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OFFERING CIRCULAR



Philippine National Bank

(a universal banking corporation organized and existing under Philippine Laws)

₱50,000,000,000 BOND AND COMMERCIAL PAPER PROGRAMME

Under this ₱50,000,000,000 Bond and Commercial Paper Programme (the “Programme”), Philippine National Bank (“PNB” or the “Bank” or the “Issuer”) may offer from time to time, in one or more series of tranches, Bonds (as defined below and which includes Commercial Papers) up to the maximum aggregate principal amount approved by the Issuer to be issued under the Programme (the “Programme Limit”), pursuant to BSP Circular No. 1010 (Series of 2018), and any other circulars and regulations as may be relevant for the transaction, as amended from time to time, see “Offering Circular Summary.” Only such Bonds issued within the Programme Limit will be governed by the Programme Agreement and the General Terms and Conditions.

THE BONDS BEING OFFERED OR SOLD UNDER THIS OFFERING CIRCULAR HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION (THE “SEC”) AS THE ISSUANCE IS AN EXEMPT SECURITY UNDER SECTION 9.1(E) OF THE SECURITIES REGULATION CODE (THE “SRC”).

The Bonds shall constitute direct, unconditional, unsecured, and unsubordinated peso-denominated obligations of the Bank, enforceable pursuant to the terms of the Trust Agreement and these General 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, except for any obligation enjoying a statutory preference or priority established under Philippine laws other than the preference under Article 2244, paragraph (14)(a) of the Civil Code of the Philippines.

The specific terms of the Bonds for each tranche will be determined by the Bank considering prevailing market conditions and shall be provided in a supplement to be circulated at the time of the offer of the relevant tranche (“Pricing Supplement”).

The Bank has a rating of Baa2/P-2 for its foreign currency and local currency deposits from Moody’s as of April 2025. 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 agency. The Bonds to be issued under the Programme may or may not be rated and where any issuance of Bonds under the Programme is proposed to be rated, such rating(s) shall be set out in the applicable Pricing Supplement.

Bonds issued under the Programme will be listed by the Bank in the Philippine Dealing & Exchange Corp. (PDEX). Once registered and lodged, the Bonds will be eligible for transfer through the trading participants of the PDEX upon listing of the Bonds in PDEX by electronic book-entry transfers in the Registry, and issuance of Registry Confirmations in favor of transferee Bondholders.

Investing in the Bonds entails certain risks. See “Investment Considerations” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Joint Lead Arrangers and Bookrunners



PNBCapital



Selling Agents



PNB



The date of this Offering Circular is 11 November 2025

The Bank accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Bank (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything that would make the statements therein, in light of the circumstances under which they were made, misleading. The Bank, having made all reasonable enquiries, confirms that this Offering Circular contains or incorporates all information which is material in the context of the Programme, the Bank, Philippine National Bank and subsidiaries (“the Group”), and the Bonds which includes Commercial Papers, that the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading. The Bank accepts full and sole responsibility accordingly.

The Bank confirms that (i) this Offering Circular contains, and at the date of publication or issue contained, all material information with respect to the Bank, the Group, the Programme and the Contracts (including all information which is necessary to enable investors and their professional advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Bank, the Group and the rights attaching to the relevant Series or Tranche of Bonds), (ii) this Offering Circular does not contain an untrue statement of material fact or omit to state a material fact that is necessary in order to make the statements made in this Offering Circular, in the light of the circumstances under which they were made, not misleading and there is no other fact or matter omitted from this Offering Circular which was or is necessary to enable investors and their professional advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Bank or the Group and of the rights attaching to the relevant Series or Tranche of Bonds; (iii) the other financial data set forth in this Offering Circular relating to the Bank is accurately presented and prepared on a basis consistent with the consolidated financial statements and books and records of the Group; that the Bank and each member of the Group has no outstanding guarantees or contingent payment obligations with respect to indebtedness of third parties, except those issued in the ordinary course of business or as described in this Offering Circular; the Bank and each Group member is in compliance with all of its obligations under any outstanding guarantees or contingent payment obligations as described in this Offering Circular; (iv) all statistical and market related data included in this Offering Circular is based on or derived from sources that the Bank reasonably believes to be reliable and accurate in all material respects, has been accurately extracted from such source and the Bank has obtained the written consent to the use of such data from such sources to the extent required; (v) the statements of intention, opinion, belief or expectation contained in this Offering Circular and the Marketing Materials are honestly and reasonably made or held; and (vi) all reasonable enquiries have been made to ascertain such facts and to verify the accuracy of all such statements.

To the fullest extent permitted by law, none of the Joint Lead Arrangers and Bookrunners and the Selling Agents (including any selling agents appointed by the Bank in relation to each issuance under the Programme) accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Joint Lead Arrangers and Bookrunners or the Selling Agents or on their respective behalf in connection with the Bank, the Programme, or the issue and offering of the Bonds. Each of the Joint Lead Arrangers and Bookrunners and the Selling Agents (and their respective affiliates) accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement.

No person is or has been authorized by the Bank 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 Programme or the offering of any Bonds thereunder and, if given or made, such information or representations must not be relied upon as having been authorized by the Bank, the Joint Lead Arrangers and Bookrunners and/or the Selling Agents.

None of the Joint Lead Arrangers and Bookrunners and the Selling Agents (and their respective affiliates) has 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 any of the Joint Lead Arrangers and Bookrunners or any of the Selling Agents or any director, officer, employee, agent or affiliate of any such person 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 Programme. None of the Joint Lead Arrangers and Bookrunners and the Selling Agents (and their respective affiliates) accepts any responsibility for any acts or omissions of the Bank or any other person (other than the relevant Selling Agent or Joint Lead Arrangers and Bookrunners) in connection with the Programme.

The Bonds will be deposited with Development Bank of the Philippines – Trust Banking Group, which has been appointed as the Trustee by the Bank. The Bonds, when issued, shall be maintained in scripless and electronic form with the Registrar through the Registry and registered in the name of the Bondholders. Registry Confirmations will be issued in favor of the Bondholders in accordance with the Regulations and the Registry and Paying Agency Agreement and will be serially numbered. Once lodged, the Bonds will be eligible for electronic book-entry transfers in the Registry without the issuance of other evidences of the Bonds, and any sale, transfer, or conveyance of the Bonds shall be coursed through an accredited exchange. The Bonds will be enrolled or listed in the trading platform of the Philippine Dealing & Exchange Corp. (“**PDEx**”) for secondary market trading pursuant to the Bangko Sentral ng Pilipinas (“**BSP**”) rules. Upon enrollment or listing of the Bonds in the PDEx, investors shall course their secondary market trades through the trading participants of PDEx for execution in the PDEx Trading Platform in accordance with the PDEx Trading Rules, Conventions and Guidelines, as these may be amended or supplemented from time to time, and shall settle such trades on a Delivery versus Payment (“**DvP**”) basis in accordance with PDEx Settlement Rules and Guidelines.

THE BONDS ARE NOT DEPOSITS AND ARE NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORPORATION.

In addition, none of the Joint Lead Arrangers and Bookrunners, the Selling Agents or the Lead Arrangers and Bookrunners is responsible for the assessment of the Bank’s Sustainable Financing Framework including the assessment of the applicable eligibility criteria in relation to Green Bonds, Social Bonds or Sustainability Bonds set out therein. S&P Global Ratings has issued an independent opinion, dated October 2024, on the Bank’s Sustainable Financing Framework (the “**Opinion**”). The Opinion provides an opinion on certain environmental and related considerations and is not intended to address any credit, market or other aspects of an investment in any Bonds, including without limitation market price, marketability, investor preference or suitability of any security. The Opinion is not a statement of fact. No representation or assurance is given by the Selling Agents or the Joint Lead Arrangers and Bookrunners as to the suitability or reliability of the Opinion or any opinion or certification of any third party made available in connection with any issue of Bonds issued as Green Bonds, Social Bonds or Sustainability Bonds. As of the date of this Offering Circular, the provider of such opinions is not subject to any specific regulatory or other regime or oversight. The Opinion and any other such opinion are not, nor should be deemed to be, a recommendation by the Joint Lead Arrangers and Bookrunners, the Selling Agents or the Lead Arrangers and Bookrunners, or any other person to buy, sell or hold any Bonds and is current only as of the date it is issued. The criteria and/or considerations that formed the basis of the Opinion or any such other opinion may change at any time and the Opinion may be amended, updated, supplemented, replaced and/or withdrawn. Prospective investors must determine for themselves the relevance of any such opinion and/or the information contained therein. The Bank’s Sustainable Financing Framework may also be subject to review and change and may be amended, updated, supplemented, replaced and/or withdrawn from time to time and any subsequent version(s) may differ from any description given in this Offering Circular. The Bank’s Sustainable Financing Framework, the Opinion, and any other such opinion do not form part of and are not incorporated by reference in this Offering Circular.

None of the Joint Lead Arrangers, the Selling Agents or the Lead Arrangers and Bookrunners accepts any responsibility for any social, environmental and sustainability assessment of any Bonds which will be issued as "Green Bonds, Social Bonds or Sustainability Bonds or makes any representation or warranty or assurance whether such Bonds will meet any investor expectations or requirements regarding such “green”, “sustainable”,

“social” or similar labels or any requirements of such labels as they may evolve from time to time. None of the Joint Lead Arrangers, the Selling Agents or the Lead Arrangers and Bookrunners is responsible for the use or allocation of proceeds for any Bonds issued as Green Bonds, Social Bonds or Sustainability Bonds, nor the impact or monitoring of such use of proceeds nor do any of the Joint Lead Arrangers and Bookrunners, the Selling Agents or the Lead Arrangers and Bookrunners undertake to ensure that there are at any time sufficient Eligible Projects (as defined in the “Sustainable Financing Framework” section below) to allow for allocation of a sum equal to the net proceeds of the issue of such Green Bonds, Social Bonds or Sustainability Bonds in full.

In the event any such Bonds are, or are intended to be, listed, or admitted to trading on a dedicated “green”, “sustainable”, “social” or other equivalently-labelled segment of a stock exchange or securities market, no representation or assurance is given by the Joint Lead Arrangers and Bookrunners, the Selling Agents or the Lead Arrangers and Bookrunners that such listing or admission will be obtained or maintained for the lifetime of the Bonds.

The contents of this Offering Circular are not to be considered as legal, business or tax advice. Neither this Offering Circular nor any other information supplied in connection with the Programme or any Bonds (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Bank, the Joint Lead Arrangers and Bookrunners, or the Selling Agents, that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Bonds (including Commercial Papers) should purchase any of the Bonds (including Commercial Papers). Each investor contemplating purchasing Bonds (including Commercial Papers) should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Bank. Neither this Offering Circular, nor any other information supplied in connection with the Programme or the issue of any Bonds (including Commercial Papers), constitutes an offer or invitation by or on behalf of the Bank, any of the Joint Lead Arrangers and Bookrunners or any of the Selling Agents to any person to subscribe for or to purchase any Bonds (including Commercial Papers).

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Bonds (including Commercial Papers) shall in any circumstances 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 Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Arrangers and Bookrunners and the Selling Agents expressly do not undertake to review the financial condition or affairs of the Bank during the life of the Programme or to advise any investor in the Bonds (including Commercial Papers) of any information coming to their attention. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds (including Commercial Papers) shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Bank since the date hereof or thereof or the date upon which this Offering Circular has been most recently amended or supplemented or create any implication that the information contained herein or therein is correct as of any date subsequent to the date hereof or thereof or the date upon which this Offering Circular has been most recently amended or supplemented. Investors should review, inter alia, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Bonds (including Commercial Papers).

Each investor contemplating to purchase any Bonds should rely on its own examination of the Bank and the terms of the offering of the Bonds, including the merits and risks involved. By receiving this Offering Circular, the prospective Bondholder acknowledges that (i) it has not relied on the Joint Lead Arrangers and Bookrunners, the Selling Agents 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, the Programme, or the Bonds 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, the Joint Lead Arrangers and Bookrunners or the Selling Agents.

None of the Bank, the Joint Lead Arrangers and Bookrunners, the Selling Agents, or the Trustee, or any of their respective affiliates, associates or representatives is making any representation to any purchaser of the Bonds regarding the legality of an investment by such purchaser under applicable laws. In addition, each person should not construe the contents of this Offering Circular as legal, business or tax advice. Each person should be aware that it may be required to bear the financial risks of an investment in the Bonds for an indefinite period. Each person should consult with its own advisers as to the legal, tax, business, financial and related aspects of a purchase of Bonds.

This document does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make any such offer or solicitation. The distribution of this Offering Circular and the offer or sale of Bonds may be restricted by law in certain jurisdictions. None of the Bank, the Joint Lead Arrangers and Bookrunners and the Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers) represent that this Offering Circular may be lawfully distributed, or that any Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution of offering. No Bonds may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Bonds. Each investor in the Bonds must comply with all applicable laws and regulations in force in the jurisdiction in which it purchases or offers to purchase such Bonds, and must obtain the necessary consent, approval, or permission for its purchase, or offer to purchase such Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchase or offer, and none of the Bank, the Joint Lead Arrangers and Bookrunners or the Selling Agents shall have any responsibility thereof. Interested investors should inform themselves as to the applicable legal requirements under the laws and regulations of the countries of their nationality, residence, or domicile and as to any relevant tax or foreign exchange control laws and regulations that may affect them (see “*Distribution and Sale*” of this Offering circular).

Each Bondholder must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells such Bonds 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 Bonds under the laws and regulations in force in any jurisdictions to which it is subject or in which it makes such purchases, offers or sales and the Bank or the Joint Lead Arrangers and Bookrunners and the Selling Agents shall have no responsibility therefor.

Except in the case of the Bank and PNB Capital and Investment Corporation as Joint Lead Arranger and Bookrunner, each of Standard Chartered Bank, ING Bank N.V. Manila Branch, and the Trustee, is a third party that has no subsidiary or affiliate or any other relationship with the Bank that would undermine its independence.

Each Joint Lead Arranger or its affiliates may, from time to time, purchase Bonds issued under the Programme for their own account or enter into secondary market transactions or derivative transactions relating to such Bonds, including, without limitation, purchase, sale (or facilitation thereof), stock borrowing or credit or equity-linked derivatives such as asset swaps, repackaging and credit default swaps, at the same time as the offering of the Bonds. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be a purchaser of the Bonds). As a result of such transactions, a Joint Lead Arranger or its affiliates may hold long or short positions relating to the Bonds. Each of the Joint Lead Arrangers and its affiliates may also engage in investment or commercial banking and other dealings in the ordinary course of business with the Issuer or its affiliates from time to time and may receive fees and commissions for these transactions. In addition to the transactions noted above, each Joint Lead Arranger and its affiliates may, from

time to time after completion of any offering of the Bonds, engage in other transactions with, and perform services for, the Issuer or its affiliates in the ordinary course of their business. Each Joint Lead Arranger or its affiliates may also purchase Bonds issued under the Programme for asset management and/or proprietary purposes but not with a view to distribution or may hold Bonds on behalf of clients or in the capacity of investment advisors. While each Joint Lead Arranger and its affiliates have policies and procedures to deal with conflicts of interests, any such transactions may cause a Joint Lead Arranger or its affiliates or its clients or counterparties to have economic interests and incentives which may conflict with those of an investor in the Bonds. Each Joint Lead Arranger may receive returns on such transactions and has no obligation to take, refrain from taking or cease taking any action with respect to any such transactions based on the potential effect on a prospective investor in the Bonds.

The Bank's audited financial statements as of and for the years ended 31 December 2022, 2023 and 2024 and the unaudited interim condensed consolidated financial statements as of 30 June 2025 and for the six months ended 30 June 2024 and 2025 which will be considered an integral part hereof, have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. The Bank's financial statements as of and for the years ended 31 December 2022, 2023 and 2024 were audited by, and the Bank's unaudited interim condensed consolidated financial statements as of 30 June 2025 and for the six months ended 30 June 2024 and 2025 were reviewed by SyCip Gorres Velayo & Co. The Bank may from time to time include interim consolidated financial statements in the relevant Pricing Supplements for the Bonds offered out of the Programme. These interim financial statements will not be audited and may not be reviewed by the Bank's auditors.

CONVENTIONS WHICH APPLY TO THIS OFFERING CIRCULAR

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", "Philippine Government" or the "National Government" herein are references to the Government of the Philippines. All references to "Peso", "Php" or "₱" herein are to the lawful currency of the Philippines.

Figures in this Offering Circular have been subject to rounding adjustments. Accordingly, figures shown for the same item of information may vary and figures which are totals may not be an arithmetic aggregate of their components. References in this document to ownership interest are, save as otherwise disclosed, as of the date of this document.

Unless the context clearly indicates otherwise, any reference to the "Bank" refers to Philippine National Bank and its subsidiaries on a consolidated basis, while "Parent Company", "PNB" or "Issuer" refers to Philippine National Bank on a standalone basis.

The information contained in this Offering Circular relating to the Bank, its operations and those of its subsidiaries and associates has been supplied by the Bank, unless otherwise stated herein. To the best of its knowledge and belief, the Bank (which has taken all reasonable care to ensure that such is the case) confirms that, as of the date of this Offering Circular, the information contained in this Offering Circular relating solely to the Bank, its operations and those of its subsidiaries and associates is true and that there is no material misstatement or omission of fact which would make any statement in this Offering Circular misleading in any material respect and that the Bank hereby accepts full and sole responsibility for the accuracy of the information contained in this Offering Circular with respect to the same. Unless otherwise indicated, all information in this Offering Circular is as of the date of this Offering Circular. Neither the delivery of this Offering Circular nor any sale made pursuant to this Offering Circular shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Bank since such date.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes statements which may contain words or phrases such as “will”, “would”, “aim”, “aimed”, “will likely result”, “is likely”, “are likely”, “believe”, “expect”, “expected to”, “will continue”, “will achieve”, “anticipate”, “estimate”, “estimating”, “intend”, “plan”, “contemplate”, “seek to”, “seeking to”, “trying to”, “target”, “propose to”, “future”, “objective”, “goal”, “project”, “should”, “can”, “could”, “may”, “will pursue”, “in management’s judgment” and similar expressions or variations of such expressions that are “forward-looking statements”. Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with management’s expectations with respect to, but not limited to:

- the actual growth in demand for banking and other financial products and services;
- future levels of non-performing assets;
- the Bank’s growth strategy and expansion plans;
- the adequacy of the Bank’s allowance for credit and investment losses;
- technological change;
- the Bank’s ability to market new products and services;
- the outcome of any legal or regulatory proceedings to which the Bank is or may become a party;
- the future impact of new accounting standards;
- the impact of Philippine banking regulations on the Bank;
- the Bank’s ability to access low-cost funding;
- increased competition from other banks; and
- the Bank’s exposure to market risks.

By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on net interest income and net income could materially differ from those that have been estimated.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this Offering Circular include, but are not limited to: general economic and political conditions in the Philippines and the other countries which have an impact on the Bank’s business activities or investments; the monetary and interest rate policies of the Government; inflation, volatility in interest rates, foreign exchange rates, equity prices or other rates or prices; the performance of the financial markets in the Philippines and globally; changes in Philippine and foreign laws and regulations, including tax, accounting and banking regulations; changes in competition in the Philippines; and changes in asset valuations. For further discussion of the factors that could cause actual results to differ (see “Investment Considerations” of this Offering Circular).

Any forward-looking statements contained in this Offering Circular speak only as of the date of this Offering Circular. The Bank, the Joint Lead Arrangers and Bookrunners and the Selling Agents assume no obligation to update any of the forward-looking statements after the date of this Offering Circular or to confirm these statements to actual results, subject to compliance with all applicable laws. The Bank, the Joint Lead Arrangers and Bookrunners and the Selling Agents assume no obligation to update any information contained in this Offering Circular or to publicly release any revisions to any forward-looking statements to reflect events or circumstances; or to reflect that the Issuer became aware of any such events or circumstances that occur after the date of this Offering Circular.

INDUSTRY AND MARKET DATA

Unless otherwise indicated, all industry and market data with respect to the Philippine banking and financial services industries was derived from information compiled and made available by the BSP or other public sources. None of the Bank or any of the Joint Lead Arrangers and Bookrunners and the Selling Agents has verified such information with independent sources nor makes any representation as to the accuracy or completeness of such

information. Industry publications and 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, but the Bank cannot assure prospective purchasers of Bonds that such information is accurate or complete. 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.

PRICING SUPPLEMENT

For each issuance of Bonds under the Programme, the Bank shall distribute the relevant Pricing Supplement applicable to such issuance of Bonds which shall be disclosed to the public.

The Pricing Supplement shall contain the following information:

- (a) Name of the issuer;
- (b) Description of the issue;
- (c) Description of the specified currency or currencies;
- (d) Description of the offer size of the specific offering;
- (e) Description of the manner of distribution;
- (f) Description of the form and denominations of the issuance;
- (g) Description of the interest rate and the mode of settlement of the offering;
- (h) Description of the interest payable;
- (i) Description of the provisions relating to redemption;
- (j) Parties to the distribution.

The Pricing Supplement shall also contain amendments or updates to this Offering Circular, if any.

Table of Contents

1. Documents Incorporated by Reference	12
2. General Description of the Programme	13
3. Offering Circular Summary	14
4. Selected Consolidated Financial Information	16
5. Capitalization and Indebtedness	20
6. Investment Considerations	21
7. Use of Proceeds	53
8. Sustainability Financing Framework	54
9. General Terms and Conditions	58
10. Description of the Bank	96
11. Risk Management	130
12. Selected Statistical Data	142
13. Description of the Bank's Assets and Liabilities	146
14. Management	161
15. Related Party Transactions	180
16. Philippine Taxation	182
17. Philippine Banking Industry	190
18. Banking Supervision and Regulation	194
20. Index to Group Financial Statements	246
21. The Parties	247

1. Documents Incorporated by Reference

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- a) 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 Issuer, in each case, together with any audit or review reports prepared in connection therewith (where relevant) (see “General Information” of this Offering Circular for a description of the financial statements currently published by the Issuer); and
- b) all supplements or amendments to this Offering Circular prepared by the Issuer from time to time.

Any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular. Copies of the documents listed in (a) above which are deemed to be incorporated by reference in this Offering Circular may be obtained at the Philippine Stock Exchange’s website at edge.pse.com.ph.

The Issuer 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 Issuer at its office set out at the end of this Offering Circular.

If the terms of the Programme 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 Programme, a new offering circular will be prepared.

2. General Description of the Programme

Under the Programme, the Issuer, subject to compliance with all relevant laws, regulations, and directives, may from time-to-time issue Bonds, subject to the terms set out herein. A summary of the general terms and conditions of the Bonds appears below. The applicable terms of any Bond will be agreed between the Issuer and the relevant Joint Lead Arrangers and Bookrunners prior to the issuance and will be set out in the General Terms and Conditions of the Bonds endorsed on, attached to, or incorporated by reference into, Bond Certificate for the relevant Bonds, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Bonds.

This Offering Circular and any supplement will only be valid for enrollment or listing of Bonds on PDEX in an aggregate nominal amount which, when added to the aggregate nominal amount of all Bonds previously or simultaneously issued under the Programme, does not exceed the Programme Limit.

3. Offering Circular Summary

This summary highlights information contained elsewhere in this Offering Circular. This summary is qualified by, and must be read in conjunction with, the more detailed information and financial statements appearing elsewhere in this Offering Circular. Each prospective Bondholder is recommended to read this entire Offering Circular carefully, including the Bank's consolidated financial statements and related Bonds (the Financial Statements) and "Investment Considerations."

Overview

The Bank provides a full range of banking and other financial services to large corporate, middle-market, small and medium enterprises ("SMEs") and retail customers, as well as to the Government, National Government Agencies ("NGAs"), local government units ("LGUs") and government owned and controlled corporations ("GOCCs"). While the Bank's principal focus has historically been to serve the banking needs of Government-related entities and GOCCs, the Bank's focus since 2000, after its privatization, has been to further develop its banking services for large corporates, middle-market, SMEs, retail customers and OFWs.

As of 30 June 2025, with total assets of ₱1,292,967.2 million, the Bank was the sixth largest privately-owned Philippine universal bank in terms of total assets based on BSP data. As of 30 June 2025, the Bank's total assets reached ₱1.3 trillion. The Bank was also the fifth largest local private universal bank in the Philippines in terms of local branches based on BSP data. As of 30 June 2025, the Bank had 631 branches and offices and 1,719 automated teller machines ("ATMs") located throughout the Philippines. The Bank has the largest overseas network among Philippine banks with 70 branches, representative offices, remittance centers and subsidiaries in key cities in the United States, Canada, Europe, the Middle East and Asia. As of 30 June 2025, the Bank also maintained correspondent relationships with 348 banks and financial institutions worldwide. As a result of this large geographic coverage, the Bank believes it is one of the leading providers of remittance services to OFWs.

The Bank's principal commercial banking activities include deposit-taking, lending, bills discounting, trade finance, foreign exchange dealings, fund transfers/remittance servicing, a full range of retail banking and trust services, and treasury operations. The Bank also provides banking and financial services to its customers through its PNB Digital App and internet banking system. Likewise, the Bank offers cash management solutions to corporate clients such as basic banking services, liquidity management, disbursement and collections, among others. Through its subsidiaries and affiliates, the Bank also engages in a number of diversified financial and related businesses such as remittance servicing in the United States, Canada, Hong Kong, Italy, France and the United Kingdom, investment banking, life and non-life insurance, stock brokerage, leasing and financing and freight forwarding services.

As of 30 June 2025, the Bank's consolidated Tier 1 CAR and total CAR as reported to the BSP was 19.3% and 20.1%, respectively. The Bank has been listed on the PSE since June 1989. The market capitalization of the Bank as of 30 June 2025 was ₱81.3 billion.

For the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025, the Bank's net income was ₱11,584.0 million, ₱17,965.8 million, ₱21,178.0 million, ₱10,290.2 million, and ₱12,516.8 million, respectively.

Competitive Strengths

The Bank considers the following to be its principal competitive strengths relative to the banking sector:

- Trusted and established banking brand in the Philippines
- Extensive and strategically located distribution network
- Market-leading and low-cost deposit franchise driving competitive cost of funding

- Strong commercial banking franchise with a diversified customer base
- Uniquely positioned to service global Filipinos through an extensive international footprint
- Highly experienced and trusted management team
- Supportive shareholder group

Business Strategies

The Bank aims to fortify its position as one of the leading banks in the Philippines, delivering consistent profitability supported by a solid balance sheet. To achieve this, the Bank will focus on the following key strategies:

- Accelerate growth of the consumer finance business
- Enhance its core institutional banking business
- Continue focus on generating low-cost deposits
- Pursue digitalization initiatives
- Improve fee income generation capabilities and intensify cross-selling efforts
- Enhance operational, asset and capital efficiency
- Leveraging the Bank's subsidiaries

Bank Information

The registered office of the Bank is PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City, Metro Manila 1300. The Bank's telephone number is +(632) 8526-3131 to 70 / 8891-6040 to 70 and its corporate website is <http://www.pnb.com.ph>. The information on the Bank's website is not incorporated by reference into, and does not constitute part of, this Offering Circular.

4. 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 consolidated financial information presented below was derived from the consolidated financial statements of the Bank as at 31 December 2023 and for the three years in the period ended 31 December 2023 and as at 31 December 2024 and for the three years in the period ended 31 December 2024 were audited in accordance with Philippine Standards on Auditing by SyCip Gorres Velayo & Co. (“SGV”), a member firm of Ernst & Young, prepared in accordance with PFRS Accounting Standards and the unaudited interim condensed consolidated financial statements of the Bank as at 30 June 2025 and for the six months ended 30 June 2025 and 2024 were reviewed by SGV in accordance with Philippine Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Company, prepared in accordance with PAS 34, Interim Financial Reporting. The selected financial information set out below does not purport to project the results of operations or financial condition for any future period or date. Past financial performance is not indicative of future performance.

