank shall ensure that standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of the borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project documents.

Any director, officer or stockholder who, together with his related interest, contracts a loan or any form of financial accommodation from: (1) his bank or (2) from a bank (a) which is a subsidiary of a bank holding company of which both his bank and the lending bank are subsidiaries or (b) in which a controlling proportion of the shares is owned by the same interest that owns a controlling proportion of the shares of his bank, in excess of 5% of the capital and surplus of the bank, or in the maximum amount permitted by law, whichever is lower, shall be required by the lending bank to waive the secrecy of his deposits of whatever nature in all banks in the Philippines. Any information obtained from an examination of his deposits shall be held strictly confidential and may be used by the examiners only in connection with their supervisory and examination responsibility or by the BSP in an appropriate legal action it has initiated involving the deposit account.

On 23 June 2016, the BSP issued BSP Circular No. 914, series of 2016 amending the prudential policy on loans, other credit accommodations, and guarantees granted to DOSRI, subsidiaries and affiliates. BSP Circular No. 914 has raised the ceilings on the exposures of subsidiaries and affiliates of banks to priority programs particularly infrastructure projects under the Philippine Development Plan/Public Investment Program (“PDP/PIP”) needed to support economic growth. The exposures to subsidiaries and affiliates in PDP/PIP projects will now be subject to higher individual and unsecured limits of 25% instead of 10% and 12.5% instead of 5% of the net worth of the lending bank, respectively, subject to conditions. Further, the circular also provides for a refined definition of “related interest” and “affiliates” to maintain the prudential requirements and pre-empt potential abuse in a borrowing transaction between the related entities. The circular also amends the capital treatment of exposures to affiliates by weighing the risk of both the secured and unsecured loans granted to the latter.

As a general rule, loan and other credit accommodation against real estate shall not exceed 60% of the appraised value of the real estate security plus 60% of the appraised value of the insured improvements, and such loans may be made to the owner of the real estate or to his assignees, except for the following which shall be allowed a maximum value of 70% of the appraised value of the insured improvements: (a) residential loans not exceeding ₱3.5 million to finance the acquisition or improvement of residential units; and (b) housing loans extended by or guaranteed under the Government’s “National Shelter Programme”, such as the Expanded Housing Loans Programme of the Home Development Mutual Fund and the mortgage and guaranty and credit insurance programme of the Home Insurance and Guaranty Corporation. Prior to lending on an unsecured basis, a bank must investigate the borrower’s financial position and ability to service the debt and must obtain certain documentation from the borrower, such as financial statements and tax returns. Any unsecured lending should be only for a time period essential for completion of the operations to be financed. Likewise, loans against chattels and intangible properties shall not exceed 75% of the appraised value of the security and such loans may be made to the titleholder of the unencumbered chattels and intangible properties or his assignee.

On 27 October 2017, the BSP issued BSP Circular No. 978, which provided for exclusion of the portion of loans and other credit accommodation covered by guarantees of international/regional institutions/multilateral financial institutions where the Philippine Government is a member/shareholder, from the ceilings on total outstanding loans, other credit accommodations and guarantees granted to banks’ subsidiaries and affiliates. BSP Circular No. 978 excluded the following in determining compliance with the ceilings provided under BSP Circular No. 914: (1) Loans, other credit accommodations and guarantees secured by assets considered as non-risk under existing BSP regulations; (2) Interbank call loans; and (3) The portion of loans and other credit accommodations covered by guarantees of international/regional institutions/multilateral financial institutions where the Philippine Government is a member/shareholder, such as the International Finance Corporation and the Asian Development Bank.

On 23 December 2020, the BSP issued BSP Circular No. 1107, wherein the Monetary Board approved the prudential requirements for designated clearing and settlement banks for purposes of compliance with DOSRI regulations, as well as foreign currency deposit unit (FCDU) asset cover and minimum capital requirements. The Monetary Board approved the exclusion of terms loans, other credit accommodations and guarantees by Interbank call loan transactions, and short-term exposures of designated clearing and settlement bank to other financial institutions that own or control directly or indirectly such clearing and settlement bank, pursuant to its function as designated clearing and settlement bank. Short-term exposures shall cover payment transactions pertaining to fund transfer services, check clearing, foreign exchange trades, security trades, security custody services, and other short-term payment transactions that pass through a clearing and settlement account. An exposure is considered short-term if the placement of funds into a clearing and settlement account does not exceed five (5) banking days. The designated clearing and settlement bank shall adopt appropriate control measures to ensure that the account opened in financial institutions that own or control directly or indirectly such clearing and settlement bank is maintained exclusively for facilitating the clearing and settlement of short-term transactions, and said account is not subject to a minimum balance requirement.

15.11.3 Regulatory Relief for BSP Supervised Financial Institutions (BSFIs) affected by the COVID-19 disease

Recognizing the potential significant impact of the COVID-19 disease on the operations of BSFIs in terms of risks related to exposures to borrowers and/or industries or businesses severely disrupted or affected by the COVID-19 as well as disruption in operations due to measures implemented to control the spread of virus such as lockdowns, localized work suspension, heightened health and safety risks faced by BSFIs' employees and customers, the BSP issued the following memoranda:

On 14 March 2020, the BSP issued BSP Memorandum No. M-2020-008, as amended by BSP Memorandum No. M-2020-032, granting temporary regulatory and rediscounting relief measures to BSFIs. The relief measures include: (i) exclusion from the computation of past due ratio of the loans of borrowers in affected areas for a period of one (1) year, (ii) non-imposition of monetary penalties for delays incurred in the submission of all supervisory reports, (iii) staggered booking of allowance for credit losses over a maximum period of five years for all types of credits extended to individuals and businesses directly affected by COVID-19, (iv) moratorium, without penalty, on monthly payments due to the BSP, and (v) non-imposition of penalties on legal reserve deficiencies from reserve week following 8 March 2020 up to six (6) months thereafter. BSFIs may also apply for a 60-day grace period to settle the outstanding rediscounting obligations with the BSP and to restructure the outstanding rediscounted loans of their end-user borrowers affected by COVID-19. Prior to availment, a BSFI must submit to the BSP (i) a letter-notification stating its intention to avail of the regulatory relief package, specifying the relief measures to be availed of, and (ii) a resolution of the board of directors authorizing such BSFI to avail of the regulatory relief package.

On 19 March 2020, the BSP issued BSP Memorandum No. M-2020-11, as amended by BSP Memorandum No. M-2020-025, providing additional operational relief for BSFIs affected by measures to manage the COVID-19 situation and its health and safety risks. Such additional operational relief measures includes the following: (i) increase in the single borrower's limit; (ii) relaxation in the maximum penalty that may be imposed for reserve deficiencies; (iii) relaxation of the notification requirements related to changes in banking hours; (iv) relaxation of the notification requirements on the temporary closure of bank branch/branch-lite units and BSFI office/service units; (v) relaxation in the regulations governing the submission of reports and other documents to the BSP Financial Supervision Sector; and (vi) extension of period of compliance with BSP supervisory requirements.

On 8 April 2020, the BSP issued BSP Memorandum No. M-2020-022, which provides the guidelines for the reclassification by a BSP-supervised financial institution (“BSFI”) of debt securities, as part of the relief measures extended by the BSP in light of the COVID-19 pandemic. Debt securities recorded under the “**Other Financial Assets Mandatorily Measured at Fair Value Through Profit or Loss**” and “**Financial Assets Measured at Fair Value Through Other Comprehensive Income**” accounts may be reclassified to the “**Debt Securities Measured at Amortized Cost**” account. Debt Securities recorded under the “**Financial Assets Held for Trading**” account may likewise be reclassified to the “**Debt Securities at Amortized Cost**” account, but only if such debt securities shall no longer be used for trading purposes. The reclassification of debt securities shall be done all at the same time, and only from 1 March 2020 to 30 September 2020. BSFIs may retrospectively reclassify debt securities measured at fair value until 30 April 2020, and may value date the reclassification as of any day from 1 March 2020 to 30 April 2020. Reclassifications made after 30 April 2020 shall take effect only from the date such reclassification is made. BSFIs reclassifying debt securities shall submit a report using the format prescribed in Annex A of the memorandum. However, BSFIs retrospectively reclassifying debt securities that have submitted prudential reports to the BSP need not re-submit the same for the affected reporting periods.

15.12 BANKING REGULATION AND SUPERVISION

15.12.1 Issuance of Securities

On 9 August 2018, the BSP issued BSP Circular No. 1010, amending BSP Circular No. 975, series of 2017. Under the said circular, a bank/QB may issue bonds and/or commercial papers (“CPS”) without prior BSP approval, provided it complies with the following criteria: (i) the bank must have a CAMELS composite rating of at least “3” and a “Management” rating of not lower than “3” and QB must have a RAS rating of at least “**Acceptable**”;

(ii) the bank/QB has no major supervisory concerns in governance, risk management systems, and internal controls and compliance system; and (iii) the bank/QB has complied with directives and/or is not subject of specific directives and/or enforcement actions by the BSP.

U/KBs and QBs only need to submit a certification of compliance with the prudential criteria and other supporting documents reflecting that the debt issuance has undergone the required process of approval by the board of directors and that it has been considered in the overall funding plan of the institution. In addition, U/KBs and QBs should submit a written undertaking to enroll and/or trade the bonds in a market that is organized in accordance with the SEC rules and regulations.

Under the circular, the BSP prohibits the issuing bank/QB, including its related parties, except its trust departments or trust entities, from holding and acting as a market maker of the bank's/QB's listed bonds or CPs to prevent possible undue price influence and backdoor pre-termination. Likewise, the registry bank, including the underwriter/arranger of the issuance, is required to be an independent third party.

On 15 November 2019, BSP Circular No. 1059 amended the Manual imposing an indefinite moratorium on the issuance of long-term negotiable certificates of time deposit (LTNCTDs) beginning 1 January 2021. LTNCTDs that have been approved but remain unissued as of 31 December 2020 may still be issued, provided that this is done within the period allowed by the BSP. Requests for authority to issue LTNCTDs will only be accepted by the appropriate supervising department of the BSP until 30 September 2020.

On 26 November 2019, the BSP issued BSP Circular No. 1062 to amend the requirements on the issuance of long-term negotiable certificates of time deposit, bonds and commercial papers. Accordingly, for the issuance of bonds and commercial papers, a universal or commercial bank that is a related party of the issuing bank may serve as the underwriter or arranger of the issuance provided: (a) that there are other third-party underwriters or arrangers that are not related in any manner to the issuing bank; (b) that the objective conduct of the due diligence review is not undermined; and (c) that the appropriate safeguards and controls as provided under Section 136 of the MORB on related party transactions shall be instituted to prevent conflict of interest on the said arrangement.

The BSP further clarified in BSP Memorandum No. M-2020-001 that the prohibition of related entities from holding an issuing banks listed or traded bonds is meant to prevent certain parties from obtaining undue advantage when transacting in the subject debt instruments. Accordingly, “**related parties**” as used in BSP Circular No. 1062 only refers to those who are in possession or have access to material and non-public information affecting the pricing and marketability of the issuance or that substantially impacts an investor's decision to buy or sell the security once the same is disseminated to the public.

15.12.2 Limitation on Investments

The total investment of a universal bank in equities of allied and non-allied enterprises shall not exceed 50% of its net worth. Moreover, the equity investment in any one enterprise whether allied or non-allied, shall not exceed 25% of the net worth of the universal bank. Net worth for this purpose is defined as the total unimpaired paid-in capital including paid-in surplus, retained earnings and undivided profit, net of valuation reserves and other adjustments as may be required by BSP. The Monetary Board must approve such acquisition of equities.

A universal bank can own up to 100% of the equity in a thrift bank, a rural bank or a financial or non-financial allied enterprise. A publicly listed universal bank, such as the Bank, may own up to 100% of the voting stock of only one other universal or commercial bank. However, with respect to non-allied enterprise, the equity investment in such enterprise by a universal bank shall not exceed 35% of the total equity in the enterprise nor shall it exceed 35% of the voting stock in that enterprise.

A bank's total investment in real estate and improvements including bank equipment shall not exceed 50% of the combined capital accounts. Further, the bank's investment in another corporation engaged primarily in real estate shall be considered as part of the bank's total investment in real estate, unless otherwise provided by the Monetary Board.

The limitation stated above shall not apply with respect to real estate acquired by way of satisfaction of claims. However, all these properties must be disposed by the bank within a period of five years or as may be prescribed by the Monetary Board.

15.12.3 Prohibition to Act as Insurer

A bank is prohibited from directly engaging in insurance business as the insurer

15.12.4 Permitted Services

In addition to the operations incidental to its banking functions, a bank may perform the following services:

- Receive in custody funds, documents and valuable objects;
- Act as financial agent and buy and sell, by order of and for the account of their customers, shares evidences of indebtedness and all types of securities;
- Make collections and payments for account of others and perform such services for their customers as are not incompatible with the banking business;
- Upon prior approval of the Monetary Board, act as the managing agent, adviser, consultant or administrator of investment management/advisory/consultancy accounts; and
- Rent out safety deposit boxes.

BSP Circular No. 1049, Series of 2019, implementing Republic Act No. 11127 or The National Payment Systems Act, allows banks to operate as an Operator of Payment Systems (“OPS”). It may register as an OPS by notifying the BSP of its activities as an OPS.

An OPS is a person that performs any of the following functions;

- Maintains the platform that enables payments or fund transfers, regardless of whether the source and destination accounts are maintained with the same or different institutions;
- Operates the system or network that enables payments or fund transfers to be made through the use of a payment instrument;
- Provides a system that processes payments on behalf of any person or the government; and
- Such other activities similar to the foregoing.

BSP Circular No. 1003, issued on 16 May 2018, outlined the Guidelines on the Establishment and Operations of Bank and Non-Bank Credit Card Issuers to implement Republic Act No. 10870, also known as the Philippine Credit Card Industry Regulations Law.

15.12.5 Anti-Money Laundering Act

The Framework for Basic Deposit Accounts, found in BSP Circular No. 992 dated 1 February 2018, was issued, with a view towards promoting account ownership among the unbanked by imposing no minimum maintaining balance and an opening amount of not more than ₱100.00. It also supports the National Retail Payments System (“NRPS”), which aims to promote resort to digital payments in the country.

The NRPS has implications on a bank’s compliance with the AMLA, as amended, which requires covered institutions such as banks including their subsidiaries and affiliates, to provide for customer identification, record

keeping and reporting of covered and suspicious transactions. This relationship between the NRPS and the AMLA was dealt with in Memorandum No. M-2018-021 issued 10 August 2018.

On 15 February 2013, Republic Act No. 10365, which took effect on 7 March 2013, expanded the Anti-Money Laundering Act covered institutions and crimes. The revised implementing rules and regulations were published on the 23rd and 24th of December 2016.

Covered transactions are single transactions in cash or other equivalent monetary instrument involving a total amount in excess of ₱500,000.00 within one banking day.

Suspicious transactions are transactions with covered institutions such as a bank, regardless of the amount involved, where any of the following circumstances exists:

- There is no underlying legal or trade obligation, purpose or economic justification;
- The customer or client is not properly identified;
- The amount involved is not commensurate with the business or financial capacity of the client;
- The transaction is structured to avoid being the subject of reporting requirements under the AMLA;
- There is a deviation from the client's profile or past transaction;
- The transaction is related to an unlawful activity or offence under the AMLA;
- Similar or analogous transactions to the above.

Failure by any responsible official or employee of a bank to maintain and safely store all records of all transactions of the bank, including closed accounts, for five years from date of transaction/closure of account shall be subject to a penalty of six months to one-year imprisonment and/or fine of ₱500,000.00

Malicious reporting of completely unwarranted or false information relative to money laundering transaction against any person is punishable by six months to four years imprisonment and a fine of not less than ₱100,000.00 and not more than ₱500,000.00.

In compliance with the law, banks, their officers and employees are prohibited from communicating directly or indirectly to any person or entity, the media, the fact that a covered or suspicious transaction has been reported or is about to be reported, the contents of the report, or any information relating to such report. Neither may such report be published or aired in any manner or form by the mass media, electronic mail, or other similar devices. A violation of this rule is deemed a criminal act.

Money laundering is committed by any person who, knowing that any monetary instrument or property represents, involves, or relates to the proceeds of any unlawful activity:

- a. transacts said monetary instrument or property;
- b. converts, transfers, disposes of, moves, acquires, possesses or uses said monetary instrument or property
- c. conceals or disguises the true nature, source, location, disposition, movement or ownership of or rights with respect to said monetary instrument or property;
- d. attempts or conspires to commit money laundering offenses referred to in paragraphs (a), (b) or (c);

- e. aids, abets, assists in or counsels the commission of the money laundering offenses referred to in paragraphs (a), (b) or (c) above; and
- f. performs or fails to perform any act as a result of which the person facilitates the offense of money laundering referred to in paragraphs (a), (b) or (c) above.

Money laundering is also committed by any covered person who, knowing that a covered or suspicious transaction is required under this Act to be reported to the Anti-Money Laundering Council (“**AMLC**”), fails to do so. Under AMLA, banks, as covered persons, are required to report to the AMLC all covered transactions and suspicious transactions within a period of five working days from occurrence thereof, unless the AMLC prescribes a different period not exceeding 15 working days. The Court of Appeals of the Philippines (“**Court of Appeals**”), upon verified ex-parte application by the AMLC and after determination that probable cause exists that any monetary instrument or property is in any way related to an unlawful activity as defined in the AMLA, has the authority to issue a freeze order which shall be effective immediately, and which shall not exceed six months depending upon the circumstances of the case.

BSP Circular No. 495 issued on 20 September 2005, as amended by BSP Circular No. 527 issued on 28 April 2006, required all universal and commercial banks to adopt an electronic money laundering transaction monitoring system by 14 October 2007. The said system should, at the minimum, be able to detect and raise to the bank’s attention, transactions and/or accounts that qualify either as “**covered transactions**” or “**suspicious transactions**” as defined under AMLA.

BSP Memorandum No. M-2012-017 issued on 4 April 2012, as affirmed by BSP Circular No. 950 issued on 15 March 2017 likewise requires all covered banking institutions to comply with the anti-money laundering risk rating system (“**ARRS**”), a supervisory system that aims to ensure that mechanisms to prevent money laundering and terrorist funding are in place and effectively implemented in banking institutions. Under the ARRS, each institution is rated based on the following factors: (a) efficient board of directors and senior management oversight; (b) sound anti-money laundering policies and procedures embodied in a money laundering and terrorist financing prevention program duly approved by the board of directors; (c) robust internal controls and audit; and (d) effective implementation. BSP Circular No. 950, further provides for specific requirements on having a risk-based approach to customer identification by covered institutions, an ongoing monitoring of customers, accounts, and transactions, and a policy of non-discrimination against certain types of customers.

In July 2017, Republic Act No. 10927 was signed into law, and it further expanded the coverage of AMLA to include casinos for a single casino cash transaction involving an amount in excess of ₱5.0 million or its equivalent in any other currency. Furthermore, the law provides that: (a) a freeze order issued by the Court of Appeals pursuant to an *ex parte* petition by the AMLC shall be effective immediately and such effective period shall not exceed six months and if no case is filed against a person whose account has been frozen within the period determined by the Court of Appeals (but not exceeding six months), the freeze order shall be deemed automatically lifted, provided, that a freeze order is without prejudice to an asset preservation order which the relevant trial court may issue upon the same assets; and (b) a freeze order or asset preservation order shall be limited only to the amount of cash or monetary instrument or value of property which the court finds probable cause to consider such property as proceeds of the predicate crime.

Institutions that are subject to AMLA are also required to establish and record the identities of their clients based on official documents. In addition, all records of transactions are required to be maintained and stored for a minimum of ten years from the date of a transaction. Records of closed accounts must also be kept for five years after their closure.

On 20 April 2018, the AMLC issued AMLC Letter No. AMLET-18-03, providing for Operational Guidelines in the Conduct of the 2018 Third Round Mutual Evaluation of the Philippines (“**Guidelines**”). The Guidelines aim to (a) create an inter-agency Mutual Evaluation Working Group and sub-working groups; (b) enumerate the

functions and obligations of the member-agencies with respect to the Mutual Evaluation process; (c) outline the Mutual Evaluation process and provide guidance as to the different components of the process; (d) provide timelines for the Mutual Evaluation process and Mutual Evaluation-related activities; (e) enumerate effects of a “**non-compliant**” or “**poor**” Mutual Evaluation; and (f) lay down the framework towards the adoption of a national anti-money laundering/counter-financing of terrorism (“**AML/CFT**”) Strategy. The Guidelines are addressed to all participating government agencies and other entities.

The Mutual Evaluation is a government-wide concern as what will be assessed is the compliance of the Philippines with the Financial Action Task Force Forty Recommendations and the effectiveness of its AML/CFT regime. The entire Mutual Evaluation process spans two (2) years and will require the support and active participation of various government agencies, including supervisory authorities, law enforcement agencies, and public and private stakeholders. The Philippines will be evaluated by a pool of experts from Financial Intelligence Units from other member-jurisdictions of the Asia-Pacific Group on Money Laundering (“**APG**”), pursuant to the APG’s membership rules.

On 26 November 2018, the BSP issued BSP Circular No. 1022 where the BSP recognized the Philippine Identification System (PhilSys) ID card as an official document for financial transactions. The BSP also included a person’s PhilSys number as part of the minimum information to be collected by financial institutions before carrying out a transaction and allowed the use of information and communication technology to “**capture and record**” personal data of customers.