CONSOLIDATED STATEMENTS OF INCOME

	For the year ended 31 December			For the six months ended 30 June	
	2022 (audited)	2023 (audited)	2024 (audited)	2024 (unaudited)	2025 (unaudited)
	(₱ millions)			(₱ millions)	
Interest income on					
Loans and other receivables.....	34,424.5	40,757.9	43,803.5	21,625.0	22,230.4
Investment securities at amortised cost and financial assets at fair value through other comprehensive income (“FVOCI”).....	8,154.9	12,608.2	16,777.7	7,888.7	8,782.5
Deposits with banks and others.....	1,417.7	2,608.0	1,637.2	950.3	567.3
Financial assets at fair value through profit or loss (“FVTPL”).....	292.7	251.9	596.0	290.4	509.7
Interbank loans receivable and securities held under agreements to resell.....	954.6	3,368.5	4,644.2	2,214.8	2,542.8
	45,244.4	59,594.5	67,458.6	32,969.2	34,632.7
Interest expense on					
Deposit liabilities	5,371.7	13,005.7	16,429.5	8,077.8	8,168.7
Bonds payable.....	2,111.2	1,660.2	1,237.7	729.5	419.7
Bills payable and other borrowings	434.0	335.8	450.9	131.7	278.7
	7,916.9	15,001.7	18,118.1	8,939.0	8,867.1
Net interest income	37,327.5	44,592.8	49,340.5	24,030.2	25,765.6
Service fees and commission income	6,997.6	6,591.3	6,961.8	3,002.1	3,826.9
Service fees and commission expense	1,429.2	1,266.6	1,447.2	728.1	1,008.3
Net service fees and commission income.....	5,568.4	5,324.7	5,514.6	2,274.0	2,818.6
Other income					
Net gains on sale or exchange of assets	7,775.2	4,541.6	1,995.0	506.1	1,300.3
Foreign exchange gains – net	1,608.3	1,367.4	1,169.3	500.5	987.7
Trading and investment securities gains (losses) – net	(1,280.8)	394.1	647.6	376.1	449.5
Equity in net earnings (losses) of an associate.....	(56.1)	268.1	419.5	242.0	172.1
Miscellaneous	1,136.7	871.4	689.0	715.6	235.3

	For the year ended 31 December			For the six months ended 30 June	
	2022 (audited)	2023 (audited)	2024 (audited)	2024 (unaudited)	2025 (unaudited)
Total other operating income	9,183.3	7,442.6	4,920.4	2,340.3	3,144.9
Total operating income	52,079.2	57,360.1	59,775.5	28,644.5	31,729.1
Provision for impairment, credit and other losses	7,198.1	5,923.1	3,868.1	2,069.4	341.9
Impairment in value of goodwill	—	1,036.6	—	—	—
Operating expenses					
Compensation and fringe benefits	9,762.8	10,464.1	10,668.6	5,421.9	6,050.6
Taxes and licences	5,225.6	4,852.2	5,230.4	2,602.3	2,974.5
Depreciation and amortisation	4,225.7	3,976.0	3,659.0	1,668.2	1,698.0
Occupancy and equipment-related costs	1,099.9	916.7	1,117.9	464.7	582.9
Miscellaneous	8,051.9	8,218.2	8,953.8	4,147.1	4,336.8
Total operating expenses	28,365.9	28,427.2	29,629.7	14,304.2	15,642.8
Income before income tax	16,515.2	21,973.2	26,277.7	12,270.9	15,744.4
Provision for income tax	4,931.2	4,007.4	5,099.7	1,980.7	3,227.6
Net income	11,584.0	17,965.8	21,178.0	10,290.2	12,516.8
Attributable to:					
Equity holders of the Parent Bank	11,532.3	17,979.2	21,052.9	10,215.9	12,456.1
Non-controlling interests	51.7	(13.4)	125.1	74.3	60.7
	<u>11,584.0</u>	<u>17,965.8</u>	<u>21,178.0</u>	<u>10,290.2</u>	<u>12,516.8</u>
Basic/Diluted Earnings per Share Attributable to Equity Holders of the Parent Bank	7.56	11.78	13.80	6.70	8.16
Basic/Diluted Earnings per Share Attributable to Equity Holders of the Parent Bank from Continuing Operations	7.56	11.78	13.80	6.70	8.16

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	For the year ended 31 December (audited)			June 30, 2025 (unaudited)
	2022	2023	2024	2025
	(P millions)			(P millions)
Assets				
Cash and Other Cash Items	22,217.9	21,151.4	20,638.0	15,314.2
Due from Bangko Sentral ng Pilipinas	94,701.4	95,410.4	55,128.3	45,904.0
Due from Other Banks	26,010.2	21,243.9	20,183.9	19,942.8
Interbank Loans Receivable	16,290.1	35,634.4	22,787.2	44,088.2
Securities Held Under Agreements to Resell	64,523.9	69,694.5	103,480.1	60,926.4
Trading and Investment Securities				
Financial Assets at FVTPL	7,347.2	10,516.9	17,921.0	26,252.4
Financial Assets at FVOCI	158,183.5	164,531.5	211,742.8	236,904.6
Investment Securities at Amortised Cost	110,468.0	123,200.4	112,422.4	115,671.7
Loans and Receivables	593,099.9	616,710.7	636,819.6	669,243.3

	For the year ended 31 December (audited)			June 30, 2025 (unaudited)
	2022	2023	2024	2025
	(P millions)			(P millions)
Property and Equipment	11,973.5	10,754.0	10,195.5	10,141.6
Investment in an Associate	2,688.8	3,199.1	3,446.6	3,187.1
Investment Properties	13,795.0	14,579.6	15,964.3	16,940.8
Deferred Tax Assets	6,616.9	6,981.7	7,460.7	7,998.5
Intangible Assets.....	1,863.9	1,301.7	1,085.0	1,178.5
Goodwill.....	11,221.4	10,184.8	10,184.9	10,184.8
Other Assets.....	4,155.5	5,454.4	8,150.6	9,083.3
Total Assets	1,145,157.1	1,210,549.4	1,257,610.9	1,292,967.2

Liabilities and Equity

Liabilities

Deposit Liabilities

Demand.....	220,043.9	228,405.9	244,369.1	247,310.6
Savings.....	519,940.5	541,009.4	575,335.5	596,532.4
Time.....	112,113.3	145,752.1	147,368.7	159,220.8
Long-term Negotiable Certificates	19,130.0	12,803.5	4,598.8	—
	871,227.7	927,970.9	971,672.1	1,003,063.8
Financial Liabilities at FVTPL	1,039.8	555.8	924.1	922.3
Bills and Acceptances Payable	14,980.4	20,162.6	20,208.4	14,392.4
Lease Liabilities.....	3,636.4	3,832.9	3,809.0	3,595.6
Accrued Taxes, Interest and Other Expenses	9,117.4	10,465.4	8,798.6	9,012.0
Bonds Payable	58,439.1	41,490.9	17,304.4	16,855.6
Income Tax Payable	983.1	180.4	159.2	655.8
Other Liabilities.....	15,827.6	14,741.9	18,106.1	18,542.8
Total Liabilities	975,251.5	1,019,400.8	1,040,981.9	1,067,040.3

Equity

Equity attributable to the equity holders of the Parent Bank:

Capital Stock.....	61,030.6	61,030.6	61,030.6	61,030.6
Capital Paid in Excess of Par Value.....	32,116.6	32,116.6	32,116.6	32,116.6
Surplus Reserves	4,929.2	4,677.9	4,967.0	5,170.7
Surplus	73,748.7	91,979.3	113,663.9	121,806.2
Net Unrealised Losses on Financial Assets at FVOCI.....	(5,959.3)	(1,722.7)	142.1	746.0
Remeasurement Losses on Retirement Plan	(2,222.9)	(2,728.5)	(2,655.2)	(1,989.6)
Accumulated Translation Adjustment.....	2,314.4	1,999.7	2,357.8	2,118.1
Other Equity Reserves	248.8	248.8	1,189.0	1,189.0
Share in Aggregate Reserves (Losses) on Life Insurance Policies	136.1	24.2	21.2	(1.2)
Other Equity Adjustment	14.0	14.0	14.0	13.9
Total equity attributable to equity holders of the Parent Bank	166,356.2	187,639.9	212,847.0	222,200.3
Non-controlling interests	3,549.4	3,508.7	3,782.0	3,726.6
Total Equity.....	169,905.6	191,148.6	216,629.0	225,927.9
Total Liabilities and Equity	1,145,157.1	1,210,549.4	1,257,610.9	1,292,967.2

SELECTED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended 31 December			For the six months ended 30 June	
	2022	2023	2024	2024	2025
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	(P millions)			(P millions)	
Net cash from operating activities	6,270.3	41,143.9	43,656.0	16,000.0	2,404.7
Net cash from (used in) investing activities ..	(10,452.5)	(6,986.6)	(27,770.7)	9,228.8	(23,689.9)
Net cash used in financing activities	(40,608.8)	(12,937.2)	(35,049.2)	(680.4)	(13,660.6)
Cash and cash equivalents at beginning of the period	262,026.8	217,235.8	238,455.9	238,455.9	219,292.0
Cash and cash equivalents at end of the period	217,235.8	238,455.9	219,292.0	263,004.3	184,346.3

SELECTED FINANCIAL DATA AND RATIOS

The following table sets out certain key financial indicators of the Bank as of and for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025.

	As of and for the year ended 31 December			As of and for the six months ended 30 June	
	2022	2023	2024	2024	2025
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	(P millions)			(P millions)	
Return on average equity ⁽¹⁾	7.0%	10.0%	10.4%	10.5%	11.3%
Return on average assets ⁽²⁾	1.0%	1.5%	1.7%	1.7%	2.0%
Dividend payout ratio ⁽³⁾	0.0%	0.0%	0.0%	0.0%	16.9%
Cost to income ratio ⁽⁴⁾	54.5%	49.6%	49.6%	49.9%	49.3%
Tier 1 capital adequacy ratio	14.6%	16.9%	19.2%	18.5%	19.3%
Total capital adequacy ratio	15.4%	17.7%	20.1%	19.4%	20.1%
Net NPL ratio ⁽⁵⁾	2.6%	2.5%	1.8%	2.1%	1.6%
NPL coverage ratio ⁽⁶⁾	92.5%	91.1%	86.3%	85.6%	86.3%
Average equity to total average assets ⁽⁷⁾	14.2%	15.3%	16.5%	16.0%	17.4%
Loan to deposit ratio ⁽⁸⁾	70.4%	69.2%	68.4%	69.6%	69.4%

Notes:

- (1) Net income divided by average total equity (current + prior year total equity)/2 for the period indicated.
- (2) Net income divided by average total assets (current + prior year total assets)/2 for the period indicated.
- (3) Dividend payout ratio is the ratio of dividend to net income after tax (excluding non-controlling interest).
- (4) Total operating expenses (excluding provision for impairment, credit and other losses) divided by total operating income for the period indicated.
- (5) Total non-performing loans (net) divided by total adjusted loan portfolio.
- (6) The percentage of allowance for credit losses on loans to total NPL; based on the BSP's computation.
- (7) Average equity to total average assets is the ratio of average equity divided by the yearly average total assets.
- (8) Total gross receivables from customers over total deposits.

5. Capitalization and Indebtedness

The following table sets forth the indebtedness and capitalization of the Bank as at 30 June 2025. This table should be read in conjunction with the Bank's unaudited interim condensed consolidated financial statements as at 30 June 2025 and the notes presented elsewhere herein.

	As of 30 June 2025
	unaudited
	<i>(P millions, except percentages)</i>
Liabilities	
Deposit Liabilities	
Demand	247,310.6
Savings	596,532.4
Time	159,220.8
Long Term Negotiable Certificates	—
	1,003,063.8
Financial Liabilities at FVTPL	922.3
Lease Liabilities	3,595.6
Bills and Acceptances Payable	14,392.4
Bonds Payable	16,855.6
Other Liabilities ⁽¹⁾	28,210.6
Total Liabilities	1,067,040.3
Equity	
Capital stock	61,030.6
Capital Paid in Excess of Par Value	32,116.6
Surplus Reserves	5,170.7
Surplus	121,806.3
Others ⁽²⁾	2,077.1
Total equity attributable to PNB's stockholders	222,201.3
Non-controlling interests	3,726.6
Total equity	225,927.9
Total capitalisation and indebtedness	1,292,967.2
Capital Ratios	
CET1 ratio ⁽³⁾	19.3%
Tier 1 capital ratio ⁽⁴⁾	19.3%
Total capital ratio ⁽⁵⁾	20.1%

Note:

- (1) Other liabilities: The significant items on this account includes accounts payable bills purchased – contra, Manager's checks and demand drafts outstanding and retirement benefit liability.
- (2) Others include: Net Unrealized Loss on Financial Assets at FVOCI, Remeasurement Losses on Retirement Plan, Accumulated Translation Adjustment, Other Equity Reserves, Shared in Aggregate Reserves on Life Insurance Policies, and Other Equity Adjustment.
- (3) CET1 capital divided by Total Risk Weighted Assets, as reported per BSP.
- (4) Tier 1 capital divided by Total Risk Weighted Assets, as reported per BSP.
- (5) Total Capital divided by Total Risk Weighted Assets, as reported per BSP. Total capital includes Tier 1 plus appraisal increment and general loan loss provision in accordance with BSP Regulations.

Except as described herein, there has been no significant change in the indebtedness or capitalization or contingent liabilities of the Bank since 30 June 2025.

6. Investment Considerations

An investment in the Bonds involves a number of investment considerations. You should carefully consider all the information contained in this Offering Circular including the investment considerations described below, before any decision is made to invest in the Bonds. The Bank's business, financial condition and results of operations could be materially adversely affected by any of these investment considerations. The market price of the Bonds could decline due to any one of these risks, and all or part of an investment in the Bonds could be lost. 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. Prospective Bondholders are encouraged to make their own independent legal, tax, financial, and business examination of the Bank, the Bonds, and the market. None of the Bank, the Joint Lead Arrangers and Bookrunners, and the Selling Agents make any warranty or representation on the marketability or price on any investment in the Bonds.

Risks Relating to the Bank and its Business

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

As part of its business strategies, the Bank intends to accelerate the growth of its consumer finance business, enhance its core institutional banking business, continue focusing on the generation of low-cost deposits, pursue digitalization and AI initiatives, improve fee income generation capabilities and intensify cross-selling efforts, enhance operational, asset and capital efficiency, and leverage on its subsidiaries. The Bank's ability to implement these strategies (including expanding into new business lines) exposes the Bank to a number of risks and challenges, including the following:

- new and expanded business activities may require greater marketing and compliance costs than the Bank's current products and services;
- new and expanded business activities may have less growth or profit potential than expected, and there can be no assurance that new business activities will become profitable or not at all;
- the Bank's competitors may have substantially greater experience and resources for new and expanded business activities;
- economic conditions, such as inflation, could hinder the Bank's expansion, particularly in the consumer loan industry;
- the Bank may fail to identify and offer attractive new services in time in response to market demand, placing it at a disadvantage against competitors; and
- the Bank may need to further enhance the capability and improve the implementation of its information technology systems to support a broader range of activities and may incur additional costs.

There can be no guarantee that the Bank's strategies will be successful due to several factors, including increasing competition and changes in the macro-economic environment. The Bank's competitors may have substantially greater experience and resources for the new and expanded business activities and thus the Bank may not be able to attract customers from its competitors. The Bank may also fail to identify and offer attractive new products and services in a timely manner or at all, putting it at a disadvantage to its competitors.

Further, the Bank's intention to increase its earning assets to improve its return on assets and capital and reduce the Bank's operating cost-to-income ratio is subject to risks and challenges. If the Bank is unable to successfully grow its earning asset base or shift its resources to higher-yielding assets, it would need to reduce its operating costs to improve its financial performance, which may be difficult to accomplish in a short period of time. Any failure of the Bank to reduce its operating costs in such event would have a material adverse effect on the Bank's financial performance and results of operations.

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.

The Bank's success in implementing its strategies also 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 individuals. The loss of some of the Bank's key management, senior executives, or an inability to attract or retain other key individuals could hinder the Bank's implementation of its strategies.

The Bank's inability to implement its business strategies could materially and adversely affect the Bank's business, financial condition and results of operations

Increased exposure to consumer debt could result in increased delinquencies in the Bank's loan portfolio

As part of its growth strategies, the Bank plans to continue to expand its consumer loan operations, including home mortgage loans, auto loans and credit card services, which comprised 4.6%, 0.9% and 2.9% of the Bank's gross loan portfolio as of 30 June 2025, respectively. The Bank believes that such expansion plans will increase the Bank's exposure to consumer debt and vulnerability with respect to changes in general economic conditions affecting Philippine consumers. Accordingly, economic difficulties in the Philippines and across the globe which would have a significant adverse effect on Philippine consumers could result in reduced growth and a deterioration in the credit quality of the Bank's consumer loan and credit card portfolios. For example, 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, while reducing demand for consumer loans. In addition, the number of loan accounts may be negatively affected by declines in household income, public concerns about unemployment or other negative macroeconomic factors. Moreover, as retail consumers have smaller leverage to manage the adverse effects of the results of economic fluctuations, the Bank's consumer loan portfolio is prone to deterioration in credit quality and delinquencies, which could lead to a slowdown in the growth of the business and losses. As of 30 June 2025, the Bank's Consumer Finance Sector recorded a mortgage delinquency of 8.7% which is slightly higher than the industry standard of 7.6% according to the BSP. To the extent the Bank's growth strategy results in significant increases in exposures to consumer loans, the effects of adverse changes in the economic environment on the Bank's financial condition and results of operations could be exacerbated, resulting in significant losses.

The Bank's levels of NPLs and provisions for impairment, credit and other losses may affect its results of operations.

Volatile economic conditions in the Philippines and overseas may adversely affect the ability of the Bank's borrowers to repay their debt obligations and, as a result, the Bank may experience an increase in non-performing loans ("NPLs") and provisions for impairment, credit and other losses. While the Bank has successfully managed to reduce its NPLs in the past ten years, the Bank's results of operations may be materially and adversely affected by the level of its NPLs. The Bank's net NPLs as of 30 June 2025 reported to the BSP amounted to ₱12,721.6 million as compared to ₱18,410.9 million and ₱14,351.9 million as of 31 December 2023 and 2024, respectively. The Bank's net NPL ratio computed as net NPLs divided by total loans (receivables from customers, unquoted debt securities, other receivables, interbank loans and securities under agreements to re-sell) was slightly lower at 1.6% as of 30 June 2025 compared to 1.8% as of 31 December 2024. As of 31 December 2022, and 2023, the Bank's net NPL ratio was 2.6% and 2.5%, respectively. According to the BSP, average net NPL ratios for the Philippine banking system were 1.47%, 1.51%, 1.44% and 1.43% as of 31 December 2022, 2023, and 2024 and 30 June 2025, respectively. For those periods, the Bank's net NPL ratio was higher than the average net NPL ratio for Philippine banks. In order to fund its NPLs, the Bank relies on its deposit base and other sources. There can be no assurance that the Bank will be able to continue to reduce or maintain its NPL levels within industry standards.

For the years ended 31 December 2022, 2023, and 2024 and the six months ended 30 June 2024 and 2025, the Bank's provision for impairment, credit and other losses was ₱7,198.1 million, ₱5,923.1 million, ₱3,868.1 million,

₱2,069.4 million and ₱341.9 million, respectively, representing 15.9%, 9.9%, 5.7%, 6.3% and 1.0%, respectively, of the Bank's gross interest income for such periods. As of 30 June 2025, the Bank's NPL coverage was of 86.3% compared to 92.5%, 91.1% and 86.3% as of 31 December 2022, 2023, and 2024, respectively (see “– *The Bank's provisioning policies in respect of non-performing loans require significant subjective determinations which may increase the variation of application of such policies*” of this Offering Circular.)

To manage its loan portfolio and reduce its exposure to NPLs, the Bank practices restructuring suitable loans on a case-by-case basis, including but not limited to, extending the maturity dates of certain loans and rescheduling principal payments in line with expected cash flows (see “*Description of the Bank's Assets and Liabilities – Assets and Liabilities – Loan Loss Management and Provisioning – Non-performing loans*” of this Offering Circular). While the Bank regularly monitors its NPL levels and has strict credit policies in place, there can be no assurance that the Bank will be successful in reducing or maintaining its NPL levels or that the percentage of NPLs the Bank will be able to recover will be similar to its historical recovery rates or that the overall quality of its loan portfolio will not deteriorate in the future. Failure on the part of the Bank to control and reduce its NPLs or recover expected amounts from NPLs, if the quality of collateral is lower than estimated or if there is a significant increase in its provisions for loan losses, could result in the Bank's operating costs, business, financial condition, results of operations and capital adequacy being adversely affected.

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

The Bank is subject to risks relating to its information and technology (“IT”) systems and processes and will be subject to heightened risks as part of its strategy to increase digitalization and reliance on digital platforms and FinTech solutions. 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. In addition, in the event of a system outage and physical data loss, the Bank's ability to provide services would be materially and adversely affected. These may, in turn, adversely affect the Bank's business, financial condition and results of operations.

As the Bank increases its digital capabilities, its business and internal systems have, and will increasingly rely on software and processes that are highly technical and complex. In addition, the Bank's digitalization capabilities will depend on the ability of such software and processes to store, retrieve, process and manage large amounts of data. The software and processes on which the Bank relies may now or in the future contain undetected errors or bugs.

The Bank seeks to protect its computer systems and network infrastructure from physical break-ins as well as cybersecurity breaches and other disruptive problems caused by the Bank's increased use of mobile apps and digital solutions. The Bank also has access to and analyses certain data from its customers with their authorization, which makes it an attractive target and potentially vulnerable to cyber-attacks, computer viruses, physical or electronic break-ins or similar disruptions. Computer break-ins and security breaches could affect the confidence, integrity and availability of information stored in and transmitted through these computer systems and network infrastructure. The Bank employs IT security solutions such as firewalls, data encryption and multifactor authentication, designed to minimize the risk of security breaches and maintains operational procedures to prevent break-ins, damage and failures. The potential for fraud and security problems is likely to persist and there can be no assurance that these security measures will be adequate or successful in view of the dynamic and evolving transformation of cybercrimes. Further, as techniques used to sabotage or obtain unauthorized access to systems change frequently and generally are not recognized until they are launched against a target, the Bank may be unable to anticipate these techniques or to implement adequate preventative measures. The Bank has incurred and will continue to incur expenses and costs related to such security measures,

such as the engagement of external cybersecurity partners to conduct vulnerability testing and compromise assessments and the hiring of skilled IT personnel. The failure of the Bank to successfully implement security measures or prevent any security breaches could have a material adverse effect on the Bank's business, financial condition and results of operations of the Bank.

The Bank may be unable to engage in profitable lending and may, as a result, experience limited or negative future growth.

The Bank's ability to increase its revenues, margins and profits depends principally on its ability to achieve growth in profitable lending. For the years ended 31 December 2022, 2023, and 2024 and the six months ended 30 June 2024 and 2025, interest income from loans and receivables contributed 76.1%, 68.4%, 64.9%, 65.6% and 64.2%, respectively, of the Bank's total interest income. Although the Bank has experienced slow growth in its loan portfolio as a result of its focus on managing its NPL levels in the past, due to the country's stable economic growth, the Bank was able to expand its loans and receivables. As of 30 June 2025, the Bank's loans and receivables increased to ₱669,243.3 million, from ₱593,099.9 million, ₱616,710.7 million, and ₱636,819.6 million as of 31 December 2022, 2023, and 2024, respectively. As of 31 December 2022, 2023, 2024 and 30 June 2025, the Bank's loans and receivables comprised 51.8%, 50.9%, 50.6% and 51.8%, respectively, of the Bank's total assets.

A slowdown in the economy's growth or intensified competition can curtail the growth of the Bank's loan portfolio and eventually its revenues, margins or profits. This could inhibit the Bank's future growth and adversely affect its financial condition and results of operations.

The Bank's funding is primarily comprised of "core" deposits, and the Bank is subject to liquidity risk, particularly in the event its traditional sources of funding are threatened by adverse events, including those that are outside of the Bank's control.

A significant portion of the Bank's funding comprises short-term sources, primarily in the form of time, savings and demand deposits. As of 31 December 2022, 2023 and 2024 and 30 June 2025, 76.6%, 79.0%, 77.4%, and 78.7%, respectively, of the Bank's total deposit liabilities was considered "core" (i.e., current and term deposits which the Bank expects to remain with it for more than one year), while 23.4%, 22.9%, 22.6%, and 21.3% for the same periods, respectively, was considered by the Bank to be volatile or unstable sources of funding (i.e., deposits maturing within one year which are considered to be interest rate-sensitive).

Accordingly, the maturity profile of the Bank's assets and liabilities may from time to time show a negative gap in the short-term when the Bank's liabilities which are composed of short-term funding sources (primarily in the form of deposits) and other liabilities are of shorter average maturity than its loans and investments, thereby resulting in a funding mismatch and creating a potential risk for liquidity squeeze.

The liquidity risk arises when the Bank's core funding sources are threatened by adverse events. These events could either be a major economic event affecting the whole industry, and/or specific negative events that could result in major withdrawals of the Bank's current level of deposits. As a result of such events, the Bank will be forced to seek alternative sources to fund growth in assets which could materially and adversely affect the Bank's financial condition and operations.

Further, although core deposits have historically been a stable source of funding for the Bank, no assurance can be given that this will continue to be the case. In the event the Bank is unable to attract or retain sufficient deposits, or if a substantial number of the Bank's depositors do not roll over deposited funds upon maturity, the Bank's liquidity position could be adversely affected, and the Bank may be unable to fund its loan portfolio and may be required 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.

The value of the Bank's collateral may decline in the future.

As of 31 December 2022, 2023, and 2024, and 30 June 2025, the Bank's secured loans (gross of unearned and other deferred income and allowance for credit losses) represented 16.8%, 20.8%, 17.4% and 22.0% of the Bank's receivables from customers, respectively. As of the same dates, 9.2%, 17.4%, 12.7% and 9.6%, respectively, of such secured loans were secured by real estate mortgages, while 2.2%, 1.8%, 1.8% and 0.9%, respectively, were secured by chattel mortgages.

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 the 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. An economic downturn, in particular a downturn in the real estate market, could result in a fall in the relevant collateral values for the Bank. 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 the Bank may not be able to recover fully the provisions that absorbed the NPL. Any increase in the Bank's loan loss provisions 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 that may be involved in enforcing such obligations through the Philippine legal system. The procedures to foreclose on collateral or enforce a guarantee are subject to administrative and bankruptcy law requirements which may be more burdensome than in certain other jurisdictions. The resulting delays can last several years and lead to 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 may expose the Bank to legal liability while in possession of the collateral. These factors may also significantly reduce the Bank's ability to realize the value of its collateral and therefore the effectiveness of taking security for the loans it grants. Furthermore, the Bank may incur 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.

The Bank may not be able to successfully rationalize its operations and integrate or consolidate existing subsidiaries.

As part of the Bank's strategy to rationalize and make its business operations more efficient, the Bank may merge or integrate existing businesses. For example, on 1 March 2020, the Bank fully integrated its wholly-owned thrift bank subsidiary, PNB Savings Bank ("PNBSB"), through the acquisition of its assets and assumption of its liabilities in exchange for cash. Through the integration, the Bank expected to serve a wider customer base and allow customers of PNBSB to have access to the Bank's diverse portfolio of financial solutions. On 5 March 2020, PNBSB surrendered its thrift bank license to the BSP and was subsequently converted into a holding company, changing its name to Allied Integrated Holdings, Inc. ("AIHI"). The corporate life of AIHI ended on December 21, 2022 and the company is now proceeding towards liquidation.

The Bank may continue to integrate or merge its businesses in the future and there can be no assurance that the Bank will not experience difficulties integrating or merging these businesses, retaining and integrating key employees of such companies, or addressing new business risks not currently faced by the Bank. There is also no assurance that the expected benefits or cost savings or efficiencies of such integration or mergers will materialize whether partially or at all. This could have an adverse effect on the Bank's financial condition and results of operations as well as its future growth prospects.

The Bank is effectively controlled by one shareholder group, with which it has extensive business connections.

As of 30 June 2025, the LT Group held indirect ownership of 59.83% of the Bank's shares through various holding companies. There can be no assurance that the companies and persons affiliated/associated with the LT Group or any of the shareholders of the Bank will not exercise its control and influence the Bank for their benefit.

The LT Group is one of the country's largest conglomerates with interests in banking and other financial services, beverages, distillery, and real estate development, among others.

Although the Bank conducts all transactions with its related parties on an arm's length basis and believes that its loans to related parties are made substantially on the same terms as loans to other individuals and businesses of comparable risks, there can be no assurance that the interests of the LT Group will necessarily coincide with the interests of the holders of the Bonds. In addition, there can be no assurance that deterioration in the financial condition of the LT Group or negative publicity regarding the LT Group will not adversely affect the Bank's financial condition and business opportunities.

The Bank has significant exposure to the Philippine property market, which may cause the Bank to acquire increasing levels of real and other properties acquired ("ROPA") and risks related to realizing the value of its ROPA.

The Bank has significant exposure to the Philippine property market due to its portfolio of loans to customers in the real estate industry as well as the level of real estate it holds as collateral. The Bank's outstanding loans to borrowers who are engaged in real estate, renting and business activities (gross of unearned and other deferred income and allowance for credit losses) amounted to ₱96.2 billion, ₱110.7 billion, ₱109.7 billion and ₱125.4 billion as of 31 December 2022, 2023 and 2024, and 30 June 2025, respectively, representing 15.7%, 17.2%, 16.5% and 18.0%, respectively, of its total loans as of those dates. The Bank acquires ROPA when it forecloses on the collateral provided by a borrower or whenever assets, usually real estate, are conveyed to or acquired by the Bank as payment. Accordingly, the level of the Bank's ROPA varies according to the level of NPLs. As of 31 December 2022, 2023 and 2024 and 30 June 2025, ROPA (presented as investment properties in the Bank's statement of financial position) amounted to ₱13,795.0 million, ₱14,579.6 million, ₱ 15,964.3 million and ₱16,940.7 million, respectively, representing 1.2%, 1.2%, 1.3% and 1.3%, respectively, of the Bank's total assets.

The Bank periodically disposes of its ROPA in public auctions and through negotiated sales at prevailing market prices, which are largely determined by purchasers. The Philippine property market has in the past been cyclical and property values have been affected by supply of and demand for comparable properties, the rate of economic growth in the Philippines, and political and social developments.

Further, while the amount of ROPA appearing on the Bank's statement of financial position is shown net of allowance for impairment losses and depreciation in value, there can be no assurance that the Bank will be able to recover the full estimated value of ROPA stated in its financial statements. To the extent that property values decline in the future, there can be no assurance that the Bank will be able to sell and recover the value of the ROPA stated in the financial statements or that the ability of the Bank's customers in the real estate industry to make timely payment on their loans will not deteriorate. Furthermore, given the Bank's significant amount of ROPA, it may take a number of years before the Bank is able to realize a significant part of the value of its ROPA. 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 even partial value, of its ROPA.

If the Bank is unable to dispose of its ROPA, it may be required to recognize levels of provisions in future years which are higher than those currently recognized by the Bank. Furthermore, if the Bank's customers in the real estate industry fail to make timely payment on their loans, it may have to set aside additional provisions for impairment losses. An increase in the level of the Bank's provisions will reduce the Bank's net income and consequently adversely affect the Bank's business, financial condition and results of operations.

The Bank's restructured loans may become non-performing.

As of 31 December 2022, 2023, and 2024 and 30 June 2025, the Bank had ₱43,204.8 million, ₱40,539.0 million, ₱37,681.4 million and ₱35,205.8 million, respectively, of restructured loans in its loan portfolio. In the restructuring of such loans, the Bank has agreed with borrowers to set interest payments at a relatively low level for a certain timeframe followed by much larger interest payments in later periods. The relatively low interest payments improve the likelihood that a restructured loan will be categorized as performing during the period of such payments. However, future interest payments that may be significantly higher may cause the loan to again become non-performing if the borrower is unable to make such larger payments in the later periods. If a significant number of the Bank's customers are unable to pay larger interest payments on their respective restructured loans, a larger number of restructured loans may become non-performing, thereby requiring additional provisions and additional capital, which could have a material adverse effect on the Bank's financial position, liquidity and results of operations.

The treasury and risk management functions of the Bank's subsidiaries, representative offices and remittance centers are decentralized and conducted separately from the Parent Bank, thereby exposing the Bank to significant risks.

Treasury functions, including trading and investment functions, and risk management functions, are decentralized and conducted separately at the Parent Bank level and at each of its subsidiaries, representative offices and remittance centers (see "Risk Management—Subsidiaries and Overseas Offices" in this Offering Circular). While (a) all overseas representative offices and remittance centers and subsidiaries are required to regularly submit a profile of their portfolio to the Treasury sector of the Bank's head office and liquidity and interest rate gap reports (including maximum cumulative outflow positions and earnings-at-risk ("EaR") profiles) to the Enterprise Risk Management Group of the Bank's head office for monitoring and supervision purposes, (b) proprietary foreign exchange trading is also centralized and controlled at the head office, and (c) investments are coordinated by the Treasury Sector of the head office, BSP regulations mandate that certain risk management functions and systems be managed and installed on an entity-by-entity basis. Accordingly, the Bank may not possess information that enables it to properly assess credit, market, foreign exchange and other operational risks applying to its subsidiaries or to the Bank as a whole on a day-to-day basis. This decentralized approach to risk management may result in the Bank being exposed to certain risks as earlier mentioned that the Bank is unable to identify or assess properly on a day-to-day basis.

The Bank and its subsidiaries and overseas branches, representative offices and remittance centers may be exposed to incidents of fraud, data privacy and information security.

The Bank has experienced and may experience isolated incidents of employees engaging in fraudulent activities such as unauthorized withdrawals and abstraction of deposits. The failure by employees of the Bank to comply with the required internal policies and controls contributed to this and other incidents of fraud. The Bank's and its subsidiaries' internal control systems rely heavily on the implementation of and compliance with the same by the employees and effectiveness of the Bank's whistle-blower policy. Although the Bank and its subsidiaries closely monitor strict adherence to their internal control procedures and implement internal control reviews and risk management procedures, there can be no assurance that these efforts will prevent future fraudulent actions. In addition, there are limitations inherent in all internal control systems such as human error, poor judgment in decision making, deliberate circumvention of control processes by employees, management override of controls and occurrence of unforeseeable circumstances.

Furthermore, although the Bank implements enhanced system security controls (see "Description of the Bank – Information Technology" of this Offering Circular), as the Bank continues to invest in the automation and computerization of its various internal and control processes and expands its internet banking operations, the potential risk for fraud and data privacy and information security problems arising from the exploitation of technological weaknesses attributed particularly to the growing cybercrime related cases also increase. Failure on the part of any of the Bank and its subsidiaries to prevent future fraudulent actions or data privacy or security

breaches may result in administrative or other regulatory sanctions by the BSP or other Government agencies and may also result in the suspension of, or other limits on, the Bank's banking and other business licenses. In addition, such events may also result in a loss of confidence of current and potential deposit customers of the Bank, which could materially and adversely affect its financial condition and results of operations.

Changes in the 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 banking, leasing, credit card business, real estate investments and insurance. 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 and/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 a 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" of this Offering Circular).

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

To the extent any of the instruments or strategies the Bank uses to manage its exposure to market or credit risks are not effective, the Bank may not be able to effectively mitigate its risk exposures. 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, among others, 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 the anticipated losses. The successful management of credit, market and operational risks 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 materially and adversely affect the Bank's business, financial condition and results of operations.

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

The Bank has a credit rating of Baa2, with a stable outlook for its bank deposits from Moody's. In the event of a downgrade of the Bank by its credit rating agency, the Bank may have to accept terms that are not as favorable on 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 adversely affect its financial condition and results of operation. 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.

The Bank's trading activities are subject to volatility

The Bank engages in trading activities, primarily maintaining proprietary trading positions in Government securities. Income from trading and investment activities as a percentage of the Bank's operating income has been

volatile in recent years. The Bank incurred a loss in its trading and investment securities for the year ended 31 December 2023 primarily due to an uptrend in interest rates driven by global monetary tightening during the year and posted a gain for the same in the year ended 31 December 2024 as the Bank capitalized on market opportunities, despite limited market liquidity and the rising interest rate environment. Despite the volatility in the Bank's trading positions, the Bank believes that gains from its trading activities still constitute an important aspect of the Bank's operating income. Trading and investment securities gains (losses) accounted for (2.5)%, 0.7%, 1.1%, 1.3%, and 1.4% of the Bank's total operating income for the years ended 31 December 2022, 2023, and 2024 and the six months ended 30 June 2024 and 2025, respectively.

There can be no assurance that the Bank will be able to continue posting trading gains, that it will not continue to incur a loss from such trading, or that it will not hold on to its trading and investment securities to realize interest income, any or all of which could have a material adverse effect on the Bank's future net income. The Bank's income from trading activities is subject to substantial volatility based on, among other things, changes in interest rates, foreign currency exchange rates and debt prices, as well as stock market fluctuations. For example, an increase in interest rates or a downgrade of the credit ratings of some of the fixed income securities invested may have a substantial impact on the value of the Bank's investments in fixed income securities, which would negatively affect the Bank's results of operations.

An increase in interest rates could decrease the value of Banks' securities portfolio and raise their 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**") (implemented in January 2018), rising global oil prices, an acute rice shortage, and a weaker Peso. In 2019, the BSP 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.

Effective 19 May 2022, the Monetary Board increased the benchmark interest rate, overnight lending and deposit facilities almost on a monthly basis to combat inflation. On 15 December 2022, the Monetary Board implemented the final increase in the policy rates for 2022 with the overnight RRP, overnight deposit, and lending facility rates set at 5.50%, 5.00% and 6.00%, respectively. On 16 February 2023, the interest rate of the BSP's RRP was further raised by 50 basis points to 6.0%. Thus, interest rates on the overnight deposit and lending facilities were set to 5.5% and 6.5%, respectively. On 23 March 2023, the Monetary Board decided to further raise the interest rate of the BSP's RRP by 25 basis points to 6.25%. Accordingly, the interest rates on the overnight deposit and lending facilities will be set to 5.75% and 6.75%, respectively. The Monetary Board maintained the foregoing rates until 26 October 2023 when the BSP decided to further raise its RRP rate to 6.50%. As such, the overnight deposit and lending rates were increased to 6.00% and 7.00%, respectively. The Monetary Board maintained the policy interest rates through the end of 2023 and the first seven months of 2024. On 13 February 2025, the Monetary board held its policy rates steady as it continued to monitor the global economic and trade policy developments. The RRP rate was at 5.57%, along with the overnight the deposit and lending facilities at 5.25% and 6.25%, respectively. On 19 June 2025, the BSP reduced the RRP rate by 25 basis points to 5.25%, and the rates on the overnight deposit and lending facilities were correspondingly adjusted to 4.75% and 5.75%, respectively. The BSP's decisions was driven by a subdued inflation outlook for 2025, with inflation expected to remain below the 2.0-4.0% target range until the 4th Quarter. The BSP further lowered the RPP rate to 5.00% on 28 August 2025, stating that the outlook for inflation is broadly unchanged. The overnight deposit and lending facility rates were adjusted to 4.50% and 5.50%, respectively. However, there is no assurance that interest rates in the Philippines will not increase in the future, including in response to inflationary pressures resulting from strong economic growth, tax reforms and global developments .On 9 October 2025, the BSP Monetary Board reduced its policy rate by 25 basis points to 4.75%, with corresponding adjustments to the overnight deposit and lending facilities to 4.25% and 5.25%, respectively, to support domestic demand amid a benign inflation outlook.

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. Lower levels of liquidity in the system may likewise lead to an increase in the cost of funding as banks actively compete for funds by raising the interest rates they charge on deposits.

The Bank's provisioning policies in respect of NPLs require significant subjective determinations and are subject to the implementation of any new accounting standards and tighter regulations in the future.

The level of loan loss provisions which the Bank recognizes may increase significantly in the future due to the introduction of new accounting standards and implementation of tighter regulations on credit risk (e.g., BSP Circular 855 and PFRS 9 amendments to loan loss provisions). The level of provisions currently recognized by the Bank in respect of its loan portfolio depends largely on the quality of the portfolio and estimated value of the collateral coverage for the portfolio. Although the Bank has a policy to test its loan portfolio for impairment on a monthly basis in order to ensure adequacy of provisions as needed and in line with changing market conditions, the level of the Bank's provisions may not be adequate to cover increases in the amount of its non-performing loans, or any deterioration in the overall credit quality of the Bank's 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. In addition, these requirements in certain circumstances may be less stringent than those applicable to banks in other countries and may result in particular loans being classified as non-performing later than would be required in such countries or being classified in a category reflecting a lower degree of risk.

In January 2017, the BSP amended the regulatory definitions of past due accounts, restructured loans and non-performing loans, as well as revisions of other related provisions under BSP Circular 941. Among others, the said Circular cites the conditions under which an account will be classified as NPL (i.e. meeting any of the following: considered impaired under existing accounting standards; classified as doubtful or loss; in litigation; full repayment of principal and interest is unlikely without foreclosure of collateral, if any; 91 days past due; and restructured). Banks are required to make the necessary revisions in their management information and reporting systems relating to past due and NPLs to allow them to comply with the requirements of the Circular effective 1 January 2018.

There is no guarantee that such accounting standards or tighter regulations may result in the Bank recognizing significantly higher provisions for loan loss in the future. In addition, 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 levels of loan loss provisions in the future.

The Bank has significant credit exposure to certain borrowers and industries and deterioration in the performance of any of these industry sectors may adversely impact the asset quality of the Bank's loan portfolio and its business.

As of 30 June 2025, the Bank's five largest industry exposures were to the (i) real estate, renting and business activities, (ii) electricity, gas, and water, (iii) wholesale and retail, (iv) financial intermediaries, and (v) manufacturing, representing 18.0%, 16.0%, 15.9%, 15.2%, and 9.6%, respectively, of the Bank's total loan portfolio (based on gross amount before allowance and unearned discount) as of 30 June 2025. The global and domestic trends in these industries may have a bearing on the Bank's financial position. Any significant deterioration in the performance of a particular sector, driven by events outside the Bank's control, such as regulatory action or policy announcements by the Government or the general condition of the domestic and global

economies, would adversely impact the ability of borrowers in that industry to service their debt obligations to the Bank. In addition, if the loans to these borrowers or sectors were to become non-performing, this could adversely affect the Bank's business and results of operations.

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

The Bank is and may in the future be, implicated in lawsuits on an on-going 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. Furthermore, 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 operations; or (ii) provisions made for litigation related losses will be sufficient to cover the Bank's ultimate loss or expenditure.

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

The Bank's ability to successfully implement its growth strategies 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 individuals. The loss of some of the Bank's key management and/or senior executives, or an inability to attract or retain other key individuals could materially and adversely affect the Bank's business, financial condition and results of operations.

The Bank's past or current results may not be indicative of the Bank's future performance.

The Bank's results in the future are dependent upon many factors, including among other factors, the Bank's ability to implement its business strategies, economic growth in the Philippines and foreign markets, performance of its loan portfolio, and fluctuation in interest rates and exchange rates. There can be no assurance that the Bank will be profitable or will not incur operating losses in the future.

PNB's investments in equity of unconsolidated subsidiaries may adversely affect PNB's qualifying capital and PNB's ability to meet the BSP's Basel II capital adequacy ratio requirements.

PNB's investments in unconsolidated subsidiaries amounted to ₱21,273.2 million as of 30 June 2025. As prescribed under BSP Circular No. 538, as amended by BSP Circular No. 781, investments in the equity of unconsolidated subsidiary banks and quasi-banks, securities dealers/brokers, insurance companies, other financial and non-financial allied undertakings and reciprocal investments in the equity of other banks/enterprises and reciprocal investments in other regulatory capital instruments of other banks and quasi-banks, among others, are deductions from the gross qualifying capital in computing for the risk-based capital adequacy ratios. PNB's investments in equity of unconsolidated subsidiaries (including any increase thereto) may adversely affect PNB's qualifying capital and PNB's ability to meet the BSP's Basel III capital adequacy ratio requirements (see "– *Risks Relating to the Philippine Banking Industry – The Bank may experience difficulties due to the implementation of Basel III in the Philippines*" of this Offering Circular).

The Bank is subject to regulatory risks associated with its operations in jurisdictions other than the Philippines.

While the Philippine market is the Bank's primary market, the Bank has operations in other parts of the world including in China, the United Kingdom, the United States and Canada. The banking industries in these markets are subject to extensive regulation by governments, securities exchanges and regulators, central banks and other regulatory bodies and there may be restrictions on foreign banks or foreign investments. In such countries, the laws and regulations applicable to the financial services industries may be prone to change and uncertainty, and

it may be difficult to determine the requirements of local laws in every market or manage its relationships with multiple regulators in various jurisdictions. If the Bank fails to comply with local laws or manage its relationship with regulators, it may expose the Bank to regulatory risks, which could materially and adversely affect the Bank's business, financial condition and results of operations (see also "*Risks Relating to the Philippine Banking Industry – The Bank may have to comply with stricter regulations and guidelines issued by banking and other regulatory authorities in the Philippines and international bodies*" of this Offering Circular).

Risks Relating to the Philippine Banking Industry

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 many other Philippine banks and branches of international banks, including competitors which, in some instances, have greater financial and other capital resources, a greater market share and greater brand name recognition than the Bank. In addition, increased competition may arise from, among others:

- other large Philippine banks and financial institutions with significant presence in Metro Manila and extensive country-wide branch networks;
- full entry of foreign banks in the Philippines through any of the following modes allowed under Republic Act No. 10641 (An Act Allowing the Full Entry of Foreign Banks in the Philippines, Amending for the Purpose Republic Act No. 7721 (An Act Liberalizing the Entry and Scope of Operations of Foreign Banks in the Philippines)) ("**RA 10641**"): (a) the acquisition, purchase or ownership of up to 100% of the voting stock of an existing bank; (b) investment of up to 100% of the voting stock in a new banking subsidiary incorporated under Philippine law; or (c) establishment of branches with full banking authority;
- domestic banks entering into strategic alliances with foreign banks with significant financial and management resources and, in some cases, resulting in excess capital that can be used as leverage for asset growth and market share gains;
- continued consolidation and increased mergers and acquisitions in the banking sector involving domestic and foreign banks, driven in part by the gradual removal of foreign ownership restrictions;
- the emergence of FinTech, including businesses such as an all-digital bank set up by CIMB, and mobile payment tools or e-wallet applications such as GCash and PayMaya, and the growing popularity of peer-to-peer lending through digital platforms;
- the emergence and issuance of digital banking licences to GoTyme Bank Corporation, Maya Bank, Inc., Overseas Filipino Bank, Inc., Tonik Digital Bank, Inc., Union Digital Bank and UNObank, Inc by the BSP, which may offer banking products more aggressively on the back of reduced physical operating costs (starting 1 January 2025, the BSP lifted the moratorium on the grant of new digital banking licenses and allowed a maximum of ten (10) digital banks to operate in the country; however, effective 1 December 2025, the BSP will again stop accepting new applications for digital bank licenses) ; and
- as banks venture into micro-finance and other consumer financing products, other consumer-focused players, including informal lenders.

The ongoing mergers and consolidations in the banking industry, as well as the liberalization of foreign ownership regulations in banks, have allowed the emergence of foreign 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 granting of new licenses 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, Yuanta Savings Bank Philippines, Inc., United Overseas Bank Limited – Manila Branch, Hua Nan Commercial Bank, Ltd. – Manila Branch, First Commercial Bank, Ltd. – 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 licenses, 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 has enhanced cross-border flows of financial services (in addition to goods, capital, and manpower) among member nations and increased the level of competition both from Philippine banks and branches of international banks. As of 30 June 2025, according to data from the BSP, there were a total of 44 domestic and foreign universal and commercial banks operating in the Philippines.

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 continue to increase the size of its loan portfolio and deposit base, as well as cause increased pricing competition, which could have a material adverse effect on its growth plans, margins, results of operations and financial condition.

The Bank may have to comply with stricter regulations and guidelines issued by banking and other regulatory authorities in the Philippines and international bodies.

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

In recent years, existing rules and regulations have been modified, new laws, 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 the capital adequacy of banks in the Philippines. Institutions that are subject to the Anti-Money Laundering Act, as amended (“**AMLA**”) are required to establish and record the true identities of their clients based on official documents. They are to maintain a system of verifying the true identity of their clients and, in case of corporate clients, require a system of verifying their legal existence and organizational structure, as well as the authority and identification of all persons purporting to act on their behalf. All records of transactions are required to be maintained and stored for a minimum of five years from the date of a transaction, unless a case has been filed involving the account, then the records must be retained and safely kept beyond the five-year period until it is officially confirmed by the AMLC Secretariat that the case has been resolved, decided or terminated with finality. In addition, 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 macroprudential 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. If the explanation is deemed insufficient, the bank shall be required to submit an action plan to meet the REST Limits within a reasonable time frame. In 2020, the BSP issued BSP Circular No. 1093, which requires banks’ total real estate loans of universal banks and commercial banks to not exceed 25% of their total loan portfolio, net of interbank loans, excluding certain items listed in the relevant BSP regulations and the Manual of Regulation for Banks (“**MORB**”). As of 2025, banks’ real-estate exposure remains subject to this 25% limit.

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” with a current rate of 4.50% (as of 28 August 2025), and forms the lower bound of the IRC. Meanwhile, the rate for the “overnight lending facility”,

which replaced the previous repurchase facility, and forms the upper bound of the IRC, is currently at 7.0% (as of 1 August 2024). 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. According to the BSP, the changes from IRC are purely operational in nature to allow it to conduct monetary policy effectively.

Additionally, the BSP pursuant to BSP Circular Nos. 1175, 1176 and 1185 (Series of 2023), 1201 and 1211 (Series of 2024) reduced the rates of required reserves against deposit and deposit substitute liabilities for universal and commercial banks commencing on 6 January 2024 (BSP Circular No. 1185), June 2023 (BSP Circular Nos. 1175 and 1176), 25 October 2024 (Circular No. 1201), and 28 March 2025 (Circular No. 2011), as follows: (a) 5% against demand deposits, negotiable order of withdrawal (“**NOW**”) accounts, savings deposits (excluding basic deposit accounts), time deposits, deposit substitutes, negotiable certificates of time deposits (“**CTDs**”), long-term non-negotiable tax-exempt CTDs, 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 repurchase agreements; (c) 4% against long-term negotiable certificates of time deposits (“**LTNCDs**”); (d) 1.0% against green, social sustainable bonds as defined under the relevant regulations of the Philippine SEC or other relevant regional or international standards acceptable to the market (“**Sustainable Bonds**”) issued within one year from 6 January 2024; (e) 0% for Sustainable Bonds issued one year after 6 January 2024, effective for another 12 months, (f) 3% against bonds other than Sustainable Bonds; and (g) 0% against basic deposit accounts as defined under Section 213 of the Manual of Regulations for Banks and for interbank call loan transactions (“**IBCL**”).

On 25 June 2021, the 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 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. Based on the progress review conducted by the FATF in February 2023, the FATF noted that while the Philippines has taken steps to address the findings raised by FATF, it should continue to work on implementing its action plan to address its strategic deficiencies as soon as possible. On 21 February 2025, following a successful on-site visit and completion of its action plan, the FATF announced that the Philippines is no longer subject to increased monitoring. The country must now sustain implementation of the reforms and prepare for its next mutual-evaluation cycle.

The BIR has also promulgated rules on the submission of an alphabetical list of portfolio investors receiving income payments and dividends. The BIR requires all withholding agents to submit such list 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. The Supreme Court, however, issued a temporary restraining order against the said BIR rule on 9 September 2014 with regard to the prohibition against lumping into a single amount. On 5 July 2022, the Supreme Court converted the temporary restraining order into a permanent injunction.

Although the Bank has invested in maintaining and upgrading its anti-money laundering solutions (see “*Description of the Bank—Information Technology—Anti-money laundering systems*” of this Offering Circular), there is no assurance that the anti-money laundering solution implemented by the Bank will always perform at 100.0% accuracy and efficiency. By its nature, it is subject to the same risks relating to other information and technology systems and processes, including vulnerability 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.

Further, although the Bank has in place contingency programs and preventive measures to address events that may cause disruptions and has home grown systems to generate critical reports to ensure regulatory compliance, 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 affect the performance of the anti-money laundering solution put in place by the Bank.

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

The Government has imposed a lending policy requiring Philippine banks to extend certain loan amounts to the agriculture and fisheries sector and agrarian reform beneficiaries of the country. Failure to meet the specified level of loans may result in penalties being assessed against a non- or under-compliant bank. As of 30 June 2025, the requirement applicable to the Bank was ₱78.0 billion. Although the Bank has complied with this lending requirement as of 30 June 2025, the Bank, in the future, may be unable to generate sufficient exposure to agrarian reform and the agricultural sector due to its prudent credit and risk, and as a result, the Bank may be subject to penalties in the future. There can be no assurance that the Government will not increase its penalties for non- or under-compliance or force banks to lend in accordance with the policy. There has, however, been a recent relaxation of regulations following the adoption of Republic Act No. 11901 or the Agricultural, Fisheries, and Rural Development Financing Enhancement Act of 2022, which has removed the required allocation of credit to agrarian reform beneficiaries (i.e., 10% of total loanable funds out of the mandatory credit requirement of 25% of total loanable funds required to be set aside by banks for agricultural and fisheries financing in general), and expanding the allowable modes of alternative compliance to meet such mandatory credit requirement.

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

In 2007, the implementing guidelines of the revised International Convergence of Capital Measurement and Capital Standards known as Basel II took effect. To supplement these guidelines, the BSP issued BSP Circular No. 639 requiring banks to have in place an Internal Capital Adequacy Assessment Process (“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, the Basel Committee on Banking Supervision (“BCBS”) issued an update to the Basel Accords, known as Basel III, that modified the structure of regulatory capital. The Basel III regulations included tighter definitions of qualifying capital, and introduced frameworks for capital conservation buffer, countercyclical buffer, systemically important financial institutions, leverage ratio, and short-term and medium-term quantitative liquidity ratios.

In January 2013, the BSP issued the Basel III Implementing Guidelines on Minimum Capital Requirements, effective January 2014. The guidelines include the following highlights:

- adoption of a new categorization of the capital base;
- keeping the minimum capital adequacy ratio at 10%, and prescribing: (i) a minimum common equity tier 1 (“CET1”) ratio of 6.0%, (ii) a minimum Tier 1 capital adequacy ratio of 7.5%, and (iii) an additional capital conservation buffer (“CCB”) of 2.5%;
- rendering ineligible existing capital instruments that do not meet the eligibility criteria for capital instruments under the revised capital framework; 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*,” as amended by BSP Circular No. 1051 on 27 September 2019, to address systemic risk and interconnectedness by identifying banks which are deemed systemically important within the domestic banking industry. Banks identified as D-SIBs are required to have higher loss absorbency capabilities, in addition to minimum CET1 capital and CCB requirements. Identified D-SIBs will need to put up an additional 1.5% to 2.5% CET1 depending on their classification.

Banks identified as D-SIBs will be required to have higher loss absorbency (“**HLA**”) to ensure that D-SIBs have a higher share of their balance sheets funded by instruments which increase their resilience as a going concern. To ensure a maximum degree of consistency in terms of effective loss absorbing capacity, the HLA requirement will be addressed through CET1 capital. Further, the BSP imposes restrictions on distributions, depending on the countercyclical capital buffer (“**CCyB**”) rate of the bank. However, payments which do not result in the depletion of CET1 capital are not considered capital distributions.

A D-SIB will not be subject to any restriction on distribution if it has positive retained earnings as of the preceding quarter and complies with the regulatory requirements for the declaration of dividends and is compliant with total required CET1 capital (under the relevant BSP Circulars) before the distribution and minimum capital ratios after distribution.

Banks will be required to maintain higher minimum levels of capital if they are designated as D-SIBs by the BSP.

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*”, requiring banks to hold a sufficient level of high-quality liquid assets (“**HQLA**”) to enable them to withstand a 30-day liquidity stress scenario. 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 levels of high-quality liquid assets to enable them to withstand a 30-day liquidity stress scenario. Banks have been required to meet a LCR threshold of 100% beginning on 1 January 2019.

Subsequently, the BSP imposed a 70% LCR floor for subsidiary banks and quasi-banks, which are required to comply with the minimum LCR of 100% starting January 2020.

On 6 June 2018, the BSP issued Circular No. 1007 in relation to the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards – NSFR. As of 1 January 2020, the minimum 100% NSFR became effective for covered banks and quasi-banks. Compliance with these ratios may also further increase competition among banks for deposits as well as high quality liquid assets.

The BSP has approved the Philippine Adoption of the Basel III CCyB under Circular No. 1024 issued on 6 December 2018, which imposes a 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 will be effective 12 months after its announcement, while decreases will be effective immediately. A CCyB set as a percentage of risk-weighted assets shall be required of banks, comprised of CET1 capital.

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. A covered bank which draws down its 2.5% minimum capital conservation buffer will not be considered in breach of the capital adequacy framework. A covered bank which utilizes its capital conservation buffer is restricted from making distributions in the form of dividends, share buybacks, discretionary payments on other Tier 1 capital instruments, or discretionary bonus payments to staff. A covered bank may draw on its stock of liquid assets to meet liquidity demand even if it may cause to maintain an LCR that is below the 100% minimum requirement. However, a covered bank that has recorded a shortfall in the stock of its High-Quality Liquid Assets for three Banking Days within any two-week rolling calendar period, causing it to fall below the 100%, must notify the BSP on the Banking Day immediately following the occurrence of the third liquidity shortfall.

On 3 March 2022, the BSP issued BSP Circular No. 1142, which amends the Guidelines on the Computation of Minimum Required Capital and Risk-Based Capital Adequacy Ratio. Under this circular, government-owned or controlled banks need not deduct from the computation of qualifying capital the unsecured Peso-denominated credit accommodations to the Philippine National Government.

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 capital adequacy

ratio (“CAR”) and NSFR requirements as a result of the COVID-19 pandemic will be handled on a case-by-case basis by the BSP.

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, as well as limit the Bank’s ability to declare dividends.

Although intended to strengthen banks’ capital positions and thwart potential asset bubbles, the foregoing 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. 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. While the Bank closely monitors its compliance with the requirements of Basel III as implemented by the BSP, there can also be no assurance that it will be able to raise adequate additional capital in the future at all or on terms favorable to it.

Any future changes in Philippine Financial Reporting Standards (“PFRS”) Accounting Standards may affect the financial reporting of the Bank’s business.

PFRS Accounting Standards continue to evolve, and certain newly promulgated standards and interpretations taking effect at the beginning of a relevant year may affect the financial reporting of the Bank’s businesses.

For example, PFRS 17, *Insurance Contracts*, establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts issued, and likewise requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. All companies shall apply PFRS 17 to their audited financial statements effective 1 January 2027. However, companies may opt to adopt PFRS 17 in the preparation of their audited financial statements starting 1 January 2025.

The Bank believes that other amendments and improvements to PFRS Accounting Standards issued effective after 31 December 2023 will not have a material impact on the Bank’s future financial statements. The Bank, however, is unable to predict future changes in PFRS Accounting Standards and its impact. Any future changes in PFRS Accounting Standards may affect the financial reporting of the Bank’s business.

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

Although the Philippine banking sector has generally recovered from past regional and global economic crises, the Philippine banking industry may face significant financial and operating challenges in the event of any regional or global economic downturn, including as a result of a pandemic such as COVID-19. These challenges may include, among other things, 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. According to data published by the BSP as of 30 September 2025, the past due ratio in the Philippine universal and commercial banking system was at 3.69%, a slight decline from the past due ratio of 3.81% reported in 30 September 2024. Nonetheless, the NPL coverage ratio in the Philippine universal and commercial banking system reached 94.4% as of August 2025 compared to 95.63% NPL coverage ratio reported in July 2025. There is no guarantee that the Philippine banking industry will not face significant financial and operating challenges. These may include, among other things, 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 undercapitalization 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, and the Bank 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.

The Philippine banking industry is generally exposed to higher credit risks and greater market volatility than that of more developed countries.

Philippine banks are subject to the credit risk that Philippine borrowers may not make timely payment of principal and interest on loans and that upon such failure to pay, Philippine banks may not be able to enforce the security interest they may have. The credit risk of Philippine borrowers is, in many instances, higher than that of borrowers in developed countries due to the greater uncertainty associated with the Philippine regulatory, political, legal and economic environment, the vulnerability of the Philippine economy in general to a severe global downturn as it impacts on its export sector, employment in export-oriented industries, and overseas Filipino workers' ("OFWs") remittances, the large foreign debt of the Government and the corporate sector, relative to the gross domestic product of the Philippines, and the volatility of interest rates and U.S. dollar/Peso 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 risks 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 financial condition, liquidity and results of operations. According to data from the BSP, the average gross NPL ratios exclusive of interbank loans of the Philippine universal and commercial banking system were 2.94%, 3.03%, 3.07%, and 3.14% for the years ended 31 December 2022, 2023 and 2024 and for the six months ended 30 June 2025, respectively.

Philippine banks' ability to assess, monitor and manage risks inherent in its business differs from the standards of its 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 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.

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 29 May 2025, Republic Act No. 12214 or the Capital Markets Efficiency Promotion Act (the “**CMEPA**”) was enacted. The CMEPA amends the NIRC to standardize the tax on passive interest at 20%, impose a 15% final tax on capital gains from the sale of non-listed shares, and apply a 0.1% stock transaction tax for listed share sales whether traded locally or overseas.

Further, the CMEPA reduced the rate of DST on the original issue of shares of stock and debt instruments. The original issue of shares is now subject to documentary stamp tax of 75% of 1% of the par value of the shares issued from the previous rate of ₱2.00 for each ₱200.00, or a fractional part thereof. CMEPA also reduced the DST rate on debt instruments, including loan agreements, promissory notes, and government securities, to 75% of 1% of the issue value of such instruments, from the previous rate of ₱1.50 on each ₱200.00, or fractional part thereof.

The other tax reform packages that the Government seeks to implement include tax amnesty (estate, general), as well as “sin” (e.g., alcohol, gaming), property, passive income and financial intermediaries, and luxury taxes.

A related but separate bill, Republic Act No. 12214, otherwise known as Capital Markets Efficiency Promotion Act (“**CMEPA**”) was carved out from PIFITA and has been enacted into law effective July 1, 2025. Under the CMEPA, key provisions on stock transaction tax (“**STT**”) reforms, capital gains tax (“**CGT**”) harmonization, standardization of final withholding tax (“**FWT**”) rates across debt instruments and currencies, DST clarifications and rules updates, tax treatment of repo and similar instruments, and administrative rules on withholding and reporting standards were implemented by its succeeding Revenue Regulations (“**RR**”).

Under the amendments introduced by CMEPA, new DST rate formula was adopted for transactions on the original issue of shares of stocks and debt instruments albeit retaining the same nominal rate. The DST amendment also adopted the single DST rule that when a loan agreement and a promissory note, mortgage, or other security instruments are executed together, only one DST is imposed on the instrument that yields the higher tax. If only one instrument covers the loan agreement/ promissory note/ pledge/ mortgage, the DST under Sec. 195 (DST for mortgages/ pledge, etc.) applies, based on the full loan amount and is treated as a single taxable transaction.

The CMEPA adopted a uniform taxation of passive income especially interest earned from deposits. Under the amendment, interest or yield earned from any currency bank deposit, deposit substitute, trust funds, and other similar arrangements, regardless of their nature or tenure shall be applied a uniform tax rate of 20% except income of non-residents from transactions with depositary banks under the expanded system which shall remain exempt.

Given the above amendments introduced by CMEPA, the Bank is fully committed to complying with the new rules laid forth.

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 increase in taxes could have an effect on the Bank’s business, financial condition and results of operations.

Risks Relating to the Philippines

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 Philippine economy has experienced volatility in the value of the Peso as well as limitations to the availability of foreign exchange.

While the value of the Peso has recovered since 2010, its valuation may be adversely affected by certain events and circumstances such as the strengthening of the U.S. economy, the rise of interest rates in the U.S. and the

consequent departure of foreign funds from emerging markets including the Philippines, 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. As of 30 June 2025, according to BSP data, the Peso has appreciated by 2.69% to ₱56.33 per U.S.\$1.00 from ₱57.85 per U.S.\$1.00 at the end of 2024.

A significant portion 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.