On 9 March 2020, the BSP issued Circular No. 1078, approving the adoption of guidelines on correspondent banking relationships. Banks that engage in correspondent banking, which is the provision of banking services by one bank to another bank, whose relationship can either be foreign or domestic, are required to adopt policies and procedures to prevent correspondent banking activities from being used in money laundering or terrorism financing activities and must designate an officer responsible for ensuring compliance with these regulations and the bank’s policies and procedures. These required policies and procedures include risk assessment of the correspondent banking relationship and due diligence on the respondent bank. The BSP may deploy enforcement actions to promote adherence to these guidelines and bring about timely corrective action.

On 30 June 2022, the BSP issued Memorandum No. 2022-030, which provides a guide on the conduct of Institutional Risk Assessment (“**IRA**”) to implement a risk-based approach to money laundering, terrorist financing, proliferation financing, and sanctions risk prevention and mitigation. Once established, the IRA should guide covered institutions such as banks in developing and enhancing their policies, systems, controls, and procedures to counter money laundering and related risks.

15.12.6 Financial Institutions Strategic Transfer Act

Republic Act No. 11523 or the financial institutions strategic transfer (FIST Act) defines a financial institutions strategic corporation (FISTC) as a corporation organized under the laws of the Philippines that is authorized to invest in the NPAs (*i.e.*, non-performing loans and real and other properties acquired by financial institutions) of credit-granting institutions, such as banks, financing companies, investment houses, lending companies, insurance companies, accredited microfinance nongovernmental organizations, government financial institutions, government-owned or controlled corporations, other institutions licensed by the BSP to perform quasi-banking functions and credit-granting activities, and engage in other related activities. Pursuant to the FIST Act, NPAs of financial institutions may be transferred to a FISTC after notice to but without the consent of the borrower. Such transfers from financial institutions to FISTCs and those from a FISTC to a third party, dation in payment by a borrower, a third party in favor of a financial institution or in favor of a FISTC are exempt from the following taxes:

- (a) Documentary stamp tax on such transfer of NPAs and dation in payment under the Tax Code;
- (b) Capital gains tax imposed on the transfer of lands and/or other assets treated as capital assets as defined under Section 39(A)(1) of the Tax Code;

- (c) Creditable withholding income taxes imposed on the transfer of land and/or buildings treated as ordinary assets pursuant to Revenue Regulations No. 2-98, as amended;
- (d) Value-added tax on the transfer of NPAs, or gross receipts tax, whichever is applicable.

All sales or transfers of NPAs from a financial institution to a FISTC or transfers by way of dation in payment by the borrower or by a third party to a financial institution shall be entitled to the privileges enumerated herein for a period of not more than two years from the effectivity of the fist law.

Transfers from a FISTC to a third party of NPAs acquired by the FISTC within such two-year period, or within such extended period, or transfers by way of dation in payment by a borrower to a FISTC shall enjoy the privileges enumerated above for a period of not more than five years from the date of acquisition by the FISTC. Properties acquired by a FISTC from government financial institution or government operated and controlled corporations which are devoted to socialized or low-cost housing shall not be converted to other uses.

The provisions of these Rules shall be applicable to assets that have become non-performing on or before 31 December 2022.

The BSP issued Circular No. 1117 Series of 2021 implementing the FIST Act. It provides for the guidelines governing the sale/transfer and investment transactions of banks, and other institutions licensed by the BSP to perform quasi-banking functions and credit-granting activities pursuant to the FIST Act. The Circular sets out the provisions that the BSFIs must comply with in the sale/transfer transactions of non-performing assets for purposes of availing the tax exemptions and incentives/privileges under the FIST Act.

On 10 June 2022, BSP issued Circular No. 1147 Series of 2022 amending BSP Circular No. 1117 stating that a BSFI may acquire or hold investment unit instruments (“IUIs”) (i.e. participation certificates, debt instruments, or similar instruments issued by a FISTC and subscribed by permitted investors) in the minimum amount of ₱10 million. Compliance with the minimum investment requirement shall be determined for each acquisition/purchase by a BSFI of IUIs of a FISTC in the primary and secondary markets and shall be based on the IUI's acquisition cost. A BSFI may also subscribe to, acquire, or hold shares and other securities that are not considered as IUIs and are issued by a FISTC, subject to the provisions of the FIST Act, its IRR and other applicable Bangko Sentral regulations.

On 17 November 2021, the AMLC issued Regulatory Issuance No.8 providing for the guidelines on the preservation, management, and disposal of assets subject of a freeze order, asset preservation order, and judgment of forfeiture.

15.12.7 Data Privacy Act

Republic Act No. 10173, otherwise known as the Data Privacy Act of 2012 (“**Data Privacy Act**”), was signed into law on 15 August 2012, to govern the processing of all types of personal information (i.e., personal, sensitive, and privileged information) in the hands of the government or private natural or juridical person through the use of Information and Communications System (“**ICT**”), which refers to a system for generating, sending, receiving, storing or otherwise processing electronic data messages or electronic documents and includes the computer system or other similar device by or which data is recorded, transmitted or stored and any procedure related to the recording, transmission or storage of electronic data, electronic message, or electronic document. While the law provides that it does not apply to information necessary for banks and other financial institutions under the jurisdiction of BSP to comply with the AMLA and other applicable laws, the said law applies to all other personal information obtained by banks for other purposes.

It mandated the creation of a National Privacy Commission, which shall administer and implement the provisions of the Data Privacy Act and ensure compliance of the Philippines with international standards set for data protection. The Philippines recognizes the need to protect the fundamental human right of privacy and of communication, while ensuring free flow of information to promote innovation and growth. It also identifies the

vital role of information and communications technology in nation building and its inherent obligation to ensure that personal information in ICT in the government and in the private sector are secured and protected.

The Data Privacy Act seeks to protect the confidentiality of “**personal information**”, which is defined as “any information, whether recorded in material form or not, from which the identity of an individual is apparent or can be reasonably and directly ascertained by the entity holding the information, or when put together with other information would directly and certainly identify an individual.” The law provides for certain rights of a data subject or an individual whose personal information is being processed. The law imposes certain obligations on “**personal information controllers**” and “**personal information processors**”. It also provides for penal and monetary sanctions for violations of its provisions.

15.12.8 Electronic Banking Operations

The BSP has prescribed prudential guidelines in the conduct of electronic banking, which refers to systems that enable bank customers to avail themselves of a bank’s products and services through a personal computer (using direct modem dial-in, internet access, or both) or a telephone. Applicant banks must prove that they have in place a risk management process that is adequate to assess, control, and monitor any risks arising from the proposed electronic banking activities.

On 1 September 2006, the BSP released new guidelines on the protection of electronic banking customers. These guidelines set specific requirements in the following areas: (a) oversight by a bank’s board of directors, and other concerned officers over its electronic banking activities; (b) the development of a risk management policy and internal controls over its electronic banking activities; (c) the implementation of a consumer awareness program for the customers of banks; (d) development of policy on disclosures and transparencies, and the availability of electronic banking service; and (e) the development of complaint resolution procedure for unauthorized transactions in electronic banking.

Private domestic banks with a BSP-approved electronic banking facility may accept payment of fees and other charges of a similar nature for the account of the departments, bureaus, offices and agencies of the government as well as all government-owned and controlled corporations. The funds accepted shall be treated as deposit liabilities subject to existing regulations on government deposits and shall not exceed the minimum working balance of such government entities.

BSP Circular No. 808, dated 22 August 2013, required BSP-supervised institutions to migrate their entire payment network to the more secure Europay, MasterCard and Visa (“**EMV**”) chip-enabled cards. In 2014, BSP Circular No. 859 set out the EMV Implementation Guidelines, which shall govern the implementation for debit cards in any card-accepting devices/terminals. The deadline set for compliance with the migration to the EMV was initially set for 1 January 2017. However, pursuant to BSP Memorandum No. M-2017-019 issued on 9 June 2017, BSFIs are required to fully comply with the EMV requirement by 30 June 2018. Failure to do so is considered a serious offense and will subject these institutions to monetary sanctions provided under relevant provision of the BSP Manual.

On 22 February 2019, the BSP issued Circular No. 1033, which provides for amendments to the MORB on electronic banking services and other electronic operations. The amendments mainly take into account the developments in electronic payment and financial services.

On 2 December 2020, the BSP issued BSP Circular No. 1105 which provides the guidelines on establishment of digital banks. While digital banks have no physical branch or sub-branch or branch-lite unit, digital banks are required to maintain a principal or head office in the Philippines to serve as the main point of contact for stakeholders, including the BSP and other regulators. Pursuant to the accelerated digitalization in the financial industry, the BSP issued Memorandum No. M-2022-016 on 22 March 2022, which provides the controls and processes supporting the operation, connectivity, and endpoint security of Application Programming Interface (API) and the good practices for API management.

On 21 January 2022, the BSP issued BSP Circular No. 1135, providing for the Guidelines on the Settlement of Electronic Payments Under the National Retail Payment System (NRPS) Framework. This is in line with the BSP's goal to ensure the efficiency of payment systems in the country. In line with this, the Bangko Sentral requires BSP-Supervised Financial Institutions participating in an Automated Clearing House (ACH) for electronic payments to ensure that the ACH provides certainty of settlements of the multilateral clearing obligations of the clearing participants.

On 7 February 2023, the BSP issued Circular No. 1166 which amended the regulations on electronic money (**E-Money**) and operations of E-Money issuers (**EMIs**) in the Philippines. The Circular clarified that the E-Money issued under closed-loop electronic wallet systems is not covered by the regulations and provides additional guidelines which shall govern the issuance and operations of E-Money, including the regulations on minimum systems and controls required from EMIs, consumer protection regulations, minimum disclosure requirements, liquidity requirements and capital requirements, among others.

15.12.9 The Financial Products and Services Consumer Protection Act

Republic Act No. 11765 or the Financial Products and Services Consumer Protection Act (FCPA) was signed into law on 6 May 2022. The Act expands the powers of financial regulators such as the BSP and imposes duties on financial service providers such as banks. Violation of the Act will result in the imposition of enforcement actions from the BSP, penalties and/or administrative sanctions. On 28 November 2022, the Monetary Board issued Circular No. 1160, Series of 2022, which provides for the implementing guidelines of FCPA. According to the Circular, banks must meet the following standards in dealing with financial consumers:

- (a) Disclosure and Transparency;
- (b) Protection of Client Information;
- (c) Fair Treatment;
- (d) Effective Recourse; and
- (e) Protection of Consumer Assets against Fraud and Misuse

Pursuant to the FCPA, the BSP may, in addition to the enforcement actions under the MORB, restriction the ability of banks to collect excessive or unreasonable interests, fees or charges, including other interests, fees and charges that are covered under Republic Act No. 10870, otherwise known as the "**Philippine Credit Card Industry Regulation Law**", and order requiring accounting and disgorgement of profits obtained, or losses avoided, as a result of a violation of the FCPA, its IRR and other existing laws, rules, and regulations under its jurisdiction, including reasonable interest.

15.12.10 Guidelines for Virtual Asset Service Providers (VASP) in the Philippines

On 26 January 2021, the BSP issued Circular No. 1108, relating to the Guidelines for Virtual Asset Service Providers (VASP) in the Philippines, which amends in its entirety Section 902-N of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI). In particular, Section 902-N on Virtual Currency Exchanges shall be replaced by VASP, as the BSP recognizes that once fiat currency is exchange or converted into a virtual asset, the same becomes easily transferrable, facilitating expedient movement or transfer of funds and payment services, among others. As such, VASPs were considered as money service businesses which were subject to the regulatory authority and examination powers of the BSP. Under said guidelines, the covered entities are required to secure a Certificate of Authority to operate as a Money Service Business and are required to observe the capitalization requirements of either ₱50.0 Million or ₱10.0 Million, for VASPs with or without safekeeping and/or administration services as define in said Circular, respectively.

On 20 August 2025, the BSP approved the continued enforcement of the moratorium on the issuance of new licenses for VASP.

15.13 RELATED PARTY TRANSACTIONS

BSP Circular No. 895 issued on 14 December 2015 provides for the guidelines on related party transactions of banks and their non-bank financial subsidiaries and affiliates. The guidelines highlight that while transactions between and among the entities within the same group create financial, commercial, and economic benefits, higher standards should be applied to protect the interests of all stakeholders. It is emphasized that related party transactions are generally allowed for as long as these are done on an arm's length basis referring to the process involved in handling the transaction as well as the economic terms of the transaction.

Under the guidelines, the board, as an oversight body, shall have 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. The board is expected to approve an overarching policy on the handling of related party transactions that should cover the scope of its related party transactions policy, guidelines in ensuring arm's length terms, management of conflicts of interest, materiality thresholds and limits, whistle blowing mechanisms, and restitution of losses and other remedies for irregular related party transactions. Further, banks that are part of conglomerates are required to create a related party transactions committee responsible for the continuing identification and review of existing relations between and among businesses and counterparties, and for ensuring that related party transactions are processed in the regular course of business and are priced fairly. The guidelines now explicitly require that the annual reports adequately disclose relevant information on the governance of related party transactions and specific details of exposures to related parties.

BSP Circular No. 969, dated 22 August 2017, further codified the BSP's thrust to strengthen oversight over related party transactions by enhancing corporate governance guidelines which includes improvement of the duties and responsibilities of the related party transactions committee of BSP supervised financial institutions.

On 25 April 2019, the Philippine SEC issued Memorandum Circular No. 10, series of 2019 (Rules on Material Related Party Transactions for Publicly Listed Companies), mandating additional disclosure/ reportorial requirements for material related party transactions (**MRPTs**) amounting to 10% or higher of a publicly listed company's total assets. The circular requires all publicly listed companies to submit to the Philippine SEC a policy on MRPTs. Advisement Reports on MRPTs shall also be filed with the Philippine SEC in accordance with the circular within three calendar days after the execution of a covered transaction. Finally, a summary of MRPTs entered into by the company during the reporting year shall be disclosed in the company's Integrated Annual Corporate Governance Report (I-ACGR) submitted annually every May 30.

15.14 TAXATION FOR BANKS

Banks are subject to regular corporate income tax, based on their taxable income at a tax rate of 25%.

Taxable net income refers to items of income specified under Section 32 (A) of the Tax Code less the items of allowable deductions under Section 34 of the Tax Code or those allowed under special laws.

A minimum corporate income tax ("**MCIT**") rate equivalent to 2% of the gross income of a bank is payable beginning on the fourth year of operations of the bank only if the MCIT is greater than the regular corporate income tax. Any excess MCIT paid over the regular corporate income tax can be carried forward as a tax credit for the three immediately succeeding years. For purposes of MCIT, the bank's gross income means: (a) gross receipts less sales returns, allowances, discounts and cost of services, including interest expense; and (b) income derived from other businesses except income exempt from income tax and income subject to final tax.

Net operating loss carry-over ("**NOLCO**") can be claimed as deduction against taxable income within three years after NOLCO is incurred.

Since banks are in the regular business of lending, interest income derived by banks which is generally considered passive income by non-banks, is considered ordinary income of banks subject to 25% corporate income tax. Banks may also claim interest expense as tax deduction if such expense complies with the requirements laid down in the

Tax Code and Revenue Regulations No. 13-00. The amount of interest expense which banks may claim as tax deduction shall be reduced by an amount equal to 20% of the banks' interest income that is subject to final tax.

The Tax Code does not allow banks to deduct interest expense or bad debts arising from transactions with the following:

- An individual who directly or indirectly owns more than 50% in value of the outstanding capital stock of the bank;
- A corporation, more than 50% in value of the outstanding capital stock of which is owned directly or indirectly, by or for the same individual in sub-paragraph (a), either as a personal holding company or a foreign personal holding company.

Pursuant to Revenue Regulations No. 05-99 (as amended by Revenue Regulations No. 25-02), in order for banks to claim bad debts as tax deductions, they must secure a certification from the BSP that the accounts are worthless and can be written off, subject to the final determination by the BIR that bad debts being claimed by the banks are worthless and uncollectible. However, on 29 October 2014, the BSP issued Circular No. 855 which provides that notice of write-off of problem credits shall be submitted in the prescribed form to the BSP through the appropriate Central Point of Contact within thirty (30) business days after every write-off with a sworn statement signed by the President of the financial institution or officer of equivalent rank that write-off did not include transactions with DOSRI and was undertaken in accordance with board-approved internal credit policy. Based on the said circular, a notice to the BSP would suffice, and that BSP approval with respect to a write-off of a bad debt not related to a DOSRI transaction, is no longer required.

The banks' passive income such as interest income earned from bank deposits is subject to final withholding tax. The Tax Code provides for a final tax at fixed rates for the amount of interest, yield or benefit derived from deposit substitutes which shall be withheld and remitted by the payor of the said interest, yield or benefit. This rule does not apply to gains derived from trading, retirement or redemption of the debt instrument which is subject to regular income tax rates.

To be considered as a deposit substitute, the debt instrument must have been issued or endorsed to twenty (20) or more individuals at any one time at the time of the original issuance in the primary market or at the issuance of each tranche in the case of instruments sold or issued in tranches.

Interbank call loans with a maturity period of not more than seven days and used to cover deficiency in reserves against deposit liabilities including those between or among banks and quasi-banks, are not subject to documentary stamp tax ("DST").

Income derived by a depository bank under the expanded foreign currency deposit system from foreign currency transactions with non-residents, offshore banking units ("OBUs"), FCDUs of local banks and branches of foreign banks are tax-exempt, while interest income from foreign currency loans granted to residents other than OBUs or other depository banks under the expanded system is subject to 10.0% final tax. All other income of FCDUs is taxable at the regular corporate income tax of 25%.

Banks are subject to percentage tax or Gross Receipt Tax ("GRT"), which is a tax levied on the gross receipts of banks and non-bank financial intermediaries. On 13 June 2016, the BIR issued Revenue Memorandum Circular No. 62-2016 ("RMC 62-2016") seeking to clarify the tax treatment of GRT, which is passed on by banks through contractual stipulations to their clients. RMC 62-2016 provides that banks, non-bank financial intermediaries performing quasi-banking functions, financing companies, and other financial intermediaries not performing quasi-banking functions doing business in the Philippines are directly liable for GRT on gross receipts derived by them from business operations. However, if under a contract the GRT is passed on to the client, such passed-on GRT paid by the client to the bank or other financial intermediary shall be treated as receipt of gross income, and shall itself be subject to a GRT of 7.0% under Section 121 of the Tax Code.

Real and Other Properties Acquired (“**ROPA**”) of banks are considered as ordinary assets. The income derived from their sale is subject to the regular corporate income tax. Moreover, real properties are subject to a 6% creditable withholding tax based on the highest among the zonal value, market value in the tax declaration or selling price, which shall be withheld by the buyer and can be used as a credit against the bank’s taxable income in the year that the gain is realised.

Republic Act No. 12001, otherwise known as the Real Property Valuation and Assessment Reform Act (“**RPVARA**”) took effect on 5 July 2024. The RPVARA aims to standardize real property valuation based on market value, enhance local government revenue generation, and improve transparency through an electronic database of property transactions. Key provisions include the creation of the Real Property Valuation Service under the Bureau of Local Government Finance, establishment of a unified valuation system, mandatory updates to Schedule of Market Values every three years, and a 6% cap on real property tax increases in the first year.

On 19 December 2017, the President of the Philippines signed into law the Package 1 of the Comprehensive Tax Reform Program (“**CTRP**”) or the Tax Reform for Acceleration and Inclusion or Republic Act No. 10963 (“**TRAIN Law**”) which took effect on 1 January 2018. The TRAIN Law amends certain provisions of the Tax Code. The relevant changes of the TRAIN Law are incorporated in the section titled “**Philippine Taxation**” beginning page 165 of this Offering Circular.

On 26 March 2021, the President signed into law the CREATE Law, lowering the corporate income tax and rationalizing fiscal incentives granted to investors. Under the CREATE Law, the corporate income tax rate for domestic corporations with net taxable income not exceeding ₱5 million pesos and with total assets not exceeding ₱100 million pesos, excluding land on which the particular business entity’s office, plant, and equipment are situated during the taxable year for which the tax is imposed, shall be taxed at 20%; the income tax rate for other domestic and resident foreign corporations was reduced to 25%; the income tax rate of nonresident foreign corporations was reduced to 25%; the MCIT rate was reduced to 1% from 2% until 30 June 2023; and the provisions for improperly accumulated earnings tax was repealed. For incentives, the total period of incentive alignment has been increased to 17 years, while other incentives will depend on the industries defined by the DEPDev and ability to generate jobs.

On 08 November 2024, the President signed into law the CREATE MORE Act, which provides further amendments regarding corporate income tax rates by giving registered business enterprises the option to choose between the special corporate income tax rate of 5% or the enhanced deduction regime at the beginning of their commercial operations. The enhanced deduction regime allows registered business enterprises to avail themselves of the 20% corporate income tax rate from registered projects or activities during each taxable year. Other amendments in the law include the increase in percentage of deductible expense items under the enhanced deduction regime, and the addition of new deductible expense items.

On 29 May 2025, the President of the Philippines signed into law Republic Act No. 12214, or the Capital Markets Efficiency Promotion Act (**CMEPA**). The CMEPA provides for the following salient terms:

- (i) Stock transaction tax on the sale of listed shares was reduced from 0.6% to 0.1% of the gross selling price or the gross value in money of the shares of stock sold, exchanged, or otherwise disposed;
- (ii) Capital gains tax on unlisted foreign shares is subject to a tax rate of 15%;
- (iii) A final withholding tax of 20% is imposed on all interest income, regardless of the instrument’s nature or tenure, except interest income of non-resident aliens not engaged in trade or business and non-resident foreign corporations, whose interest income is still subject to a 25% final withholding tax;
- (iv) Documentary stamp tax on original issuance of shares was reduced to 0.75%; and
- (v) No documentary stamp tax shall be imposed original issuance, redemption, or other disposition of shares in mutual funds and unit investment trust funds (UITFs), further promoting investment in collective investment schemes.