A significant portion of the Bank's business activities and assets are based in the Philippines, which exposes the Bank to risks associated with the country, including the performance of the Philippine economy. Historically, the Bank has derived most of its revenues and operating profits from the Philippines and, as such, its businesses are highly dependent on the state of the Philippine economy. Demand for banking services is directly related to the strength of the Philippine economy (including its overall growth and income levels), the overall levels of business activity in the Philippines as well as the number of remittances received from Overseas Filipinos. 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;
- foreign exchange rate fluctuations and foreign exchange controls;
- downgrade in the long-term foreign and local currency sovereign credit ratings of the Philippines or the related outlook for such ratings;
- rising inflation or increases in interest rates;
- levels of employment, consumer confidence and income;
- changes in the Government's fiscal and regulatory policies and regulations, including tax laws and regulations that impact or may impact inflation and consumer demand such as the TRAIN Law or any subsequent legislation;
- Government budget deficits;
- adverse trends in the current accounts and balance of payments of the Philippine economy;
- the outbreak or re-emergence of an epidemic, such as Middle East Respiratory Syndrome-Corona virus ("MERS-CoV"), SARS, avian influenza (commonly known as bird flu), or H1N1 (commonly known as swine flu), 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.

Any future deterioration in economic conditions in the Philippines due to these or other factors could materially and adversely affect the Bank's borrowers and contractual counterparties. This, in turn, 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.

There can be no assurance that the Philippines will maintain strong economic fundamentals in the future. Changes in the conditions of the Philippine economy could materially and adversely affect the Bank's business, financial condition and results of operations.

Political and social instability in the Philippines could destabilize the country and may have a negative effect on the Bank's businesses.

The Philippines has from time to time experienced political and social 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, removal of two chief justices of the Supreme Court of the Philippines, hearings on graft and corruption issues against various government officials, and public and military protests arising from alleged misconduct by previous and current administrations.

The Philippine general elections for national and local officials took place on 9 May 2022 with Ferdinand Marcos, Jr. being proclaimed President and Sara Duterte being proclaimed Vice-President. The mid-term national and local election, in which 12 senators, representatives of the House of Representatives, and local officials were elected, took place on 12 May 2025. The next general election is scheduled for the second Monday of May 2028 (specifically 12 May 2028). There can be no assurance that acts of election-related or other political violence will not occur in the future, and any such events could negatively impact the Philippine economy. Additionally, there can be no assurance that the elected officials will continue to implement the economic, development and regulatory policies of their predecessors, including those policies that may have an effect on the Bank's assets and operations. Major deviation from the policies of the previous administration or fundamental change of direction may lead to an increase in political or social uncertainty and instability.

The International Criminal Court ("ICC") conducted an inquiry on the "war on drugs", which was thereafter suspended in 2021 after the Philippine Government requested the ICC to defer its investigation on the basis that national authorities were currently investigating the same allegations domestically. On the other hand, the ICC prosecutor requested authority to resume their investigation, noting that domestic proceedings did not amount to an investigation that would sufficiently be consistent with the ICC's procedures. On 26 January 2023, the ICC decided to resume its investigation. While the Government appealed the ICC's decision, this was denied in July 2023 with the Government continuing to argue that the ICC has no jurisdiction to investigate former President Duterte's "war on drugs" campaign, insisting that the country's judicial system could sufficiently conduct its own investigation. On 7 March 2025, a warrant of arrest was issued against former President Duterte for crimes against humanity allegedly committed between 1 November 2011 and 16 March 2019. On 12 March 2025, Duterte was surrendered to the ICC after being arrested by the authorities of the Republic of the Philippines.

In mid-2023, the Office of the Vice President ("OVP") was scrutinized for spending ₱125 million in confidential and intelligence funds in less than three weeks. Several petitions have since been filed with the Supreme Court of the Philippines questioning the legality of the transfer of such funds from the Office of the President ("OP") to the OVP, seeking for the restitution of such funds to the Government's coffers.

In August 2025, there was a demand for independent investigation into "excessive corruption" linked to government infrastructure projects, after President Marcos disclosed the results of an internal audit into flood control projects during his State of the Nation Address. On 25 September 2025, the Senate Blue Ribbon Committee held hearings into anomalies in the Department of Public Works and Highways' flood-control contracts. On 11 September 2025, a special commission (the Independent Commission for Infrastructure) was established via executive order to investigate irregularities in flood-control infrastructure and national public-works contracts.

There can be no assurance that any changes in regulations or policies imposed by the Government from time to time or the future political environment in the Philippines will be stable or that current or future administrations will adopt economic policies conducive to sustaining economic growth. Political instability in the future could reduce consumer demand for retail and consumer goods to the Bank's disadvantage or result in inconsistent or sudden changes in regulations and policies that affect the Bank's business operations, which could have a material adverse impact on the results of operations and financial condition of the Bank.

Acts of terrorism could destabilize the country and could have a material adverse effect on the Bank's businesses, financial condition and results of operation.

The Philippines has been subject to a number of terrorist attacks in recent years. The Philippine army has been in conflict with the Abu Sayyaf organization, which has ties to the al-Qaeda terrorist network and has been identified as being responsible for certain kidnapping incidents and other terrorist activities particularly in the southern part of the Philippines. There have also been isolated bombings in the Philippines, mainly in regions in the southern part of the Philippines, such as the province of Maguindanao. In May 2017, members of the "Maute Group", a local terrorist group with alleged allegiances to the Islamic State of Iraq and Syria, attacked Marawi City in Lanao del Sur, leading to clashes with Government troops. The attacks on Marawi City prompted President Duterte to declare martial law and suspend the writ of habeas corpus over the whole island of Mindanao. The Marawi siege left 1,100 dead, over 350,000 displaced and cost more than ₱17 billion in property damage. By the end of 2018, the Philippine Congress extended Martial Law until the end of 2019. Two years after the siege, over 100,000 evacuees have yet to return to their homes. Based on news reports, up to 600,000 residents of Marawi City and nearby towns have been displaced as a result of the ongoing clashes between the Maute Group and Government troops. An increase in the frequency, severity or geographic reach of these terrorist acts could destabilize the Philippines and adversely affect the country's economy and the Bank's business.

Similar attacks or conflicts between the Government and armed or terrorist groups could lead to further injuries or deaths of civilians and police or military personnel, which could destabilize parts of the country and adversely affect the country's economy. An increase in the frequency, severity, or geographic reach of terrorist acts could adversely affect the country's economy. Any such destabilization could cause interruption to parts of the Bank's businesses and materially and adversely affect its financial conditions, results of operations and prospects. An increase in the frequency, severity or geographic reach of terrorist acts could destabilize the Philippines and adversely affect the country's economy and the Bank's business.

Public health epidemics or outbreaks of diseases 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.

On 11 March 2020, the World Health Organization ("WHO") declared the COVID-19 pandemic as a global outbreak, leading the Office of the President of the Philippines, on 13 March 2020, to issue a declaration placing Metro Manila under lockdown. Subsequent proclamations were issued declaring a State of Calamity throughout the country, and later, implementing various modes of quarantine (such as enhanced community quarantine, modified enhanced community quarantine, and general community quarantine), depending on the impact of the pandemic in each area of the Philippines. Beginning February 2022, in light of the declining number of COVID-19 cases in the country, the national government progressively eased restrictions in NCR and most areas, subject to the imposition of granular lockdowns and without prejudice to minimum public health standards and health and safety protocols issued by national government agencies for specific sectors.

Since early May 2022, monkeypox cases have been reported from non-endemic countries, with reports continuing from endemic regions. On 23 July 2022, WHO Director-General, Tedros Adhanom Ghebreyesus, declared the monkeypox outbreak as a Public Health Emergency of International Concern. In 2023, an outbreak of the Nipah virus was reported in India. The WHO stated that the Nipah virus has a mortality rate ranging from 40% to 75% which varies on the effectiveness of public health interventions. As of September 2023, the DOH confirmed that there are no cases of the Nipah virus in the Philippines.

On 1 July 2023, President Marcos issued Proclamation No. 297 lifting the Public Health Emergency throughout the Philippines due to COVID-19, with all orders, memoranda, and issuances effective during a State of Public Health Emergency deemed no longer in effect.

Since 2024, the Philippines has been managing the outbreak of the African Swine Fever ("ASF") in the country. As of 26 July 2024, the National ASF Prevention and Control Program under the country's Department of

Agriculture reported that there were 11 regions, 18 provinces, 45 municipalities, and 150 barangays that had active ASF cases.

If the outbreak of 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.

Natural or other catastrophes, including severe weather conditions, may adversely affect the Bank's business, 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, Taal Volcano eruption in 2020, 2022 and 2024, Typhoon Odette in 2021, the Abra earthquake in 2022 and Typhoon Carina in 2024. Such calamities had caused significant destruction and damage to infrastructure, including telecommunication facilities and power lines, which temporarily reduced the Bank's ATM availability in the areas affected. 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. 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, of types, 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. The Bank also does not carry any business interruption insurance. 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 uninsured material loss could materially and adversely affect the Bank's business, financial condition and results of operations.

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.

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 demand for the vessels to leave the area, issued by Philippine Defense Secretary Delfin Lorenzana.

There have been numerous run-ins in areas of the West Philippine Sea. In August 2023, China Coast Guard vessels used water cannon against a Philippine resupply mission preventing one of the boats from delivering its cargo. On 24 September 2023, the Philippine Coast Guard reported that the Chinese Coast Guard had installed a floating barrier near the Bajo de Masinloc (Scarborough Shoal) in the West Philippine Sea in an attempt to prevent Filipino fishermen from entering the Scarborough Shoal. In a special operation conducted the following day, the Philippine Coast Guard confirmed that it had removed and cut the floating barrier. In October 2023, the Philippines lodged a diplomatic protest with China in response to maneuvers by Chinese vessels that led to collisions with Philippine ships on a resupply mission to the BRP Sierra Madre on Ayungin Shoal (international name: Second Thomas Shoal). The Philippines filed 66 diplomatic protests against China in 2023. As of 14 October 2025, the Philippines has filed 47 diplomatic protests against China in 2025 alone, bringing the total since the start of the Marcos administration to about 245.

United States President Joe Biden has indicated that the United States would not be easing its military operations in the West Philippine Sea. Additionally, Southeast Asian countries involved in territorial disputes over the West Philippine Sea dispute continue to uphold their sovereign rights against China and other nations in the region. In March 2025, U.S. Defense Secretary Pete Hegseth announced that the Trump administration plans to collaborate with allied nations to strengthen deterrence measures against global threats, including China's actions in the South China Sea.

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. 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 could materially and adversely affect the Bank's business, financial condition and results of operations.

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 Issuer, 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 of 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. For example, the Philippine Code of Corporate Governance for Publicly Listed Companies requires the Bank, as a publicly listed company, to have at least three independent directors or such number as to constitute at least one-third of the members of the Board. PNB has four independent directors as of the date of this Offering Circular. Many other jurisdictions may require more independent directors.

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 the interests of Bondholders 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.

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

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. Historically, the Philippines' sovereign debt has been rated non-investment grade by international credit rating agencies. In 2019, the Philippines' long-term foreign currency-denominated debt was upgraded by S&P Global (S&P), to BBB+ with stable outlook, while Fitch Ratings (Fitch), and Moody's Investors Service (Moody's), affirmed the Philippines' long-term foreign currency-denominated debt to the investment-grade rating of BBB and Baa2, respectively, with a stable outlook. Moody's reaffirmed their rating in August 2024. Fitch affirmed its rating in June 2024 and reaffirmed again in April 2025 with a stable outlook. S&P also reaffirmed in November 2024. All ratings are above investment grade and the highest that the Philippines has received so far from any credit ratings agency.

However, no assurance can be given that Fitch, Moody's, S&P or any other international credit rating agency, will not downgrade the credit ratings of the Government in the future and, therefore, of Philippine companies, including the Bank. 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.

Risks Relating to the Bonds

The Bonds may not be a suitable investment for all investors.

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds 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 Bonds and the impact the Bonds will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Bonds and be familiar with the behavior 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.

Investors may purchase Bonds 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 Bonds unless it has the expertise (either alone or with a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

The priority of debt evidenced by a public instrument.

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 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. Any such debt evidenced by a public instrument may, by mandatory provision of law, rank ahead of the Bonds in the event of liquidation of the Bank.

The Bonds may have limited liquidity.

The Bonds constitute a new issue of securities for which there is no existing market. The Selling Agents are not obliged to make a market in any Bonds. While a market maker has been appointed for the Bonds, any market-making activity with respect to such Bonds, if commenced, may be discontinued at any time without notice in its sole discretion.

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

- 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.

The Bank intends to list the Bonds on PDEX. However, there can be no assurance that the Bank will obtain or be able to maintain such a listing or that, if listed, a trading market will develop for the Bonds on the PDEX. The Bank does not intend to apply for the listing of the Bonds on any securities exchange other than the PDEX. Lack of a liquid, active trading market for the Bonds may adversely affect the price of the Bonds or may otherwise impede a holder's ability to dispose of the Bonds.

The Bank may be unable to redeem the Bonds.

At maturity, the Bank will be required to redeem all of the Bonds. The Bank may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem the Bonds by the Bank would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness of the Bank.

Transfers only through PDEX

While the Bonds are listed on PDEX, all transfers of the Bonds must be made through the facilities of PDEX. Consequently, the parties to a transfer may be subject to the guidelines of the relevant PDEX trading participant and the payment to such trading participant and the Registrar of any reasonable fees. There is no assurance that the secondary trading of the Bonds may not be affected given these restrictions.

Investors shall course their secondary market trades through the trading participants of PDEX for execution in the PDEX Trading Platform in accordance with the PDEX Trading Rules, Conventions and Guidelines, as these may be amended or supplemented from time to time, and must settle such trades on a Delivery versus Payment (**DvP**) basis in accordance with PDEX Settlement Rules and Guidelines.

These rules and guidelines cover minimum trading lots and record dates. The secondary trading of Bonds in PDEX may be subject to such fees and charges of PDEX, the trading participants of PDEX, and other providers necessary for the completion of such trades. The PDEX rules and conventions are available in the PDEX website (www.pds.com.ph). An investor Frequently Asked Questions (**FAQ**) discussion on the secondary market trading, settlement, documentation and estimated fees is also available in the PDEX website.

As with other fixed income securities, the Bonds trade at prices higher or lower than the initial offering price due to prevailing interest rates, the Bank's operations, and the overall market for debt securities, among others. It is possible that a selling Bondholder would receive sales proceeds lower than his initial investment should a Bondholder decide to sell his Bonds prior to maturity.

Issuance and Transfer Restrictions

The Bonds may not be issued or transferred to Prohibited Bondholders as defined in the Terms and Conditions.

The Registrar is authorized to refuse any transfer or transaction in the Registry which may be in violation of these restrictions. There is no assurance that the secondary trading of the Bonds may not be affected given these restrictions.

Pursuant to Circular Letter ("CL") Nos. 2022-23 and 2022-37, certain investments of Insurance, Mutual Benefit Associations ("MBA") and Pre-need Companies including the offer of Bonds will not require prior approval from the Insurance Commission provided they are in accordance with the conditions and limitations set forth therein.

The credit ratings assigned to the Bank or the Bonds may not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to the Bank, or Bonds. 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 Bonds. 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.

Taxation of the Bonds

The Tax Code (the National Internal Revenue Code of 1997, as amended) provides that interest-bearing obligations of Philippine residents are Philippine sourced income subject to Philippine income tax. Interest income derived by Philippine citizens and alien resident individuals from the Bonds is thus subject to income tax, which is withheld at source, at the rate of 20% based on the gross amount of interest. Generally, interest on the Bonds received by non-resident aliens engaged in trade or business in the Philippines is subject to a 20% final withholding tax while that received by non-resident aliens not engaged in trade or business is subject to a final withholding tax rate of 25%. Interest income received by domestic corporations and resident foreign corporations from the Bonds is subject to a final withholding tax rate of 20%. Interest income received by non-resident foreign corporations from the Bonds is subject to a 25% final withholding 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.

U.S. Foreign Account Tax Compliance Act withholding may affect payments on the Bonds.

The U.S. FATCA imposes a new reporting regime and, a 30% withholding tax with respect to (i) certain payments from sources within the United States, (ii) “foreign pass thru payments” made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. On 13 July 2015, the IGA Model 1 was signed and executed by the Philippines and the United States. As a Reporting Model 1 PFFI within Philippine jurisdiction, Under the said aforementioned IGA Model 1, the obligation to withhold tax under section 1471 or 1472 of the U.S. Internal Revenue Code with respect to an account held by a recalcitrant account holder is suspended subject to compliance by the Bank and the BIR thereunder. This suspension, however, may possibly be lifted either by the U.S. IRS or the Philippine Competent Authority, specifically by the BIR.

Whilst the Bonds are maintained in scripless form through the Registrar, and persons classified as U.S. persons under FATCA are considered Prohibited Bondholders, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the Registrar. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary is generally unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or such other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or such other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding.

The Issuer's obligations under the Bonds are discharged once it has paid the Paying Agent and the Issuer has therefore no responsibility for any amount thereafter transmitted through such custodians or intermediaries. There is no assurance that the secondary trading of the Bonds may not be affected by FATCA.

Risks relating to the Bonds issued as Sustainability Bonds

The Bonds issued as sustainability bonds may not be a suitable investment for all investors seeking exposure to green, social or sustainable assets.

The Bank may issue the Bonds, the use of proceeds of which shall be specifically and exclusively used for the financing and/or refinancing of specified "green", "social", or "sustainability" projects of the Bank or any of its subsidiaries, in accordance with certain prescribed eligibility criteria ("**Sustainability Bonds**"). On 8 October 2024, the Bank obtained a second-party opinion from S&P Global Ratings (the "Second Party Opinion"), confirming that the Sustainability Financing Framework is aligned with the ICMA Green Bond Principles 2021 (with June 2022 Appendix 1), the ICMA Social Bond Principles 2023 and the ICMA Sustainability Bond Guidelines 2021, among others.

Prospective investors should have regard to the information set out in "Sustainable Funding Framework" as set out in the applicable Pricing Supplement and in the applicable Pricing Supplement regarding use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment if Bonds issued under the Program are issued as green", "social", or "sustainability", as the case may be, together with any other investigation such investor deems necessary.

There is currently no market consensus on what precise attributes are required for a particular project to be defined as "green" "social" or "sustainable", and therefore no assurance can be provided to potential investors that the projects to be undertaken in the use of proceeds qualify as "green", "social", or "sustainability" projects, nor they will meet all investors' expectations regarding sustainability performance or continue to meet the relevant eligibility criteria. Although applicable sustainable projects are expected to be selected in accordance with the categories recognized by the ICMA Sustainability Bond Guidelines 2021 and ASEAN Sustainability Bond Standards 2018, and are expected to be developed in accordance with applicable legislation and standards, there can be no guarantee that adverse environmental and/or social impacts will not occur during the design, construction, commissioning and/or operation of any such green or sustainable projects. In addition, where any negative impacts are insufficiently mitigated, the projects may become controversial, and/or may be criticized by activist groups or other stakeholders.

Accordingly, no assurance is or can be given by the Bank, any other member of the Bank, the Joint Lead Arrangers, any Selling Agent or any other person to investors that any projects or uses the subject of, or related to, any Eligible Green and/or Social Projects, as defined in Bank's Sustainable Finance Framework (SFF), will satisfy whether in whole or in part, any present or future investor expectations regarding such "green", "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Green and/or Social Projects. In addition, no assurance can be given by the Bank, any other member of the Bank, the Joint Lead Arrangers, any Selling Agent or any other person to investors that any Bonds will comply with any future standards or requirements regarding any "green", "social" or "sustainable" or other equivalently-labelled performance objectives and, accordingly, the status of any Bonds as being "green", "social" or "sustainable" (or equivalent) could be withdrawn at any time.

Potential investors should be aware that neither the SFF nor any Second Party Opinion will not be incorporated into, and will not form part of, this Offering Circular. Any such Second Party Opinion may not reflect the potential impact of all risks related to the structure of the relevant Sustainability Bonds, their marketability, trading price or liquidity or any other factors that may affect the price of value of the Sustainability Bonds. Any such Second Party Opinion is not a recommendation to buy, sell or hold securities and is only current as of its date of issue.

Prospective investors must determine for themselves the relevance of any such Second Party Opinion and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in the Sustainability Bonds. Any such Second Party Opinion is a statement of opinion, not a statement of fact. To the fullest extent permitted by law, the Joint Lead Arrangers and the Selling Agents do not accept any responsibility for the contents, accuracy, completeness or sufficiency of any such information in such Second Party Opinion or in the SFF. Currently, the providers of such Second Party Opinions and certifications are not subject to any specific regulatory or other regime or oversight. Further, although the Bank may agree at the Issue Date of any Sustainability Bonds to certain allocation and/or impact reporting and to use the proceeds for financing and/or refinancing of green or sustainable projects (as specified in the Use of Proceeds), it would not be an event of default under the Sustainability Bonds if (i) the Bank were to fail to comply with such obligations or were to fail to use the proceeds in the manner specified in the applicable Terms and Conditions, (ii) the Bank were to fail to comply with the provisions of its SFF or the SEC Memorandum Circulars No.12 (2018), No. 8 (2019), No. 9 (2019), and No. 15 (2023) and/or (iii) the Second Party Opinion were to be withdrawn. Any failure to use the net proceeds of any Sustainability Bonds in connection with green or sustainable projects, and/or any failure to meet, or to continue to meet, the investment requirements of certain environmentally focused investors with respect to such Sustainability Bonds may affect the value and/or trading price of the Sustainability Bonds, and/or may have consequences for certain investors with portfolio mandates to invest in green or sustainable assets which may cause one or more of such investors to dispose of the Sustainability Bonds held by them which may affect the value, trading price and/or liquidity of the relevant Sustainability Bonds.

Neither the Bank nor the Joint Lead Arrangers and the Selling Agents make any representation as to the suitability or reliability for any purpose whatsoever of the SFF or any Second Party Opinion or whether any Sustainability Bonds fulfil the relevant environmental and sustainability criteria. Any such Second Party Opinion is for information purposes only and neither the Joint Lead Arrangers nor the Selling Agents accept any form of liability for the substance of the Second Party Opinion and/or any liability for loss arising from the use of such Second Party Opinion and/or the information provided in it. Prospective investors should have regard to the eligible sustainable bond projects and eligibility criteria described in the applicable Use of Proceeds. Each potential investor of the Sustainability Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of any Sustainability Bonds should be based upon such investigation as it deems necessary. As of the date of this Offering Circular, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that any such Sustainability Bonds are listed or admitted to trading on any dedicated "green", "environmental", "sustainable", or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Bank, the Joint Lead Arrangers and the Selling Agents or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Green and/or Social Projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer, the Joint Lead Arrangers and the Selling Agents or any other person that any such listing or admission to trading will be obtained in respect of any such Instruments or, if obtained, that any such listing or admission to trading will be maintained during the life of the Sustainability Bonds.

While it is the intention of the Issuer to apply the net proceeds of any Sustainability Bonds and obtain and publish the relevant reports, assessments, opinions and certifications in, or substantially in, the manner described in "Use of Proceeds," there can be no assurance that the Issuer will be able to do so. In addition, there can be no assurance that any Eligible Green and/or Social Projects will be completed within any specified period or at all or with respect to the results or outcome (whether or not related to the environment, social goals, sustainability goals or

similar) as originally expected or anticipated by the Issuer. The Joint Lead Arrangers and the Selling Agents have not undertaken, nor are responsible for, any assessment of the eligibility of any Eligible Green and/or Social Projects or the monitoring of the use of proceeds from any issue of Sustainability Bonds. In addition, none of the Joint Lead Arrangers or the Selling Agents makes any representation as to the compliance of the Bank with the SFF.

Any such event or failure to apply the net proceeds of any issue of Sustainability Bonds for any Eligible Green and/or Social Projects or to obtain and publish any such reports, assessments, opinions and certifications will neither constitute an “Event of Default” under the relevant Sustainability Bonds nor give rise to any other claim of an investor in such Sustainability Bonds against the Issuer. The withdrawal of any report, assessment, opinion or certification as described above, or any such report, assessment, opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such report, assessment, opinion or certification is reporting, assessing, opining or certifying on, and/or any such Sustainability Bonds no longer being listed or admitted to trading on any securities exchange or market, as aforesaid, might have a material adverse effect on the value of an investment in such Sustainability Bonds and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

In respect of Bonds issued as Green Bonds, Social Bonds, or Sustainability Bonds, there can be no assurance that the particular use of proceeds will be suitable for the investment criteria of an investor.

The Issuer may issue Bonds under the Programme from time to time which are specified to be “Green Bonds”, “Social Bonds” or “Sustainability Bonds” in the applicable Pricing Supplement. It will be the Issuer’s intention to apply an amount equal to the net proceeds from an offer of Green Bonds, Social Bonds and Sustainability Bonds specifically for a portfolio of Eligible Assets in each case as described in the Issuer’s Sustainability Financing Framework.

No assurance is given by the Issuer, the Joint Lead Arrangers and Bookrunners, the Selling Agents, the Trustee, or any other person that the use of such proceeds for any Eligible Assets will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Assets. None of the Joint Lead Arrangers and Bookrunners, the Selling Agent, the Trustee, or any other person shall be responsible for the ongoing monitoring of the use of proceeds in respect of any such Bonds. Prospective investors should consult with their legal and other advisers before making an investment in any such Bonds and must determine for themselves the relevance of the information set out in this Offering Circular and the applicable Pricing Supplement for the purpose of any investment in such Bonds together with any other investigation such investor deems necessary.

On 8 October 2024, the Bank obtained a second-party opinion from S&P Global Ratings (the “**Second Party Opinion**”), confirming that the Sustainability Financing Framework is aligned with the ICMA Green Bond Principles 2021 (with June 2022 Appendix 1), the ICMA Social Bond Principles 2023 and the ICMA Sustainability Bond Guidelines 2021, among others. No assurance or representation is given by the Issuer, the Joint Lead Arrangers and Bookrunners, the Selling Agents, the Trustee, or any other person as to the suitability or reliability for any purpose whatsoever of the Second Party Opinion or any opinion, report or certification of any third party (whether or not solicited by the Issuer) which may be made available in connection with the issue of any Bonds and in particular with any Eligible Assets to fulfil any environmental, social and/or other criteria. For the avoidance of doubt, the Second Party Opinion or any such opinion, report or certification (i) is not, nor shall it be deemed to be, incorporated in and/or form part of this Offering Circular, (ii) is not, nor should it be deemed to be, a recommendation by the Issuer, the Joint Lead Arrangers and Bookrunners, the Selling Agents, the Trustee, or any other person to buy, sell or hold any such Bonds, and (iii) would only be current as of the date that the Second Party Opinion, any such opinion, report or certification was initially issued. The Second Party Opinion or any such opinion or certification may not reflect the potential impact of all risks related to the structure,

market, additional risk factors discussed above and other factors that may affect the value of the Bonds. The Second Party Opinion or any such opinion or certification may be updated, suspended or withdrawn at any time. A withdrawal of the Second Party Opinion or any such opinion or certification may have an adverse effect on the value of the Bonds and/or may have adverse consequences for certain investors with portfolio mandates to invest in green assets. Prospective investors must determine for themselves the relevance of the Second Party Opinion, any such opinion, report or certification and/or the information contained therein and/or the provider of such opinion, report or certification for the purpose of any investment in such Bonds. Currently, S&P Global Ratings, the providers of any such opinions, reports and certifications are not subject to any specific regulatory or other regime or oversight. Investors in such Bonds shall have no recourse against the Issuer, the Joint Lead Arrangers and Bookrunners, the Selling Agents, the Trustee, or the provider of any such opinion, report or certification for the contents of any such opinion, report or certification. No assurance can be provided with respect to the suitability or reliability of any such opinion or certification or that the Bonds will fulfil the criteria to qualify as Green Bonds, Social Bonds or Sustainable Bonds, as the case may be. The Joint Lead Arrangers and Bookrunners, the Selling Agents, the Trustee, and or any other person, have not undertaken, nor are responsible for, any assessment of the eligibility of projects as Eligible Assets or the monitoring of the use of proceeds from the offering of the Bonds.

The Sustainability Financing Framework, the Second Party Opinion and any public reporting by or on behalf of the Issuer in respect of the application of proceeds (or an amount equal to the proceeds) will be available on the Bank's website at [Second Party Opinion: Philippine National Bank Sustainability Financing Framework PNB Limited Assurance Report with attachment sgd.pdf](#), but for the avoidance of doubt, will not be incorporated in and/or form part of this Offering Circular. The Issuer's Sustainability Financing Framework may be amended at any time without the consent of bondholders and none of the Issuer, the Joint Lead Arrangers and Bookrunners, the Selling Agents, the Trustee, or any other person assumes any obligation or responsibility to release any update or revision to the Sustainability Financing Framework and/or information to reflect events or circumstances after the date of publication of the Sustainability Financing Framework.

Whilst it is the intention of the Issuer to apply the net proceeds (or an amount equal to the net proceeds) of any Bonds so specified for Eligible Assets in the manner specified in this Offering Circular or the applicable Pricing Supplement, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Eligible Assets will be capable of being implemented in, or substantially in, such manner and/or in accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such Eligible Assets. Nor can there be any assurance that such Eligible Assets will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer. Any such event or failure by the Issuer will not constitute an Event of Default under the Bonds or otherwise result in the Bonds being redeemed prior to their maturity date.

Any such event or failure to apply the proceeds of any issue of Bonds for any Eligible Assets as mentioned in the previous paragraph and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on, may have a material adverse effect on the value of such Bonds and also potentially the value of any other Bonds which are intended to finance Eligible Assets and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

In the event that the Bonds will be listed or admitted to trading on any dedicated green, environmental, sustainable or other equivalently-labeled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer, the Joint Lead Arrangers and Bookrunners, or the Selling Agents, the Trustee or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, for example with regard to any direct or indirect environmental, social or sustainability impact of any projects or uses, the subject of or related to, any Eligible

Assets. Additionally, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. In addition, no representation or assurance is given or made by the Issuer, the Joint Lead Arrangers and Bookrunners, or the Selling Agents or the Trustee or any other person that any such listing or admission to trading will be obtained in respect of the Bonds or, if obtained, that any such listing or admission to trading will be maintained during the life of the Bonds.

There is no direct contractual link between any Green Bonds, Social Bonds, or Sustainability Bonds and any green, social or sustainability targets of the Issuer. Therefore, payments of interest, principal or other amounts, as applicable payable in respect of any Bonds and rights to accelerate under the Bonds will not be impacted by the performance of Eligible Assets funded out of the proceeds of issue (or amounts equal thereto) of the Bonds or by any other green, social or sustainable assets of the Issuer.

There is no current market consensus on what constitutes a “green”, “sustainable”, “social” or equivalently labelled project.

It should be noted that the definition (legal, regulatory or otherwise) of, or market consensus as to what constitutes or may be classified as, a “green”, “sustainable”, “social” or equivalently labelled project or investment that may finance such project is evolving. No assurance can be given that a clear definition, consensus or label will develop over time or that, if it does, any Green Bonds, Social Bonds, or Sustainability Bonds will comply with such definition, market consensus or label. No assurance can be given by the Issuer, the Joint Lead Arrangers and Bookrunners, the Selling Agents, the Trustee, or any other person to investors that any Green Bonds, Social Bonds, or Sustainability Bonds will comply with any future standards or requirements regarding any “green”, “social”, “environmental”, “sustainable” or other equivalently-labelled performance objectives and, accordingly, the status of any Bonds as being “green”, “social”, “sustainable” (or equivalent) could be withdrawn at any time.

In addition, there can be no guarantee that there will not be any adverse environmental and/or social impacts during the implementation of any Eligible Assets. Where negative impacts are insufficiently mitigated, the projects and activities may become controversial, and/or may be criticized by activist groups or other stakeholders. The Issuer may not meet or continue to meet the investment requirements of certain investors with respect to the Bonds, which may also have consequences for certain investors with portfolio mandates to invest in “green”, “sustainable”, “social” assets. No assurance can be provided to investors that the Bonds and the use of proceeds by the Issuer or any Eligible Assets will satisfy, whether in whole or in part, any expectations or requirements of any investor or any present or future expectations or requirements with respect to “green”, “sustainable”, “social” or equivalently labelled projects. Prospective investors should consult with their legal and other advisers before making an investment in any such Bonds and must determine for themselves the relevance of the information set out in this Offering Circular and the applicable Pricing Supplement for the purpose of any investment in such Bonds together with any other investigation such investor deems necessary.

Risks relating to Information in this Offering Circular

Unaudited interim financial statements deemed incorporated by reference.

Any published unaudited interim financial statements of the Issuer (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 or subject to a review by the auditors of the Issuer. Accordingly, there can be no assurance that, had an audit or a review 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.

7. Use of Proceeds

The net proceeds from each issue of the Bonds will be used by the Issuer:

- (a) for general corporate purposes; or
- (b) if so specified in the applicable Pricing Supplement, to finance or refinance, in whole or in part, the Eligible Assets in accordance with certain prescribed eligibility criteria as described in the Sustainability Financing Framework.

The Joint Lead Arrangers and the Selling Agents have not separately verified nor will make any assurance as to (i) whether the Green Bonds, Social Bonds or Sustainable Bonds issued under the Sustainability Financing Framework will meet investor criteria and expectations regarding sustainable development for any investors, (ii) whether the net proceeds from the Green Bonds, Social Bonds or Sustainable Bonds issued under the Sustainability Financing Framework will be used to finance and/or re-finance Eligible Assets or (iii) the characteristics of the Eligible Assets, including their sustainable development criteria. See “*Investment Considerations – In respect of Bonds issued as Green Bonds, Social Bonds, or Sustainability Bonds, there can be no assurance that the particular use of proceeds will be suitable for the investment criteria of an investor*” and “*Investment Considerations – There is no current market consensus on what constitutes a “green”, “sustainable”, “social” or equivalently-labelled project*” of this Offering Circular.

PNB’s Sustainability Financing Framework and the Second Party Opinion issued by S&P Global Ratings is available at [Second Party Opinion: Philippine National Bank Sustainability Financing Framework PNB Limited Assurance Report with attachment_sgd.pdf](#), but, for the avoidance of doubt, are not incorporated in, and does not form a part of this Offering Circular.

8. Sustainability Financing Framework

The following section sets out a high-level summary of the Bank's Sustainability Financing Framework which has been published by the Bank and is available on the Bank's website www.pnb.com.ph ([Second Party Opinion: Philippine National Bank Sustainability Financing Framework PNB Limited Assurance Report with attachment sgd.pdf](#)) . For the avoidance of doubt, the contents of the Bank's website are not incorporated into and does not form part of this Offering Circular.

None of the Joint Lead Arrangers and Bookrunners, the Selling Agents, or the Trustee or any of their respective directors, officers, employees, representatives, advisers, agents or affiliates accepts any responsibility for the contents of the Sustainable Finance Framework.

No assurance or representation is given by the Joint Lead Arrangers and Bookrunners, the Selling Agents, or the Trustee as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Bank) which may be made available in connection with the issue of any Green Bonds, Social Bonds or Sustainable Bonds. For the avoidance of doubt, any such opinion or certification is not, nor shall it be deemed to be, incorporated in and/or form part of this Offering Circular. Any such opinion or certification is not, nor should it be deemed to be, a recommendation by the Joint Lead Arrangers and Bookrunners, the Selling Agents, the Trustee to buy, sell or hold any such any Green Bonds, Social Bonds or Sustainable Bonds. The Bondholders have no recourse against the Joint Lead Arrangers and Bookrunners, the Selling Agents, or the Trustee for the contents of any such opinion or certification. Any such opinion or certification is only current as of the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in any Green Bonds, Social Bonds or Sustainable Bonds. Currently, the providers of such opinions and certifications are not subject to any specific or regulatory or other regime or oversight.

No assurance is given by the Joint Lead Arrangers and Bookrunners, the Selling Agents, or the Trustee that the use of the proceeds of issue of any Green Bonds, Social Bonds or Sustainable Bonds will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates. None of the Joint Lead Arrangers and Bookrunners, the Selling Agents, or the Trustee will have any responsibility for monitoring the application of any such proceeds.

Capitalized terms used in this section but not otherwise defined herein shall have the same meaning as defined in the Sustainability Financing Framework.

Introduction

The Bank's sustainability strategy centers around the principle that banks play a critical role in reorienting financing flows away from carbon-intensive activities and towards the climate transition. This sustainability strategy is core to the corporate philosophy and vision of the Bank. To further reinforce this importance, the Bank plans to link its funding strategy to its sustainability strategy. The Bank believes that green finance instruments help to catalyze investment flows to projects and companies that help in climate change mitigation and adaptation. Moreover, the Bank also views social finance instruments as an effective tool to channel investments to projects and companies that have demonstrated or are conferring social benefits and thereby contribute to the achievement of the Sustainability Development Goals ("SDGs"). By issuing sustainable finance instruments, the Bank intends to align its funding strategy with its corporate philosophy.

From a stakeholder management point of view, sustainable finance instruments will enable the Bank to further diversify its investor base and broaden the sustainability dialogue with existing investors. In particular, through

sustainable financing instruments, the Bank wants to provide investors with the opportunity to directly participate in the reorienting of capital flows towards pure-play companies or projects with a positive environmental and/or social footprint.

Under the PNB Sustainability Finance Framework (“SFF”), the Bank plans to issue sustainable finance instruments to finance and/or refinance eligible green and/or social in accordance with the Bank’s core businesses and sustainability strategy.

Use of Proceeds

The Bank intends to allocate an amount equivalent to the proceeds of each Green, Social, or Sustainability Bond issued; or each Green, Social, or Sustainability Loan undertaken (the “**Use of Proceeds**”) exclusively to finance or refinance in whole or in part, projects and activities falling under the categories under Section 2.1. of the SFF. This includes the “*Green Use-of-Proceeds Categories*” and “*Social Use-of-Proceeds Categories*” (each, an “**Eligible Category**” and together, the “**Eligible Categories**”), as set out in the “*Use of Proceeds*” section of the SFF.

Green Use-of-Proceeds Categories

Other than financing green projects and activities, the Bank seeks to apply the Use of Proceeds to general corporate purpose loans or working capital loans to ‘pure play’ green companies. A ‘pure play’ company is defined as a company deriving at least 90% of its revenue from the *Green Use of-Proceeds Categories* below:

1. Renewable Energy
2. Energy Efficiency
3. Green Buildings
4. Green Buildings – Data Centers
5. Clean Transportation
6. Pollution Prevention and Control
7. Climate Change Adaptation
8. Environmentally Sustainable Management of Living Natural Resources and Land Use
9. Sustainable Water and Wastewater Management
10. Terrestrial and Aquatic Biodiversity Conservation
11. Eco-Efficient and/or Circular Economy Adapted Products, Production Technologies and Processes

Social Use-of-Proceeds Categories

On one hand, the *Social Use-of-Proceeds Categories* includes the following categories:

1. Affordable Basic Infrastructure
2. Access to Essential Services
3. Food Security
4. Socioeconomic advancement and empowerment

Section 2.1.3 (*Exclusions*) of the SFF also sets out the excluded activities from consideration for eligibility.

Project Evaluation and Selection

The Asset Evaluation and Selection Process ensures that proceeds from the Bank’s Sustainable Finance Instrument (“SFI”) bonds, loans, or other debt instruments are allocated to projects and assets meeting the criteria in Section 2.1 of the SFF. A four-eye principle is applied, where frontline staff from loan origination teams identify potential assets using the use-of-proceeds categories and eligibility criteria, subject to approval by existing PNB credit committees. The approval process includes due diligence on compliance with applicable laws (environmental,

labor, health, and safety) supported by relevant permits. Beyond regular lending criteria, additional credit assessments such as sustainability financing checklists and Environmental, Social, and Governance (“ESG”) scorecards are used to verify alignment with Section 2.1 of the SFF. The framework is part of a broader enhancement of sustainability processes and governance at PNB, where the separate committee / team evaluating prospective Eligible Assets will be enlarged to be composed of members from Credit Risk, Business and Sustainability Teams. This ensures the Project Evaluation and Selection process for prospective Eligible Assets to be rigorous.

Management of Proceeds

Allocation of Proceeds

The Bank intends to allocate all proceeds from SFIs within 24 months of issuance. Such allocation will be done on a portfolio basis.

Tracking of Proceeds

The Bank shall record the source and allocation of all its SFI proceeds on an allocation register which will be regularly monitored and assessed in terms of the environmental and social impact of the Eligible Use of Proceeds. For each SFI issued, a database will be maintained, monitored and reported containing information such as the following:

1. Technical information on the SFI
2. Information on the use and allocation of the proceeds:
 - a. Account information
 - b. Description of each project
 - c. Environmental and Social Impact
 - d. For balance of unallocated net proceeds, the intended types of temporary placement of such unallocated net proceeds
 - e. All other information relevant to the compliance of the SFI and the use of its proceeds against the standards set in the framework

For so long as any SFI issued under this Framework is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to eligible projects made during that period. On a regular basis, the Bank will review all reported eligible use of proceeds to determine their compliance with the PNB SFF and submit the report to the Sustainability Financing Working Group (“SFWG”).

Use of unallocated proceeds

Unallocated funds representing the proceeds of any SFI (bonds and loans alike) issued under this SFF will be managed by the Bank’s Global Markets Group in accordance with its Investment and Trading Policy. The intended types of investment for the unallocated net proceeds are primarily cash and cash equivalents, as well as investments in the money market and short-term, liquid fixed income instruments until the amount is allocated to eligible assets. The Bank commits not to invest unallocated proceeds to industries and sectors as specified in the exclusions under the SFF.

Reporting

The Bank’s shall publish a yearly SFI Allocation Report until full allocation of the net proceeds of the SFI. The said annual SFI Report shall be posted to PNB’s official website (<https://www.pnb.com.ph/>) and will contain information on allocation and impact of the financing.

The Bank, on an annual basis until full allocation of net proceeds of each SFI and as necessary thereafter in the event of new developments, for public SFI issuances, publish an SFI Report within one year of issuance to disclose the allocation of proceeds (“**Allocation Reporting**”) and the potential impact (“**Impact Reporting**”).

Allocation Reporting

The SFI Report will be available on the Bank’s website and in its Annual Report in the form of an Environmental Investment Report prepared by Corporate Sustainability and Social Responsibility Division, Global Compliance Group and Marketing and Brand Management Sector and to be presented to the Corporate Governance and Sustainability Committee. The information shall include (i) confirmation that the Eligible Use of Proceeds of each Green, Social, Sustainability Bond complies with the PNB SFF and (ii) a list of eligible projects/use of proceeds financed by the SFIs with the outstanding balance and remaining balance of unallocated funds. For social projects, a brief description including the expected impact of each project and its associated target population.

Impact Reporting

The SFI Report will include qualitative environmental and social impact analysis, where feasible. Where practicable, quantitative performance indicators aligned with the ICMA Harmonized Framework for Impact Reporting. Inclusion depends on data availability and publicly available methodologies, using project technical reports where applicable. Indicators may vary annually, and estimated lifetime results or ex-post verification may be included as relevant.

External Review of the Bank’s Sustainable Finance Framework

The Bank has appointed S&P Global Ratings, an independent second-party opinion provider, to review the SFF for alignment with the ICMA Green Bond Principles 2021 (with June 2022 Appendix 1), ICMA Social Bond Principles 2023 (with June 2022 Appendix 1), ICMA Sustainability Bond Guidelines 2021, Green Loan Principles 2023, and Social Loan Principles 2023. The Opinion is available on the Bank’s website at www.pnb.com.ph. For the avoidance of doubt, the contents of the Bank’s website are not incorporated into and does not form part of this Offering Circular.

9. General Terms and Conditions

GENERAL TERMS AND CONDITIONS OF THE PHILIPPINE NATIONAL BANK PESO-DENOMINATED FIXED RATE SENIOR BONDS UNDER ITS BOND AND COMMERCIAL PAPER PROGRAM

The Peso-Denominated Fixed Rate Bonds within the Programme Limit (as may be amended from time to time) are being issued by Philippine National Bank (the “**Bank**” or “**Issuer**”) in favor of the Bondholders through the Trustee (as defined below) in accordance with the General Banking Law of 2000 (Republic Act No. 8791), the Manual of Regulations for Banks (“**MORB**”), BSP Circular No. 1010 series of 2018, and such other circulars and regulations as may be relevant for the transaction, as these may be amended from time to time, and shall at all times be subject to and governed by these General Terms and Conditions.

1.0 Definitions and Interpretation

(a) When used in these General Terms and Conditions:

Agreement Date means, in respect of a Series or Tranche of Bonds, as the case may be, the date on which the agreement is reached for the issue of such relevant Series or Tranche of Bonds, which will be the date on which the relevant Joint Lead Arranger(s) and Bookrunner(s) and the Selling Agent(s), as the case may be, agree on the pricing details for such Bonds with the Bank, the execution date of the relevant Issue Management and Placement Agreement, and the date of execution of the relevant Pricing Supplement (or any other document evidencing the issue details of such Series or Tranche of Bonds);

AMLC means the Anti-Money Laundering Council created to implement the Anti-Money Laundering Laws of the Philippines;

Anti-Money Laundering Laws of the Philippines means Republic Act No. 9160, as amended by Republic Act Nos. 9194, 10167, 10365, and 10927, Republic Act No. 10168, otherwise known as The Terrorism Financing Prevention and Suppression Act of 2012, and BSP Circular Nos. 251, 253, 279, 302, 495, 527, 564, 608, 612, 706, 794, 950, and 1022, and all other amendatory and implementing laws, rules and regulations, jurisprudence, notices, or orders of any Philippine governmental body relating thereto;

Application to Purchase means the application form to be completed by the Purchasers of the Bonds and submitted (a) physically to the Selling Agents (including the Bank in such capacity) directly, substantially in the form attached as Schedule 1 hereof, or (b) electronically through the e-SIP facility, and as may be amended by the relevant Pricing Supplement;

Bank or **Issuer** means Philippine National Bank, a corporation duly organized and existing under the laws of the Philippines, and duly authorized to operate as a universal bank;

BIR means the Bureau of Internal Revenue of the Philippines;

Benchmark Rate means the relevant BVAL rate (or its successor) as determined by the Paying Agent for a particular Interest Period, as applicable and referred to in the Pricing Supplement, and which refers to the Bloomberg Valuation Reference Rates as shown in PDEX1 page of Bloomberg as of 4:30 P.M. on Interest Setting Date. The Paying Agent shall give the Issuer (for its confirmation) and the Registrar written notice of the Benchmark Rate and the basis thereof no later than 5:00 P.M. of a relevant Interest Setting Date;

Bond and Commercial Paper Programme or the **Programme** means the programme established by the Bank for the issuance of Bonds and Commercial Papers in accordance with the applicable Governing Regulations and as

implemented by, among others, this Agreement and the Contracts, as may be updated upsized, supplemented or amended, from time to time;

Bond Certificate means the certificate to be issued by the Bank to the Trustee evidencing and covering such amount corresponding to a Series or Tranche of Bonds issued on the relevant Issue Date, and when issued in relation to Commercial Papers, is to be referred to as a “**CP Certificate**”;

Bondholder means a person who is not a Prohibited Bondholder and who, at any relevant time, appears in the Registry as the registered owner of a Series or Tranche of Bonds issued under the Programme;

Bonds means the Philippine Peso denominated bonds issued pursuant to the Programme which have such maturity and other terms and conditions as may be agreed upon by the Bank and the relevant Joint Lead Arranger/s and Bookrunner/s and evidenced by a corresponding Bond Certificate. Only such Bonds issued within the Programme Limit will be governed by the Programme Agreement and the Contracts. For purposes of the Programme and, as provided for in the relevant Issue Management and Placement Agreement, Pricing Supplement, and Bond Certificate, the term Bonds shall include Commercial Papers. These Bonds can be issued, without limitation, with a fixed or floating interest rate, as zero-coupon bonds, green, social, or sustainable Bonds. Only such Bonds issued within the Programme Limit will be governed by these General Terms and Conditions and the Contracts. For the avoidance of doubt, any Bonds (whether or not outstanding) that are not issued within the Programme are excluded from the term Bonds;

BSP means the *Bangko Sentral ng Pilipinas*;

Business Day means any day of the week, (other than Saturday, Sunday and public holidays) on which commercial banks, the Philippine Clearing House Corporation, fixed-income exchanges and foreign exchange markets in Pasay City and Makati City are required or authorized to be open for business. All other days not otherwise specified shall mean calendar days;

Cash Settlement Account means an account designated by a Bondholder with a Cash Settlement Bank into which shall be credited the interests, principal, and other payments on the Bonds issued under the Programme;

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

Closed Period means the relevant period described in Condition 9(b)(i) and 9(b)(ii), during which no person may request any transfer of Bonds to be recorded in the Registry, and no transfers of Bonds may be recorded in such Registry;

Commercial Paper/s means the commercial papers issued pursuant to the Programme which have a maturity of three hundred and sixty-five (365) days or less and issued typically at a discount from its face value as may be agreed upon by the Bank and the relevant Joint Lead Arranger/s and Bookrunner/s and evidenced by a corresponding CP Certificate and applicable Pricing Supplement;

Contracts means insofar as the Bonds to be issued within the Programme Limit are concerned: (a) the Programme Agreement among the Bank, the Joint Lead Arrangers and Bookrunners, and the Initial Selling Agents dated on or about 11 November 2025; (b) the Registry and Paying Agency Agreement between the Bank and the Registrar and Paying Agent dated on or about 11 November 2025; (c) the Trust Agreement between the Bank and the Trustee dated on or about 11 November 2025; (d) the Bond Certificate or CP Certificate for each Series or Tranche of Bonds; (e) these General Terms and Conditions, including amendments hereto; (f) the Pricing Supplement for each Series or Tranche of Bonds; (g) the relevant Issue Management and Placement Agreement; and (h) such other separate letters or agreements covering conditions precedent, fees, expenses and other obligations of the parties, including amendments or accessions thereto;

Early Redemption Amount means an amount equal to the aggregate issue price, plus accrued and unpaid interest as of the Early Redemption Date;

Early Redemption Date means a date falling on an Interest Payment Date when the Early Redemption Option is exercised by the Bank; provided, that if any Early Redemption Date is not a Business Day, then the Early Redemption Amount will be paid on the next succeeding Business Day without any adjustment as to the amount of yield, interest, or coupon to be paid;

Early Redemption Option means the option of the Bank to pre-terminate and redeem any Series or Tranche of the Bonds in whole, but not in part, before Maturity Date at the Early Redemption Amount on any Early Redemption Date, subject to the provisions of the Governing Regulations;

Event of Default means an event specified as such in Condition 12 of these General Terms and Conditions under which the Bank shall be considered in default under the Bonds;

External Auditors mean the duly appointed third-party auditors of the Issuer, currently SyCip Gorres Velayo & Company;

Final Redemption Amount means, with respect to a Series or Tranche of the Bonds, 100% of the aggregate nominal amount of such Series or Tranche of the Bonds, plus accrued and unpaid interest thereon up to, but excluding, the Maturity Date;

General Terms and Conditions means in relation to any Series or Tranche of Bonds, these terms and conditions endorsed on or incorporated into the Bond Certificate (or the CP Certificate) constituting each Series or Tranche, as may be modified or supplemented by the applicable Pricing Supplement;

Governing Regulations means all the necessary rules and guidelines for the issuance of the Bonds, including, where applicable, the General Banking Law of 2000 (Republic Act No. 8791), the MORB, BSP Circular No. 975 (Series of 2017), BSP Circular No. 1010 (Series of 2018), BSP Circular No. 1062 (Series of 2019), BSP Memorandum No. M-2020-01, SEC Memorandum Circular (“MC”) No. 12 (Series of 2018), SEC MC No. 8 (Series of 2019), SEC MC No. 9 (Series of 2019), SEC MC No. 3 (Series of 2023), SEC MC No. 15 (Series of 2023), SEC MC No. 13 (Series of 2025), including any other circulars and regulations as may be relevant for the issuance of any Series or Tranche of Bonds, as these may be amended from time to time;

Indebtedness means indebtedness for monies borrowed or any guarantee or indemnity for monies borrowed, other than the indebtedness under the Bonds;

Initial Selling Agents means each of PNB, ING Bank N.V., Manila Branch, Standard Chartered Bank, and their respective successor entities;

Interest means for any Interest Period, the interest payable on the Bonds at the Interest Rate as reflected in the relevant Pricing Supplement;

Interest Payment Date means, in respect of any Series or Tranche of Bonds, the last day of a particular Interest Period when interest in respect of the relevant Series or Tranche of Bonds is due and payable to the Bondholders as set out in the relevant Bond Certificate and Pricing Supplement, except that the last Interest Payment Date shall be on the Maturity Date provided, that if any Interest Payment Date is not a Business Day, then interest will be paid on the next succeeding Business Day without any adjustment as to the amount of interest to be paid;

Interest Period means, in respect of any Series or Tranche of Bonds, the period from and including the Issue Date to, but excluding the first Interest Payment Date, and every succeeding subsequent period beginning on and including the immediately preceding Interest Payment Date to, but excluding the next Interest Payment Date, but 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 Maturity Date;

Interest Rate means the rate per annum as indicated in the relevant Bond Certificate to be issued by the Bank, being the fixed per annum rate payable to the Bondholders for the entire tenor of a Series or Tranche of Bonds;

Issue means, in respect of any Series or Tranche of Bonds, the issuance of such Series or Tranche of Bonds by the Bank pursuant to the General Terms and Conditions and the relevant Pricing Supplement;

Issue Date means, with respect to any Series or Tranche of Bonds, the date of issuance of such Series or Tranche of Bonds, pursuant to and in accordance with the Programme as set out in the applicable Issue Management and Placement Agreement and the relevant Pricing Supplement, or such other date as the Issuer may advise the Registrar and Trustee in writing;

Issue Management and Placement Agreement means the agreement supplemental to the Programme Agreement (by whatever name called) to be executed by the Bank, the relevant Joint Lead Arranger(s) and Bookrunner(s) and Selling Agents appointed for the issuance of a particular Series or Tranche of Bonds in relation to each Series or Tranche of Bonds;

Issue Price means the price of a Series or Tranche of Bonds that is at par or 100% of face value, as set out in the relevant Bond Certificate and applicable Pricing Supplement;

Joint Lead Arrangers and Bookrunners means ING Bank N.V., Manila Branch, Standard Chartered Bank, PNB Capital and Investment Corporation, and with respect to each Series or Tranche of Bonds, the entity/ies which the Issuer may appoint as arranger/s and bookrunner/s for such particular Series or Tranche of Bonds as specified in the relevant Issue Management and Placement Agreement and the relevant Pricing Supplement;

Majority Bondholders means, at any time, the Bondholder or Bondholders who collectively hold, represent or account for more than fifty percent (50%) of the aggregate outstanding principal amount of the Bonds, provided, that in respect of any matter relating exclusively to a particular Tranche or Series of the Bonds, only the Bondholders of such Tranche or Series shall be considered for purposes of quorum and approval in any meeting where such matter is presented for resolution;

Material Adverse Effect means a material and adverse effect on: (a) the ability of the Issuer to duly perform and observe its obligations and duties under the Bonds and the Contracts; (b) the operations, activities, business, properties, liabilities, condition (financial or otherwise), results of operations, general affairs or prospects of the Bank and its Subsidiaries, individually and collectively, as a whole, whether or not arising in the ordinary course of business; or (c) the legality, validity, and enforceability of any of the Contracts.

Maturity Date means the date at which the Series or Tranche of Bonds will be redeemed in accordance with the relevant Bond Certificate and the relevant Pricing Supplement; provided, that, if such date is declared to be a non-Business Day, the Maturity Date shall be the next succeeding Business Day, without adjustment to the amount of interest to be paid;

Maturity Value means the Issue Price plus unpaid and accrued Interest, up to but excluding the Maturity Date;

Non-Trade Transactions means transactions relating to the Bonds under any of the following instances:

- a. Nomination or change of nominated custodian by the beneficial owner of the Bonds;
- 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 Bonds;
- 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 Bonds;

- d. Request for recording or annotation of interests or liens on the Bonds 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*, further that, the burden of proving the validity of a “free of payment” transaction rests with the transferor of the Bonds;

Offering Circular means the offering circular (including, for the avoidance of doubt, the consolidated financial statements of the Bank included therein) in preliminary and final forms in respect of the Programme, such documents incorporated by reference therein, and all amendments, supplements, and addenda thereto;

Paying Agent means PDTC as appointed by the Bank under the Registry and Paying Agency Agreement, to perform the role of a paying agent required under the Governing Regulations and includes its successor entity, or any replacement Paying Agent;

Payment Account means, in respect of a Series or Tranche of Bonds issued pursuant to the Programme, the account to be opened and maintained by the Paying Agent with such Payment Account Bank designated by the Issuer and solely managed by the Paying Agent in trust and for the irrevocable benefit of the Bondholders, into which the Issuer shall deposit the amount of the interest and/or principal and other payments due on the Bonds on the relevant dates and exclusively used for such purpose, the beneficial ownership of which shall always remain with the Bondholders;

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

Payment Date means each date on which payment for interest and/or principal in respect of the relevant Series or Tranche of Bonds become due;

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

PDIC means the Philippine Deposit Insurance Corporation, a government instrumentality attached to the Department of Finance, and established pursuant to Republic Act No. 3591, as amended, with the following principal roles: deposit insurer, co-regulator of banks, and receiver and liquidator of closed banks;

PDS Group means the group of companies comprised of the Philippine Dealing System Holdings Corporation, which is the parent company of the group, and its operating subsidiaries, which are affiliates of PDTC (as defined below); namely, PDEX and the Philippine Securities Settlement Corp.;

PDTC means the Philippine Depository & Trust Corp., a private financial institution duly authorized to perform registry and paying agency functions by the appropriate authorities, and organized and existing under and by virtue of the laws of the Republic of the Philippines;

Pesos or the symbol **PHP** means the lawful currency of the Republic of the Philippines;

Pricing Supplement means the pricing supplement issued in relation to each Series or Tranche of Bonds, which gives details of such Series or Tranche and, in relation to any particular Series or Tranche of Bonds, “**applicable Pricing Supplement**” means the Pricing Supplement applicable to that Series or Tranche, such as Interest Rate,

Interest Payment Dates, Tenor and Maturity Date and such other similar series- specific terms, in relation to any particular Series or Tranche of Bonds;

Programme Agreement means the Programme Agreement executed among the Issuer, the Joint Lead Arrangers and Bookrunners and the Initial Selling Agents dated as of on or about 11 November 2025, as may be modified, supplemented, or amended from time to time as it applies to the Bonds to be issued within the Programme Limit;

Programme Limit means the maximum aggregate principal amount approved by the Issuer to be issued under the Programme, which currently stands at Fifty Billion Pesos (PHP50,000,000,000).

Prohibited Bondholders means persons and entities which are prohibited from purchasing and/or holding the Bonds pursuant to regulations governing the Bank, specifically:

- (a) the Issuer including its related parties as defined in the MORB, (A) including but not limited to (i) subsidiaries as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities) that the Issuer exerts direct/indirect control over or that exerts direct/indirect control over the Issuer, (ii) the Issuer's directors, officers, stockholders, and their related interests ("DOSRI"), and their close family members, as well as corresponding persons in affiliated companies including such other person/juridical entity whose interests may pose potential conflict with the interest of the Issuer, (iii) linkages to the foregoing, whether direct or indirect as defined in the MORB, except where the Issuer purchases and cancels the Bonds under the conditions listed in Condition 6(b)(iii) of these General Terms and Conditions, and (B) excluding (i) the Issuer's trust department or related trust entities, or (ii) an underwriter or arranger that is an Issuer's related party, provided that the holding of the Bonds is part of the underwriting agreement, and such underwriter or arranger has complied with the requirements of Governing Regulations; provided, that without limiting the generality of the foregoing, the term "Prohibited Holders" includes the Issuer's related parties who are in possession or have access to material and non-public information which can affect the pricing and marketability of upcoming and outstanding PNB bond issuances, such as:
 - (i) Subsidiaries
 - (ii) Affiliates
 - (iii) Directors
 - (iv) Officers holding positions of senior vice president or higher
 - (v) Officers and staff of the Issuer in the following departments/divisions/groups/sectors:
 - (A) Global Banking and Markets Sector
 - (B) Office of the Chief Financial Officer
 - (C) Enterprise Risk Management Group
 - (D) Global Compliance Group
 - (E) Office of the Corporate Secretary
 - (F) Legal Group
 - (G) All Asset / Liability Committee Attendees
 - (vi) Spouses, children and parents of all individuals covered by items (III), (IV) and (V) above.
 - (vii) With respect to any issuance of the Bonds, the following persons for the duration that they are engaged for a proposed issuance of any tranche/series of Bonds:
 - (A) Select officers and staff of Arrangers and Selling Agents
 - (B) Select officers and staff of Legal Counsels
 - (C) Select officers and staff of Auditors
 - (D) Select officers and staff engaged in the booking of the Bonds; or
- (b) such persons who are otherwise not qualified under the Governing Regulations including any other person whose acquisition, holding, or transfer of the Bonds 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) persons classified as U.S. Persons under the Foreign Account Tax Compliance Act of the United States, as this may be amended from time to time (“**FATCA**”), which include: (a) a U.S. citizen (including a dual citizen who may have another citizenship besides having a U.S citizenship); (b) 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); (c) a U.S. partnership, U.S. corporation, or U.S. entity; (d) a U.S. estate; (e) 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 (f) any other person that is not a non-US person under the FATCA; or
- (d) persons classified as a Restricted Party.