15.15 REVISED CORPORATION CODE

Republic Act No. 11232 or the Revised Corporation Code (“**Code**”) was signed into law on 20 February 2019 and became effective on 23 February 2019. Among the salient features of the Code are:

- Corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the Securities and Exchange Commission (“**Commission**”) that it elects to retain its specific corporate term under its current Articles of Incorporation.
- A corporation vested with public interest must submit to its shareholders and to the Commission an annual report of the total compensation of each of its directors or trustees, and a director or trustee appraisal or performance report and the standards or criteria used to assess each director or trustee.
- Banks, quasi-banks, pawnshops, non-stock savings and loan associations (“**NSSLA**”), and corporations engaged in money service business, preneed trust and insurance companies, and other financial intermediaries, must have at least 20% independent directors in the Board, in accordance with the Securities and Regulation Code. This requirement also applies to other corporations engaged in businesses imbued with public interest, as may be determined by the Commission.
- The Code allows the creation of a “**One Person Corporation**”. However, it expressly prohibits banks and quasi-banks, preneed, trust, insurance, public and publicly-listed companies, among others, from being incorporated as a One Person Corporation.
- Material contracts between a corporation and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least two-thirds (2/3) of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same.
- The right of stockholders to vote in the election of directors or trustees, or in shareholders meetings, may now be done through remote communication or in absentia if authorized by the corporate by-laws. However, as to corporations vested with public interest, these votes are deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or in absentia are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or in absentia, the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option.
- As to amendments made to the by-laws of any bank, banking institution, building and loan association, trust company, insurance company, public utility, and other corporations governed by special laws, the Code requires that a prior certificate of the appropriate government agency to the effect that such by-laws or amendments are in accordance with law, must be submitted.
- A favorable recommendation by the appropriate government agency is likewise required for banks or banking institutions, building and loan associations, trust companies, insurance companies, public utilities, and other corporations governed by special laws, before the Commission approves any merger or consolidation, or any voluntary dissolution.
- In case of transfer of shares of listed corporations, the Commission may require these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the Commission.

The Code refers to the Philippine Competition Act in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring, creating or increasing bonded indebtedness; or mergers or consolidations covered by the Philippine Competition Act thresholds.

15.16 OTHER REGULATIONS

Set out below are other regulations applicable to banks operating in the Philippines:

Implementation of Basel III Framework on Liquidity Standards. On 10 March 2016, the BSP issued BSP Circular No. 905, which provided guidelines for the implementation of Basel III framework on Liquidity Standards as it relates to LCR and Disclosure Standards. The Monetary Board approved the LCR framework with an observation period from 1 July 2016 until the end of 2017, during which banks are required to commence reporting their LCR to the BSP. Beginning on 1 January 2018, the LCR threshold that banks will be required to meet will be 90.0%, which will be increased to 100.0% commencing on 1 January 2019. On 3 November 2017, the BSP issued BSP Circular No. 981, which amended the guidelines on liquidity risk management. The banks have until 1 September 2018 to develop or make appropriate changes to their policies and procedures, provided that banks complete a gap analysis of the requirements in BSP Circular No. 981 vis-à-vis their existing risk management systems by 31 March 2018, the result of such gap analysis shall be documented and made available for review of the BSP. On 8 February 2018, the BSP issued BSP Circular No. 996, which amended the LCR framework and extended its coverage to subsidiaries of universal and commercial banks and quasi-banks on both solo (head office and branches/other offices) and consolidated (parent bank and subsidiary financial allied undertakings) bases. On 15 March 2019, the BSP issued Circular No. 1035, which extended the observation period of the minimum Basel III LCR requirement to 31 December 2019 for subsidiary banks and quasi-banks of universal and commercial banks and adopted a 70% LCR floor for subsidiary banks and quasi-banks during the observation period.

Implementation of Basel III Framework for Dealing with Domestic Systemically Important Banks (DSIBs). On 29 October 2014, the BSP issued BSP Circular No. 856, which provided the guidelines for implementing the Framework for dealing with D-SIBs under Basel III. Banks deemed as D-SIBs by the BSP will be imposed with capital surcharge to enhance their loss absorbency and thus mitigate any adverse side effects both to the banking system and to the economy should any of the D-SIBs fail. Under BSP Circular No. 1051, issued on 27 September 2019, to determine the banks' systemic importance, the BSP will assess and assign weights using the indicator-based measurement approach based on the following: size, interconnectedness, substitutability, and complexity. Depending on how they score against these indicators and the buckets to which the scores correspond, the D-SIBs will have varying levels of additional loss absorbency requirements ranging from 1% to 2.5%. Aside from the added capital pressure, D-SIBs may be put at an undue disadvantage compared to Global Systemically Important Banks ("G-SIBs") given that this framework was patterned for regional/global banks and which may not thus be appropriate for local banks. The phased-in compliance started on 1 January 2017 and will become fully effective on 1 January 2019. On 12 February 2016, the Monetary Board approved the guidelines on the submission of a recovery plan by D-SIBs which shall form part of the D-SIBs' ICAAP submitted to the BSP every March 31st of each year. The recovery plan identifies the course of action that a D-SIB should undertake to restore its viability in cases of significant deterioration of its financial condition in different scenarios. At the latest, the recovery plan shall be activated when the D-SIB breaches the total required CET1 capital, the HLA capital requirement and/or the minimum liquidity ratios as may be prescribed by the BSP. As a pre-emptive measure, the recovery plan should use early warning indicators with specific levels (i.e., quantitative indicators supplemented by qualitative indicators) that will activate the recovery plan even before the above-said breaches happen. This preparatory mechanism, including the operational procedures, monitoring, escalation and approval process should be clearly defined in the recovery plan. The ICAAP document, which includes the first recovery plan, was submitted on 30 June 2016 and will be re-submitted on the 31st of March of each year. On 17 June 2022, the BSP issued BSP Circular No. 1148 on the Amendment to the Framework for D-SIBs which provides that the list of D-SIBs shall now be assessed/determined annually based on latest available data submitted by each bank and shall be subject to approval of the Monetary Board, with the results to be released annually. Banks identified as D-SIBs shall be informed individually, including the bucket they belong to and the individual score for each indicator.

Regulations Governing the Derivatives Activities of Banks. In line with the policy of the BSP to support the development of the Philippine financial market by providing banks and their clients with expanded opportunities for financial risk management and investment diversification through the prudent use of derivatives, BSP Circular No. 594 was issued by the BSP in January 2008 amending the existing regulations governing the derivatives activities of banks and trust entities. Furthermore, BSP Circular No. 688 issued by the BSP in May 2010 prescribes guidelines on the determination of the risk-weighted assets for banks that will engage in derivatives activities as end-users for hedging purposes and/or under limited-use authority. The BSP also issued BSP Circular No. 891 on 9 November 2015 amending the sales and marketing guidelines for derivatives under the Manual. Banks must ensure that the financial products (e.g., debt and equity securities, hybrid securities, derivatives, securitization structures and similar products with substantial investment characteristics) it recommends to a client are appropriate for that client through a client suitability process which involves obtaining client information, classifying a client according to financial sophistication and risk tolerance, and conducting a suitability review. Any informational or promotional presentation must be undertaken only by personnel who are knowledgeable on the products involved and are qualified based on qualification standards established by the bank. Any disclosures regarding its products and services must meet the bank's standards to ensure that its clients understand the nature of the financial transaction. The BSP may bring about timely corrective actions and impose sanctions on the bank and responsible persons, which may include warning, reprimand, suspension, removal, and disqualification of concerned directors, officers, and employees. In February 2017, BSP issued Memorandum No. M-2017-004 advising all banks and quasi-banks that cross-border derivative transactions involving non-centrally cleared derivatives shall be subject to margin requirements pursuant to the policy framework adopted by the BCBS and the International Organization of Securities Commissions. The framework requires all covered entities that engage in non-centrally cleared derivatives to exchange initial and variation margins. Assets collected as collateral for margin purposes should be highly liquid and should, after the application of an appropriate haircut, be able to hold their value in time of stress. Variation margin requirements were phased in from 1 September 2016 to 1 March 2017 while initial margin requirements are being phased in from 1 September 2016 to 1 September 2020. As an initial step, banks and quasi-banks should make a determination of the transactions that will be subject to margin requirements implemented in other jurisdictions and assess whether they will be able to comply with the margin requirements implemented in other jurisdictions and assess whether they will be able to comply with the pertinent legal and operational arrangements. The Bank expects increased competition in the swaps and other derivative transactions allowed under the regulations. The Bank has already obtained its limited dealer authority for Foreign Exchange Forwards (including non-deliverables), Foreign Exchange Swaps, Interest Rate Swaps, Cross Currency Swaps, Forward Rate Agreements, as well as for European Foreign Exchange, Interest Rate, Bond and Swap Options.

Guidelines on Voluntary Surrender of a Banking License. BSP Circular No. 1050 dated 18 September 2019 amended the rules on voluntary liquidation in the Manual by formulating guidelines in the event that a bank decides to surrender its banking license either with a view to proceed to voluntary dissolution and liquidation or with the intention to convert into a non-bank entity. The circular lays down the criteria that the BSP must consider in deciding whether to approve the surrender of a bank's banking license. The circular also outlines the application procedure for the cessation of a bank's operations and the documents that the bank must submit to the BSP in support of its application. Once the bank has received notice of the BSP's approval of its voluntary surrender of its banking license, the bank shall immediately cease its operations.

Amendments to unit investment trust fund (UITF) Regulations. In September 2004, the BSP issued BSP Circular No. 447 (as amended by BSP Circular No. 675 (2009), BSP Circular No. 676 (2009), Memorandum No. M-2010-033 (2010), BSP Circular No. 767 (2012), BSP Circular No. 852 (2014), BSP Circular No. 876 (2015) and BSP Circular No. 907 (2016)), which provided guidelines for the launching and offering of new products to be known as UITFs, and was intended to completely phase out common trust funds or convert them into UITFs within two years from the date of the circular. UITFs are open-ended pooled trust funds denominated in any acceptable currency that are to be operated and administered by trust entities. Eligible assets of UITFs include bank deposits, securities issued by or guaranteed by the Government or the BSP, tradable securities issued by the government of a foreign country, exchange listed securities, marketable instruments that are traded in an organized exchange, loans traded in an organized market, loans arising from repo agreements which are transacted through an exchange

recognized by the Philippine SEC and such other tradable investments outlets/categories as the BSP may allow. These assets are subject to mark-to-market valuation on a daily basis. The stated objective of the BSP is to align the operation of pooled funds with international best practices and enhance the credibility of pooled funds to investors. In January 2008, the BSP issued BSP Circular No. 593 to improve risk disclosure on investing in UITFs, by requiring banks to conduct a client suitability assessment to profile the risk-return orientation and suitability of the client to the specific type of UITF that he wants to participate in, and to update the client's profile at least every three years. The Bank has joined with the BSP in this endeavour to guide clients in choosing investment outlets that are best suited to their objectives, risk tolerance, preferences and experience. In December 2009, the BSP issued BSP Circular No. 676 allowing cross-currency investment for Peso trust, other fiduciary and investment management accounts, including Peso UITFs. In September 2012, the BSP issued BSP Circular No. 767 to include investments by UITFs in units/ shares in collective investment schemes as an allowable investment and recognizing UITF structures such as feeder funds and fund-of-funds. On 21 October 2014, the BSP issued Circular 852, amending the UITF Regulations. Through this circular, the BSP strengthened the disclosure requirements for UITFs by prescribing the use of the Key Information and Investment Disclosure Statement and online posting of UITF information via a website. On 10 March 2016, the BSP issued BSP Circular No. 907 to amend certain exposure limits, and allowable investment and valuation on UITFs invested in feeder fund and fund-of-funds. UITF investments shall only be limited to bank deposits and collective investment schemes (e.g., target fund, exchange-traded funds), subject to such target fund not being structured or similarly structured as a feeder fund or a fund-of-funds. On 14 March 2018, BSP issued BSP Circular No. 999 which further amended the allowable investment and valuation of UITFs invested in feeder fund or fund-of-funds. Under the circular, offshore/global funds which use financial derivatives for efficient portfolio management (EPM) may be allowed as target fund, provided that financial derivatives are not extensively or primarily used as an investment strategy of the target fund and that the risk level of the target fund remain consistent with the objective and risk profile of the investor fund. Alternatively, the target fund shall comply with the relevant regulatory requirements of its home jurisdiction as regards the use of financial derivatives for EPM. On 5 September 2022, the BSP issued BSP Circular No. 1152, further amending the UITF Regulations. Under said circular, the BSP provided the requirements and procedure for the creation of a UITF which may require either prior approval from, or notification with, the BSP, as well as the procedure for any subsequent amendment of key features of a fund. Further, the BSP also amended, among others, the operating and accounting methodology of a UITF, the manner by which the fund is operated, depending on the fund classification, and the minimum disclosure requirements to be contained in the KIIDS, the Participating Trust Agreement, and other marketing materials pertaining to a UITF.

Limit on Real Estate Loans of Universal Banks. In February 2008, the BSP issued BSP Circular No. 600 removing interbank loans from the total loan base to be used in computing the aggregate limit on real estate loans and amending the inclusions and exclusions to be observed in the computation. On 10 October 2017, the BSP issued BSP Circular No. 976, which approved amendments to the expanded report on the real estate exposure of banks and required the submission of a report on project finance exposures to enable the BSP to gather more granular information regarding these exposures. It also clarified the definition of loans to finance infrastructure projects for public use that are currently exempt from the 20.0% limit on real estate loans. On 20 August 2020, the BSP issued Circular No. 1093, expanding the real estate loan limit for UKBs from 20% to 25%.

Exemption of Paired ROP Warrants from Capital Charge for Market Risk. In connection with the Government's Paired Warrants Program, the BSP issued BSP Circular No. 605 in March 2008 exempting warrants paired with ROP Global Bonds from capital charge for market risk to the extent of a bank's holdings of bonds paired with warrants equivalent to not more than 50.0% of total qualifying capital. The Bank holds such investments which give it additional flexibility for capital deployment.

Guidelines on Securities Borrowing and Lending Transactions. Guidelines by the PSE on SBL govern SBL transactions between local/foreign borrowers and local/foreign lenders. BSP Circular No. 611, series of 2008, provides guidelines on SBL transactions in the PSE involving borrowings by foreign entities of PSE-listed shares from local investors/lenders. In May 2008, the BSP Monetary Board authorized the issuance of BSP Registration Documents to cover the PSE-listed shares of stock borrowed by foreign entities from local investors and lenders. This will allow foreign borrowers to purchase foreign exchange from the banking system for remittance abroad

using the Peso sales proceeds of the borrowed shares including the related income from the SBL transaction, such as rebates or shares in the income earned on the reinvestment of the cash collateral, interest and dividends earned on the Peso denominated government securities and PSE-listed shares used as collateral.

Reclassification of Financial Assets between Categories. The BSP issued BSP Circular No. 628 dated 31 October 2008, amending BSP Circular No. 626 dated 23 October 2008 and the Resolution of the Monetary Board No. 1423 dated 30 October 2008, which approved the guidelines governing the reclassification of financial assets between categories. Financial Institutions shall be allowed to reclassify all or a portion of their financial assets from “**held for trading**” or “**available for sale**” categories to the “**available for sale**” or “**held to maturity**” or “**unquoted debt securities classified as loans**” categories effective 1 July 2008. Any reclassification made in periods beginning on or after 15 November 2008 shall take effect from the date when the reclassification is made. On 10 January 2011, the BSP issued BSP Circular No. 708 which provide the guidelines governing the implementation of PFRS 9 (Financial Instruments). Under this circular, a financial institution shall only be allowed to reclassify financial assets when, and only when, a financial institution changes its business model for managing financial assets, which is expected to be very infrequent and must be determined as a result of external and internal changes that are significant to the financial institution’s operations and demonstrable to external parties. Further, such change in business model must be approved by the board and is documented. Reclassifications other than due to change in business model are not permitted.

The BSP issued BSP Memorandum No. M-2020-022 dated 8 April 2020 which approved the guidelines governing the reclassification of debt securities that are measured at fair value to the amortized cost category as part of the relief measures extended by the BSP in light of the COVID-19 pandemic. A BSFI is allowed to reclassify its investments in debt securities that are booked under a fair value category to the amortized cost category, except for debt securities that are part of assets under management of a trust entity. The reclassification of debt securities shall be done all at the same time, and only from 1 March 2020 to 30 September 2020. BSFIs may retrospectively reclassify debt securities measured at fair value until 30 April 2020, and may value date the reclassification as of any day from 1 March 2020 to 30 April 2020. Reclassifications made after 30 April 2020 shall take effect only from the date such reclassification is made. BSFIs shall not restate any recognized gains, losses (including impairment gains or losses) or interest prior to the effective date of reclassification. Adoption of the foregoing alternative accounting treatment in the audited financial statements of a BSFI will warrant a qualified opinion from the external auditor, if deemed to have a material effect on the financial statements.

Rules and Regulations on the Mandatory Allocation for Agriculture and Agrarian Reform Credit. In July 2011, the BSP issued BSP Circular No. 736 as a component of the Implementing Rules and Regulations of the Republic Act No. 10000 or the Agri-Agra Reform Credit Act. Aside from retaining the mandatory credit allocation, it also rationalizes the modes of compliance. In addition to direct compliance through loans to qualified borrowers, a list of alternative compliance mechanisms is also provided. On 18 July 2018, the BSP issued BSP Circular No. 1009, series of 2018 further amending the Rules and Regulations on the Mandatory Credit Allocation for Agriculture and Agrarian Reform Credit. However, on 28 July 2022, Republic Act No 11901 or the Agricultural, Fisheries, and Rural Development Financing Enhancement Act of 2022 (“**Agri-Agra Law**”) lapsed into law. The Agri-Agra Law formally repealed Republic Act No. 10000. According to the Agri-Agra Law, financing institutions must offer loans and investments “to finance activities that shall enhance productivity and increase income of an agricultural and fisheries household, thereby promoting agricultural sector productivity and competitiveness, as well as sustainable development of rural communities.” The law mandates banking institutions to design and offer financial products and services that suit their agricultural clients’ specific requirements. Specifically, all banking institutions, regardless of whether they are government-owned or private, with the exception of newly established banks, shall allocate a credit quota or a minimum mandatory agricultural and fisheries financing requirement (at least 25% of their total loanable funds).

Valuations of Government Securities Held by Banks. In October 2013, the BSP amended the rules on valuations of government securities held by banks to reflect actual market rates, with the guideline applying to both benchmark and non-benchmark securities. Under BSP Circular No. 813, the weighted average of done or executed

deals shall be used as the basis for valuation. In the absence of weighted average done deals for benchmark bonds, the simple average bids shall be used. In the absence of both weighted done deals and simple average bids for non-benchmark securities, interpolated yields derived from reference rates in accordance with BSP approved guidelines shall be used.

Segregation of Customer Funds and Securities Received by Banks. On 14 August 2015, the BSP issued BSP Circular No. 885 requiring the segregation of customer funds and securities received by banks in the performance of their securities brokering functions. Banks are required to institute adequate risk management systems and controls to ensure protection of customer funds and securities, proper segregation of functions, and prevention of conflict of interest situations that may arise in the conduct of securities brokering activities within the bank. Banks must also make and keep current books and records relating to customer funds and securities and submit monthly reportorial requirements.

Creation of Personal Management Trust. On 18 August 2016, the BSP issued BSP Circular No. 920 allowing for the creation of the personal management trust (“PMT”), which is a living trust arrangement that seeks to meet the estate planning and asset management needs of individuals. The trustor may or may not nominate a third-party beneficiary. It is supposed to serve as a more flexible tool in the management of an individual’s financial affairs. Upon the effectivity of the circular, all living trust accounts (“LTAs”) were discontinued and all those that remained valid were automatically considered as PMT.

Clearing of Checks via Electronic Presentment. On 7 September 2016, the BSP issued BSP Circular No. 924, amending the MORB in view of the clearing of checks via electronic presentment, which shall be implemented by the PCHC. On 20 January 2017, the BSP began the electronic clearing of checks. Under this new system, only digital images of the checks and their electronic payment information shall be required to be transmitted to the paying bank. The clearing time was reduced to just one banking day, as against three banking days previously, since no physical delivery of checks will be needed.

Effective Reporting System Generation and Timely Submission of Reports. On 26 June 2017, the BSP amended the MORB through BSP Circular No. 963, series of 2017, which issuance instituted governance processes in accordance with the BSP’s expectation that banks establish an effective reporting system generation and timely submission of reports. Said reports must be comply with those standards prescribed by the BSP, and those banks that fail to do so (i.e., files an erroneous report, delayed report, or did not submit at all) are meted with certain sanctions that can be aggravated by habitual violations. It further provided that banks had until 31 December 2017 to make the necessary preparations to their systems and processes in order to comply with the new provision. Its full implementation started on 1 January 2018.

Adoption of National Retail Payment System (NRPS) Framework. On 6 November 2017, in line with BSP’s adoption of the NRPS framework consistent with its regulations on risk management, the BSP issued Circular No. 980, which requires BSFIs to ensure that the retail payment systems they participate in demonstrate sound risk management and effective and efficient interoperability. The NRPS framework covers all retail payment-related activities, mechanisms, institutions and users. Under this framework, sound governance shall be performed by a payment system management body (“PSMB”), which is duly recognized and overseen by BSP. In the absence of a PSMB, the functions of providing sound governance to the retail payment system participated in by BSFIs shall be discharged by BSP.