For purposes of the definition of Prohibited Bondholders, 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. For a corporation to be **controlled** by another means that the other (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) has power over more than one-half of the voting rights by virtue of an agreement with other stockholders, power to govern the financial and operating policies of the enterprise under a statute or an agreement, the power to appoint or remove the majority of the members of the board of directors or other equivalent governing body of that company, power to cast the majority votes at meetings of the board of directors or equivalent governing body, or otherwise controls or has the power to control the company through similar arrangements;

Purchaser means a prospective primary Bondholder who intends to purchase Bonds, as applicable, in the primary market through the Selling Agents and submits an Application to Purchase for that purpose;

Record Date means as used with respect to any relevant Payment Date, two (2) Business Days immediately preceding such Payment Date, which shall be the cut-off date in determining the existing Bondholders entitled to receive interest, principal, and other payments due, or such other date duly notified by the Issuer;

Registrar and/or Paying Agent means the Philippine Depository & Trust Corp., a domestic corporation duly registered and licensed as a registrar and paying agent, as appointed by the Bank under a Registry and Paying Agency Agreement and the Pricing Supplement(s);

Registry means, in relation to any Series or Tranche of Bonds, the electronic registry book of the Registrar containing the official information on the Bondholders and the amount of Bonds they respectively hold, including all transfers and assignments thereof or any liens or encumbrances thereon;

Registry and Paying Agency Agreement means the agreement to be executed by and between the Bank and the Registrar and Paying Agent, stipulating the rights and obligations of the Registrar and Paying Agent with respect to the Bonds, including any amendment or supplement thereto;

Registry Confirmation means, in relation to any Series or Tranche of Bonds, the written advice sent by the Registrar to the Bondholders, confirming the registration in the name of such Bondholder in the Registry of the specified amount of Bonds issued to or purchased by a Bondholder;

Restricted Party means a person that is:

- (A) listed on, owned or controlled by a person or persons listed on the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury (OFAC), the Consolidated List of Financial Sanctions Targets in the UK maintained by His Majesty's Treasury (HMT), or any similar list maintained by, or public announcement of Sanctions designation made by, any of the Sanctions Authorities;
- (B) located in, resident in, incorporated under the laws of, or owned or (directly or indirectly) controlled by, a person located in, resident in, or organized under the laws of a country or territory that is the target of country-wide or territory-wide Sanctions (including, as of the date hereof, Cuba, Iran, North Korea, Syria, the Crimea; or
- (C) otherwise a target of Sanctions (target of Sanctions signifying a person with whom a U.S. person or other national of a Sanctions Authority (as defined below) would be prohibited or restricted by law from engaging in trade, business or other activities); and

Sanctions means the economic sanctions laws, regulations, embargoes or restrictive measures administered, enacted or enforced (as the same may be amended from time to time) by:

- (A) the United States government;
- (B) the United Nations;
- (C) the European Union;
- (D) the United Kingdom;
- (E) Singapore (including without limitation the Monetary Authority of Singapore (MAS));
- (F) the respective governmental institutions and agencies of any of the foregoing, including, without limitation, OFAC, the U.S. Department of State, the U.S. Department of Commerce, U.S. Department of Defense (DOD), the U.S. Department of Commerce's Bureau of Industry and Security (BIS), HMT and MAS; and
- (G) any other applicable sanctions authority with jurisdiction over the Issuer or any of its Subsidiaries including the Philippines (together, the Sanctions Authorities);

SEC means the Securities and Exchange Commission of the Philippines, including all its offices and departments, and its successor agency/ies;

Securities and Regulation Code refers to Republic Act No. 8799 and its implementing rules and regulations, as the same may be amended and supplemented from time to time;

Selling Agent means with respect to each Series or Tranche of Bonds, each or any one of the entity/ies which the Issuer may appoint as selling agent of such Series or Tranche of Bonds as specified in the Issue Management and Placement Agreement and the relevant Pricing Supplement, including the Initial Selling Agent and any New Selling Agent;

Series means a Tranche of Bonds, as the case may be, together with any further Tranche or Tranches of Bonds, as the case may be, which are (a) expressed to be consolidated and form a single series, and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices and the expressions **Bonds of the relevant Series**, **Bondholders of the relevant Series**, and related expressions shall (where appropriate) be construed accordingly;

Subsidiary means, in relation to the Issuer, any company (i) in which the Issuer holds a majority of the voting rights or (ii) of which the Issuer is a member and has the right to appoint or remove a majority of the board of directors or (iii) of which the Issuer controls (by contract or otherwise) a majority of the voting rights, or (iv) which at any time has its accounts consolidated with those of the Issuer or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time should have its accounts consolidated with those of the Issuer, and includes any company which is a Subsidiary of a Subsidiary of the Issuer;

Trade Related Transactions, as the term is used in Condition 9(c), means transactions on the Bonds other than Non-Trade Transactions executed through PDEX (upon listing of the Bonds);

Trading Participant means a trading participant of PDEX defined as such under the rules and regulations of PDEX;

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

Trust Agreement shall mean the indenture or agreement to be executed by and between the Issuer and the Trustee to stipulate on the rights and obligations of the Trustee with respect to the Bonds and the Bondholders; and

Trustee shall mean the Development Bank of the Philippines – Trust Banking Group as appointed by the Bank, and any entity that may be appointed as such in respect of each succeeding Series or Tranche of Bonds, in accordance with the Trust Agreement and Pricing Supplement and the Governing Regulations.

(b) All terms defined in these General 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. Titles of provisions in these General Terms and Conditions are used for convenience of reference only, and do not limit or affect the interpretation of the provisions hereof. Words denoting persons shall include individuals, corporations, partnerships, joint ventures, trusts, unincorporated organizations, political subdivisions, agencies, or instrumentalities. 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 General Terms and Conditions, and to a Condition or Conditions in these General Terms and Conditions, respectively. A document is a reference to that document as amended from time to time. 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 General Terms and Conditions, except as set out herein.

2.0 Form, Denomination, and Title

(a) Form and Denomination

The Bonds shall be issued in scripless form. A Bond Certificate representing the Bonds shall be issued to, deposited with, and registered in the name of the Trustee, on behalf of and in trust for the Bondholders, with a copy to be lodged with the Registrar.

The Bonds will be issued pursuant to the terms of the Trust Agreement and these General Terms and Conditions in a minimum investment size, increments of in excess thereof, and denominations of trading in the secondary market as indicated in the Pricing Supplement. Registry Confirmations will be issued in accordance with the Registry and Paying Agency Agreement and will contain a unique transaction reference number.

A Bond Certificate representing the Bonds shall be issued to and registered in the name of the Trustee, on behalf of the Bondholders, a copy of which shall be lodged with the Registrar.

(b) Bondholders

In general, the Bonds may be issued or transferred to any person of legal age, regardless of nationality or residency, any corporation, association, partnership, trust account, fund or entity, regardless of place of incorporation or domicile, except, in each case, to Prohibited Bondholders.

(c) Title

Title to the Bonds shall be indicated in the Registry to be maintained by the Registrar. The Registry shall be the best evidence of ownership and transactions with respect to the Bonds. The initial placement of the Bonds and subsequent transfers of interests in the Bonds shall be subject to applicable Philippine selling restrictions prevailing at such time.

3.0 Qualification Determination

Each Selling Agent (in the case of initial issuances of the Bonds) or PDEX Trading Participant (in the case of Transfers of the Bonds) shall verify the identity and relevant details of each proposed Bondholder and ascertain that said prospective Bondholder is an Eligible Bondholder and is not a Prohibited Bondholder.

For this purpose, prospective Bondholders shall be required to submit any and all information reasonably required by the Selling Agents or the PDEX Trading Participant, as the case may be. Any unresolved question on a prospective Bondholder's eligibility shall be referred to the Bank for its final determination.

4.0 Status and Ranking

The Bonds constitute direct, unconditional, unsecured, and unsubordinated peso-denominated obligations of the Bank, enforceable pursuant to the terms of the Trust Agreement and these General 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, except for any obligation enjoying a statutory preference or priority established under Philippine laws other than the preference under Article 2244, paragraph 14(a) of the Civil Code of the Philippines.

The Bonds have not been and will not be registered with the SEC. The Bonds are considered exempt securities pursuant to Sec. 9(e) of the Securities Regulation Code, and are thus exempt from the registration requirements of that code.

The Bonds are intended to be listed for electronic trading and settlement on the PDEX on or about the Issue Date. Trading, transfer, and/or settlement of the Bonds shall be performed in accordance with the PDEX Rules and the rules and procedures of the Registrar.

5.0 Interest

(a) Interest Accrual

The Bonds shall bear relevant interest on its principal amount from and including the Issue Date, but excluding the Early Redemption Date or the Maturity Date, as the case may be. The Bonds shall continue to bear interest in accordance with these General Terms and Conditions until all sums in respect of such Bond are received by or on behalf of the relevant Bondholder.

(b) Interest Payment Dates

Interest shall be payable on each relevant Interest Payment Date as specified in the Pricing Supplement; provided that, if any Interest Payment Date or the Maturity Date is not a Business Day, then interest will be paid on the next succeeding Business Day without any adjustment as to the amount of interest to be paid.

(c) Determination of Interest

The amount of interest payable in respect of the Bonds for each Interest Period shall be calculated by the Paying Agent on the basis of the number of days elapsed from (and including) the Issue Date (for the first interest period) or the last Interest Payment Date (for succeeding interest periods) to the next (but excluding) the next Interest Payment Date, using a 30/360 calendar-day count.

The determination by the Paying Agent of the amount of Interest payable (in the absence of manifest error) is final and binding upon all parties.

(d) Manner of Payment of Interest and Principal

On each Interest Payment Date and Maturity Date (as applicable), the Bank shall make available good and cleared funds to the Bank's designated Payment Account (as defined in the Registry and Paying Agency Agreement) for disbursement to the Bondholders as shown in the Registry to be maintained by the Registrar.

6.0 Redemption, Early Redemption, and Purchase

(a) Redemption at Maturity Date

Unless previously pre-terminated and cancelled in accordance with these General Terms and Conditions, the Bonds shall be redeemed by the Bank at the Final Redemption Amount on the Maturity Date. If the Maturity Date falls on a date that is not a Business Day, the Maturity Date shall be on the immediately succeeding Business Day, without adjustment to interest payable in respect of the Bonds. All Bonds outstanding on Maturity Date will be redeemed at par or 100% face value.

(b) Early Redemption: Purchase

- (i) *Early Redemption Option due to Change in Tax.* 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 changes in law, rule, or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by the use of reasonable measures available to the Bank, such event shall be considered as change in taxation ("**Change in Tax**") in reference to the obligations of the Bank and to the rights and interests of the Bondholders under the Trust Agreement and the Bonds.
- (ii) *Early Redemption Option due to Change in Law or Circumstance.* If any provision of the Trust Agreement or any of the Contracts 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 Trust Agreement or any of the related documents in whole or in part, or any law shall be introduced to prevent or restrain the performance by the parties of their obligations under the Trust Agreement or any other related documents, 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 Bondholders under the Trust Agreement and the Bonds.

Upon the occurrence of any Change in Tax or Change in Law, the Bank may at its discretion give written notice to the Trustee that the Bank is electing to exercise the Early Redemption Option, together with an opinion from a reputable legal counsel (reasonably acceptable to Trustee) confirming the bases therefor. Thereupon, the Trustee, upon notice to the Bank, shall declare the principal amount of the Bonds, including all accrued interest and other charges thereon, if any, to be due and payable, and upon such declaration, the same shall be due and payable without any pre-payment penalty in accordance with Conditions 6(b)(iv) and 6(b)(v)

below, notwithstanding anything in the Trust Agreement and other related documents to the contrary.

- (iii) *Purchase and Cancellation.* The Bank may at any time purchase any of the Bonds at any price in the open market or by tender or by contract at any price, without any obligation to purchase Bonds pro-rata from all Bondholders, and the Bondholders shall not be obligated to sell. Any Bonds so purchased shall be redeemed and cancelled and may not be re-issued. For the avoidance of doubt, the Bank may not directly or indirectly purchase the Bonds in any instance for the purpose of trading or market making.
- (iv) *Manner of Exercising the Early Redemption Option.* In exercising the Early Redemption Option, the Bank shall give to the Bondholders through the Trustee, the Registrar, and, to the extent required under the Governing Regulations, the appropriate supervision and examination department of the BSP, not less than thirty (30) days prior 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 6(b)(i) or (ii). The notice referred to in this Condition 6(b)(iv) 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 at any time prior to the exercise of such Early Redemption Option. Once issued, said notice shall be irrevocable, and shall be binding on the Bank and each Bondholder.
- (v) *Payments; Taxes.* After the issuance of the notice under Condition 6(b)(iv), the Bank shall be obliged to repay all of the Bonds at the Early Redemption Amount on the Early Redemption Date. On the Early Redemption Date and following payment of the Early Redemption Amount, the Registrar shall transfer all of the interests of the Bondholders in the Bonds to the Bank. All such Bonds pre-terminated pursuant to this Condition 6(b) shall then be deemed fully redeemed and cancelled.

As a consequence of the exercise of the Early Redemption Option under Condition 6(b)(i) and (ii), any incremental tax that may be due on the interest income already earned under the Bonds prior to or as a result of the exercise by the Bank of its option for pre-termination shall be for the account of the Bank.

- (vi) *No Pre-termination by Bondholders.* Except as otherwise contemplated under Condition 13 on account of the occurrence of an event described under Condition 12 (“Events of Default”), none of the Bondholders shall have the right to require the Bank to redeem and repay any or all of the Bonds before the Maturity Date. In accordance with the Governing Regulations, transfers of the Bonds to a person other than the Bank shall not constitute pre-termination. To the extent applicable, for tax purposes, however, negotiations/transfers from a Bondholder to another shall be subject to the pertinent provisions of the National Internal Revenue Code of 1997, as amended, and the applicable Bureau of Internal Revenue (BIR) regulations (the “Tax Code”).

7.0 Payments

- (a) Principal and interest, and all other amounts payable on the Bonds net of taxes and fees, if any, shall be credited to the relevant Cash Settlement Accounts maintained with the Cash Settlement Banks.
- (b) All payments on the Bonds shall be drawn by the Paying Agent from the Payment Account and shall be made in Philippine Pesos.

8.0 Taxation

- (a) Subject to Condition 9, if any payments of principal and/or interest in respect of the Bonds shall be subject to deductions and/or withholdings for or on account of any present or future taxes, duties, assessments, or governmental charges of whatever nature imposed, levied, collected, withheld, or assessed by or within the Philippines or any authority therein or thereof having the power to tax, including but not limited to income, stamp, issue, registration, documentary, value-added or similar tax, or other taxes, duties, assessments, or government charges, including interest, surcharges, and penalties thereon (the **Taxes**), then such Taxes shall be for the account of the Bondholder concerned; and if the Bank shall be required by law or regulation, or any change in interpretation or implementation of such law or regulation prevailing, to deduct or withhold such Taxes, then the Bank shall make the necessary withholding or deduction for the account of the Bondholder concerned; provided, however, that all sums payable by the Bank to tax-exempt persons shall be paid in full without deductions for Taxes or government charges, subject to the submission by the relevant Bondholder claiming the exemption of reasonable and acceptable evidence of such exemption to the Issuer as provided below.
- (b) Without limiting the foregoing, the Bank shall not be liable for the filing of returns and other reportorial requirements, as well as the payment of the following:
- (i) Income tax on any gain by a Bondholder realized from the sale, exchange, or retirement of the Bonds.
 - (ii) The applicable final withholding tax on interest earned on the Bonds prescribed under the Tax Code;
 - (iii) Gross Receipts Tax under Section 121 of the Tax Code;
 - (iv) Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding; and
 - (v) Value Added Tax (“VAT”) under Sections 106 to 108 of the Tax Code, and as amended by Republic Act No. 9337.
- (d) Documentary stamp tax for the primary issue of the Bonds and the execution of Contracts, if any, shall be for the Bank’s account.
- (e) The tax exemption or preferential tax treatment of Bondholders claiming exemption from any applicable tax or preferential rates shall be implemented only upon submission of the following documents to the Registrar and Paying Agent:
- (i) Proof of tax exemption or entitlement to preferential tax rates:
 - For (a) tax-exempt corporations under Section 30 of the Tax Code (except non-stock, non-profit educational institutions under Section 30(H) of the Tax Code); (b) cooperatives duly registered with the Cooperative Development Authority; and (c) BIR-approved pension fund and retirement plan – certified true copy of valid, current, and subsisting tax exemption certificate, ruling, or opinion issued by the BIR. For this purpose, a tax exemption certificate or ruling shall be deemed “valid, current and subsisting” if it has not been more than three years since the date of issuance thereof;
 - For Tax-Exempt Personal Equity Retirement Account established pursuant to the PERA Act of 2008 – certified true copy of the Bondholder’s current, valid and subsisting Certificate of Accreditation as PERA Administrator;
 - For all other tax-exempt entities (including, but not limited to, (a) non-stock, non-profit educational institutions; (b) government-owned or -controlled corporations; and (c) foreign governments, financing institutions owned, controlled or enjoying refinancing

from foreign governments, and international or regional financial institutions established by foreign governments) – certified true copy of tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income is exempt from income tax and, consequently, withholding tax;

- For entities claiming tax treaty relief – pursuant to RMO 14-2021, prior to the payment of interest due: (1) three (3) originals of the appropriate form (currently, BIR Form 0901-I (Interest Income)) or Application Form for Treaty Purposes filed by the Bondholder or, if the Bondholder is a fiscally transparent entity, each of the Bondholder’s owners or beneficiaries, (2) one (1) original of the valid and existing tax residency certificate duly issued by the respective foreign tax authority of the country of residence of the Bondholder or, if the Bondholder is a fiscally transparent entity, the country of residence of each of the Bondholder's owners or beneficiaries in the form acceptable for recognition under Philippine laws, (3) the relevant provision of the tax treaty providing for the claimed tax exemption or preferential tax rate, in a form acceptable to the Issuer, (4) three (3) originals of the duly notarized, consularized, or apostilled (as the case may be) Special Power of Attorney executed by the Bondholder or the Bondholder’s owners or beneficiaries, as may be applicable, in favor of its 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 Bondholder or the Bondholder’s owners or beneficiaries, as may be applicable, is/are not doing business in the Philippines to support the applicability of a tax treaty relief; and (5) an original or certified true copy of the Certificate of Entitlement (“COE”) issued by the BIR International Tax Affairs Division (“ITAD”) certifying the Bondholder’s entitlement to tax treaty relief in connection with the Bonds. It shall be the Bondholder’s sole responsibility and obligation to file the tax treaty relief application (“TTRA”) with the BIR ITAD to prove its entitlement to tax treaty relief, and in relation thereto, the Issuer shall, upon request of the Bondholder, provide the relevant documents which are required to be submitted for purposes of filing a TTRA. For avoidance of doubt, in order for the preferential rate to apply, the Bondholder must submit the COE issued by the BIR and the Tax Residency Certificate (“TRC”), together with the Application to Purchase, to the Selling Agents. In order for the Issuer to apply the preferential rate for the succeeding taxable years, the Bondholder must submit an updated TRC before the last day of the first month of the taxable year or at least ten (10) business days before the first interest payment for the taxable year, whichever is earlier. The Issuer shall withhold regular tax rates in its interest payments for the ensuing taxable year if the Bondholder fails to provide the updated TRC within the prescribed deadline;;
- Any other document that the Bank or PDTC may require from time to time; and
- In addition, upon the request of the Issuer, Selling Agent, or the Registrar, as the case may be, the Bondholder shall submit an updated Part II (A), (B), (C), and (D) of the CORTT Form.]

Only the originals should be submitted to the Joint Lead Arranger and Bookrunner, Selling Agent, the Bank or the Registrar.

- (ii) A duly notarized declaration and undertaking in the prescribed form, declaring and warranting its tax-exempt status, declaring and warranting that the same Bondholder named in the tax exemption certificate described in (i) above, is specifically exempt from the relevant tax or is specifically subject to a preferential tax rate for the relevant tax, and undertaking to immediately notify the Bank and the Registrar of any suspension, revocation, or modification of its tax

exemption or treaty privileges, and agreeing to indemnify and hold the Bank, the Registrar and the Paying Agent free and harmless against any claims, actions, suits, expenses, penalties and liabilities resulting from the non-withholding or reduced withholding of the required tax; and

- (iii) Such other documentary requirements as may be reasonably required by the Bank or the Registrar and Paying Agent, or required under the applicable regulations of the relevant taxing or other authorities.
- (f) In the event there is a change in the tax treatment of the Bonds or on the tax rates applicable to a Bondholder of Bonds 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 sole account of the Bondholders. Consequently, the Paying Agent, on behalf of the Issuer, as applicable, shall make the necessary withholding or deduction for the account of the Bondholders concerned. All sums payable by the Bank to tax-exempt persons (upon qualification as such and presentation of acceptable proof of tax exemption) shall be paid without deductions for taxes, duties, assessments, or government charges.

9.0 Transfers of Bonds

(a) Transfers

All transfers of the Bonds shall be executed only through PDEX and its Trading Participants, subject to *inter alia* the payment to the PDEX and its Trading Participants and/or the Registrar of any reasonable fees, as the agreements between them would dictate. Transfers of the Bonds to a person other than the Bank shall not constitute pre-termination.

Transfers of the Bonds made in violation of the restrictions on Transfer under these General Terms and Conditions, shall be null and void and shall not be registered by the Registrar.

(b) Closed Periods

No person may require the transfer of any Bonds to be registered by the Registrar in the Registry: (i) during the period of two (2) Business Days preceding (and including) the Early Redemption Date or the Maturity Date, as the case may be; and (ii) during the period of two (2) Business Days preceding any Interest Payment Date. The Registrar will prevent any transfer of the Bonds to be recorded in the Registry during any Closed Period. The Registrar shall recognize and treat only those Bondholders registered as such in the Registry as of the relevant Record Date as the owners of the corresponding Bonds for any relevant payment or allocation purpose.

(c) Registry: Legal Title and Transfers

The Registry shall be kept at the specified office of the Registrar and shall contain the names and addresses of the Bondholders, the particulars of the Bonds held by them, as well as records of all purchases and transfers of Bonds, whether Trade Related Transactions or Non-Trade Transactions. Title to the Bonds shall be shown in the Registry maintained by the Registrar.

Upon any transfer of the Bonds and subject to compliance with applicable conditions for transfers of the Bonds, including, but not limited to, the due execution and delivery by the transferor Bondholder of (i) a written instruction (in form and substance acceptable to the Registrar and Paying Agent and/or the Trading Participant)

from a transferor-Bondholder to transfer all or part of the Bonds registered in its name; (ii) the delivery by the transferor-Bondholder of the transfer instructions required by the Registrar and Paying Agent pertaining to the Bonds intended to be transferred; and (iii) such other documents required by the Registrar and Paying Agent and/or a Trading Participant in accordance with the Registry and Paying Agency Agreement and the Registrar's rules, then transfers shall be recorded in the Registry, and new Registry Confirmations will be issued by the Registrar in favor of the transferees/purchasers of the affected Bonds. Upon such recording of the transfer, title shall then pass by registration of the transferee-Bondholder in the Registry.

Any costs associated with the settlement in respect of such transfer of the Bonds, including the settlement of taxes, if any, arising from subsequent transfers, shall be for the account of the transferor-Bondholder and/or its counterparty, as market convention or the agreements between them would dictate.

(d) Tax Status

The Trading Participant and/or the Registrar may, unless properly provided with satisfactory proof of the tax-exempt status of a Bondholder, assume that said Bondholder is taxable and proceed to apply the tax due on the Bonds. The Trading Participant and/or the Registrar may require the Bondholder claiming a preferential tax treatment to provide proof satisfactory to it of such preferential status. Notwithstanding the submission by the Bondholder, or the receipt by the Bank or any of its agents, of documentary proof of the tax-exempt status of a Bondholder, the Bank may, in its sole discretion, determine that such Bondholder is taxable and require the Registrar and Paying Agent to proceed to apply the appropriate tax due on the Bonds. Any question on such determination shall be referred to and be decided upon by the Bank.

(e) Change in Status

Transfers across tax categories shall not be allowed except on Interest Payment Dates that fall on a Business Day, provided however that transfers from a tax-exempt category to a taxable category on a non-Interest Payment Date shall be allowed using the applicable tax-withheld series name on PDEx, ensuring the computations are based on the final withholding tax rate of the taxable party to the trade. Should this transaction occur, the tax-exempt entity shall be treated as being of the same tax category as its taxable counterpart for the interest period within which such transfer occurred. For purposes hereof, "tax categories" refer to the three final withholding tax categories covering, particularly, tax-exempt entities, 20% tax-withheld entities, and 25% tax-withheld entities, as may be amended. This restriction shall be in force until a Non-Restricted Trading & Settlement Environment for Corporate Securities is implemented under PDEx.

In the case of a transfer by a taxable or non-tax-exempt Bondholder 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-Bondholder on the Bonds during the Interest Period in which the transfer is made, based on the period that such Bonds were actually held by the transferor-Bondholder, shall be deducted from the purchase price due to it.

(f) Taxes

Documentary stamp taxes as well as other taxes due on the transfer of a Bond, if any, shall be for the account of the relevant Bondholder and/or its counterparties (and shall not be for the account of the Bank), to be deducted from the purchase price due to it.

Except as otherwise contemplated under Condition 13 on account of the occurrence of an event described under Condition 12 ("Events of Default"), none of the Bondholders shall have the right to require the Bank to redeem and repay any or all of the Bonds before the Maturity Date. In accordance with the Governing Regulations, transfers of the Bonds to a person other than the Bank shall not constitute pre-termination. To the extent applicable, for tax purposes, however, negotiations/transfers from a Bondholder to another shall be subject to the pertinent provisions of the Tax Code.

The foregoing notwithstanding, 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 Bondholder claiming the exemption of such documentation as may be required under these General Terms and Conditions.

10.0 Representations and Warranties

The Bank hereby represents and warrants, as follows:

- (a) **Incorporation:** the Issuer and each of its Subsidiaries is duly incorporated, validly existing and in good standing under the laws of its place of incorporation with full power and authority to conduct its business as described in the Offering Circular, and is lawfully qualified to do business in those jurisdictions in which business is conducted by each of them;
- (b) **Title to Property:** the Issuer and its Subsidiaries has legal and beneficial title to all its property in each case free and clear of all liens, encumbrances, and defects, except for the following: (i) any liens, encumbrances, restrictions, pledges or mortgages over its properties existing prior to the date of the Offering Circular or disclosed in its audited financial statements as of and for the period ended 31 December 2024; (ii) any lien over those properties which are acquired by the Issuer through any legal action or proceedings or which are conveyed to the Issuer via *dacion en pago* or other similar arrangement in the course of the ordinary business of the Issuer; (iii) liens arising in the ordinary course of its business, or imposed or arising solely by operation of law (other than any statutory preference or priority under Article 2244(14) of the Civil Code of the Philippines), such as carrier's, warehousemen's and mechanic's liens and other similar liens arising in the ordinary course of business; (iv) liens for taxes, assessments or governmental charges on properties or assets of the Issuer if the same shall not at the time be delinquent or thereafter can be paid without penalty; (v) liens arising from workmen's compensation laws, pensions and social security legislations; (vi) any lien which secures foreign currency and interest rate swap and derivative transactions undertaken by the Issuer in the ordinary course of its business; (vii) the Registrar and Paying Agent's lien or security right on the funds of the Issuer in relation to all fees, charges, and expenses, and any credit facility or accommodation granted to the Issuer by the Registrar; and (viii) any extension, renewal or replenishment in whole or in part of the foregoing liens; and any real property and buildings held under lease by it or them are held by it under valid, subsisting, and enforceable leases; except where a failure of such extension, renewal, or replenishment would not result in a Material Adverse Effect;
- (c) **Corporate Power:** the Issuer has the corporate power under the laws of its incorporation and its constitutive documents: (i) to create and issue the relevant Series or Tranche of Bonds and to enter into and perform its obligations under and to take all other actions and to do all other things provided for or contemplated in the Contracts and these General Terms and Conditions; (ii) 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; (iii) to incur the indebtedness and other obligations provided for in the Bonds; and (iv) to establish and update, as the case may be, the Programme.
- (d) **Capacity:** the Issuer (and, if applicable, any person duly authorized by the Issuer in its relevant corporate approvals) has and will continue to have full capacity and authority to establish the Programme, enter into and update the Contracts, and to carry out the transactions contemplated in the Contracts, and has taken and will continue to take all actions (including the obtaining of all necessary corporate approvals and governmental consents) to authorize the execution, delivery, and performance of the Contracts;
- (e) **Validity of the Programme, Bonds and Contracts:** the establishment of the Programme, the issue of the Bonds and the execution and delivery of the Contracts by the Issuer have been duly authorized by the Issuer and constitute valid and legally binding obligations of the Issuer; and the Bonds, upon their due execution, authentication, issue and delivery in accordance with the Contracts, will constitute valid and

legally binding obligations of the Issuer enforceable in accordance with their terms, in each case, subject to the laws of bankruptcy, moratorium and other similar laws affecting the rights of creditors generally and general principles of equity;

- (f) Programme Limit: the aggregate principal amount of the Bonds to be issued pursuant to any Offer will not exceed the then remaining and unissued principal amount under the Programme Limit, and the aggregate principal amount of all Bonds outstanding under the Programme immediately following such Offer will not exceed the Programme Limit;
- (g) Status: the Bonds will, upon issuance, constitute direct, unconditional, unsecured, and unsubordinated Peso-denominated obligations of the Issuer, enforceable against it according to these General 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 its other present and future direct, unconditional, unsecured, and unsubordinated Peso-denominated obligations, except for any obligation enjoying a statutory preference or priority established under Philippine laws other than the preference under Article 2244, paragraph 14(a) of the Civil Code of the Philippines;
- (h) Form: the Bonds will, upon their due execution, issuance and delivery in accordance with the Contracts, be in proper legal form under the laws of the Philippines, and to ensure the legality, validity, enforceability and admissibility into evidence of the Contracts, it is not necessary that the Contracts, the Bonds or any other document or instrument be filed or recorded with any court or other authority in the Philippines;
- (i) Consents: except for the disclosure notices to be filed with the Bangko Sentral ng Pilipinas, the Philippine Securities and Exchange Commission and PDEX following the establishment and updates, as the case may be, of the Programme and the Contracts, the issuance of the relevant Tranche of Bonds, and the payment of documentary stamp tax on the issuance of the relevant Series or Tranche of Bonds, as applicable, all necessary actions and things required to be taken, fulfilled or done (including without limitation the obtaining of any consent, authorization, order or license or the making of any filing or registration) for the issue of the relevant Tranche of Bonds, the carrying out of the other transactions contemplated by the Bonds and the Contracts or the compliance by the Issuer with the terms of the Bonds and the Contracts (including with respect to the payment of principal and interest on the relevant Tranche of Bonds), as the case may be, have been, or by the Issue Date, will be, taken, fulfilled or done;
- (j) Approvals: all approvals of any court, governmental agency, office, department, or other regulatory body required for the establishment and maintenance and updating of the Programme, the execution and delivery of the Contracts by the Issuer and the issuance and distribution of the relevant Tranche of Bonds, and the performance of the terms of the Bonds and the Contracts by the Issuer have been obtained and are unconditional and in full force and effect, including without limitation, such terms and conditions as may be prescribed by the BSP to the extent that such other terms and conditions are applicable;
- (k) BSP and SEC Conditions: it is compliant with all qualifications and conditions of the applicable Governing Regulations to establish, maintain, and update the Programme, and to issue, maintain, service, pay out, redeem, and cancel each relevant Tranche of the Bonds, which qualifications and conditions continue to be complied with and that the establishment and maintenance and updating of the Programme, the issuance of the Bonds in the manner described in the Offering Circular and the issue of the Offering Circular in the manner provided in the Programme Agreement will comply, where relevant, with all applicable laws, governmental or other regulations of the Philippines;
- (l) Compliance: the establishment and maintenance and updating of the Programme, the execution and delivery of the Contracts, the issuance of the Bonds, the carrying out of the other transactions contemplated by the Contracts and these General Terms and Conditions, and compliance with their terms do not and will not (i) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default or violation under any contract, indenture, trust deed, mortgage, or other agreement or instrument

to which the Issuer or any of its Subsidiaries is a party or by which it or any of its properties is bound; or (ii) result in any violation in the provisions of the articles of incorporation or other equivalent constitutive documents of the Issuer or any Subsidiary; or (iii) violate or infringe any existing applicable law, rule, regulation, judgment, order, or decree of any government, governmental body or court, domestic or foreign, having jurisdiction over it, any such Subsidiary or any of their properties. The Issuer is in compliance with all applicable laws and regulations relating to the Philippine capital markets and recommendations and findings of the BSP; Offering Circular: (i) the Offering Circular contains, and at the date of publication or issue contained, all material information with respect to the Issuer and its Subsidiaries, individually, and collectively, as a whole, the Bonds, the establishment and updates, as the case may be, of the Programme and the Contracts, and the relevant Tranche of Bonds (including, without limitation, all information required by the applicable laws and regulations of the Philippines and all information which, according to the particular nature of the Issuer and of the Bonds, is necessary to enable investors and their professional advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and its Subsidiaries, individually, and collectively, as a whole and the rights attaching to the relevant Tranche of Bonds); (ii) the opinions and intentions expressed in the Offering Circular with regard to the Issuer and its Subsidiaries, individually, and collectively, as a whole are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, and that all reasonable inquiries have been made to ascertain such facts and to verify the accuracy of all such statements; (iii) the Offering Circular as of the Agreement Date (and if amended or supplemented, at the date of any such amendment or supplement) and any other materials for use in connection with the offering and sale of any Tranche of Bonds and during the roadshow, investor meetings or presentations held by the Issuer used in the offering and sale of any Tranche of Bonds (including, without limitation, any roadshow or electronic roadshow materials) (“Marketing Materials”) do not, in any material respect, contain any untrue, inaccurate, or misleading statement of material fact or omit to state a material fact that is necessary in order to make the statements made in the Offering Circular and any such materials, in the light of the circumstances under which they were made, not misleading in any material respect and there is no other fact or matter omitted from the Offering Circular and the Marketing Materials which was or is necessary to enable investors and their professional advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and its Subsidiaries, individually, and collectively, as a whole and of the rights attaching to the relevant Tranche of Bonds; (iv) the other financial data set forth in the Offering Circular relating to the Issuer is accurately presented and prepared on a basis consistent with the consolidated financial statements and books and records of the Issuer and Subsidiaries, individually, and collectively, as a whole and that the Issuer does not have any material liabilities or obligations, direct or contingent (including any off-balance sheet obligations), not disclosed in the Offering Circular; (v) the Issuer and each of its Subsidiaries has no outstanding guarantees or contingent payment obligations with respect to indebtedness of third parties, except those issued in the ordinary course of business or as described in the Offering Circular (and the Issuer and each relevant Subsidiary is in compliance with all of its obligations under any such outstanding guarantees or contingent payment obligations); (vi) all statistical and market related data included in the Offering Circular are based on or derived from sources that the Issuer reasonably believes to be reliable and accurate in all material respects, has been accurately extracted from such source and the Issuer has obtained the written consent to the use of such data from such sources to the extent required;

- (m) Accounting Policies: the Offering Circular accurately describes (i) accounting policies which the Issuer believes to be the most important in the portrayal of its financial condition and results of operations (the “Critical Accounting Policies”); (ii) material judgments and uncertainties affecting the application of the Critical Accounting Policies; and (iii) an explanation of the likelihood that materially different amounts would be reported under different conditions or using different assumptions, and the Board of Directors and audit committee of the Issuer have reviewed and agreed with the selection and disclosure of the Critical Accounting Policies in the Offering Circular and have consulted with their Auditors with regard to such disclosure and have consulted with their independent accountants with regards to such disclosure. The

statements of intention, opinion, belief or expectation contained in the Offering Circular and the Marketing Materials are honestly and reasonably made or held, and the Issuer has made all reasonable inquiries to ascertain such facts and to verify the accuracy of all such statements;

- (n) Accounting Controls: the Issuer and each of its Subsidiaries maintains systems of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with financial reporting standards in the Philippines for banks and accounting principles generally accepted in the Philippines and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences; and (v) the Issuer and each of its Subsidiaries has made and kept books, records, and accounts which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of such entity and provide a sufficient basis for the preparation of the Issuer's consolidated financial statements in accordance with financial reporting standards for banks and generally accepted accounting principles of the Philippines; and (vi) the Issuer's current management information and accounting control system has been in operation for at least twelve (12) months during which none of the Issuer or its Subsidiaries has experienced any material difficulties with regard to (i) through (v) above;
- (o) Financial Statements: the most recently published audited consolidated financial statements of the Issuer and its Subsidiaries (the "audited accounts"), and the most recently prepared unaudited interim consolidated financial statements of the Issuer and Subsidiaries, individually, and collectively, as a whole and the other financial data extracted from such audited accounts and financial statements appearing in or incorporated by reference in the Offering Circular (i) were prepared in accordance with all applicable laws and accounting principles generally accepted in, and pursuant to the relevant laws of, the Philippines consistently applied; (ii) present a true and fair view of the financial condition of the Bank and/or its Subsidiaries, as the case may be, as at the relevant dates at which they were prepared and the financial performance and cash flows of the Bank and/or its Subsidiaries, as the case may be, as of and for the relevant periods in respect of which they have been prepared in accordance with accounting principles generally accepted in, and pursuant to the relevant laws of, the Philippines consistently applied; and (iii) since the date of the last audited accounts appearing in or incorporated by reference in the Offering Circular, there has been no Material Adverse Effect or any development which would have a Material Adverse Effect on the business, properties, condition (financial or otherwise), results of operations, general affairs or prospects of the Bank and its Subsidiaries, whether or not arising in the ordinary course of business;
- (p) Off-balance Sheet Arrangements: the Offering Circular accurately and fully describes: (i) all material trends, demands, commitments, events, uncertainties and risks, and the potential effects thereof, that the Issuer believes would materially affect liquidity and are reasonably likely to occur, and (ii) all material off-balance sheet transactions, arrangements, and obligations; and neither the Issuer nor any of its Subsidiaries has any material relationships with unconsolidated entities that are contractually limited to narrow activities that facilitate the transfer of or access to assets by the Issuer or any of its Subsidiaries, such as structured finance entities and special purpose entities that are reasonably likely to have a material effect on the liquidity of the Issuer or its Subsidiaries or the availability thereof or the requirements of the Issuer or its Subsidiaries for capital resources;
- (q) Provision of Information: all information provided by the Issuer to its External Auditors required for the purposes of their comfort letters in connection with the offering and sale of the Bonds has been supplied, or as the case may be, will be supplied, in good faith and after due and careful inquiry; such information was when supplied and remains (to the extent not subsequently updated by further information supplied to such persons prior to the date hereof), or as the case may be, will be, when supplied, true and accurate

in all material respects, and no further information has been withheld, the absence of which might reasonably have affected the contents of any of such letters in any material respect;

- (r) Independence of Auditors: the Issuer's External Auditors who have audited or reviewed the financial statements of the Issuer and each of its Subsidiaries, contained or incorporated by reference in the Offering Circular and delivered the reports with respect to such financial statements, are, with respect to the Issuer and each of its Subsidiaries, are independent public accountants duly licensed under all applicable regulatory requirements of the Philippines, including pursuant to the rules of the Philippine Board of Accountancy and the rules promulgated by the Auditing and Assurance Standards Council as adopted by the Philippine Securities and Exchange Commission;
- (s) Related Party Transactions: save as disclosed in the Offering Circular, all material transactions between the Issuer and any of its Subsidiaries, and between the Issuer or any of its Subsidiaries and their respective directors, officers, management, shareholders, or any other person, including persons formerly holding such positions, are on an arm's-length basis and commercially reasonable terms that are comparable to those available from third parties and that the descriptions of the transactions under the caption "Related Party Transactions" (or other similar caption) in the Offering Circular are accurate descriptions in all material respects and fairly summarize the transactions described therein and do not omit any material information which affects the import of such descriptions;
- (t) Licenses, Permits, and Conduct of Business: each of the Issuer and its Subsidiaries (i) has all licenses, franchises, permits, authorizations, approvals, registrations and orders, and other concessions (Licenses) that are necessary to own or lease its properties and conduct its businesses as described in the Offering Circular and such Licenses are in full force and effect, except where the failure to possess or make the same would not, individually or in the aggregate, have a Material Adverse Effect; (ii) is conducting its business and operations in compliance in all material respects with all such Licenses and applicable laws and regulations in each of the jurisdictions in which it conducts business and operations, including, without limitation, all regulations, guidelines, and circulars of the BSP, the SEC, the Philippine Stock Exchange (the PSE), the Philippine Deposit Insurance Corporation, and the Bureau of Internal Revenue; (iii) has not received any notice of proceedings or other notices relating to the revocation or modification of any such License or has any reason to believe that any such License will not be renewed in the ordinary course, except where the failure to renew would not, individually or in the aggregate, have a Material Adverse Effect; and (iv) has 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 Issuer; and (v) is otherwise in compliance with all agreements and other instruments to which it is a party, except where any failure to be in compliance with any of which would not have a Material Adverse Effect;
- (u) Labor Disputes: that no material (i) labor dispute, (ii) work stoppage, (iii) slowdown or (iv) other conflict with the employees of the Issuer exists or, to the knowledge of the Issuer, is threatened or imminent;
- (v) Insurance: (i) it maintains insurance with responsible and reputable insurance companies in such amounts, covering such risks as are prudent and appropriate and as are usually carried by companies engaged in similar business and owning similar properties in the same geographical areas as those in which the Issuer operates, and such insurance policies are in full force and effect; (ii) none of the Issuer or any Subsidiary has been refused any insurance coverage sought or applied for or has reason to believe that, given the current terms for renewal being generally agreed by the insurers, the Issuer or any Subsidiary will not be able to renew existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business, except where such failure to renew or obtain would not, individually or in the aggregate, have a Material Adverse Effect; and (iii) that since the date of the last audited accounts appearing in or incorporated by reference in the Offering Circular, neither the Issuer nor any of its Subsidiaries has sustained any loss or interference with its business from fire,

explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or any action, order or decree of any Governmental Authorities, other than such loss or interference that would not have a Material Adverse Effect;

- (w) Intellectual Property: except as may be specifically described in the Offering Circular, the Issuer and each of its Subsidiaries legally and validly owns or possesses (or can acquire on reasonable terms), all patents, licenses, inventions, copyrights, know-how, trademarks, service marks, trade names, or other intellectual property (collectively, “Intellectual Property”) necessary to carry on the business now operated by them, that the conduct of its business will not conflict in any respect with any intellectual property rights of others; and they have not received any notice or is otherwise aware of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect their interests therein, and which infringement or conflict (if the subject of any unfavorable decision, ruling or finding) or invalidity or inadequacy, singly or in the aggregate, would reasonably be expected to result in a Material Adverse Effect;
- (x) Information Technology: (i) there are no defects relating to the network infrastructure, software and information technology used by the Issuer and its Subsidiaries in the conduct of their respective businesses, except to the extent that such defects would not reasonably be expected to have a Material Adverse Effect, and such network infrastructure, software and information technology have the capacity and performance necessary to fulfil the requirements of their respective businesses as they are being conducted and as is described in the Offering Circular; (ii) each of the Issuer and its Subsidiaries have implemented and maintained commercially reasonable policies and safeguards to protect their confidential information and ensure the security and integrity of their information technology and data used in connection with their respective businesses, and each of the Issuer and its Subsidiaries are in compliance with all such policies and safeguards, save where a breach of (ii) would not, individually or in the aggregate, have a Material Adverse Effect; (iii) each of the Issuer and its Subsidiaries is in compliance with all applicable cybersecurity and data protection laws and there are no breaches or investigations in respect of such laws, which would, individually or in the aggregate, have a Material Adverse Effect; and (iv) none of the Issuer or any of its Subsidiaries has received any notice (including, without limitation, any enforcement notice, deregistration notice or transfer prohibition notice), letter, or complaint from relevant data protection authorities which would, individually or in the aggregate, have a Material Adverse Effect;
- (y) Litigation: except as may be specifically described in the Offering Circular, there are no pending or threatened actions, suits, or proceedings (including tax claims) against or affecting the Issuer or any of its Subsidiaries or any of their properties which, if determined adversely, would individually or in the aggregate have a Material Adverse Effect, or have, or have had in the previous 12 months, either individually or in aggregate, significant effects on the financial position or profitability of the Issuer and/or any of its Subsidiaries, or affect the ability of the Issuer to perform its obligations under the Contracts or the Bonds, or may affect in any manner the validity and enforceability of the Contracts, or affect the ability of the Bank to perform its obligations under the Contracts or the Bonds, or which are otherwise material in the context of the issue of the Bonds; and, to the best of the Issuer’s knowledge, no such actions, suits, or proceedings are threatened or contemplated. Neither has any order of any court, administrative agency, or tribunal of competent jurisdiction been issued or effective which would make the consummation of the transactions contemplated by the Contracts illegal or invalid or impose any unreasonable conditions thereon. The Issuer has not taken any action (nor have any steps been taken) or legal proceedings commenced for its winding up or dissolution;
- (z) Environmental Laws: (i) none of the Issuer or any Subsidiary is in violation of any statute, rule, regulation, decision or order of any Governmental Authorities or any court, domestic or foreign, relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environment or human exposure to hazardous or toxic substances (collectively, environmental laws) which would, individually or in the aggregate, have a Material Adverse Effect; (ii) none of the Issuer or any

Subsidiary owns or operates any real property contaminated with any substance that is subject to any environmental laws, is liable for any off-site disposal or contamination pursuant to any environmental laws, or is subject to any claim relating to any environmental laws, except for such violations, contaminations, liabilities or claims which would not, individually or in the aggregate, have a Material Adverse Effect; and (iii) to the knowledge of the Issuer, there is no pending investigation by any Governmental Authority that may result in any claim relating to any environmental laws against any of the Issuer or any Subsidiary that would, individually or in the aggregate, have a Material Adverse Effect;

- (aa) No Default: no Event of Default or event which with the giving of notice or lapse of time and/or fulfillment of any other requirement or other condition might constitute an Event of Default is subsisting in relation to any outstanding indebtedness of the Issuer, and no event has occurred which might constitute (after an issue of Bonds) an Event of Default thereunder, or which with the giving of notice or lapse of time or other condition might (after an issue of Bonds) constitute such an Event of Default;
- (bb) Breach or Violations: neither the Issuer nor any of its Subsidiaries is in breach or in violation of the terms of, or in default under, (i) its articles of incorporation or other equivalent constitutive documents, (ii) any instrument, agreement, or order by which it or its property is bound, and no event has occurred which with the giving of notice or lapse of time or other condition would constitute a default by the Issuer or any of its Subsidiaries under any such instrument, agreement or order, or (iii) of any law or statute or any judgment, order or regulation of any Governmental Authority except, in the case of subclause (ii) above and this subclause (iii), for any such default or violation that would not, individually or in the aggregate, have a Material Adverse Effect;
- (cc) Taxes: (i) the Issuer and each of its Subsidiaries has paid all taxes applicable to it and filed all tax returns required to be paid or filed through the date hereof; and (ii) there is no tax deficiency that has been, or could reasonably be expected to be, asserted against any of its Subsidiaries or any of their respective properties or assets, except in each of (i) and (ii) for such taxes which are being contested in good faith or where the failure to pay or file or such tax deficiency that would not, individually or in the aggregate, have a Material Adverse Effect;
- (dd) Immunity: in any proceedings taken in relation to, or arising out of, the Contracts and the Bonds, neither the Issuer, any of its Subsidiaries, nor any of their respective properties, assets or revenues has any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding;
- (ee) Anti-money Laundering and Compliance with Laws: the operations of the Issuer and each of its Subsidiaries and, to the knowledge of the Issuer, any affiliate, are and have been conducted at all times in compliance with applicable laws, financial record keeping and reporting requirements, including those of the Currency and Foreign Transactions Reporting Act of 1970, as amended, and Anti-Money Laundering Laws in the Philippines, and those of all jurisdictions in which the Issuer and its Subsidiaries and, to the knowledge of the Issuer, affiliates conduct business or operations, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued and administered or enforced by any governmental agency or proceeding by or before any court or governmental agency (collectively, Money Laundering Laws) and no action, suit or proceeding by or before any court or governmental agency, authority, or body or any arbitrator involving the Issuer or any of its Subsidiaries, or to the knowledge of the Issuer, any affiliate, with respect to Money Laundering Laws is pending and, to the best of the knowledge of the Issuer after making all due and careful enquiries, no such actions, suits, or proceedings are threatened or contemplated. The Issuer shall notify the relevant Joint Lead Arranger and Selling Agents of any breach of laws, or any action, investigation, or proceeding with respect to any breach of laws;
- (ff) Anti-Bribery: neither the Issuer nor any of its Subsidiaries, nor any director, officer, agent, employee, or other person associated with or acting on behalf of the Issuer or any of its Subsidiaries, nor, to the knowledge of the Issuer, any affiliate, has used any corporate funds for any unlawful contribution, gift,

entertainment or other unlawful expense relating to political activity; made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; violated or is in violation of, or is aware of any action, directly or indirectly that could result in a violation of, any provision of or any applicable anti-bribery or anti-corruption laws and/or regulations enacted in any jurisdiction applicable to the Issuer including without limitation, Articles 210 and 211 of the Revised Penal Code of the Philippines on direct and indirect bribery, Republic Act No. 3019 known as the Anti-Graft and Corrupt Practices Act of the Philippines, the U.S. Foreign Corrupt Practices Act of 1977 (the FCPA), the UK Bribery Act (the UKBA) or other applicable comparable laws or regulations, of the Philippines each as may be amended, or the rules or regulations thereunder; or made, offered or promised to make or authorized the payment or giving of any bribe, rebate, payoff, influence payment, facilitation payment, kickback or other unlawful payment or gift of money or anything of value prohibited under any applicable law or regulation equivalent to the FCPA, the UKBA, or comparable laws or regulations of the US, UK or the Philippines and the Issuer and its Subsidiaries have instituted and maintain policies and procedures to ensure compliance therewith;

- (gg) Sanctions: neither the Issuer, nor any of its Subsidiaries, nor, to the knowledge of the Issuer, any affiliate, nor any of their respective directors, officers, or any employees nor, to the knowledge of the Issuer, any persons acting on any of their behalf:
 - (i) is a Restricted Party; or
 - (ii) has received notice of or is aware of any claim, action, suit, proceeding, or investigation against it with respect to Sanctions by any Sanctions Authority.
- (hh) Solvency: the Issuer and each of its Subsidiaries is Solvent. As used in this paragraph, the term “Solvent” means, with respect to a particular date, that on such date (i) the present fair market value (or present fair saleable value) of their respective assets is not less than the total amount required to pay its liabilities on its total existing debts and liabilities (including contingent liabilities) as they become absolute and matured; (ii) each of them is able to realize upon its assets and pay its debts and other liabilities, contingent obligations and commitments as they mature and become due in the normal course of business; (iii) none of them is incurring debts or liabilities beyond its ability to pay as such debts and liabilities mature; (iv) none of them is engaged in any business or transaction, and does not propose to engage in any business or transaction, for which its property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which each of them is engaged; (v) each of them will be able to meet its obligations under all its outstanding indebtedness as they falls due; and (vi) none of them is a defendant in any civil action that would result in a judgment that the Issuer or any of them is or would become unable to satisfy.
- (ii) Listing: The approval of PDEX for the listing of the Bonds when issued will be in full force and effect unless applicable laws no longer require listing of the Bonds with an exchange.

These representations and warranties are true and correct as of the date of the Offering Circular and as of each relevant Issue Date and shall be deemed repeated with reference to the facts and circumstances then existing on each such Issue Date and each Interest Payment Date, each Early Redemption Date, and the Maturity Date.

11.0 Covenants

The Bank hereby covenants and agrees that, from Issue Date and until payment in full and performance of all its obligations under the Bonds:

- (a) *Payment*: it shall pay all amounts due under the Bonds and the Contracts at the times and in the manner specified in, and perform all its obligations, undertakings, and covenants under the Bonds and the Contracts;
- (b) *Taxes*: it 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 steps as may be necessary in order to prevent its properties from being subjected to the possibilities of 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;

- (c) *Corporate Existence*: it shall preserve and maintain its corporate existence, and all its rights, licenses, franchises, permits, concessions, and privileges, and it shall not change the nature of its business as presently conducted to maintain the Bonds until Maturity Date or full payment of the claims under the Bonds, whichever is later;
- (d) *Negative Pledge*: it shall, for as long as the Bonds or any portion thereof remain outstanding, unless it has obtained prior consent in accordance with these General Terms and Conditions, and subject to the notification and ranking Conditions 4 and 10(g) of these General Terms and Conditions:
 - a. It will not create or permit to subsist any mortgage, charge pledge, lien or other form of encumbrance or security interest (“**Security Interest**”) upon the whole or any part of its assets or revenues (present or future) to secure any Indebtedness, or any guarantee of or indemnity in respect of any Indebtedness;
 - b. It will procure that no other person creates or permits to subsist any Security Interest upon the whole or any part of the assets or revenues present or future of that other person to secure (x) any of the Issuer’s Indebtedness, or any guarantee of or indemnity in respect of any of the Issuer’s Indebtedness, or (y) where the person in question is a Subsidiary of the Issuer, any of the Indebtedness of any person other than that Subsidiary, or any guarantee of or indemnity in respect of any such Indebtedness, unless, at the same time or prior thereto, the Issuer’s obligations under the Bonds (i) are secured equally and ratably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as approved in accordance with these General Terms and Conditions; and
 - c. It will not create or permit to subsist any preference or priority in respect of any other Indebtedness of the Issuer pursuant to Article 2244(14) of the Civil Code of the Philippines, or any successor Philippine law providing for preferences or priority in respect of notarized Indebtedness unless amounts payable under the outstanding Bonds are granted preference or priority equally and ratably therewith.
- (e) *Financial Records*: (i) it shall maintain adequate financial records and prepare all financial statements in accordance with generally accepted accounting principles and practices in the Philippines consistently applied, and in compliance with the regulations of the government body having jurisdiction over it, (ii) it shall, as soon as practicable, make available copies of its audited financial statements, consisting of the balance sheet of the Issuer 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 Issuer for such fiscal year, such audited financial statements being prepared in accordance with generally accepted accounting principles and practices in the Philippines consistently applied and being certified by an independent certified public accountant of recognized standing in the Philippines, (iii) it shall, as soon as practicable, upon written request from a Bondholder, furnish such requesting Bondholder such updates and information as may be reasonably requested by a Bondholder pertaining to the business, assets, condition, or operations of the Bank, or affecting the Issuer’s ability to duly perform and observe its obligations and duties under the Bonds and the Contracts, *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; (iv) and, subject to receipt of a written request within a reasonable period before the proposed date of inspection, permit the

Bondholders 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 Bonds (or, at the Bank's option, send electronic copies of the requested records to the requesting Bondholder);

- (f) *Compliance with Laws*: it 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 a Material Adverse Effect;
- (g) *Compliance with BSP Directives*: it shall fully and promptly comply with all BSP directives, orders, issuances, findings, and letters, including those regarding its capital, licenses, risk management, and operations and promptly and satisfactorily take all corrective measures that may be required under BSP audit reports, save where non-compliance would not have a Material Adverse Effect;
- (h) *Use of Proceeds*: it shall use the net proceeds from the Bonds in accordance with the purpose of issuance provided in the Offering Circular;
- (i) *Obligations*: it shall 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;
- (j) *Notice of Proceedings*: it shall give to the Bondholders, through the Trustee, written notice of (i) all assessments, litigation, or administrative or arbitration proceedings before any court, tribunal, arbitrator, or governmental or municipal authority affecting the Bank or any of its assets regarding any claim which (x) is in excess of USD10,000,000 or its equivalent in any other currency or (y) which could reasonably be expected to have a Material Adverse Effect; and (ii) of any other matter or condition affecting the Bank which could reasonably be expected to have a Material Adverse Effect, immediately upon becoming aware that the same has occurred, is pending or has been commenced;
- (k) *Contracts*: it shall ensure that any documents related to the Bonds 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;
- (l) *Other Information*: subject to reasonable requirements, it shall, upon prior written request of a Bondholder coured through the Trustee, permit the Bondholders or their duly designated representatives, to inspect during reasonable business hours such reports, documents, and other information respecting the business, properties, condition, or operations financial or otherwise) of the Bank as a Bondholder may from time to time reasonably require (or, at the Bank's option, send electronic copies of the requested information to the requesting Bondholder);
- (m) *Default*: it shall, as soon as possible, and in any event within three (3) days after the occurrence of any default on any of the obligations 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 agreement of the Bank with any party, including, without limitation, the Contracts, serve a written notice to the Bondholders, 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;
- (n) *Compliance with Reporting Obligations*: it will duly and punctually comply with all disclosure reporting, filing, and similar requirements imposed by the BSP, the SEC, PDEx, and the PSE, or in accordance with any applicable Philippine law and regulations from time to time relating to the Bonds and the Contracts;

- (o) *Auditors:* The Bank shall maintain the services of the Auditors and in any event where the Auditors shall cease to be the external auditor of the Bank for any reason, the Bank shall appoint another reputable, responsible and internationally accredited external auditor.
- (p) *Information and Warranties:* it will immediately notify the Bondholders, and the Registrar and Paying Agent, if anything occurs which renders or may render untrue or incorrect, in any material respect, any of the representations or warranties in Condition 10 of these General Terms and Conditions, or the Bank otherwise breaches, or is alleged to breach any of its undertakings;
- (q) *Agents:* it shall ensure that there shall at all times be a Registrar and Paying Agent for the purposes of the Bonds, as provided in the Registry and Paying Agency Agreement;
- (r) *Request for Information:* it shall, when so requested in writing, provide any and all information reasonably needed by the PDEX, Trading Participant, the Paying Agent and/or Registrar, as the case may be, to enable them to comply with their respective responsibilities and duties under the Governing Regulations and the Contracts; *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;
- (s) *Listing:* it shall ensure that the Bonds are listed with PDEX unless applicable laws no longer require listing of Bonds with an exchange, and delisting is approved by the Bondholders through a meeting duly called for such purpose, in accordance with these General Terms and Conditions;
- (t) *Government Agency Orders:* it shall promptly advise the Bondholders, through the Trustee of: (i) any request by any government agency for any information related to the Bonds; and (ii) the issuance by any governmental agency of any cease-and-desist order suspending the distribution or sale of the Bonds 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 Bonds at the earliest time possible;
- (u) *Sanctions:* it shall not, and shall not permit or authorize any other person to, directly or indirectly, use, lend, make payments of, contribute or otherwise make available, all or any part of the proceeds of any transaction(s) contemplated by these General Terms and Conditions to fund any trade, business or other activities: (i) involving or for the benefit of any Restricted Party; or (ii) in any other manner that would reasonably be expected to result in the Bank or the Joint Lead Arrangers and Bookrunner or any Selling Agent being in breach of any Sanctions (if and to the extent applicable to either of them) or becoming a Restricted Party; and
- (v) *Further Assurance:* the Bank shall execute and deliver such documents and perform such further acts as a relevant party may reasonably require in relation to the Governing Regulations or any of the Contracts.

These covenants of the Bank shall survive the issuance of the Bonds and shall be complied with and performed fully and faithfully by the Bank at all times while the Bonds or any portion thereof remains outstanding.

12.0 Events of Default

Subject to the Trust Agreement, the Majority Bondholders shall have the right to declare the Bank in default, insofar as the Bonds registered under such Bondholder's name is concerned, in accordance with Condition 17, in case any of the following events shall occur and be continuing:

- (a) The Bank fails to pay any principal and/or interest (as applicable) due on the Bonds within ten (10) days of the due date of payment; provided, that such non-payment shall not constitute an Event of Default if the Bank has confirmed the Payment Instruction Report (as defined in the Registry and Paying Agency

Agreement) prepared by the Registrar and Paying Agent and there are sufficient funds standing in the Payment Account (as defined in the Registry and Paying Agency Agreement) on a relevant payment date (a “**Payment Default**”);

- (b) Unless otherwise redeemed by the Bank under Condition 6(b)(ii), it becomes unlawful for the Bank to perform or comply with any one or more of its material obligations under the Bonds;
- (c) The Bank fails to perform or violates its covenants (other than Condition 11(a)) under these General 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;
- (d) Any of the Bank’s representations and warranties under Condition 10 or any certificate or opinion submitted by it in connection with the issuance of the Bonds is untrue, incorrect, or misleading in any material respect, and breach 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 breach;
- (e) The Bank (i) defaults in the repayment of any amount of principal and premium (if any) or interest, in respect of any contract (other than the Bonds) executed by the Bank with any bank, financial institution or other person, corporation or entity for the payment of borrowed money in an aggregate amount exceeding USD10,000,000.00 or its equivalent in any other currency 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, law, or regulation, which is irremediable or, if remediable, (x) is not remedied by the Bank within thirty (30) days or is otherwise not contested by the Bank, 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;
- (f) Any governmental consent, license, approval, authorization, declaration, filing or registration which is granted or required in connection with the Bonds expires or is terminated, revoked or modified and the result thereof is to make the Bank unable to discharge its obligations hereunder or thereunder;
- (g) Any final and executory judgment, decree, or arbitral award for the sum of money, damages, fine, or penalty in excess of USD10,000,000.00 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;
- (h) (i) Any Indebtedness of the Bank with respect to borrowed money becomes due and repayable prematurely by reason of an Event of Default; (ii) any Indebtedness of the Bank with respect to borrowed money is not paid when due; (iii) any security given by the Bank for any Indebtedness of the Bank for borrowed money becomes enforceable; (iv) default is made by the Bank in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness of the Bank for borrowed money of any other person; or (v) any Indebtedness of the Bank with respect to borrowed money becomes (or is capable of becoming) fully due and repayable prematurely by reason of a default under the document relating to such indebtedness; *provided*, that in any of the foregoing cases, the aggregate amount of Indebtedness exceeds USD10,000,000.00 or its equivalent in any other currency;
- (i) Any judgment, writ, warrant of attachment or execution, or similar process shall be issued or levied against more than half of the Bank’s assets, singly or in the aggregate, and such judgment, writ, warrant, or similar process shall not be released, vacated, or fully bonded within thirty (30) days after its issue or levy;

- (j) 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 (with or without compensation) the Bank or any material portion of its properties or assets;
- (k) The Bank voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) days ("**Closure Default**"), except in the case of strikes or lockouts, or when due to fortuitous events or *force majeure*, and, provided that, in any such event, there is no Material Adverse Effect; or
- (l) 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 or similar officer over all or a substantial portion of its properties, and such appointment is not lifted, discharged, or dismissed within thirty (30) days from the Bank's receipt of notice of such appointment; (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, or appointment of trustee or receiver of the Bank or a substantial portion of its assets (each an "**Insolvency Default**").