Guidelines on Liquidity Risk Management. On 3 November 2017, the BSP issued Circular No. 981, amending the guidelines on liquidity risk management and the related amendments to the MORB. Among the highlights of the said changes were the additional guidelines relative to Foreign Currency Management, Intraday Liquidity Management, Intragroup Liquidity Management, Collateral Management, Liquidity Stress Testing, Contingency Funding Plans, Factors to Consider in Developing a Funding Strategy, and Factors to Consider in Developing Cash Flow Projections. Banks shall have until 1 September 2018 to develop or make appropriate changes to their policies and procedures, provided that they complete a gap analysis of the requirements of the said BSP Circular vis-a-vis their existing risk management systems by 31 March 2018. On 1 January 2018, the LCR threshold that

banks are required to meet is 90%, which will be increased to 100% commencing on 1 January 2019. On 6 June 2018, the BSP issued BSP Circular No. 1007 providing the guidelines on the adoption of the Basel III Liquidity Framework on Liquidity Standards – Net Stable Funding Ratio. The guidelines require that covered entities maintain an NSFR of at least 100% at all times. The framework applies to all universal and commercial banks, their subsidiary banks, and quasi-banks.

Enhanced Guidelines in Information Security Management. On 9 November 2017, BSP issued Circular No. 982, providing enhanced guidelines on information security risk management of BSFIs in view of the rapidly evolving technology and cyber-threat landscape in which they operate. The amendments highlight the role of the BSFIs' board and senior management in spearheading sound information security governance and strong security culture within their respective networks. Likewise, BSFIs are mandated to manage information security risks and exposures within acceptable levels through a dynamic interplay of people, policies, processes, and technologies following a continuing cycle (i.e. identify, prevent, detect, respond, recover and test phases). The new guidelines also recognize that BSFIs are at varying levels of cyber-maturity and cyber-risk exposures which may render certain requirements restrictive and costly vis-à-vis expected benefits. Thus, the IT profile classification has been expanded from two to three, namely: “**Complex**,” “**Moderate**” and “**Simple**” to provide greater flexibility in complying with the requirements

Guidelines on the Conduct of Stress Testing Exercises. On 4 January 2018, BSP issued Circular No. 989, which defined minimum prudential requirements on stress testing and supplement the relevant provisions on stress testing provided under the risk management guidelines that were earlier issued by BSP. It provides that a board of directors should consider the results of stress testing exercises in capital and liquidity planning, in setting risk appetite, and in planning for business continuity management, and, in the case of DSIBs, in developing recovery plans. These expectations are consistent with the earlier issued guidelines on corporate governance under Circular No. 969.

Amendments to the Basic Security Deposit Requirements. On 1 March 2018, the BSP issued Circular No. 998, clarifying the guidelines on the basic security deposit requirements. The circular provides that, as security for the faithful performance of its trust and other fiduciary duties, the basic security deposit shall be at least one percent (1%) of the book value of the total trust, other fiduciary and investment management assets, and at no time shall be less than P500,000.00; further, as security for the faithful performance of its investment management activities, the basic security deposit shall be at least one percent of the book value of the total investment management assets, and at no time less than P500,000.00. The Circular also prescribes the methodology in determining compliance with the basic security deposit for the faithful performance of trust and other fiduciary business and investment management activities, and amends the compliance period to require banks, that are authorized to engage in trust and other fiduciary business and investment management activities, to comply with the basic security deposit requirement on a quarterly basis, as well as, at the time of withdrawal, replacement or redemption of the government securities deposited with the BSP within the quarter period. On 15 February 2019, the BSP issued Circular No. 1032, which provides for amendments on the administration of compliance with the basic security deposit requirements.

Reserves against trust and other fiduciary accounts (TOFA). BSP Circular No. 1025 dated 13 December 2018 provides that in addition to the basic security deposit, banks authorised to engage in trust and other fiduciary business shall maintain reserves on TOFA-Others, except accounts held under (1) administratorship; (2) trust under indenture; (3) custodianship and safekeeping; (4) depository and reorganisation; (5) employee benefit plans under trust; (6) escrow; (7) personal trust (testamentary trust); (8) executorship; (9) guardianship; (10) life insurance trust; (11) pre-need plans (institutional/individual); (12) Personal Equity And Retirement Account (PERA); (13) legislated and quasi-judicial trust; and (14) specialised institutional accounts under trust.

Guidelines on the Management of Interest Rate Risk in the Banking Book (IRRBB) and Market Risk Management. BSP Circular No. 1044 dated 6 August 2019 approved the adoption of guidelines for managing IRRBB and amendments to the guidelines on market risk management. Under the circular, all banks and quasi-banks must

adequately identify their IRRBB exposures, take appropriate steps to measure, monitor and control the risk, and ensure that the IRRBB management system is integrated into the overall risk management framework and strategic business planning process. The circular also requires active board and senior management oversight. The BSP will evaluate the adequacy and effectiveness of the IRRBB management framework, taking into account the size, complexity and nature of a bank or quasi-bank's business.

BSP Circular 1067 dated 13 December 2019 approved the minimum disclosure requirements on IRRBB and required the following disclosures in the bank's annual reports:

- (a) A description of how the bank defines IRRBB for purposes of risk control and measurement;
- (b) A description of the bank's overall IRRBB management and mitigation strategies;
- (c) The periodicity of the calculation of the bank's IRRBB measures, and a description of the specific measures that the bank uses to gauge its sensitivity to IRRBB;
- (d) A description of the interest rate shock and stress scenarios that the bank uses to estimate changes in the economic value and/or in earnings;
- (e) A high-level description of how the bank hedges its IRRBB, as well as the associated accounting treatment; and
- (f) A high-level description of key modelling and parametric assumptions used in IRRBB measurement.

Guidelines on the Adoption of PFRS 9. On 14 August 2018, the BSP issued BSP Circular No. 1011, which provides guidelines on the adoption of PFRS 9. The Circular provides that where there are differences between the BSP regulation and PFRS 9, as when more than one option is allowed or certain limits are prescribed, then the option or limit prescribed by the BSP should be adopted. The circular further provides that with respect to the preparation of prudential reports, banks should adopt in all respect the PFRS, except in the following cases:

(1) in preparing consolidated financial statements, only investments in financial allied subsidiaries except insurance subsidiaries shall be consolidated with the financial statements of the parent bank on a line-by-line basis, while insurance and non-financial allied subsidiaries shall be accounted for using the equity method. Investments in financial/non-financial allied/non-allied associates and joint ventures shall be accounted for using the equity method in accordance with the provisions of PAS 28.

In preparing solo/separate financial statements, investments in financial/nonfinancial allied/non-allied subsidiaries/associates, including insurance subsidiaries/associates, shall be accounted for using the equity method as described in PAS 28.

(2) banks shall recognize adequate and timely allowance for credit losses at all times. In this respect, banks shall adopt the principles provided under the enhanced standards on credit risk management in measuring credit losses in the BSP Manual.

Currency Rate Risk Protection program (CRPP Facility) and the Implementing Guidelines. On 24 September 2018, and 5 October 2018, the BSP issued Circular No. 1014 and 1015, respectively, revising the guidelines on the CRPP Facility. The CRPP Facility is a non-deliverable USD/PHP forward contract between BSP and a universal/commercial bank in response to the request of bank clients desiring to hedge their eligible foreign currency obligations. Transactions under the CRPP facility are considered part of banks' Generally Authorized Derivatives Activities. Under the CRPP Facility, only the net difference between the contracted forward rate and the prevailing spot rate shall be settled in pesos at maturity of the contract. Should the eligible obligation be denominated in a foreign currency other than the USD, the CRPP contract shall be denominated in USD equivalent using the exchange rate indicated in the BSP Reference Exchange Rate Bulletin on deal date. The BSP shall have supervisory enforcement actions or right to deploy its range of supervisory tools to promote adherence to the requirements set forth in the guidelines. Any violation of the guidelines, including willful delay in the submission, non-submission and/or willful making of a false or misleading statement in the notarized certification required to be submitted therein to the BSP Sections shall constitute grounds for the imposition on the bank of penalties.

Under BSP Circular No. 1172 (2023), in addition to monetary sanctions, the BSP may require the pre- termination of CRPP contracts which are found ineligible during the BSP's performance of post-verification of the CRPP contracts through on-site examination or off-site verification to ascertain the eligibility of the underlying foreign currency obligation/transaction with the CRPP Facility.

Marking to market of financial instruments. BSP Circular No. 1021 dated 15 November 2018 provides that financial instruments that are required to be classified and measured at fair value, within the scope of PFRS 9 required to be marked-to-market in accordance with the provisions of PFRS 13 on Fair Value Measurement and the related rules and regulations issued by the Securities and Exchange Commission.

Regulatory treatment of restructured loans for purposes of measuring expected credit losses. On 21 October 2021, BSP issued memorandum no. M-2021-056, providing guidelines on the regulatory treatment of restructured loans for purposes of measuring expected credit losses (ECL), effective until 31 December 2022. The classification of loans whose terms are modified due to the COVID-19 pandemic under Stage 1, 2, or 3, for purposes of determining ECL shall be based on the assessment of the extent of financial difficulty of the borrowers and their ability to fully pay the loan based on the revised terms. Loans that have been restructured to support borrowers that are experiencing financial difficulties due to the COVID-19 pandemic should not automatically be considered as credit-impaired that will warrant the classification of the accounts as non-performing.

Sustainability Finance Framework. On 29 April 2020, the BSP added Section 153 to the MORB through Circular No. 1085. This implements a Sustainable Finance Framework applicable to all banks, expecting them to integrate sustainability principles in environmental and social risk areas.

Ceiling on Interest or Finance Charges for Credit Card Receivables. On 24 September 2020, the BSP issued Circular No. 1098 which provides for a ceiling on annual interest rates of 24%, except credit card instalment loans which shall be subject to a monthly add-on rate not exceeding 1%. For credit card cash advances, aside from the foregoing applicable maximum interest rate caps, no other charge or fee shall be imposed or collected apart from the processing fee in the maximum amount of ₱200.00 per transaction. Further, the rate of interest and other charges on any loan or forbearance of any money, goods or credits regardless of maturity and whether secured or unsecured shall not be subject to any regulatory ceiling, except for the interest or finance charges imposed on credit card receivables, including cash advances and instalment purchases and the maximum processing fee for credit card cash advances.

Amendments to the Regulations on Investment Management Activities. The BSP issued Circular No. 1109 Series of 2021, which reduced the minimum size of an account under investment management. It further allows the commingling of funds subject to certain conditions and expanded the securities eligible under as investment outlet for commingled funds. Previously, the minimum size of an investment management account was ₱1.0 million. Under the Circular, BSP -Supervised Financial Institutions (BSFIs) may determine the minimum amount that should be maintained by a client in an investment management account (IMA), which shall be at least ₱100,000.00. Moreover, prior to this Circular, commingling of IMAs was not allowed except for the purpose of investing in government securities or in duly registered commercial papers. Under the Circular, funds from IMAs may be commingled subject to the following conditions:

- a. The investment of each of the IMAs in the commingled fund shall at least be ₱100,000.00;
- b. The commingled funds shall only be invested in (i) securities directly issued by the Philippine National Government, (ii) exchange-traded equities and fixed income securities and commercial papers registered with the SEC, (iii) securities issued by banks incorporated in the Philippines, except those issued through the trust units, or (iv) securities issued by other sovereigns that are exempt from registration under Section 9(b) of the Securities Regulation Code;
- c. The commingling of funds and the manner of termination of the same shall be specifically agreed in writing by the clients. The investment manager should ensure that the agreement to commingle funds

with other IMAs is legally binding and enforceable. Furthermore, the risks associated with commingling of funds, such as market liquidity risk, shall be fully disclosed to the clients;

d. The investment manager shall determine that it possesses the operational capability to manage the accounts participating in commingled funds. In doing so, the investment manager shall undertake an assessment taking the following into consideration: (i) sufficiency of personnel handling commingled IMAs; (ii) capability of existing systems to accurately and readily identify the allocation of each investor in a commingled fund and generate the following information on a per IMA basis, at a minimum: accruals, coupons received, dividends received, market-to-market gains or losses and required reports; and (iii) ability to conduct periodic reconciliation of relevant records; and

e. The maximum number of IMAs that can be commingled into one fund shall be determined by the investment manager based on its own operational capability to commingle IMAs.

Amendments to the Rules on Cross-Border Transfer of Local and Foreign Currencies. The BSP issued Circular No. 1146 Series of 2022 which allows a person to import or export, or bring into or take out of the Philippines, or electronically transfer legal tender Philippine notes and coins, checks, money order and other bills of exchange drawn in peso against banks operating in the Philippines in an amount not exceeding ₱50,000.00 without prior authorization by the BSP. In excess of such ₱50,000.00 limit, a prior written authorization from the BSP is required. In case of physical cross-border transfer of Philippine currency, there must be a declaration of the whole amount brought into or taken out of the Philippines. For foreign currency, a person who brings into or takes out of the Philippines foreign currency or other foreign-currency denominated bearer monetary instruments in excess of U.S.\$10,000.00 or its equivalent must declare the whole amount brought into or taken out of the Philippines.

Implementation of Republic Act No. 11523 or the FIST Act. The BSP issued Circular No. 1117 Series of 2021 implementing the FIST Act. It provides for the guidelines governing the sale/transfer and investment transactions of banks, and other institutions licensed by the BSP to perform quasi-banking functions and credit-granting activities pursuant to the FIST Act. The Circular sets out the provisions that the BSFIs must comply with in the sale/transfer transactions of non-performing assets for purposes of availing the tax exemptions and incentives/privileges under the FIST Act.

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Amendments to the Ceiling on Interest or Finance Charges for Credit Card Receivables. On January 19, 2023, the BSP issued Circular No. 1165 which provides that banks may now impose an interest or finance charge which shall not exceed an annual interest rate of thirty-six percent (36%) on all credit card transactions. This issuance supersedes BSP issued Circular No. 1098 issued on 24 September 2020, imposing a twenty-four (24%) interest per year cap on all credit card transactions.

Conduct of Customer Due Diligence. On March 30, 2023, the BSP issued Circular No. 1170 which provides for amendments to existing rules on the conduct of customer due diligence by banks and non-banks. This includes “**Know Your Customer**” or e-KYC guidelines on the use of digital IDs and other minimum information or documents required for customer identification. BSP defines “**e-KYC**” as the use of electronic or digital methods in customer identification and verification process. In conducting customer due diligence, a risk-based approach

shall be undertaken depending on the type of customer, business relationship, nature of the product, or transaction/activity.

Amendments to the Regulations on Confirmation of the Election/Appointment of Directors/Trustees/Officers. On 11 February 2022, the BSP clarified the coverage of the BSP confirmation of appointment of officers of BSFIs, either by the Monetary Board or the Financial Supervision Sector (FSS) Committee. Under amendment introduced by BSP Circular No. 1136, only the following are subject to confirmation by the corresponding confirming authority:

- a) By the Monetary Board: (a) Directors and CEO/President or its equivalent rank of universal and commercial banks including their subsidiary banks, quasi-banks, trust corporations and non- bank financial institutions with trust authority, and all other stand-alone banks, quasi-banks and NBFIs with trust authority, and trust corporations with total assets of at least P10.0 Billion; (b) Trustees and CEO/President or its equivalent rank of non-stock savings and loan association (NSSLA) with total assets of at least P10.0 Billion; (c) Heads of internal audit risk management and compliance functions, regardless of rank, of NSSLAs
- b) By the FSS: Directors and Chief Executive Officer/President or its equivalent rank of stand- alone banks, quasi-banks and NBFIs with trust authority, and trust corporations with total assets of less than P10 Billion; (b) Heads of comptrollership/finance, lending, treasury, branch banking and information technology directly reporting to the CEO/President or its equivalent rank or to the foreign bank office and with the rank of Senior Vice President and above of universal and commercial banks; (c) trust offer, regardless of rank, of banks, quasi-banks and NBFIs with trust authority; (d) Trustees and CEO/President or its equivalent rank of non-stock savings and loan association (NSSLA) with total assets of less than ₱10.0 billion; (e) Heads of internal audit risk management and compliance functions, regardless of rank, of NSSLAs.

Amendments to Regulations on Outsourcing and IT Risk Management. BSP Circular No. 1137 issued on 18 February 2022 distinguishes outsourcing arrangements which are material and non-material. For material outsourcing arrangement, only banks with a SAFr composite rating of at least “3” shall be allowed to outsource designated activities without prior BSP approval, subject to notification requirements. Otherwise, Banks with lower rating must secure approval from the appropriate supervising department prior to implementation of the material outsourcing arrangement. Moreover, the said issuance requires the observance of the guidelines and requirements of outsourcing to third-party providers when the bank itself acts the service provider, or participates in intra-group outsourcing or engages in offshore outsourcing.

Regulatory Reporting Standards for Operators of Payment System (OPS). To further regulate the operators of payment systems (OPS), the BSP issued Circular No. 1138 dated 1 March 2022 which sets forth reporting standards by requiring the OPS to have in place a reporting system that has at least the following functionalities: (i) generates accurate, complete and reliable information; (ii) aggregates all material data across various business lines, entities, services, instruments and other groupings that are relevant to regulatory reporting; and (iii) produces in a timely manner, regular, on-demand and ad hoc reports. Circular 1138 also mandates the OPS to adopt a policy requiring data and report retention of no less than five years.

Amendments to Regulations on Information Technology Risk Management. In order to strengthen cybersecurity posture and minimize losses arising from fraud and cybercriminal activities, the BSP issued Circular No. 1140 (Circular 1140) dated 24 March 2022 requiring BSP-Supervised Financial Institutions (BFSI) to implement automated and real-time fraud monitoring and detection systems to identify and block suspicious or fraudulent online transactions. Circular 1140 also requires BSFIs to promote customer awareness as a key defense against fraud, identity theft and security breach by paying special attention to the provision of easy to understand and prominent advice to customers on security precautions for e-services and by ensuring that clients have undertaken customer education course/program on the safe and secure use of electronic payment and financial services. To ensure adherence to the regulation, BSP may deploy enforcement actions and impose corrective actions and/or sanctions. The BSFIs are also required to show their plan of actions with specific timelines and comply with the foregoing standards until 31 December 2022.

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Amendments to the Guidelines on the Computation of Minimum Required Capital and Risk- Based Capital Adequacy Ratio. On 29 March 2022, the BSP issued Circular No. 1142 (Circular 1142) which amended the guidelines in computing the minimum required capital and the risk-based capital adequacy ratio. In determining capital, deposit for stock subscription are included in, and treasury stock as well as the total outstanding unsecured credit accommodations to DOSRI granted by the bank proper are deducted from the capital. Pursuant to Circular No. 1142, the total outstanding unsecured credit accommodations to DOSRI, net of allowance for credit losses, are considered in calculating the risk-based capital adequacy ratio. With respect to risk-weighted assets, the risk-weighted amount shall be the product of the net carrying amount of the asset and the risk weight associated with such asset. Moreover, for purposes of the issuance of a Qualification Certificate as Administrator to an entity, compliance with minimum net worth of ₱100.0 million shall take into account the total outstanding unsecured credit accommodations extended by the Administrator to DOSRI.

Rules of Procedure for the Consumer Assistance Mechanism. On 24 March 2023, the BSP issued Circular No. 1169 on the “**Rules of Procedure for the Consumer Assistance Mechanism, Mediation and Adjudication of Cases in the BSP**”, pursuant to the FPSCPA. These Rules apply suppletorily to the Rules of Court as may be determined by the Adjudicator and govern the consumer assistance mechanism as well as mediation and adjudication of financial consumer complaints in the BSP.

Amendments to the Regulations on Credit Exposure Limits to a Single Borrower and Definition of Capital. On 5 January 2023, the BSP issued Circular No. 1164 which provides for the definition of credit risk transfer and which clarifies that loans and other credit accommodations or portion thereof covered by an effective credit risk transfer arrangement in the form of a guarantee or credit derivative that complies with the minimum operational requirements provided under the MORB shall be excluded from the total credit commitment of the bank to a borrower in reckoning compliance with the single borrower limit (SBL). Meanwhile, the portion of the loans and other credit accommodations that is not covered by an effective credit risk transfer arrangement, if any, shall still form part of the credit commitment of the bank to the borrower in reckoning compliance with the SBL.

Regulations on Financial Consumer Protection to implement Republic Act No. 11765, otherwise known as the “Financial Products and Services Consumer Protection Act”. On 28 November 2022, the BSP issued Circular No. 1160 amending the MORB to provide guidelines on Financial Consumer Protection Framework to implement

the FPSCPA. The Framework applies to all financial products or services created, developed, offered or marketed by a BSP. The circular provides for measures to be undertaken by BSIs in order to meet the standards of disclosure and transparency, protection of client information, fair treatment, effective recourse; and protection of consumer assets against fraud and misuse.

Guidelines on Recovery Plan of Banks. On 18 October 2022, the BSP issued Circular No. 1158, on the “**Guidelines on Recovery Plan of Banks**”, wherein it requires Philippine banks to adopt a recovery plan which will provide, among others, for early warning indicators and trigger levels (which must be set above the minimum regulatory requirements but below or at more severe levels than the triggers applicable in activating the capital and liquidity contingency plans) for activation of the recovery plan, reporting requirements to the BSP, restoration points, recovery options, preparatory measures and implementation plan, testing and simulation exercises and updating of such recovery plan. The circular recognizes that with respect to foreign bank subsidiaries and branches, such foreign bank branches and subsidiaries may play a role in the recovery options in the group recovery plans or be impacted by their implementation and thus should consider the possible interactions and impacts of the group-wide recovery plans. The recovery plan shall be subject to annual BSP review.

Regulatory Sandbox Framework. In 2022, BSP issued BSP Circular No. 1153 on the Regulatory Sandbox Framework which applies to all BSP-supervised financial institutions, third-party service providers of BSFIs, other BSP-registered institutions, and new players that intend to offer or use an emerging or new technology to deliver financial products/services pertaining to activities that could fall under the regulatory purview of the BSP. Applicants should meet certain eligibility standards to be able to participate in the regulatory sandbox. Each regulatory sandbox shall undergo a four-stage process: Application, Evaluation, Testing, and Exit Stage. Participants shall submit (i) interim and (ii) final reports to the BSP to facilitate monitoring of the progress of the regulatory sandbox and the attendant risks, and assessment of the success of the experimentation. In the test design phase, the BSP and the participant shall agree on the details of the reports to be submitted such as the content, frequency, and schedule of reporting, among others. Participant/s whose sandbox activities are assessed as successful and whose products or services are deemed fit for public consumption shall be issued an authority to operate. The participant shall formally submit to the BSP an application to operate and offer for public use and consumption the proposed product or service that was subjected to the sandbox activity, including any proposed new regulations or changes to existing regulations.

Guidelines on the Integration of Sustainability Principles in Investment Activities of Banks. On 23 August 2022, the BSP issued Circular No. 1149 which provided for guidelines on prudent conduct of investment activities and the minimum practices that a bank should establish for the management and control of risks associated with its investments. The guidelines cover all of a bank’s investments in the trading and banking books, excluding (a) investments that grant control over an enterprise and are accounted for using the equity method, (b) transactions in derivatives involving stand-alone contracts, and (c) receivables arising from repurchase agreements. Under the circular, a bank is mandated to institute a risk management system to manage the risks arising from its investment activities. This system includes having (1) board and senior management oversight; (2) policies, procedures, and limits that provide a framework for managing investment activities; (3) risk measurement, monitoring and management information systems; and (4) internal controls and audit.

Amendments to the Ceiling on Interest or Finance Charges for Credit Card Receivables. On 19 January 2023, the BSP issued Circular No. 1165 which provides that banks may now impose an interest or finance charge which shall not exceed an annual interest rate of 36% on all credit card transactions. This issuance supersedes BSP issued Circular No. 1098 issued on 24 September 2020, imposing a twenty-four (24%) interest per year cap on all credit card transactions.

Maharlika Investment Fund Act of 2023. On 18 July 2023, RA No. 11954 was enacted which provides that for the first and second fiscal years upon effectivity of the law, 100% of the BSP’s total declared dividends will be remitted to the National Government for the capitalisation of the Maharlika Investment Corporation (MIC), in

the amount not exceeding ₱50.0 billion for the initial subscription of the National Government to the capitalisation of the MIC. Thereafter, the dividends of the BSP shall be remitted to the National Government to fund the increase in the capitalisation of the BSP.

Guidelines on Disclosure to the Public. On 21 December 2023, the BSP issued Circular No. 1186, Series of 2023 amending Section 175 of the MORB on public disclosures. Under this issuance, domestic banks have the option to publish their quarterly balance sheets and consolidated balance sheets in printed or online versions of newspapers of general circulation or upload them on their website and share for a period of at least one year. In addition, the banks may also display a tabletop standee with QR codes in a conspicuous place at their head offices, all their branches, and other offices, or through digital/electronic means. Each bank's board of directors is given the duty to ensure that information shared with the public is supported by an effective internal control structure, has undergone review and approval, and is compliant with the process and quality of reporting required under Section 171 of the MORB.

Amendments to foreign exchange regulations covering foreign investments. On 11 April 2024, the Monetary Board approved amendments to the Manual of Regulations on Foreign Exchange Transactions (FX Manual) to facilitate access to FX resources and streamline procedures. The amendments under BSP Circular No. 1192 includes, among others: (a) the clarification that applications and registration of foreign/foreign currency loans/borrowings, inward investments and other FX transactions filed with the BSP shall be free of charge; (b) the grant of authority to authorised agent banks and authorised agent bank forex corporations (AABs) to sell FX to non-resident tourists and balikbayan to the extent of the amount of FX shown to have been sold for Pesos by the non-residents to AABs; and (c) allowing foreign investments registerable with registering AABs (e.g., non-resident investments in government securities, securities listed at the Philippine Stock Exchange) to be registered upon reporting by the registering authorised agent bank to the BSP, subject to compliance with the applicable guidelines under FX Manual; (d) dispensing with the issuance of the Bangko Sentral Registration Document (“BSRD”) for the aforesaid foreign investments registered with the BSP through the registering AABs; and (e) streamlining the reporting forms/procedures pertaining to these foreign investments.

Consumer Redress Mechanism Standards for Account-to-Account Electronic Fund Transfers under the National Retail Payment System Framework. On 1 June 2024, the BSP issued Circular No. 1195, establishing the Consumer Redress Mechanism Standards for account-to-account electronic fund transfers (EFTs) under the National Retail Payment System (NRPS) Framework. This Circular mandates all BSP supervised institutions offering EFTs to provide timely recourse mechanisms for consumer issues, ensuring immediate credit within 2-3 seconds for instant EFTs and refunds within one hour for rejected transactions. It covers all domestic EFTs, including Person-to-Person (P2P), Person-to-Merchant (P2M), and Person-to-Biller (P2B) payments but excludes product/service delivery disputes. The Circular details the requirements for EFT notifications, return of funds, collection, and return of EFT fees, and communication during service disruptions. Compliance is required by 31 March 2025, pursuant to BSP Memorandum No. M-2024-045, aiming to enhance trust in digital payments.

Amendments to foreign exchange regulations covering reporting guidelines and penalty provisions. On 17 July 2024, the BSP issued Circular No. 1197, introducing stricter penalties and new reporting guidelines for FX transactions. Banks can now face fines up to ₱1.0 million per transactional violation and ₱100,000.00 per day for ongoing violations. The guidelines define non-compliant reports as erroneous, delayed, or unsubmitted, with fines based on the classification of reports. The Circular outlines the notification process for violations and appeals. These measures aim to ensure timely reporting, accountability, and protect the value of the Peso. Compliance with Circular No. 1197 is required by 31 December 2024.

Regulatory Framework for Merchant Payment Acceptance Activities. On 19 July 2024, the BSP issued Circular No. 1198, Series of 2024 which set the minimum standards that OPS must follow if they want to engage in the business of accepting and processing payment transactions on behalf of their partner sellers. For digital payments to thrive, minimum standards and good practices must be established to: (i) safeguard the funds received from

customers of merchants; and (ii) protect the rights and interests of end-users (i.e., merchants) that deal with OPS that engage in merchant payment acceptance activities (MPAA). Under this circular, an authority from the BSP must be obtained prior to engaging in merchant acquisition in the Philippines; An OPS engaged in or intending to engage in MPAA other than merchant acquisition shall register with the BSP.

Divestment of Equity Investments. On 8 August 2024, the BSP issued Circular No. 119 (2024) which provides for the guidelines on the divestment of equity investments by banks which are not allowed under applicable laws or which do not comply with applicable regulations. Under this Circular, a bank which has been directed to divest specific equity investments which do not comply with applicable regulations are required to submit a divestment plan to the appropriate supervising unit or department of the BSP and regularly provide status of the implementation of the plan.

Creation of Rules for Money Service Businesses under the New Manual of Regulations for Non-bank Financial Institutions-M. On 23 December 2024, the BSP issued Circular No. 1206 (2024), approved the creation of the consolidated rules for money service businesses which shall be lodged under M-Regulations of the Manual of Regulations for Non-bank Financial Institutions (MORNBFI). Prior to the consolidation of the foregoing rules, the regulatory provisions for money service businesses are mostly found in Sections 901-N and 902-N of the MORNBFI, together with other pertinent provisions of the N-Regulations. The integration of all these provisions in just one book, the M-Regulations, will provide supervised money service businesses and stakeholders a compendium of existing rules and regulations. This will make referencing easier for better clarity of standards and requirements applicable to money service businesses.

Amendments to Regulations on Information Technology (IT) Risk Management to Implement Section 6 of the Anti-Financial Account Scamming Act (AFASA). On 30 May 2025, the BSP issued Circular No. 1213 which was designed to strengthen the existing regulatory framework on information technology risk management and ensure more effective compliance with the provisions of the AFASA. The Circular provides for regulations on the adoption of fraud management systems by BSP supervised financial institutions (BSFIs) engaged in complex electronic products and services and handling high aggregate values of online transactions, adoption of measures to enable the bank and its customers to safeguards financial accounts, and institution of shared accountability framework for safeguarding financial accounts.

Rules of Procedure on the Conduct of Inquiry into Financial Accounts and Sharing of Financial Account Information by the Bangko Sentral ng Pilipinas Pursuant to the AFASA. On 30 May 2025, the BSP issued Circular No. 1214 which provides for the rules on the execution of information sharing agreement among competent authorities which shall govern the sharing of financial account information obtained by the consumer account protection officer pursuant to its authority to investigate and inquire into financial accounts under the AFASA. It also includes the rules and procedures for requesting for inquiry into financial accounts which may be involved or utilized in the commission of a prohibited act as defined in the AFASA, issuance of inquiry order, and disclosure of financial account information, among others. The Circular clarifies that the laws on secrecy of deposits and data privacy shall not apply to any financial account which are subject to BSP's investigation and inquiry.

Regulations on the Temporary Holding of Funds Subject of Disputed Transactions and Coordinated Verification Process. On 30 May 2025, the BSP issued Circular No. 1215 which sets regulations on the temporary holding of funds subject of disputed transactions and the coordinated verification process to implement Sections 7 to 11 of the AFASA, including updates to the MORB, MORNBFI, and MORPS. It mandates BSP-Supervised Institutions (BSIs) to temporarily hold funds involved in disputed electronic fund transfers and coordinate verification processes to protect the public from cybercrime and fraud. It also provides that BSIs must provide their clients with regular updates and guidance to safeguard personal and financial information to ensure the security of financial accounts. Furthermore, it provides for liabilities of BSIs for failure to temporarily hold disputed funds and improper holding of funds beyond the allowable period.

SECTION 16. PHILIPPINE TAXATION

The information provided below does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase the Securities. The following is a general description of certain Philippine tax aspects of the Securities. It is based on the laws, regulations, and administrative rulings in force as of the date of this Offering Circular and is subject to any changes in law or regulation occurring after such date, which changes can be made on a retroactive basis. It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own, or dispose of the Securities. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Securities or of any person acquiring, selling or otherwise dealing with the Securities or on any tax implications arising from the acquisition, sale or other dealings in respect of the Securities. The statements do not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Securities and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules.

Prospective purchasers should consult their tax advisors as to the laws of other applicable jurisdictions and the specific tax consequences of acquiring, holding, and disposing of the Securities, including the effect of any state or local taxes, under the tax laws applicable in the Philippines and each country of which they are residents.

As used in this section, the term “**resident alien**” refers to an individual whose residence is within the Philippines and who is not a citizen of the Philippines while the term “**non-resident alien**” means an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who stays in the Philippines for an aggregate period of more than 180 days during any calendar year is considered a “**non-resident alien doing business in the Philippines**”; otherwise, such non-resident alien is considered a “**non-resident alien not engaged in trade or business within the Philippines**”. The term “**foreign**” when applied to a corporation means a corporation which is not domestic while the term “**domestic**” when applied to a corporation means a corporation created or organized in the Philippines or under its laws. A “**resident foreign corporation**” is a foreign corporation engaged in trade or business in the Philippines and a “**non-resident foreign corporation**” is a foreign corporation that is not so engaged. The term “**non-Philippine holders**” refers to beneficial owners of the Securities who are (1) non-resident aliens not engaged in trade or business within the Philippines or (2) non-resident foreign corporations.

16.1 PHILIPPINE TAXATION

The following is a general description of certain Philippine tax aspects of the Securities. It is based on the present provisions of the National Internal Revenue Code of 1997, as amended by Republic Act No. 10963 or the TRAIN Law and Republic Act No. 11534 or the CREATE Act, RA No. 12066 or the CREATE MORE, amending provisions of the CREATE Act, and RA No. 11214 or the Capital Markets Efficiency Promotion Act (CMEPA) (the “**Tax Code**”), the regulations promulgated thereunder and judicial and ruling authorities in force as of the date of this Offering Circular, all of which are subject to changes occurring after such date, which changes could be made on a retroactive basis.

The CREATE Law was signed into law by then President Duterte on 26 March 2021 and took effect on 11 April 2021 (with effective dates on specific provisions). Other salient provisions of the CREATE Act include:

- uniform tax rate of 15% imposed on capital gains from sale of shares of stock not traded in the stock exchange, on all types of taxpayers
- reduction in corporate income tax from the current 30% to 20% for domestic corporations with net taxable income not exceeding ₱5.0 million pesos and with total assets not exceeding ₱100.0 million pesos, excluding land on which the particular business entity’s office, plant, and equipment are situated during the taxable year for which the tax is imposed, and to 25% for other corporate taxpayers by July 1, 2020;

- reduction in the minimum corporate income tax rate to 1% effective July 1, 2020 until June 30, 2023; after 30 June 2023, the rate of MCIT shall be 2% of the gross income as of the end of the taxable year;
- effective July 1, 2020, a period of four to seven years during which export enterprises may enjoy the 5% special corporate income based on the gross income earned in lieu of all national and local taxes;
- extension of the applicability of the net operating loss carryover for losses incurred during the first three years from the start of commercial operation by registered projects or activities, from the current three to five consecutive taxable years immediately following the year of such loss;
- net capital gains derived by resident foreign corporations on the sale of shares of stock of domestic corporations not traded on the Philippine stock exchange will be subject to a final tax of 15%, increased from the current rate of 5% on the first ₱100,000.00 (approximately U.S.\$2,000.00) and 10% on the excess thereof;
- Regional Operating Headquarters will be subject to regular corporate income tax rates effective January 1, 2022, increased from the current 10% rate on taxable income;
- Qualified Registered Business Enterprises (RBE) will be granted an income tax holiday for four to seven years, depending on the assigned RBE category level. After the income tax holiday period, a special corporate income tax rate of 5% beginning July 1, 2020 will be imposed on gross income earned in lieu of all national and local taxes. The duration of the special corporate income tax is five to ten years depending on the assigned RBE tier level; and
- in lieu of the special corporate income tax, enhanced deductions may be granted for a period of five to ten years depending on the assigned RBE category level.

On 22 January 2024, Republic Act No. 11976, otherwise known as the Ease of Paying Taxes Act (EOPT) took effect. The EOPT amended various provisions of the Tax Code relating to the filing and payment of taxes and other provisions intended to protect the taxpayer's rights, modernize tax administration, and adopt best practices.

On 8 November 2024, RA No. 12066 or the CREATE MORE was passed, amending the CREATE Act. The CREATE MORE establishes a simplified VAT refund system to reduce delays in tax processes. Moreover, the CREATE MORE streamlines processes for projects that are eligible for incentives, by raising the investment capital threshold for approval by investment promotion agencies. Finally, the CREATE MORE also extends the maximum duration of availment of tax incentives from 17 years to 27 years.

On 29 May 2025, the President of the Philippines signed into law Republic Act No. 12214, or the Capital Markets Efficiency Promotion Act (CMEPA). Upon signing the law, the President vetoed the following items of the CMEPA in accordance with Article VI, Section 27(2) of the Philippine Constitution:

1. The removal of the tax exemption on non-residents' income from their transactions with FCDUs;
2. Imposition of the documentary stamp tax on bettors in authorized number games; and
3. Repeal of tax exemptions granted to the Philippine Guarantee Corporation.

The CMEPA provides for the following salient terms:

- (i) Stock transaction tax on the sale of listed shares was reduced from 0.6% to 0.1% of the gross selling price or the gross value in money of the shares of stock sold, exchanged, or otherwise disposed;
- (ii) Capital gains tax on unlisted foreign shares is subject to a tax rate of 15%;
- (iii) Employers who contribute an amount equal to or greater than their employees' contributions to a Personal Equity and Retirement Account (PERA), as established under RA No. 9505, are entitled to an additional tax deduction equal to 50% of their actual contributions, subject to the maximum allowable contribution of ₱100,000.00, or its equivalent in any convertible foreign currency, for local employees;
- (iv) A final withholding tax of 20% is imposed on all interest income, regardless of the instrument's nature or tenure, except interest income of non-resident aliens not engaged in trade or business and non-resident foreign corporations, whose interest income is still subject to a 25% final withholding tax;
- (v) Royalties realized by citizens, resident aliens, non-resident aliens engaged in trade or business in the Philippines, domestic corporations and resident foreign corporations, which were previously included under the same category as interests, are now distinguished separately and subjected to 20% as well, with

the exception of royalty payments on books, other literary works, and musical compositions, which are subject to 10%;

- (vi) Documentary stamp tax on original issuance of shares was reduced to 0.75%; and
- (vii) No documentary stamp tax shall be imposed original issuance, redemption, or other disposition of shares in mutual funds and unit investment trust funds (UITFs), further promoting investment in collective investment schemes.

16.2 TAXATION OF INTEREST INCOME

The Tax Code provides that interest-bearing obligations of Philippine residents are Philippine sourced income subject to Philippine income tax. The tax treatment of interest generally depends on the type of instrument from which the interest arises and whether the class of taxpayer receiving the interest is a resident or a non-resident for Philippine tax purposes. Interest on debt instruments arising from borrowing from the public (which for this purpose means more than nineteen lenders), long-term deposits or investment certificates, currency bank deposits, trust funds and similar instruments is generally subject to a 20% final withholding tax if received by Philippine citizens, resident aliens, non-resident aliens engaged in trade or business within the Philippines, domestic corporations and resident foreign corporations (all of which may generally be considered as “**residents**” in respect of taxation of Philippine-sourced income), while that received by non-resident aliens not engaged in trade or business and non-resident corporations is subject to a final withholding tax rate of 25%. Interest on debt instruments not covered by the foregoing instruments received by the same categories of residents will form part of their taxable income and will be subject to ordinary income tax rates (at graduated rates from 0% – 35% for individuals; 25% regular corporate income tax; 20% corporate income tax for domestic corporations with net taxable income not exceeding ₱5.0 million and total assets (excluding land on which the corporation’s office, plant, and equipment are situated) not exceeding ₱100.0 million; or, MCIT of 2% based on gross income as of the end of the taxable year, as the case may be, for domestic and resident foreign corporations), subject to the withholding by the issuer of an amount equivalent to 15% of such interest (except interests paid by top withholding agents strictly arising from individual loans obtained from banks that are not securitized, assigned or participated out, as well as interests paid by banks designated as top withholding agents strictly arising from loans made to such banks that are not securitized, assigned or participated out, which shall be subject to a creditable withholding tax of two percent (2%)), which shall be creditable against the income tax liability of the resident for the relevant taxable year. However, under the Capital Market Efficiency Promotion Act (CMEPA), interest, yield or other monetary benefit from currency bank deposit or deposit substitute, trust funds and other similar arrangements will be subject to a uniform rate of 20%, except those earned by non-resident aliens not engaged in trade or business and non-resident foreign corporations, both of whom shall still be subject to a final withholding tax rate of 25%.

The tax withheld constitutes a final settlement of Philippine tax liability in respect of such interest income earned by the non-resident individual not engaged in trade or business within the Philippines or by the non-resident foreign corporation. The tax rates for non-residents are subject to the applicable provisions of tax treaties in force between the Philippines and the tax residence country of the non-resident noteholder.

The interest income received by individuals and corporations is subject to the tax arbitrage rule wherein the allowable deduction of interest expenses is reduced by 20% of the interest income subjected to final tax. The foregoing rates are subject to further reduction by any applicable tax treaties in force between the Philippines and the country of residence of the non-resident owner. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 15% in cases where the interest which arises in the Philippines is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment.

The Bank, as required by the Tax Code, will withhold and make payment of the applicable withholding tax described above.

16.3 EARLY REDEMPTION OPTION

Under the Terms and Conditions, if any payment of principal or interest due under the Securities becomes subject to additional or increased taxes other than the taxes and rates of such taxes prevailing as of the Issue Date as a result of any change in, or amendment to, the laws, rules or regulations of the Republic of the Philippines or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, rules or regulations (including but not limited to any decision by a court of competent jurisdiction) which change or amendment becomes effective on or after the Issue Date, and such additional or increased rate of such tax cannot be avoided by the use of reasonable measures available to the Bank, the Bank, subject to the BSP Rules, shall have the option (but not the obligation) to pre-terminate and redeem all, but not in part, the Securities on any Interest Payment Date before Maturity Date at the Early Redemption Amount.

We suggest that the investor seek its own tax advisors to determine its tax liabilities or exposures given that the Bank does not have gross-up obligations in case of changes in any applicable law, rule or regulation or in the terms and/or interpretation or administration thereof or a new applicable law should be enacted, issued or promulgated, which shall subject payments by the Bank to additional or increased taxes, other than the taxes and rates of such taxes prevailing as of the Issue Date.

16.4 TAX-EXEMPT STATUS

The tax authorities have prescribed certain procedures for availment of tax treaty relief on interest under Revenue Memorandum Order No. 14-2021 (“**RMO No. 14-2021**”). The withholding agent/income payor may rely on the submitted BIR Form No. 0901, Tax Residency Certificate (“**TRC**”) duly issued by the foreign tax authority, and the relevant provision of the tax treaty on whether to apply the treaty rates. Non-resident taxpayers intending to avail of treaty benefits must submit said documents to the withholding agent/income payor prior to the first payment of income. Failure to provide the said documents when requested may lead to withholding using the regular rates prescribed under the Tax Code,

If the withholding agent applies the preferential rates under the treaty, it shall file with the International Tax Affairs Division (“**ITAD**”) a request for confirmation on the correctness of the withholding tax rates applied on the income. On the other hand, if the regular rates have been imposed on the income, the non-resident shall file a Tax Treaty Relief Application (“**TTRA**”) with ITAD to prove its entitlement to the preferential rate. Both the request for confirmation filed by the withholding agent and the TTRA must be supported by the documentary requirements set forth in RMO No. 14-2021.

For claims of tax exemption, BIR Revenue Memorandum Circular No. 8-2014 mandates the Bank, as a withholding agent, to require from individuals and entities claiming tax exemption a copy of a valid, current, and subsisting tax exemption certificate or ruling before payment of the related income. The tax exemption certificate or ruling must explicitly recognize the tax exemption, as well as the corresponding exemption from withholding tax. Failure on the part of the taxpayer to present the said tax exemption certificate of ruling shall subject him to the payment of the appropriate withholding taxes due on the transaction.

The Holder must also submit such other documentary requirements as may be reasonably required under the relevant Pricing Supplement, the RPAA or by the Registrar, the Bank and the Selling Agents as proof of the Eligible Holder’s tax-exempt status or as may be required under the applicable regulations of the relevant taxing or other authorities.

If the Bank withheld taxes, or withheld the regular rate of tax imposed pursuant to the Tax Code on interest, the concerned Holder may file a claim for a refund from the BIR on the basis of a tax exemption or applicable tax treaty.

16.5 VALUE-ADDED TAX

Gross receipts arising from the sale of the Securities in the Philippines by dealers in securities shall be subject to a 12% value-added tax. The term “**gross receipt**” means gross selling price less acquisition cost of the Securities sold. On the other hand, the term “**dealer in securities**” means a merchant of stock or securities, whether an

individual, partnership or corporation, with an established place of business, regularly engaged in the purchase of securities and their resale to customers.

16.6 GROSS RECEIPTS TAX

Bank and non-bank financial intermediaries performing quasi-banking functions are subject to gross receipts tax on gross receipts derived from sources within the Philippines in accordance with the following schedule:

On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is five years or less	5%
Maturity period is more than five years	1%

Non-bank financial intermediaries not performing quasi-banking functions doing business in the Philippines are likewise subject to gross receipts tax. Gross receipts of such entities derived from sources within the Philippines from interests, commissions and discounts from lending activities are taxed in accordance with the following schedule based on the remaining maturities of the instruments from which such receipts are derived:

Maturity period is five years or less	5%
Maturity period is more than five years	1%

In case the maturity period of the instruments held by banks, non-bank financial intermediaries performing quasi-banking functions and non-bank financial intermediaries not performing quasi-banking functions is shortened through pre-termination, then the maturity period shall be reckoned to end as of the date of pre-termination for purposes of classifying the transaction and the correct rate shall be applied accordingly.

Net trading gains realized within the taxable year on the sale or disposition of the Securities by banks and non-bank financial intermediaries performing quasi-banking functions shall be taxed at 7%.

16.7 DOCUMENTARY STAMP TAXES

DST is imposed upon the issuance of debt instruments issued by Philippine companies, such as the Securities, at the rate of 75% of 1%, or fractional part thereof, of the issue price of such debt instruments; provided that, for debt instruments with terms of less than one year, the DST to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days, and provided further, that only one DST shall be imposed on the loan agreement and promissory note, mortgage, security interest over personal property, and other contracts issued to secure such loan. Documentary stamp tax shall not be imposed on the original issuance, redemption, or other disposition of shares in mutual funds and unit investment trust funds.

The DST is collectible wherever the document is made, signed, issued, accepted, or transferred, when the obligation or right arises from Philippine sources, or the property is situated in the Philippines. Any applicable documentary stamp taxes on the original issue shall be paid by the Bank for its own account.

16.8 TAXATION ON GAINS UPON THE SALE OR OTHER DISPOSITION OF THE SECURITIES

16.8.1 Income Tax

Any gain realized from the sale, exchange or retirement of Securities will, as a rule, form part of the gross income of the sellers, for purposes of computing the relevant taxable income subject to ordinary income tax rates.

If the Holder is a Philippine citizen, resident alien, or non-resident alien engaged in trade or business in the Philippines, and considers the Securities as ordinary assets, gains shall be taxed based on the following graduated tax schedule:

Not over ₱250,000	0%
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Over ₱250,000 but not over ₱400,000	15% of the excess over ₱250,000
Over ₱400,000 but not over ₱800,000	22,500 plus 20% of the excess over ₱400,000
Over ₱800,000 but not over ₱2,000,000	102,500 plus 25% of the excess over ₱800,000
Over ₱2,000,000 but not over ₱8,000,000	402,500 plus 30% of the excess over ₱2,000,000
Over ₱8,000,000	2,202,500 plus 35% of the excess over ₱8,000,000

For non-resident aliens not doing business in the Philippines, the gain shall be subject to the 25% final withholding tax unless a preferential rate is allowed under a tax treaty subject to such other documentary requirements as may be reasonably required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief.

Gains derived by domestic or resident foreign corporations on the sale or other disposition of the Securities are included in the computation of taxable income which is subject to 25% income tax (or 20% for domestic corporations with net taxable income not exceeding ₱5.0 million pesos and with total assets not exceeding ₱100.0 million pesos, excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed). Gains derived by non-resident foreign corporations on the sale or other disposition of the Securities shall form part of their gross income which is subject to a 25% final withholding tax unless a preferential rate is allowed under a tax treaty subject to such other documentary requirements as may be reasonably required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief.

16.8.2 Capital Gains Tax

If the Securities are considered as capital assets and are sold by a seller, who is an individual and who is not a dealer in securities, and has held the Securities for a period of more than twelve (12) months prior to the sale, only 50% of any capital gain will be recognized and included in the sellers' gross taxable income. If the Securities were held by an individual for a period of twelve (12) months or less, 100% of the gain will be included in the computation of the taxable income.

16.8.3 Estate and Donor's Tax

The transfer by a deceased person, whether a Philippine resident or a non-Philippine resident, to his heirs of the Securities shall be subject to an estate tax which is levied on the net estate of the deceased at a uniform rate of 6%. A Holder shall be subject to donor's tax based on the transfer of the Securities by gift at a uniform rate of 6% on the basis of the total gifts in excess of ₱250,000.00 made during a calendar year for both individuals and corporate holders, whether the donor is a stranger or not.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor. The estate tax and the donor's tax, in respect of the Securities, shall not be collected (a) if the deceased, at the time of death, or the donor, at the time of the donation, was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (b) if the laws of the foreign country of which the deceased or donor was a citizen and resident, at the time of his death or donation, allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in the foreign country.

In case the Securities are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the Securities exceeded the value of the consideration may be deemed a gift and may be subject to donor's taxes. However, a sale, exchange, or other transfer made in the ordinary course of business (a transaction which is bona fide, at arm's length, and free from any donative intent), will be considered as made for an adequate and full consideration in money or money's worth.

16.8.4 Documentary Stamp Tax

No DST is imposed on the subsequent sale or disposition of the Securities (unless the transfer constitutes a renewal of the Securities or if there is a change in the maturity date or remaining period of coverage of the original instrument), or if the Securities are traded in a secondary market or through an exchange.

16.8.5 Taxation outside the Philippines

The tax treatment of non-resident Holders in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such Holder's particular situation. This Offering Circular does not discuss the tax considerations on such non-resident Holders under laws other than those of the Philippines.

SECTION 17. DISTRIBUTION AND SALE

17.1 METHOD OF DISTRIBUTION

The Securities are being issued subject to the Terms and Conditions, as well as BSP Circular No. 975, series of 2017 and BSP Circular No. 1010 (Series of 2018), BSP Circular No. 1062 (Series of 2019), BSP Memorandum No. M-2020-001, BSP Circular No. 1149 (Series of 2022), BSP Circular No. 1187 (Series of 2024), and other related circulars and issuances, as may be amended from time to time. The issuance of the Securities is exempt from the registration requirement under the Securities Regulation Code pursuant to Section 9.1(e) of the said law.

The Securities are being issued by the Bank with Philippine Commercial Capital, Inc. and Security Bank Capital Investment Corporation as Joint Lead Arrangers and Joint Bookrunners, and to the extent allowed under the Philippine laws and regulations, the Bank, as Selling Agents, the relevant entity named as trustee per Tranche or Series of the Securities as Trustee and Philippine Depository & Trust Corp. as Registrar and Paying Agent.

No action has been or will be taken by the Bank or the Joint Lead Arrangers and Joint Bookrunners in any jurisdiction (other than the Philippines), that would permit a public offering of any of the Securities, or possession or distribution of this Offering Circular, or any amendment or supplement thereto issued in connection with the offering of the Securities, in any country or jurisdiction where action for that purpose is required.

The Joint Lead Arrangers and Joint Bookrunners are required to comply with all laws, BSP rules and directives as may be applicable in the Philippines, including without limitation any BSP rules issued by the BSP, in connection with the offering and purchase of the Securities and any distribution and intermediation activities, whether in the primary or secondary markets, carried out by or on behalf of the Joint Lead Arrangers and Joint Bookrunners in connection therewith. Each of the Joint Lead Arrangers is authorized to operate as an investment house in the Philippines, is well capitalized and has adequate risk management.

All the requirements under BSP Circular No. 1010, as amended by BSP Circular No. 1062, have been complied with. While Security Bank Capital Investment Corporation, as a Joint Lead Arranger, has an affiliate relationship with the Bank, (i) there is another Joint Lead Arranger, Philippine Commercial Capital, Inc. which is a third-party in relation to the Bank, (ii) the objective conduct of the due diligence review is not undermined; and (iii) the appropriate safeguards and controls on related party transactions have been instituted to prevent conflict of interest.

The Registrar and Paying Agent and Trustee are third-parties in relation to the Bank, such that, (i) they have no subsidiary/affiliate relationship with the Bank; (ii) they are not related in any manner to the Bank as would undermine their independence.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Selling Agents or any affiliate of the Selling Agents is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Selling Agent or its affiliate on behalf of the Bank in such jurisdiction.

The Securities are newly issued securities for which there currently is no market. Philippine Commercial Capital Inc. (the “**Market Maker**”) has committed to provide live bids good for the minimum denomination under the Terms and Conditions, and a cumulative trading commitment per trading day, as required under PDEX Trading Rules, Conventions, and Guidelines. The Joint Lead Arrangers and Joint Bookrunners are not obligated to make a market for the Securities. Accordingly, no assurance can be given as to the development or liquidity of any market for the Securities.

17.2 APPLICATIONS TO PURCHASE OF THE SECURITIES DURING THE OFFER PERIOD

Applicants may purchase the Securities during the Offer Period by submitting fully and duly accomplished Application to Purchase (“**ATP**”) forms, in triplicate, together with all the required attachments and the corresponding payments to the Selling Agent from whom such application was obtained no later than 12:00 noon of the last day of the Offer Period. ATPs received after said date or without the required attachments will be

rejected. Only ATPs which are accompanied by payment in the form of personal or manager's checks made out to the order of "**Security Bank Corporation,**" debit instructions or such other forms of instructions that are acceptable to the relevant Selling Agent and which cover the entire purchase price shall be accepted. In addition to duly executed ATP forms, each applicant shall submit the following documents to the Selling Agents:

17.2.1 Documents to be Provided by Individuals

- a clear copy of any one of the following valid identification cards ("**ID**") bearing a signature and recent photo: passport, driver's license, company ID, Social Security System Card, Government Service Insurance System e-Card or Senior Citizen's Card, and company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC, or Insurance Commission, or such other ID and documents as may be required by or acceptable to the relevant Selling Agent;
- two (2) fully-executed PDTC specimen signature cards in the form attached to the ATP;
- duly accomplished client sustainability assessment forms;
- for aliens residing in the Philippines or non-residents engaged in trade or business in the Philippines, consularized or apostilled proof of tax domicile issued by the relevant tax authority of the Eligible Holder; and
- such other documents as may be reasonably required by the relevant Selling Agent or the Registrar in implementation of its internal policies regarding "**knowing your customer**" and anti-money laundering.

17.2.2 Documents to be Provided by Corporate and Institutional Applicants

- one (1) copy, certified by the SEC (or equivalent regulatory body) or Corporate Secretary of the applicant of the SEC Certificate of Registration, Articles of Incorporation and By-Laws or equivalent charter or constitutive documents of the applicant, as amended to date;
- one (1) copy, certified by the Corporate Secretary or other appropriate officer of the applicant of the resolutions adopted by the applicant's Board of Directors or equivalent body authorizing the applicant to purchase the Securities and certifying the names and specimen signatures of the applicant's duly authorized signatories for that purpose;
- two (2) fully executed PDTC specimen signature cards of the authorized signatories duly authenticated by the Corporate Secretary in the form attached to the Application to Purchase, together with a copy of at least one (1) valid ID of the authorized signatories;
- a list, certified by the Corporate Secretary of the applicant, of the natural persons who are the ultimate beneficial owners of the applicant; and
- such other documentary requirements as may be reasonably required by the Selling Agents in implementation of its internal policies regarding "**knowing your customer**" and anti-money laundering.

17.2.3 Additional documents to be provided by Tax-Exempt Holders

- a current and valid certified true copy of the tax exemption certificate, ruling, or opinion issued by the BIR, confirming the Eligible Holder's exemption from or preferential rate in relation to, taxation of interest on fixed income securities, as required under BIR RMC No. 8-2014 including any clarification, supplement, or amendment thereto, and certified by the Corporate Secretary of the Holder that: (i) the exemption certificate is a true copy of the original; (ii) the original is in the possession of the Corporate Secretary as the duly authorized custodian of the same; and (iii) the Corporate Secretary has personal

knowledge based on his official functions of any amendment, revocation, expiration, change, or any circumstance affecting the said certification's validity, or a copy of the law of the country of domicile allowing a deemed paid tax credit in an amount equivalent to the 10% spared or waived by the Philippines duly authenticated by the Philippine embassy or, for countries that are members to the Apostille Convention, an apostilled copy of the law of the country of domicile which apostilled or authenticated copy shall be valid for one (1) year from the date of issuance. Should the submitted tax exemption certificate, ruling, or opinion expire during the Offer Period, the Holder must submit an updated/revalidated tax exemption certificate;

- with respect to tax treaty relief, (a) prior to the payment of the initial interest due, (i) three (3) originals of the duly executed and apostilled/consularized BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes filed by the Holder or, if the Holder is a fiscally transparent entity, each of the Holder's owners or beneficiaries with the proof of receipt by the concerned office of the BIR, as required under RMO No. 14-2021, (ii) one (1) original of the apostilled/consularized Tax Residency Certificate duly issued by the respective foreign tax authority of the country of residence of the Holder or, if the Holder is a fiscally transparent entity, the country of residence of each of the Holder's owners or beneficiaries, in the form acceptable for recognition under Philippine laws, (iii) the relevant provision of the tax treaty providing for the claimed tax exemption or preferential tax rate, in a form acceptable to the Issuer, and (iv) three (3) originals of the duly notarized, consularized or apostilled (as the case may be), if executed outside of the Philippines, Special Power of Attorney executed by the Holder or the Holder's owners or beneficiaries, as may be applicable, in favor of the authorized representative (if the Application Form for Treaty Purposes and other documents are accomplished by an authorized representative) and confirmation acceptable to the Issuer that the Holder or the Holder's owners or beneficiaries is/are not doing business in the Philippines to support the applicability of a tax treaty relief; (b) prior to the payment of subsequent interests due, (i) three (3) originals of the apostilled/consularized new or updated BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes, as the Issuer deems applicable, and (ii) one (1) original of the apostilled/consularized Tax Residency Certificate duly issued by the respective foreign tax authority of the country of residence of the Holder or, if the Holder is a fiscally transparent entity, the country of residence of each of the Holder's owners or beneficiaries, in the form acceptable for recognition under Philippine laws, if the validity period of the previously issued tax residency certificate has already lapsed; and (c) such other additional documents as may be required by the Issuer or pursuant to applicable tax regulations, including, but not limited to, the documentary requirements enumerated in RMO No. 14-2021 as clarified by BIR RMC Nos. 77-2021 and 20-2022, which shall be submitted by the Holder/Registrar and Paying Agent to the Issuer no later than the 1st day of the month when such initial or subsequent interest payment/s shall fall due and, if applicable, including any clarification, supplement, or amendment thereto; for the avoidance of doubt, the Issuer shall retain sole discretion in determining whether the non-resident Holder is entitled to the preferential tax treaty rate based on the documents submitted by the non-resident Holder, provided that all the conditions for the availment thereof, other than residency, have been satisfied;
- Original of the duly notarized undertaking executed by (1) the corporate secretary or any authorized representative of such Eligible Holder, who has personal knowledge of the exemption based on his official functions, if the Eligible Holder purchases the Securities for its account, or (2) the trust officer, if the Eligible Holder is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Offer Bonds pursuant to its management of tax-exempt entities, warranting its tax-exempt status, undertaking to immediately notify the Bank and the Registrar and Paying Agent of (i) any suspension or revocation of its tax exemption, and agreeing to indemnify and hold the Bank and the Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding, substantially in the form attached as Schedule 11 or 11-A to the Registry and Paying Agency Agreement, (ii) if there are any material changes in the factual circumstances of the Holder including but not limited to its character, nature, and method of operation, which are inconsistent with the basis for its income tax exemption; or (iii) if there are any change of circumstance, relevant

treaty, law or regulation or any supervening event that may or would result in the interest income of the Offer Bonds being ineligible for exemption or preferential rate, with a declaration and warranty of its tax exempt status or entitlement to a preferential tax rate, and agreeing to indemnify and hold the Issuer, the Registrar and Paying Agent, the Arrangers, and the Selling Agents free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or incorrect withholding of the required tax, provided, that in case of corporate, partnership or trust account investors, such Holder shall also submit an original certification from the corporate secretary or an equivalent officer of the investor, setting forth the resolutions of its board of directors or equivalent body authorizing the execution of the undertaking and designating the signatories, with their specimen signatures, for the said purpose;

- such other documentary requirements as may be reasonably required under the relevant Pricing Supplement, the RPAA or by the Registrar, the Bank and the Selling Agents as proof of the Eligible Holder's tax-exempt status or as may be required under the applicable regulations of the relevant taxing or other authorities.

In addition, the Arranger, the Selling Agents or PDEX Trading Participants may each request such other documents from a proposed Holder in order to establish that he/she/it is an Eligible Holder and is not a Prohibited Holder and his/her/its exemption from taxation of interest income from fixed income securities, or to comply with applicable requirements of the AMLA or the BSP Rules.

17.3 ALLOCATION AND ISSUE OF THE SECURITIES

Applications to purchase of the Securities shall be subject to the availability of the Securities and acceptance by the Bank. The Joint Lead Arrangers and Joint Bookrunners, in consultation with the Bank, may accept, reject, scale down or reallocate any application to purchase of the Securities applied for.

In the event that payment supporting any ATP is returned by the drawee bank for any reason whatsoever, the ATP shall be automatically cancelled and any prior acceptance of the ATP shall be deemed revoked. If any ATP is rejected or accepted in part only, the corresponding portion of the tendered purchase price will be returned without interest by the relevant Selling Agent.

On the Issue Date, the Selling Agents shall, on behalf of the Bank, accept the relevant ATPs. The acceptance of an ATP shall ipso facto convert such ATP into a purchase agreement between the Bank and the relevant Holder.

The Registrar shall rely solely on the Sales Report submitted by the Selling Agents in its preparation of the Registry and the issuance of the Registry Confirmation for each Holder. Within seven (7) Banking Days from the Issue Date, the Registrar shall distribute the Registry Confirmations directly to the Holders in the mode elected by the Holder as indicated in the Sales Report.

17.4 TRANSACTIONS IN THE SECONDARY MARKET

All secondary transfers of the Securities shall be coursed through or effected using the trading facilities of the Exchange, subject to compliance with the applicable rules of such Exchange and the payment by the Holder of applicable fees to the Exchange and the Registrar and Paying Agent. All transfers of the Securities shall only be effective upon the receipt by the Registrar of a duly accomplished Trade-Related Transfer Form or Non-Trade Related Transfer Form (as applicable) in the forms attached to the Registry and Paying Agency Agreement or other relevant PDEX Trading Participant and other required documentation and the registration and recording by the Registrar of such assignment or transfer in the Registry; provided, that no such registration and recording shall be allowed during the Closed Period.

The date of registration as appearing in the Registry shall be treated as the date of transfer with such transfer and issuance of the Registry Confirmation to be made, in any case only upon, and within five (5) Banking Days from, the presentation of the following documents:

- the relevant Registry Confirmation;

- Tax Exempt/Treaty Documents, if applicable, in accordance with the Terms and Conditions;
- the relevant Trade-Related Transfer Form or Non-Trade Related Transfer Form, as the case may be, duly accomplished by the transferor Holder and endorsed by the relevant PDEx Trading Participant, substantially in the form agreed upon between the Bank and the Registrar;
- the Investor Registration Form duly accomplished by the transferee Holder and endorsed by the relevant PDEx Trading Participant, in the form agreed upon between the Bank and the Registrar;
- written consent of the transferee Holder to be bound by the terms of the Securities and the Registry Rules, in the form agreed upon between the Bank and the Registrar; and
- such documents as may be reasonably required by the Registrar to be submitted by the transferee Holder in support of the transfer or assignment of the Securities in its favor.

Where the Securities become listed on PDEx, all trade transactions must be coursed through PDEx in accordance with the PDEx Rules and conventions.

Transfers of the Tranche of the Securities made in violation of the restrictions on transfer under the Terms and Conditions shall be null and void and shall not be registered by the Registrar.

17.5 INTEREST AND PRINCIPAL PAYMENT

On the relevant Payment Date, the Paying Agent shall, upon receipt of the corresponding funds from the Bank, make available to the Holders the amounts net of taxes and fees (if any), by way of direct credits to the bank accounts through the identified Cash Settlement Banks by the Holders as reflected in the Sales Report.

17.6 SCHEDULE OF REGISTRY FEES

The Registrar and Paying Agent shall be entitled to charge the Holders and/or their counterparties such reasonable fees as the Registrar and Paying Agent shall prescribe in connection with the services that the Registrar and Paying Agent shall perform, such as, but not limited to, the opening and maintaining of accounts in favor of the Holders, the maintenance of the records of the Holder in the Registry, the issuance, cancellation, and replacement, when proper, of the Registry Confirmations, and the transfers of the Securities from a purchaser or seller/transferor of the Securities.

17.6.1 Transfer Fees in the Secondary Trading

1. Transfer Fee of ₱100.00 to be paid each by the transferring Holder and the buyer/transferee prior to the registration of any transfer of the Securities in the Registry. Either side may opt to pay the full charge of ₱200.00 per transfer. For transfers from a registry account to the depository, the full charge of ₱200.00 per transfer shall be charged to the transferring Holder.
2. Account Opening Fee of ₱100.00 to be paid upfront by a transferee who has no existing account in the Registry
3. Such transaction fees as PDTC shall prescribe for effecting electronic settlement instructions received from the PDS Clear System if so duly authorized by a Holder

17.6.2 Transfer Fees due to Non-Trade Transactions

1. Transaction Fee of ₱100.00 to be paid each by the transferring Holder and the requesting party prior to the registration of any transfer of the Securities in the Registry. Either side may opt to pay the full charge of ₱200.00 per transfer.

2. Transaction Fee of ₱500.00 per side plus legal cost, for non-intermediated transfers (e.g. inheritance, donation, pledge).

17.6.3 Other Fees charged to the Holder

These fees pertain to instances when PDTC is requested to undertake the printing of non-standard reports for the Holders for which appropriate fees are charged to cover the related overhead costs. The fee may vary depending on the type of report, as follows:

1. Fee of ₱200.00 to be paid upon each application for a certification request of holding.
2. Fee of ₱50.00 to be paid upon each application for a monthly statement of account (in addition to the quarterly statement of account to be issued by the Registrar to each Holder free of charge).
3. Fee of ₱50.00 to be paid upon application for the issuance of a replacement Registry Confirmation for reasons such as mutilated, destroyed, stolen or lost.
4. The fee for Special Reports varies depending on request.
 - a. Report without back-up file restoration is subject to a fee of ₱100.00 per request, plus ₱20.00 per page.
 - b. Report requiring back-up file restoration is subject to a fee of ₱300.00 per request, plus ₱20.00 per page.

SECTION 18. LEGAL MATTERS

Certain Philippine legal matters in connection with the Offer have been passed upon for the Bank by Picazo Buyco Tan Fider Santos & Dee, Manila, Philippines, the independent legal counsel of the Bank, and for PCCI Capital and Security Bank Capital by SyCip Salazar Hernandez & Gatmaitan.

The aforesaid counsels have no shareholdings in the Bank, or any right, whether legally enforceable or not, to nominate persons or to subscribe to the securities of the Bank, in accordance with the standards or independence required in the Code of Professional Responsibility and as prescribed by the Supreme Court of the Philippines.

The aforesaid legal counsels have not acted and will not act as promoter, underwriter, voting trustee, officer or employee of the Bank.

SECTION 19. INDEPENDENT AUDITORS

The financial statements of the Bank as of the three years ended 31 December 2024, 2023 and 2022, respectively, were audited by SyCip Gorres Velayo & Co., independent auditors.

SECTION 20. PARTIES TO THE OFFER

The Issuer

Security Bank Corporation

Security Bank Centre
6776 Ayala Avenue
Makati City, Philippines

The Joint Lead Arrangers and Joint Bookrunners

Philippine Commercial Capital, Inc.

6th Floor PCCI Corporate Centre
118 L.P. Leviste St. Salcedo Village,
Makati City, Philippines

Security Bank Capital Investment Corporation

18th Floor Security Bank Centre
6776 Ayala Avenue
Makati City, Philippines

Legal Counsel to the Bank

Picazo Buyco Tan Fider Santos & Dee

Penthouse, Liberty Center – Picazo Law
104 H.V. dela Costa Street
Salcedo Village
Makati City, Philippines

Legal Counsel to the Joint Lead Arrangers and Joint Bookrunners

SyCip Salazar Hernandez & Gatmaitan

SyCipLaw Center
105 Paseo de Roxas
Makati City, Philippines

SECTION 21. INDEX TO FINANCIAL STATEMENTS

- 1) Audited financial statements for the period ended 31 December 2024, 31 December 2023, and 31 December 2022

FINAL PRICING SUPPLEMENT AS OF 17 OCTOBER 2025



Offer of ₱21.0 Billion Fixed Rate Bonds 6.0000% due 2030
under its 2024 Peso Bond and Commercial Papers Program

With Oversubscription Option

Offer Price: 100% of Face Value

to be listed and traded on the Philippine Dealing & Exchange Corp.

Joint Lead Arrangers and Joint Bookrunners



Selling Agents



THE BONDS BEING OFFERED OR SOLD HEREIN ARE SECURITIES EXEMPT FROM REGISTRATION UNDER SECTION 9.1(E) OF THE SECURITIES REGULATION CODE AND WILL ACCORDINGLY NOT BE REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION.

THIS PRELIMINARY PRICING SUPPLEMENT AND THE INFORMATION CONTAINED HEREIN ARE SUBJECT TO COMPLETION OR AMENDMENT WITHOUT NOTICE. THE BONDS MAY NOT BE SOLD NOR MAY AN OFFER TO BUY BE ACCEPTED PRIOR TO THE TIME THAT THE PRELIMINARY PRICING SUPPLEMENT IS ISSUED IN FINAL FORM. UNDER NO CIRCUMSTANCES SHALL THIS PRELIMINARY PRICING SUPPLEMENT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY BONDS NOR SHALL THERE BE ANY OFFER, SOLICITATION OR SALE OF THE BONDS IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH JURISDICTION.

*This document constitutes the Pricing Supplement relating to Philippine Peso-denominated fixed rate bonds 6.0000% due 2030 (the “**Bonds**”) being offered and described herein (the “**Offer**”). Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the “**Terms and Conditions**”) set forth in the Trust Agreement dated 19 September 2025 (the “**Trust Agreement**”) and the Offering Circular dated 26 September 2025 (the “**Offering Circular**”). This Pricing Supplement contains the final terms of this Offer and the Bonds and must be read in conjunction with the Offering Circular. Full information on the Bank and the Offer is contained in the Offering Circular and in this Pricing Supplement. All information contained in the Offering Circular is deemed incorporated by reference in this Pricing Supplement. In case of conflict between the provisions of this Pricing Supplement and the Trust Agreement, the provisions of the Trust Agreement shall prevail.*

The following does not purport to be a complete listing of all the rights, obligations, or privileges of the Bonds. Some rights, obligations, or privileges may be further limited or restricted by other documents. Prospective investors are enjoined to carefully review the Articles of Incorporation, By-Laws, and resolutions of the Board of Directors and stockholders of the Issuer, the information contained in the Offering Circular, the Pricing Supplement, the Trust Agreement, and the other agreements relevant to the Offer, and to perform their own independent investigation and analysis of the Issuer and the Bonds. Prospective investors must make their own appraisal of the Issuer and the Offer, and must make their own independent verification of the information contained herein and the other aforementioned documents and any other investigation they may deem appropriate for the purpose of determining whether to participate in the Offer. They must not rely solely on any statement or the significance, adequacy or accuracy of any information contained herein. The information and data contained herein are not substitutes for the prospective investor’s independent evaluation and analysis. Prospective investors are likewise encouraged to consult their legal counsels and accountants in order to be better advised of the circumstances surrounding the Bonds. Specific references to times hereunder shall mean Philippine Standard Time.

Issuer	Security Bank Corporation (the “ Issuer ” or the “ Bank ”)
Issue	Philippine Peso-denominated fixed rate bonds (the “ Bonds ”) constituting the direct, unconditional, unsecured and unsubordinated obligations of the Bank
Specified Currency or Currencies	Philippine Peso
Offer Size	Minimum of ₱21.0 Billion with an oversubscription option
Manner of Distribution	Public offer
Use of Proceeds	Proceeds of the Offer will be used to diversify the Bank’s funding sources and support its lending activities
Issue Price	At par (or 100% of face value)
Form and Denomination of the Bonds	The Bonds will be issued in scripless form in minimum denominations of ₱500,000.00 each, and in multiples of ₱100,000.00 thereafter, and traded in minimum denominations of ₱500,000.00 each, and in multiples of ₱100,000.00 thereafter in the secondary market

Offer Period	The offer of the Bonds commenced at 9:00 a.m. on 22 September 2025 and ended at 5:00 p.m. on 17 October 2025
Issue Date	29 October 2025
Tenor	Five (5) years
Interest Rate	6.0000% per annum, to be calculated on a 30/360-day count basis
Interest Commencement Date	29 October 2025
Interest Payment Date(s)	29 January, 29 April, 29 July, and 29 October of each year, with the last interest payment date to coincide with the Maturity Date
Day Count	30/360-day count basis
Business Convention	If any Interest Payment Date would otherwise fall on a day which is not a Banking Day, the Interest Payment Date shall be deemed the next succeeding Banking Day; provided, further, that if such succeeding Banking Day falls into the next calendar month, the Interest Payment Date shall be the immediately preceding Banking Day, in either case, without adjustment to the amount of interest to be paid.
Maturity Date	29 October 2030 or five (5) years from Issue Date
Rating	The Bonds are unrated. The Bank has a “Baa2” rating for its long-term local and foreign currency bank deposits with a negative outlook by Moody’s Investors Service.
Ranking	The Bonds constitute direct, unconditional, unsecured, and unsubordinated obligations of the Bank, enforceable according to the Terms and Conditions, and shall at all times rank <i>pari passu</i> and without any preference or priority among themselves and at least <i>pari passu</i> with all other present and future direct, unconditional, unsecured, and unsubordinated obligations of the Bank, except for any obligation enjoying a statutory preference or priority established under Philippine laws
Payment Account Name	“PDTC as Paying Agent of SBC FAO 6.0000% Bond Holders due 2030”
Listing	The Bonds are intended to be listed on the Philippine Dealing & Exchange Corp. (“PDEX”)
Taxation on Interest Income	Interest income from the Bonds derived by Philippine citizens, resident alien individuals, and non-resident aliens engaged in trade or business in the Philippines is subject to a final withholding tax (“FWT”) of 20% based on the gross amount of interest. Interest income on the Bonds received by non-resident aliens not engaged in trade or business is subject to 25% FWT.

Interest income from the Bonds received by domestic corporations and resident foreign corporations is subject to 20% FWT, while interest income received by non-resident foreign corporations is subject to 25% FWT.

Interest income received by non-residents may be subject to preferential tax rates under the relevant tax treaties between the Philippines and the country of domicile of the non-resident Holder, subject to submission by the Holder of documents required under prevailing tax rules and regulations.

Change in Tax Rates and New Taxes

In the event there is a change in the tax treatment of the Bonds or on the tax rates applicable to a Holder because of new, or changes or repeal in, tax laws, or interpretations thereof, as a result of which, there is an increase in the applicable withholding tax rate, or any payments of principal and/or interest under the Bonds shall be subject to deductions or withholdings for or on account of any taxes, duties, assessments, or governmental charges of whatever nature imposed, levied, collected, withheld, or assessed within the Philippines by any authority therein or thereof having power to tax, including but not limited to stamp, issue, registration, documentary, value-added or similar tax, or other taxes, duties, assessments, or government charges, including interest, surcharges, and penalties thereon (the “**New Taxes**”), then such New Taxes imposed shall be for the account of the Holders and the Paying Agent, on behalf of the Bank, as applicable, shall make the necessary withholding or deduction for the account of the Holders concerned. All sums payable by the Bank to tax-exempt persons (upon presentation of acceptable proof of tax exemption) shall be paid without deductions for taxes, duties, assessments, or government charges.

Restricted Transfers

- (i) Transfers to Prohibited Holders;
- (ii) Transfers by Holders with deficient documents; and
- (iii) Transfers during a Closed Period.

Prohibited Holders

Means persons who/which are prohibited from purchasing or holding the Bonds, specifically:

- (a) the Bank, including its related parties expressly prohibited under prevailing BSP Rules (subject to such exceptions as may be provided therein); provided that, unless otherwise provided in the BSP Rules:

- (i) the phrase “related parties expressly prohibited under prevailing BSP Rules” shall refer to the related parties (1) identified in Section 131 of the MORB in relation to BSP Circular No. 1062, as further clarified in BSP Memorandum No. 2020-001 who are in possession of or have access to material and non-public information affecting the pricing and marketability of the Securities or which substantially impacts an investor’s decision to buy or sell the Securities once the same is disseminated to the public, including:

- (a) the Bank’s subsidiaries, affiliates and any party (including their subsidiaries, affiliates and special purpose entities) that

the Bank exerts direct or indirect control over, or that exerts direct or indirect, control over the Bank, its directors, officers, stockholders and related interests, and their close family members, as well as corresponding persons in affiliated companies;

- (b) such other person or entity whose interests may pose potential conflict with the interest of the Bank, hence, identified as a “related party” pursuant to Section 131 of the MORB in relation with BSP Circular No. 1062; and
 - (c) persons and entities that have direct or indirect linkages to the Bank, identified as follows:
 - (1) Ownership, control or power to vote, of ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa;
 - (2) Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations or directors holding nominal share in the borrowing corporation;
 - (3) Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the Bank and ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity; or
 - (4) Permanent proxy or voting trusts in favor of the Bank constituting ten percent (10%) to less than twenty percent (20%) of the outstanding voting stock of the borrowing entity, or vice versa.
- (ii) the following shall not be considered as Prohibited Holders: (1) the Bank’s trust departments or related trust entities and (2) an underwriter and/or arranger that is a related party of the Bank, where such underwriter and/or arranger is part of the underwriting agreement, and has complied with the requirements of the BSP Rules;
- (b) persons who are otherwise not qualified under the BSP Rules, including any other person whose acquisition, holding or transfer of the Securities would violate any applicable law or regulation, including but not limited to the rules of the PDEX, BSP, AMLC, or other government regulation in any relevant jurisdiction; or
 - (c) non-resident aliens not engaged in trade or business in the Philippines, non-resident foreign corporations, and any person classified as a U.S. person under the U.S. securities laws regulations, as well as the FATCA regulations, as may be amended from time to time, which include but are not limited to:

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- (i) a U.S. citizen (including a dual citizen who may have another citizenship besides having a U.S citizenship);
 - (ii) a U.S. resident alien for tax purposes, which includes a person who has substantial presence in the U.S. (“substantial presence” is defined as more than 31 days in the current calendar year or a total of 183 days over the previous three years from the current tax year);
 - (iii) a U.S. partnership, U.S. corporation, or U.S. entity;
 - (iv) a U.S. estate;
 - (v) a U.S. trust if a court within the United States is able to exercise primary supervision over the administration of the trust, or one or more U.S. persons have the authority to control all substantial decisions of the trust; or
 - (vi) any other person that is not a non-U.S. person.

For purposes of the definition of Prohibited Holders, a “**subsidiary**” means, a corporation or firm more than fifty percent (50%) of the outstanding voting stock of which is directly or indirectly owned, controlled or held, with power to vote, by the Bank. An “**affiliate**” means, at any particular time, an entity linked directly or indirectly to the Bank by means of: (1) ownership, control, or power to vote of at least twenty percent (20%) of the outstanding voting stock of the entity, or vice-versa; (2) interlocking directorship or officership, where the director or officer concerned owns, controls, or has the power to vote, at least twenty percent (20%) of the outstanding voting stock of the entity; (3) common ownership, whereby the common stockholders own at least ten percent (10%) of the outstanding voting stock of the Bank and at least twenty percent (20%) of the outstanding voting stock of the entity; (4) management contract or any arrangement granting power to the Bank to direct or cause the direction of management and policies of the entity; or (5) permanent proxy or voting trusts in favor of the Bank constituting at least twenty percent (20%) of the outstanding voting stock of the entity, or vice versa. The terms “**control**” / “**controlled**” shall have the meaning ascribed to such term under Section 131 of the MORB.

Closed Period

The periods during which the Registrar shall not register any transfer or assignment of the Bonds, specifically: (a) the period of two (2) Banking Days preceding any Interest Payment Date or the due date for any payment of the principal amount of the relevant Bonds; or (b) the period when any of the relevant Bonds have been previously called for redemption.

Application to Purchase

Applicants may purchase the Bonds during the Offer Period by submitting fully and duly accomplished Application to Purchase forms, in triplicate, together with all the required attachments and the corresponding payments to the Selling Agent from whom such application was obtained no later than 5:00 p.m. of the last day of the Offer Period. Only Applications to Purchase accompanied by payment in the form of personal or manager’s checks made out to the order of “**Security Bank Corporation PHP Bonds due 2030**”, debit instructions, RTGS, or such other forms of instructions that are acceptable to the relevant Selling Agent and which cover the entire purchase price shall be

accepted.

Please refer to the Offering Circular and the Application to Purchase for more information on the application process, required attachments and tax exemption requirements.

Governing Law Philippine Law

PROVISIONS RELATING TO REDEMPTION

Notice Period Minimum period: thirty (30) days before relevant Early Redemption Date

Maximum period: sixty (60) days before relevant Early Redemption Date

As specified in the Terms and Conditions:

Issuer Redemption Option

The Bank may, at its sole option, redeem the Bonds at par plus accrued interest (if any), without premium or penalty:

i) Early Redemption Option for Taxation Reasons

If any payment of principal or interest due under the Bonds becomes subject to additional or increased taxes other than the taxes and rates of such taxes prevailing as of the Issue Date as a result of any change in, or amendment to, the laws, rules or regulations of the Republic of the Philippines or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, rules or regulations (including but not limited to any decision by a court of competent jurisdiction) which change or amendment becomes effective after the Issue Date, and such additional or increased rate of such tax cannot be avoided by the use of reasonable measures available to the Bank, the Bank, subject to the BSP Rules, shall have the option (but not the obligation) to pre-terminate and redeem all, but not in part, the Bonds on the relevant Early Redemption Date at the Early Redemption Amount.

ii) Early Redemption for Increased Reserves

If the Bonds become subject to additional or increased reserves required by the BSP other than the statutory regular reserves required in the BSP Rules prevailing as of the Issue Date, and such additional or increased amount of reserves required cannot be avoided by use of reasonable measures available to the Bank, the Bank, subject to the BSP Rules, shall have the option (but not the obligation) to pre-terminate and redeem all, but not in part, the Bonds on the relevant Early Redemption Date at the Early Redemption Amount.

iii) Early Redemption for Change in Law

If any provision of the applicable Transaction Agreements is or shall become for any reason, invalid, illegal or unenforceable to the extent that it shall become, for any reason, unlawful for the Bank to give effect to its rights or obligations hereunder, or to enforce any provisions of the applicable Transaction Agreements, in whole or in part, or any law shall be introduced to prevent or restrain the performance by the parties hereto of their obligations under the applicable Transaction Agreements, such event shall be considered as change in law or circumstance (“**Change in Law**”) in reference to the obligations of the Bank and to the rights and interests of the Holders under such applicable Transaction Agreements and the Bonds.

iv) Early Redemption for Other Reasons

Subject to the BSP Rules, the Bank shall also have the option (but not the obligation) to pre-terminate and redeem all, but not in part, the Bonds on the relevant Early Redemption Date at the Early Redemption Amount on any other ground in addition to the early redemption events under (i), (ii), and (iii) above, as may be approved by the BSP.

v) No Pretermination by Holder

Except as otherwise contemplated under the Terms and Conditions, and the Pricing Supplement, none of the Holders shall have the right to require the Bank to redeem and repay any or all of the Bonds before the relevant Maturity Date of such Bonds. Transfers of the Bonds to a Person other than the Bank shall not constitute pre-termination.

Final Redemption Amount	Face Value, plus accrued interest up to, but excluding, the Maturity Date
Early Redemption Date	The date before the Maturity Date when the Early Redemption Option is exercised
Early Redemption Amount	Face Value, plus accrued and unpaid interest up to, but excluding, the relevant Early Redemption Date
PARTIES/ DISTRIBUTION	
Trustee	Philippine Commercial Capital, Inc. – Trust and Investment Group
Registrar & Paying Agent	Philippine Depository & Trust Corp.
Joint Lead Arrangers and Joint Bookrunners	Philippine Commercial Capital, Inc. Security Bank Capital Investment Corporation
Selling Agents	Security Bank Corporation

	Philippine Commercial Capital, Inc. Security Bank Capital Investment Corporation
Market Maker	Philippine Commercial Capital, Inc.
Listing Agent	Philippine Dealing & Exchange Corp.
Additional Information	Please see Schedule 1.

SCHEDULE 1
ADDITIONAL INFORMATION
Amendment of Supplement to the Offering Circular

The Offering Circular is hereby supplemented with the following information, which shall be deemed to be incorporated in, and to form part of, the Offering Circular. This Schedule is qualified in its entirety by, and should be read in conjunction with, the more detailed information and audited financial statements, including notes thereto, found in the Offering Circular. Save as otherwise defined herein, terms defined in the Offering Circular have the same meaning when used in this Schedule 1.

Recent Developments

Refer to note 20, *Events After the Reporting Period* of the appended unaudited interim condensed consolidated financial statements as at June 30, 2025 and for the six-months ended June 30, 2025 and 2024.

Summary of Consolidated Financial Information

The selected financial information as of June 30, 2025 and for the six months ended June 30, 2025 and 2024 were derived from the unaudited interim condensed consolidated financial statements of the Bank. The selected financial information set out below does not purport to project the consolidated results of operations or financial position of the Bank for any future period or date.

Consolidated Statements of Income

	For the six months ended	
	June 30	
	2025	2024
	<i>(P millions, except for share figures)</i>	
	<i>(unaudited)</i>	
Interest income on		
Loans and receivables.....	28,204	22,361
Financial assets at fair value through other comprehensive income and investment securities at amortized cost	8,288	5,433
Interbank loans receivable and securities purchased under resale agreements with the Bangko Sentral ng Pilipinas	675	382
Financial assets at fair value through profit or loss.....	563	614
Deposits with banks and others.....	135	90
	37,865	28,880
Interest expense on		
Derivatives designated as hedges	6,996	821
Deposit liabilities	3,455	3,556
Notes and bonds payable, bills payable and securities sold under repurchase agreements and other borrowings.....	2,920	2,772
Derivatives instruments	91	20
Lease liabilities	82	48
	13,544	7,217
Net interest income	24,321	21,663
Other Income		
Service charges, fees and commissions	4,262	4,867
Rent.....	634	418
Foreign exchange gain (loss) - net.....	456	(2,159)
Trading and securities gain (loss) – net.....	275	(487)
Profit from assets sold/exchanged	212	334
Share in net income of joint ventures.....	188	66
Miscellaneous	1,213	958
Total Operating Income	31,561	25,660

(Forward)

	For the six months ended	
	June 30	
	2025	2024
	<i>(P millions, except for share figures)</i>	
	<i>(unaudited)</i>	
Operating expenses		
Compensation and fringe benefits.....	6,514	5,245
Provision for credit losses.....	5,070	3,312
Taxes and licenses	2,217	1,919
Depreciation and amortization.....	1,509	1,269
Amortization of software costs	590	375
Occupancy costs	252	220
Recovery of impairment losses	–	(14)
Miscellaneous	7,725	5,969
Total operating expenses	<u>23,877</u>	<u>18,295</u>
Income before income tax	7,684	7,365
Provision for income tax	1,826	1,920
Net income	<u>5,858</u>	<u>5,445</u>
Basic/Diluted Earnings Per Share	<u>7.77</u>	<u>7.22</u>

Consolidated Statements of Financial Position

	June 30, 2025	December 31, 2024
	<i>(P millions)</i>	
	<i>(unaudited)</i>	<i>(audited)</i>
Assets		
Cash and Other Cash Items.....	13,560	13,165
Due from Bangko Sentral ng Pilipinas	25,639	35,105
Due from Other Banks.....	23,495	15,371
Interbank Loans Receivable and Securities Purchased Under Resale Agreements with the Bangko Sentral ng Pilipinas	1,535	9,394
Financial Assets at Fair Value Through Profit or Loss.....	30,041	16,821
Derivative Assets Designated as Hedges.....	27	635
Financial Assets at Fair Value through Other Comprehensive Income	182,053	181,837
Investment Securities at Amortized Cost.....	158,781	138,733
Loans and Receivables	667,362	677,813
Investment in Joint Ventures and Associate	14,556	2,627
Property, Equipment, and Right-of-use Assets	8,679	8,035
Investment Properties	6,661	6,283
Deferred Tax Assets	7,295	6,259
Goodwill	842	842
Intangible Assets.....	7,379	6,590
Other Assets.....	6,441	9,631
Total Assets	<u>1,154,346</u>	<u>1,129,141</u>

	June 30, 2025	December 31, 2024
	<i>(P millions)</i>	
	<i>(unaudited)</i>	<i>(audited)</i>
Liabilities and Equity		
Liabilities		
Deposit Liabilities		
Demand.....	286,163	279,240
Savings	148,220	140,869
Time.....	452,984	370,536
Long-Term Negotiable Certificates of Deposits.....	2,070	10,434
	<u>889,437</u>	<u>801,079</u>
Financial Liabilities at Fair Value Through Profit or Loss	2,548	1,716
Derivative Liabilities Designated as Hedges	8,542	3,841
Bills Payable and Securities Sold Under Repurchase Agreements.....	29,197	91,180
Acceptances Payable	2,380	1,670
Margin Deposits and Cash Letters of Credit.....	326	170
Manager's and Certified Checks Outstanding	4,408	5,339
Income Tax Payable	472	456
Notes and Bonds Payable	42,142	61,195
Accrued Interest, Taxes and Other Expenses	5,448	5,931
Other Liabilities	21,715	15,426
Total Liabilities	<u>1,006,615</u>	<u>988,003</u>
Equity Attributable to Equity Holders of the Parent Company		
Capital stock	7,635	7,635
Additional paid-in capital	38,524	38,524
Surplus.....	108,867	104,156
Net unrealized loss on financial assets at fair value through other comprehensive income.....	(5,799)	(7,474)
Net unrealized gain on subsidiaries and associate' financial assets at fair value through other comprehensive income	135	23
Cumulative foreign currency translation	(46)	(129)
Cost of hedging reserve	(1,585)	(1,597)
Total Equity	<u>147,731</u>	<u>141,138</u>
Total Liabilities and Equity	<u>1,154,346</u>	<u>1,129,141</u>

Selected Consolidated Statements of Cash Flows

	For the six months ended	
	June 30	
	2025	2024
	<i>(P millions)</i>	
	<i>(unaudited)</i>	
Net cash generated from operating activities	103,897	27,816
Net cash used in investing activities	(27,892)	(33,541)
Net cash provided by (used in) financing activities	(88,254)	888
Cash and cash equivalents at beginning of the period	70,534	73,871
Cash and cash equivalents at end of the period	62,695	67,878

Selected Financial Ratios

	As of June 30	
	2025	2024
Return on average assets ⁽¹⁾	1.03	1.20
Return on average equity ⁽²⁾	8.11	7.94
Net interest margin ⁽³⁾	5.32	5.20
Core capital ratio ⁽⁴⁾	12.35	12.94
Total capital adequacy ratio ⁽⁵⁾	13.24	13.84
Earnings per share (₱) ⁽⁶⁾	7.77	7.22
Non-performing loan		
Net ⁽⁷⁾	1.63	1.48
Gross ⁽⁸⁾	3.16	3.31
Cost to income ratio ⁽⁹⁾	59.59	58.44
Total operating expenses	23,877	18,295
Less: Provision for credit losses	5,070	3,312
Recovery of impairment losses	—	(14)
Total operating expenses before provision for credit and impairment losses	18,807	14,997
Total operating income	31,561	25,660
Loans to deposits		
Loans and receivables, net	667,362	577,265
Total deposits	889,437	676,160
	75.03	85.37
Total assets to equity		
Total assets	1,154,346	948,140
Equity attributable to the Parent Company	147,731	138,196
	7.81	6.86
Non-performing loan cover ⁽¹⁰⁾		
Total allowance for credit losses	16,819	15,745
Total NPLs gross of specific allowance	21,250	19,441
	79.15	80.99
Allowance for credit and impairment losses to total non-performing assets ⁽¹¹⁾		
Total allowance for credit and impairment losses	16,902	15,868
Total non-performing assets	27,276	24,392
	61.97	65.05

Notes:

- (1) Net income divided by average balance of total assets for the period indicated
- (2) Net income divided by average capital accounts for the period indicated
- (3) Net interest income divided by average interest-earning assets for the period indicated
- (4) Net Tier 1 capital divided by total risk weighted assets, as reported to BSP.
- (5) Total qualifying capital less deductions divided by total risk weighted assets, as reported to BSP.
- (6) Net income divided by weighted average number of outstanding common shares.
- (7) Total non-performing loans - net ("NPL") divided by total gross loans per BSP.
- (8) Gross NPL divided by total gross loans, as reported to BSP
- (9) Total operating expenses (excluding provision for credit and impairment losses) divided by total operating income.
- (10) Computed based on BSP Circular 941 and 1011
- (11) Computed based on BSP guidelines.

Management’s Discussion and Detailed Analysis of Financial Condition and Results of Operations

Analysis of Consolidated Statements of Financial Position as of June 30, 2025 and December 31, 2024

Total Assets increased by ₱25.2 billion to ₱1.2 trillion on account of increases in Cash and Other Cash Items, Due from Other Banks, Financial Assets at Fair Value through Profit or Loss, Financial Assets at Fair Value through Other Comprehensive Income, Investment Securities at Amortized Cost, Investment in Joint Ventures and Associate, Property, Equipment and Right-of-use Assets, Investment Properties, Deferred Tax Assets, and Intangible Assets, tempered by decreases in Due from Bangko Sentral ng Pilipinas, Interbank Loans Receivables and Securities Purchased Under Resale Agreements (SPURA) with the BSP, Derivative Assets Designated as Hedges, Loans and Receivables, and Other Assets.

Increase in **Cash and Other Cash Items** by ₱0.4 billion can be attributed to the Bank’s daily operations while decrease in **Due from BSP** by ₱9.5 billion is due to asset-liability management. **Due from Other Banks** increased by ₱8.1 billion due to increased level of working balances with counterparty banks. **Interbank Loans Receivable and SPURA with the BSP** decreased by ₱7.9 billion due to decreased level of placements.

Financial Assets at Fair Value Through Profit or Loss increased by ₱13.2 billion to ₱30.0 billion due to trading-related activities of the Bank. **Derivative Assets Designated as Hedges** decreased by ₱0.6 billion. **Financial Assets at Fair Value through Other Comprehensive Income** increased by ₱0.2 billion to ₱182.1 billion mainly due to purchases of treasury notes and bills tempered by maturities and disposals of treasury bonds during the period. **Investment Securities at Amortized Cost** increased by ₱20.0 billion to ₱158.8 billion mainly due to purchases of treasury notes and bills and treasury bonds during the period.

Loans and Receivables decreased to ₱667.4 billion from ₱677.8 billion in 2024 primarily attributable to decrease in commercial loans tempered by the increase in retail and MSME loans during the period.

Investment in Joint Ventures and Associate increased by ₱11.9 billion to ₱14.6 billion mainly due to the first tranche capital injection paid by the Bank to MMFP and investment in HCPH.

Property, Equipment and Right-of-use Assets increased by ₱0.6 billion to ₱8.7 billion due to additions during the period. **Investment Properties** increased by ₱0.4 billion to ₱6.7 billion mainly due to additional foreclosures tempered by disposals and depreciation during the period.

Deferred Tax Assets increased by ₱1.0 billion to ₱7.3 billion due to higher allowance for credit losses during the period. **Intangible Assets** increased by ₱0.8 billion to ₱7.4 billion in 2025 mainly due to additions.

Other Assets decreased to ₱6.4 billion from ₱9.6 billion due to decrease in cash collateral deposits by ₱2.3 billion and utilization of other investments by ₱1.2 billion.

Total Liabilities increased by ₱18.6 billion to ₱1.0 trillion on account of increases in Deposit Liabilities, Financial Liabilities at Fair Value through Profit or Loss, Derivative Liabilities Designated as Hedges, Acceptances Payable, Margin Deposits and Cash Letters of Credit, Income Tax Payable, and Other Liabilities, tempered by decreases in Bills Payable and Securities Sold Under Repurchase Agreements (SSURA), Manager’s and Certified Checks Outstanding, Notes and Bonds Payable, and Accrued Interest, Taxes, and Other Expenses.

Deposit Liabilities went up from ₱801.1 billion as of year-end 2024 to ₱889.4 billion mainly due to increase in time deposits.

Financial Liabilities at Fair Value through Profit or Loss increased by ₱0.8 billion. **Derivative Liabilities Designated as Hedges** went up from ₱3.8 billion as of year-end 2024 to ₱8.5 billion mainly due to higher volume. **Bills Payable and SSURA** decreased by ₱62.0 billion to ₱29.2 billion due to maturities and settlements of the Bank's borrowings from SSURA, local and foreign banks.

Acceptances Payable increased to ₱2.4 billion from ₱1.7 billion. **Margin Deposits and Cash Letters of Credit** increased to ₱325.7 million from ₱169.9 million. **Manager's and Certified Checks Outstanding** decreased to ₱4.4 billion from ₱5.3 billion.

Income Tax Payable increased by ₱15.3 million from year-end 2024's ₱456.4 million. **Notes and Bonds Payable** decreased by ₱19.1 billion mainly due to the settlement of ₱18.5 billion fixed rate bonds due January 2025. **Accrued Interest, Taxes and Other Expenses** decreased to ₱5.4 billion from ₱5.9 billion. **Other Liabilities** went up by ₱6.3 billion from ₱15.4 billion primarily driven by accounts payable by ₱2.5 billion, FWD milestone fees by ₱2.4 billion, and payable to brokers by 1.1 billion.

Total Equity increased by ₱6.6 billion on account of movements in Surplus, Net Unrealized Loss on Financial Assets at Fair Value through Other Comprehensive Income, Cumulative Foreign Currency Translation and Cost of Hedging Reserve during the period.

Surplus was up due to the net income for the period. **Net Unrealized Loss on Financial Assets at Fair Value through Other Comprehensive Income of the Parent** decreased by ₱1.7 billion mainly due to improvement in market valuation of outstanding debt securities. **Cumulative Foreign Currency Translation** loss decreased to ₱46.6 million as compared to ₱129.7 million as of December 31, 2024. **Cost of Hedging Reserve** amounted to ₱1.6 billion.

The **Capital Adequacy Ratio (CAR)** is 13.2% in June 2025. This is well above BSP minimum requirement of 10%, indicative of the sufficiency of the Bank's capital to support the current level of its risk assets.

Analysis of Consolidated Statements of Income for the Six Months Ended June 30, 2025 and 2024

Net income attributable to the Bank's equity holders amounted to ₱5.9 billion for the six months ended June 30, 2025, an increase of ₱0.4 billion from a year ago level of ₱5.4 billion. This translates to earnings per share of ₱7.8 from ₱7.2 for the six months ended June 30, 2025 and 2024, respectively.

Interest Income amounted to ₱37.9 billion from ₱28.9 billion for the six months ended June 30, 2025 and 2024, respectively. **Interest Income on Loans and Receivables** amounted to ₱28.2 billion from ₱22.4 billion of the same period last year due to increases in time loans, credit cards, auto loans and home loans. **Interest Income on Financial Assets at Fair Value Through Other Comprehensive Income and Investment Securities at Amortized Cost** grew by ₱2.9 billion on account of higher securities portfolio while **Interest Income on Financial Assets at Fair Value Through Profit or Loss** decreased by ₱50.7 million. Increase in **Interest Income on Interbank Loans Receivables and SPURA with the BSP** by ₱291.8 million was due to the increase in volume of placements during the period. **Interest Income on Deposits with Banks and Others** increased by ₱45.6 million due to increase in volume of margin and demand deposits during the period.

Interest Expense increased by ₱6.3 billion from prior period. **Interest Expense on Deposit Liabilities** decreased by ₱0.1 billion due to maturities of LTNCDs and lower interest rates on time deposits, on a period-on-period basis. **Interest Expense on Notes and Bonds Payable, Bills Payable and SSURA and**

Other Borrowings went up by ₱148.0 million due to higher borrowing transactions. **Interest Expense on Derivative Instruments** went up to ₱91.2 million. **Interest Expense on Derivative designated as Hedges** recognized during the year amounted ₱7.0 billion. **Interest Expense on Lease Liabilities** increased to ₱82.3 million compared to 2024 on a period-on-period basis.

Net Interest Income registered an increase of ₱2.7 billion to ₱24.3 billion on June 30, 2024 from ₱21.7 billion of the same period last year.

Other Income increased to ₱7.2 billion from ₱4.0 billion mainly due to increase in **Foreign Exchange Gain** of ₱2.6 billion arising from the application of cash flow hedge accounting starting March 2024. **Trading and Securities Gain - Net** increased by ₱761.8 million. **Miscellaneous Income** increased by ₱255.9 million. **Rent Income** increased by ₱216.0 million due to rental of Bank properties. **Share in Net Income of Joint Ventures and Associate** increased by ₱121.8 million, primarily due to share in HCPH's net income. **Profit from Assets Sold/Exchanged** decreased by ₱122.3 million from ₱334.3 million in the same period last year, primarily due to lower gains from foreclosed assets. **Service Charges, Fees, and Commissions** decreased by ₱0.6 billion due to recognition of bancassurance milestone fee in the same period last year. Excluding the milestone fee, service charges, fees and commission increased by 22.9% year-on-year.

Operating Expenses were higher by ₱5.6 billion. **Provision for Credit Losses** increased by ₱1.8 billion, reflecting the Bank's proactive approach in response to prevailing economic conditions. **Compensation and Fringe Benefits, Taxes and Licenses, Depreciation and Amortization, Amortization of Software Costs, Occupancy Costs, and Miscellaneous Expenses** increased by ₱1.3 billion, ₱298.3 million, ₱240.8 million, ₱215.4 million, ₱31.1 million, and ₱1.8 billion, respectively. Recovery of Impairment Losses decreased by ₱13.8 million.

Provision for Income Tax is lower by ₱93.9 million on a period-on-period basis, primarily due to higher benefit from deferred income tax tempered by higher provision for current income tax.

Total Comprehensive Income for the six months ended June 30, 2025 amounted to ₱7.7 billion as compared to ₱3.2 billion in 2024 on a period-on-period basis driven by higher net income, favorable cumulative translation adjustments, and improvement in net unrealized gain on financial assets at fair value through other comprehensive income.

Liquidity

The Group's liquidity is more than adequate with liquid assets to total assets ratio of 37.7% as of June 30, 2025. The Group does not anticipate any cash flow or liquidity problems within the next twelve (12) months and is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments. All payables have been paid by the Group within the stated terms. There are no known trends, demands, commitments, events or uncertainties that may result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way.

Commitments and Contingent Liabilities

The Group has outstanding commitments, contingent liabilities, bank guarantees and tax assessments that arise from the normal course of operations. The Group does not anticipate losses that will materially affect its financial position and results of operations as a result of these transactions.

Material Commitments for Capital Expenditures

The Bank's commitments for capital expenditures will be funded out of cash flows from operations. This covers investments in electronic systems to serve our clients and to comply with regulatory requirements (e.g. electronic anti-money laundering monitoring system), investments in technology infrastructure and security (e.g. cybersecurity), upgrades of existing systems (e.g. telecommunications system), expansion of the Bank's electronic banking channels, ATM installations, renovation or relocation of branch premises, and investments for new branches.

Material Impact on Income from Continuing Operations

In the normal course of operations, the Bank's activities are affected by changes in interest rates, foreign currency exchange rates and other market changes. The Bank follows a prudent policy on managing its assets and liabilities to ensure that exposure to fluctuations in interest rates and foreign currency exchange rates are kept within acceptable limits and within regulatory guidelines.

Significant Elements of Income or Loss that did not arise from Continuing Operations

There are no significant elements of income or loss that did not arise from continuing operations of the Group.

Seasonal aspects that have a material effect on the financial condition or results of operations.

The Group's financial position or results of operations are not affected by seasonal aspects.

Significant events and uncertainties during the period

There are no significant events and uncertainties during the period.

Capitalization and Indebtedness

The following table sets forth the indebtedness and capitalization of the Bank as of June 30, 2025. This table should be read in conjunction with the Bank's unaudited consolidated financial statements as of and for the six months ended June 30, 2025, and the notes presented elsewhere herein.

	June 30, 2025
	(₱ millions)
Liabilities:	
Deposit liabilities*	889,437
Financial liabilities at fair value through profit or loss	2,548
Derivative Liabilities Designated as Hedges	8,542
Bills payable and Securities Sold Under Repurchase Agreements	29,197
Notes and bonds payable	42,142
Other liabilities**	34,749
Total liabilities	<u>1,006,615</u>
Capitalization:	
Capital stock	7,635
Additional paid-in capital	38,524
Surplus	108,867
Net unrealized loss on financial assets at fair value through other comprehensive income	(5,799)
Net unrealized gain on subsidiaries and associates' financial assets at fair value through other comprehensive income	135
Cumulative foreign currency translation	(46)
Cost of hedging reserve	(1,585)
Total	<u>147,731</u>
Total capitalization and indebtedness	<u>1,154,346</u>
Capital Ratios	
Common Equity Tier 1 Ratio	12.35%
Tier 1 Capital Adequacy Ratio	12.35%
Total Capital Adequacy Ratio	13.24%

* Includes long-term negotiable certificates of deposit of ₱2.1 billion issued 5 February 2020 net of incurred debt issue costs.

** Comprised of acceptances payable, margin deposits and cash letters of credit, manager's and certified checks outstanding, income tax payable, accrued interest, taxes and other expenses and other liabilities.

Except as disclosed in the unaudited consolidated financial statements as of and for the six months ended June 30, 2025, there has been no significant change in the indebtedness or capitalization of the Bank since June 30, 2025.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

SECURITY BANK CORPORATION

By:


Price Edward C. Yap
EVP, Financial Markets Segment Head


Allen Alexander P. Reyes
SVP, Chief Financial Officer



INDEX TO THE FINANCIAL STATEMENTS

Audited financial statements as at December 31, 2024 and 2023 and for the years ended December 31, 2024, 2023, and 2022

Unaudited interim condensed consolidated financial statements as at June 30, 2025 and for the six-months ended June 30, 2025 and 2024