13.0 Effects of Default Events

(a) Declaration of Default

The Trustee shall, within thirty (30) days after the occurrence of any Event of Default, give to the Bondholders 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, as defined under the Events of Default in these General Terms and Conditions of the Bonds, the Trustee shall immediately notify the Bondholders upon the occurrence of such payment default. The existence of a written notice required to be given to the Bondholders hereunder shall be published in a newspaper of general circulation in Metro Manila for two (2) consecutive days (at the expense of the Bank), further indicating in the published notice that the Bondholders or their duly authorized representatives may obtain an important notice regarding the Bonds at the principal office of the Trustee upon presentation of sufficient and acceptable identification.

If any one or more of the Events of Default shall have occurred and be continuing after any applicable cure period shall have lapsed without the Bank having cured the default (to the extent applicable), the Trustee, upon the written direction of the Majority Bondholders whose written instruction/consent/letter shall be verified by the Registrar and by written notice to the Bank, may declare the Bank in default in respect of the Bonds held by such Bondholders, stating the Event of Default relied upon, and require the principal amount of the Bonds held by such Bondholders, and all accrued interests (including any default interest, if any) and other charges due thereon, to be immediately due and payable, and forthwith collect said outstanding principal, accrued interests (including any default interest) and other charges, without prejudice to any other remedies which such Bondholder or the other holders of the Bonds may be entitled.

(b) Default Interest

In case any amount payable by the Bank under the Bonds, whether for principal, interest, and/or fees due to Trustee or Registrar and Paying Agent or otherwise, is not paid on due date, the Bank shall pay default interest at the rate of twelve percent (12%) per annum thereon, which shall accrue after the lapse of the curing period until the same is fully paid.

(c) Application of Payments

Subject to the Registry and Paying Agency Agreement and the Trust Agreement, any money delivered to the Paying Agent upon the occurrence of an Event of Default under Condition 12 shall be applied by the Paying Agent in the order of preference as follows: *first*, to the *pro rata* payment to the Registrar and Paying Agent, the Trustee, Selling Agents, and PDEX and the Trading Participant, of the costs, expenses, fees, and other charges of collection incurred by them respectively without gross negligence or bad faith, to the payment to the Registrar and Paying Agent and to the Trustee of their respective fees, and other outstanding charges due to them, including reasonable compensation to each of them, their agents, attorneys, and all reasonable expenses and liabilities incurred or disbursements made by them, without gross negligence, or bad faith; *second*, to the payment of all outstanding interest owing to such Bondholder, including any default interest, in the order of maturity of such interest; *third*, to the pro-rata payment of the whole amount then due and unpaid on the Bonds; and *fourth*, the remainder, if any shall be paid to the Bank, its successors, or assigns, or to whoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

14.0 Remedies; Waiver; Ability to File Suit; Limitations

- (a) All remedies conferred by these General Terms and Conditions to the Bondholders shall be cumulative and not exclusive, and shall not be so construed as to deprive the Bondholders of any legal remedy by judicial or extrajudicial proceedings appropriate to enforce such direct rights under these General Terms and Conditions.
- (b) No delay or omission by the Bondholders, 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 these General Terms and Conditions to the Bondholders may be exercised from time to time and as often as may be necessary or expedient.
- (c) No Bondholder 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:
 - (i) such Bondholder 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 Bondholders to take up matters related to their rights and interests under the Bonds;
 - (ii) the Majority Bondholders 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 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 Bondholders, it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no one or more Bondholders 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 Bonds, 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 Bondholders.

- (d) The Majority Bondholders 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 may, on behalf of all Bondholders, waive any past default, except the events of default defined as a payment default, Insolvency Default, or closure default, and its consequences. In case of any such waiver, the Bank, the Trustee, and the Bondholders 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 Bondholders shall be conclusive and binding upon all Bondholders 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 Bonds.
- (e) Notwithstanding any other provisions in these General 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).

15.0 Replacement Registry Confirmations

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

16.0 Change of Trustee by the Bondholders

- (a) The Majority Bondholders 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 under the provisions of Clause 19 on Evidence Supporting the Action of the Bondholders.
- (b) Any resignation or removal of the Trustee and the appointment of a successor trustee pursuant to any provisions of the Trust Agreement shall become effective upon the earlier of: (i) acceptance of appointment by the successor Trustee as provided in the Trust Agreement; or (ii) effectivity of the resignation notice sent by the Trustee under the Trust Agreement; provided however that, until such successor trustee is qualified and appointed, the resigning Trustee or the trustee to be removed shall continue to discharge its duties and responsibilities solely as custodian of records for turnover to the successor trustee promptly upon the appointment thereof by the Bank; provided finally that, such successor trustee possesses all the qualifications as required by pertinent laws.

17.0 Reports to the Bondholders

- (a) The Trustee shall submit to the Bondholders on or before February 28 of each year from the relevant Issue Date of the relevant Series or Tranche of Bonds until full payment of the Bonds (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 Bondholders on the date of such report; and
 - (ii) any action taken by the Trustee in the performance of its duties under the Trust Agreement which it has not previously reported and which in its opinion materially affects the Bonds, except action in respect of a default, notice of which has been or is to be withheld by it.
- (b) The Trustee shall submit to the Bondholders (which may be through electronic mail) a brief report within ninety (90) days from the making of any advance, the reimbursement of which it claims or may claim as a lien or charge which is prior to that of the Bondholders 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 Bonds at such time.

(c) The following pertinent documents may be inspected during regular business hours on any Business Day at the principal office of the Trustee:

- i. Trust Agreement;
- ii. Issue Management and Placement Agreement;
- iii. Registry and Paying Agency Agreement;
- iv. Articles of Incorporation and By-Laws of the Bank, as amended;
- v. Copies of the Bank's most recent audited financial statements; and
- vi. A copy of the Offering Circular together with any supplement to the Offering Circular.

18.0 Meetings of the Bondholders

A meeting of the Bondholders may be called at any time for the purpose of taking any actions authorized to be taken by or in behalf of the Bondholders of any specified aggregate principal amount of Bonds under any other provisions of the Trust Agreement or under the law and such other matters related to the rights and interests of the Bondholders under the Bonds. All meetings shall be held in Makati City.

(a) *Notice of Meetings*

The Trustee may at any time call a meeting of the Bondholders, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of Bonds may direct in writing the Trustee to call a meeting of the Bondholders, 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 Bondholders, 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 Bondholders not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of 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, pursuant to a resolution of its board of directors or executive committee, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of the Bonds shall have requested the Trustee to call a meeting of the Bondholders 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 the notice requirements, the notice of such meeting, then the Bank or the Bondholders 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, and, should the failure be attributable to the neglect or fault of the Trustee, the costs thereof shall be chargeable to the Trustee.

(c) *Quorum*

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

(d) *Procedure for Meetings*

- (1) The Trustee shall preside at all the meetings of the Bondholders, unless the meeting shall have been called by the Bank or by the Bondholders, in which case the Bank or the Bondholders

calling the meeting, as the case may be, shall in like manner move for the election of the chairman and secretary of the meeting.

- (2) Any meeting of the Bondholders duly called may be adjourned for a period or periods not to exceed in the aggregate of one (1) year from the date for which the meeting shall originally have been called and the meeting as so adjourned may be held without further notice. Any such adjournment may be ordered by persons representing at least a majority of the aggregate principal amount of the Bonds 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 Bondholders, a person shall be a registered holder of one or more Bonds or a person appointed by an instrument in writing as proxy by any such holder as of the date of the said meeting. Bondholders shall be entitled to one (1) vote for every Fifty Thousand Pesos (₱50,000.00) interest. The only persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the persons entitled to vote at such meeting and any representatives of the Bank and its legal counsel.

(f) *Voting Requirement*

Except as provided in Condition 20 (*Amendments*), all matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the Majority Bondholders present or represented in a meeting at which there is a quorum except as otherwise provided in the Trust Agreement. Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Bank as if the votes were unanimous.

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

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 Bondholders, in regard to proof of ownership of the Bonds, the appointment of proxies by registered holders of the Bonds, 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.

19.0 Evidence Supporting the Actions of the Bondholders

Wherever in the Trust Agreement it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of the Bonds 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 Bondholders 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 Bondholders duly called and held in accordance herewith, or (iii) a combination of such instrument and any such record of meeting of the Bondholders.

20.0 Amendments

The Bank and the Trustee may amend these General Terms and Conditions with notice to every Bondholder following the written consent of the Majority Bondholders or a vote of the Majority Bondholders at a meeting called for the purpose. However, without the consent of each Bondholder affected thereby, an amendment may not:

- (a) reduce the percentage of principal amount of Bonds outstanding that must consent to an amendment or waiver;

- (b) reduce the rate of or extend the time for payment of interest on the Bonds;
- (c) reduce the principal of or extend the Maturity Date;
- (d) impair the right of any Bondholder to receive payment of principal of and interest on such Bondholder's Bonds on or after the due dates therefore or to institute suit for the enforcement of any payment on or with respect to such Bondholders;
- (e) reduce the amount payable upon the redemption or repurchase of the Bonds under these General Terms and Conditions or change the time at which the Bonds may be redeemed;
- (f) make the Bonds payable in money other than that stated in the Bonds;
- (g) subordinate the Bonds to any other obligation of the Bank;
- (h) amend or modify the Payment, Taxation, the Events of Default of these General Terms and Conditions or the Waiver of Default by the Bondholders; or
- (i) make any change or waiver of any of the foregoing Conditions.

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

It shall not be necessary for the consent of the Bondholders 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 Bondholders.

Any amendment of these General Terms and Conditions is subject to the Governing Regulations.

21. Notices

All notices, instructions, and requests to the Registrar and Paying Agent or the Trustee or any other person named herein shall be in writing and shall be sent by personal delivery, courier, or registered mail with postage prepaid, confirmed facsimile to the addressees at its address, facsimile number, and secured electronic email address, and for the attention of the specified representative, as set forth below:

- (a) To the Bank

PHILIPPINE NATIONAL BANK

3/F Global Markets Group, PNB Financial Center
Pres. Diosdado Macapagal Blvd.
Pasay City, Metro Manila 1300

Attention: **Noel C. Malabag**
First Senior Vice President
Head, Global Markets Group
Tel. No.: (632) 8558 6126; (632) 8558 6140
E-mail: malabagnc@pnb.com.ph

Attention: **Robina S. Sy**
Senior Vice President
Head, Asset and Liability Management Division
Tel. No.: (632) 8558 6126; (632) 8558 6140
E-mail: syrs@pnb.com.ph

Attention: **Mary Patricia D. Gannaban**
Assistant Vice President

Asset and Liability Management Division
Tel. No.: (632) 8558 6126; (632) 8558 6140
E-mail: delarosapg@pnb.com.ph

- (b) To the Registrar and Paying Agent

PHILIPPINE DEPOSITORY & TRUST CORP.

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

Tel. No: 8884-5025

E-mail: baby_delacruz@pds.com.ph
Attention: Josephine “Baby” F. Dela Cruz
Director

Tel. No.: 8884-4413

Email: peachy.garcia@pds.com.ph
Attention: Patricia Camille R. Garcia
Registry Officer

- (c) To the Trustee

DEVELOPMENT BANK OF THE PHILIPPINES - TRUST BANKING GROUP

4/F DBP Building, Sen Gil J. Puyat Avenue
Makati City, Philippines

Attention: Maria Felicia S. Magtibay
Senior Assistant Vice President
Head, Trust Marketing Department
Tel. No.: (632) 8818 9511 local 3408
Fax No.: (632) 8818 9511
E-mail: mfsmagtibay@dbp.ph; tmd@dbp.ph

- (d) To the Selling Agents

ING BANK N.V., MANILA BRANCH

22nd Floor, Arthaland Century Pacific Tower,
5th Ave. cor. 30th St., Bonifacio Global City,
1634 Taguig City, Metro Manila

Attention: Lenin C. Dueñas, Jr.
Managing Director
Head of Corporate Sector Coverage and Financial Institutions
Tel. No.: 8479-8888
Email: lenin.jr.duenas@asia.ing.com

PHILIPPINE NATIONAL BANK

3/F Global Markets Group, PNB Financial Center, Pres. Diosdado Macapagal Blvd. Pasay City, Metro Manila 1300

Attention: **Noel C. Malabag**
First Senior Vice President
Head, Global Markets Group
Tel. No.: (632) 8558 6126; (632) 8558 6140
E-mail: malabagnc@pnb.com.ph

Attention: **Robina S. Sy**
Senior Vice President
Head, Asset and Liability Management Division
Tel. No.: (632) 8558 6126; (632) 8558 6140
E-mail: syrs@pnb.com.ph

Attention: **Mary Patricia D. Gannaban**
Assistant Vice President
Asset and Liability Management Division
Tel. No.: (632) 8558 6126; (632) 8558 6140
E-mail: delarosapg@pnb.com.ph

STANDARD CHARTERED BANK

20/F Ayala Triangle Gardens Tower Two,
Paseo de Roxas cor. Makati Avenue, Makati City

Attention: Michelangelo K. Samson
Chief Executive Officer, Philippines
Tel. No.: 8539 9411
E-mail: Mike.Samson@sc.com; CMPhilippines@sc.com

- (e) To the Joint Lead Arrangers and Bookrunners

ING BANK N.V., MANILA BRANCH

22nd Floor, Arthaland Century Pacific Tower,
5th Ave. cor. 30th St., Bonifacio Global City,
1634 Taguig City, Metro Manila

Attention: Lenin C. Dueñas, Jr.
Managing Director
Head of Corporate Sector Coverage and Financial Institutions
Tel. No.: 8479-8888
Email: lenin.jr.duenas@asia.ing.com

PNB CAPITAL AND INVESTMENT CORPORATION

9th Floor, PNB Financial Center
President Diosdado Macapagal Boulevard
Pasay City, Metro Manila 1300

Attention: Gerry B. Valenciano
President
Tel. No.: 8526-3698
E-mail: valencianogb@pnb.com.ph; pnbcapital@pnb.com.ph

STANDARD CHARTERED BANK

20/F Ayala Triangle Gardens Tower Two,
Paseo de Roxas cor. Makati Avenue, Makati City

Attention: Michelangelo K. Samson
Chief Executive Officer, Philippines
Tel. No.: 8539 9411
E-mail: Mike.Samson@sc.com; CMPhilippines@sc.com

(f) To the Bondholders

All notices to the Bondholders shall be in writing and shall be sent by mail with postage prepaid to the name and last recorded address of the Bondholders as appearing in the Registry or by publication, at the Bank's expense, for two (2) consecutive days in two (2) newspapers of general circulation in Metro Manila in accordance with SEC Memorandum Circular No. 1 (2008).

(h) Effect of Notice

All notices, instructions, statements, and requests, where applicable, shall: (i) if delivered personally to the address as provided in this Condition 21, be deemed given upon delivery; (ii) if delivered by a courier, be deemed given upon delivery; (iii) if delivered by facsimile transmission to the facsimile number as provided in this section, be deemed given upon receipt in readable form and a full transmission report has been received by the sender; (iv) if delivered by registered mail in the manner described above to the address as provided in this Condition 21, be deemed given upon receipt, and in case of email if received in readable form (in each case regardless of whether such notice, request or other communication is received by any other person on behalf of such individual to whom a copy of such notice, request, or other communication is to be delivered pursuant to this Condition). The parties shall maintain any electronic data, message, communication, or mail received pursuant to the Electronic Commerce Act (Republic Act No. 8792) and these General Terms and Conditions. The Parties may from time to time change its address, facsimile number, or other information for the purpose of notices hereunder by giving notice specifying such change to the other parties pursuant to the notice procedure under this Condition.

Any notice, report, or communication received on a non-working day or after business hours in the place of receipt will only be deemed given on the next working day in that place.

(g) Recording

For security and quality of service purposes, all telephone and other communications between the parties and the Bondholders may be recorded in any manner, and to the production of such recordings as evidence in any proceedings brought in connection with the Bonds.

(h) Regulatory Notices / Complaint Desk

For any concerns you may contact the Bank at (632) 8573-8888 or customercare@pnb.com.ph. PNB is a universal bank regulated and supervised by the Bangko Sentral ng Pilipinas with telephone number (02) 8708-7087 and email address consumeraffairs@bsp.gov.ph.

22. Waiver of Preference or Priority

In the event that a primary obligation for payment shall arise out of the Contracts, such as to constitute any of the Contracts as a contract for the payment of an indebtedness or a loan, then it is understood and expressly agreed by the parties hereto that the obligation created under such Contract/s shall not enjoy any priority, preference or special privileges whatsoever over any indebtedness or obligations of the Bank. Accordingly, whatever priorities or preferences that such Contract/s may have or any person deriving a right hereunder may have under Article 2244, paragraph 14(a) of the Civil Code of the Philippines are hereby absolutely and unconditionally waived and renounced.

23. Venue

The courts of Taguig City or Pasay City or Makati City, at the option of the plaintiff are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds and these General Terms and Conditions and accordingly, any legal action or proceedings arising out of or in connection with the Bonds or these General Terms and Conditions ("**Proceedings**") may be brought only in such courts. The Bank irrevocably

submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. The party adjudged by the court to be liable shall be obliged to pay the costs of litigation, as well as reasonable attorney's fees.

24. Prescription

Any action upon the Bonds shall prescribe within ten (10) years from the time the right of action accrues.

25. Severability

If any provision hereunder becomes invalid, illegal, or unenforceable under any law, the validity, legality, and enforceability of the remaining provisions of these General Terms and Conditions shall not be affected or impaired. The Bank shall exert reasonable efforts to replace any invalid provision with a valid provision which most closely approximates the intent and economic effect of the illegal, invalid, or unenforceable provision.

26. Governing Law

These General Terms and Conditions shall be governed by and construed in accordance with the laws of the Republic of the Philippines.

27. Non-waiver

The failure of any party at any time or times to require the performance by the other of any provision of the Bonds or these General Terms and Conditions shall not affect the right of such party to require the performance of that or any other provisions and the waiver by any party of a breach under these General Terms and Conditions shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself or a waiver of any right under these General Terms and Conditions. The remedies herein provided are cumulative in nature and not exclusive of any remedies provided by law.

28. Ability to File Suit

Nothing herein shall be deemed to create a partnership or collective venture between the Bondholders. Subject to Condition 14(c), each Bondholder shall be entitled, at its option, to take independent measures with respect to its obligations and rights and privileges under these General Terms and Conditions, and it shall not be necessary for the other Bondholders to be joined as a party in any judicial or other proceeding for such purpose.

11.0 Description of the Bank

Overview

The Bank provides a full range of banking and other financial services to large corporate, middle-market, small and medium enterprises (“SMEs”) and retail customers, as well as to the Government, National Government Agencies (“NGAs”), local government units (“LGUs”) and government owned and controlled corporations (“GOCCs”). While the Bank’s principal focus has historically been to serve the banking needs of Government-related entities and GOCCs, the Bank’s focus since 2000, after its privatization, has been to further develop its banking services for large corporates, middle-market, SMEs, retail customers and OFWs.

As of 30 June 2025, with total assets of ₱1.29 trillion, the Bank was the sixth largest privately-owned Philippine universal bank in terms of total assets based on BSP data. The Bank was also the fifth largest local private universal bank in the Philippines in terms of local branches based on BSP data. As of 30 June 2025, the Bank had 631 branches and offices, and 1,719 automated teller machines (“ATMs”) located throughout the Philippines. The Bank has the largest overseas network among Philippine banks with 70 branches, representative offices, remittance centers and subsidiaries in key cities in the United States, Canada, Europe, the Middle East and Asia. As of 30 June 2025, the Bank also maintained correspondent relationships with 337 banks and financial institutions worldwide. As a result of this large geographic coverage, the Bank believes it is one of the leading providers of remittance services to OFWs.

The Bank’s principal commercial banking activities include deposit-taking, lending, bills discounting, trade finance, foreign exchange dealings, fund transfers/remittance servicing, a full range of retail banking and trust services, and treasury operations. The Bank also provides banking and financial services to its customers through its PNB Digital App and internet banking system. Likewise, the Bank offers cash management solutions to corporate clients such as basic banking services, liquidity management, disbursement and collections, among others. Through its subsidiaries and affiliates, the Bank also engages in a number of diversified financial and related businesses such as remittance servicing in the United States, Canada, Hong Kong, Italy, France and the United Kingdom, investment banking, life insurance and stock brokerage.

As of 30 June 2025, the Bank’s consolidated Tier 1 CAR and total CAR as reported to the BSP was 19.3% and 20.1%, respectively. The Bank has been listed on the PSE since June 1989. The market capitalization of the Bank as of 30 June 2025 was ₱81.3 billion.

For the years ended 31 December 2022, 2023, and 2024 and the six months ended 30 June 2024 and 2025, the Bank’s net income was ₱11,584.0 million, ₱17,965.8 million, ₱21,178.0 million, ₱10,290.2 million, and ₱12,516.8 million, respectively.

Competitive Strengths

The Bank considers the following to be its principal competitive strengths relative to the banking sector:

Trusted and established banking brand in the Philippines

The Bank has a rich history of operations and was established more than 100 years ago. PNB was initially established as a government-owned bank in 1916 and later became the first universal bank in the Philippines. Until 1949, PNB acted as the de facto central bank of the Philippines as it was given the special power to issue circulating notes. Owing to its original mandate to provide financial services to the Philippine industrial and agricultural sectors and support the Government’s economic development efforts, PNB established itself as a well-known banking brand in the Philippines with a strong presence in both rural and metro areas.

Today, the Bank believes that its scale, branch network, business lines and product offerings have made it one of the most recognizable brands in the Philippine financial services industry. The Bank is one of the leading universal and

commercial banking franchises in terms of total assets, total deposits, and net loans and receivables as of 30 June 2025 based on data from the BSP. The Bank also boasts of an extensive distribution network with 631 branches in the Philippines and 70 overseas branches, offices, subsidiaries/affiliates, and remittance centers globally as of end of second quarter 2025.

In affirmation of the Bank's well-managed operations, the Bank has received numerous awards from the BSP and other international bodies over the years. PNB has been recognized by Asiamoney as "*Best Bank for Investment Research*" for five consecutive years from 2021 to 2025, which is a testament to the Bank's contribution in helping its clients make sound investment decisions by sharing their insights on equities, industries, and the Philippine economy. In April 2024, PNB ranked 1st in the Philippines in Forbes' list of World's Best Banks for 2024, an improvement from its ranking in 2023 as the 2nd Best Bank in the Philippines. The ranking was based on a worldwide survey of more than 49,000 banking customers in 33 countries as highlighted in the story published by Forbes, "Meet the World's Best Banks 2024". Banks were rated in terms of general satisfaction, recommendation, trust, terms and conditions, digital services, customer services, and financial advice.

PNB has been recognized by the Institute of Corporate Directors in its Golden Arrow Awards in recent years, highlighted by its four-time victory as a Four Golden Arrow awardee for four consecutive years. The award is given to publicly listed companies based on the results of the ASEAN Corporate Governance Scorecard assessment.

The bank's mobile banking app, PNB Digital, has been consistently recognized for its excellence and innovation in digital banking. In October 2023, PNB Digital earned the Philippines' "Digital Experience of the Year – Banking" recognition at the Asian Experience Awards 2023. In 2024, the app received the Excellence in Customer Service Innovation Award from The Digital Banker's Digital CX Awards 2024. And in 2025, PNB Digital was awarded "Best Mobile Experience in the Philippines" by the International Business Magazine Awards, reaffirming its position as one of the country's leading and most trusted mobile banking platforms.

Beyond these achievements, below are some of the major awards recently received by the bank, further affirming its standing as a trusted and well-established financial partner:

- International Business Magazine Awards 2025 – US\$300 million sustainability bond as Best Sustainability Bond Offering Philippines
- The Asset Country Awards 2025
 - PNB Capital and Investment Corporation Renewable Energy Deal of the Year-Solar
 - PNB Capital and Investment Corporation Renewable Energy Deal of the Year-Rooftop Solar
- The Asset Triple A Awards 2025
 - Best Sustainability Bond: Financial Institution award for US\$300 million sustainability bond
 - PNB Capital and Investment Corporation Best IPO for the Citicore Renewable Energy Corporation (CREC) 5.3 billion pesos IPO
- Chartered Financial Analyst Society of the Philippines Best Managed Fund 2025 – Intermediate Term Bond Fund Category: PNB Profit Peso Bond Fund
- The Asset Benchmark Research Awards 2024
 - Highly Commended in the Top Investment Houses for Trust and Investment
 - 2nd Most Astute Investor under the Portfolio Management category for Albert Joseph Hampton, Head of Investment and Execution Department
- Philippine Daily Inquirer and Statista's Philippines' Best Employers 2025 – Listed as One of the Top Employers in the Philippines

- LinkedIn Talent Awards 2024 – Learning Champion under the 5,000 to 10,000 employees on LinkedIn category

Extensive and strategically located distribution network

The Bank has one of the most extensive branch and ATM networks among its competitors in the Philippines. As of 30 June 2025, the Bank had 631 domestic branches representing 4.7% of the total number of branches of all universal, commercial and thrift banks in the Philippines based on data from the BSP. As of 30 June 2025, the Bank had 70 branches, representative offices, remittance centers and subsidiaries globally. As of 30 June 2025, the 1,719 ATMs of the Bank represented about 7.2% of the total number of ATMs of universal, commercial and thrift banks in the Philippines based on data from the BSP (see “*Description of the Bank—Banking Activities—Retail Banking Sector—Branch Banking*” of this Offering Circular for more information).

The Bank’s distribution network allows it to continue its strong deposit collection capability and provides convenient channels to offer and sell fee-generating product lines such as bancassurance, trust, fixed-income securities and credit cards.

The branches of the Bank are strategically located in areas outside Metro Manila particularly in emerging high growth regions, such as the Mindanao region, which enables the Bank to capitalize on the robust development of these areas. Almost two-thirds of the Bank’s branches are located outside Metro Manila as of 30 June 2025, including in areas such as the Central Visayas, Davao Region, Central Luzon, Ilocos and Northern Mindanao which have experienced average GDP growth greater than the average 5.9% growth of Metro Manila from 2022 to 2024 based on data published by the Philippine Statistics Authority. As of 31 December 2024 and 30 June 2025, PNB’s demand and savings account (“CASA”) ratio to total deposits in branches outside Metro Manila was 91.4%% and 91.1%, respectively, which was higher than PNB’s CASA ratio of 79.4% and 80.2%, respectively in its Metro Manila branches as of the same dates.

The Bank believes its long-standing presence in key provincial markets places it in a unique position, allowing it to cultivate deep and long-term relationships with clients in such areas that are difficult for potential new entrants to replicate. Further, the Bank believes that the strategic and convenient locations of its branches in such areas, being close to local town centers or at key crossroads of commerce, is a compelling factor to sustain the loyalty of its existing clientele and attracting new customers. As of 31 December 2023 and 30 June 2024, the Bank’s commercial loans in provincial markets accounted for 56.3% and 59.9% of the total commercial loans of the Bank, while the Bank’s commercial loans in Manila accounted for 43.7% and 40.1% of the total commercial loans of the Bank, respectively. Moreover, the Bank believes that the longer payback periods in provincial areas compared to metropolitan areas serve as an additional deterrent to the entry of potential competitors.

Market-leading and low-cost deposit franchise driving competitive cost of funding

The Bank has been successful in building a low-cost CASA deposit franchise with CASA deposits per branch of ₱ 1,337.32 million as of 30 June 2025, which is one of the highest among the top private universal and commercial banks based on data from the BSP. Further, as an illustration of the Bank’s unique advantage in this area, the Bank’s deposit base has consistently increased, with its CASA deposits growing at a compound annual growth rate (“CAGR”) of 5% from 2022 to 2024.

As of 31 December 2024, the Bank’s clientele included more than 5 million private and Government depositors, which the Bank believes provide it with a readily accessible market base for fee-generating cross-selling opportunities. While the Bank’s cost of deposits is largely driven by interest rate movements, the Bank is able to sustain average cost of deposits at a lower level through its CASA ratio. As of 31 December 2024, CASA deposits accounted for 84.4% of the Bank’s total deposit liabilities, which was the highest CASA ratio among universal and commercial banks in the Philippines based on data from the BSP. As of 30 June 2025, CASA deposits accounted for 84.1% of the Bank’s total deposit liabilities. As of 30 June 2025, the Bank has maintained long-term relationships with its client base with about

23.86% of its deposit clients having banking relationship with the Bank for over five years. The Bank believes its long-term depositors and low-cost CASA deposits are a competitive advantage which will continue to support the Bank's core lending operations and generate meaningful value for the Bank even in a rising interest rate environment.

Strong commercial banking franchise with a diversified customer base

The Bank has the sixth largest loan portfolio in the Philippines as of 31 December 2024 among private universal and commercial banks based on BSP data. The Institutional Banking Sector loans of the Parent Bank, comprising corporate and commercial loans (including those booked under the financial institution division), accounted for 84% of the total gross loans of the Bank as of 31 December 2024, and grew from ₱ 524.4 billion as of 31 December 2022 to ₱ 546.9 billion as of 31 December 2024, representing a CAGR of 2.1%. As of 30 June 2025, the Institutional Banking Sector of the loans of the Parent Bank reached ₱582.4 billion. This growth was driven mostly by the commercial banking loans of the Parent Bank which grew from ₱ 178.6 billion as of 31 December 2022 to ₱ 214.9 billion as of 31 December 2024, or a CAGR of 9.7%. The commercial banking loans of the Parent Bank was of ₱ 212.6 billion as of 30 June 2025. The Bank believes that its growing commercial banking segment coupled with its low cost CASA deposit base have been the key drivers behind its ability to maintain its net interest margins (see “*Description of the Bank—Banking Activities—Institutional Banking Sector*” of this Offering Circular for more information).

The Bank provides a full range of banking and other financial services to a diversified customer base including large corporate, middle-market, SMEs and retail customers. As of 31 December 2024, the Bank's clientele included more than 5 million private and Government depositors, and at least 35,400 loan-counterparties comprising private corporations, Government entities and individual borrowers.

Uniquely positioned to service global Filipinos through an extensive international footprint

The Bank has one of the most extensive international footprints among Philippine banks, spanning 17 countries across Asia, Europe, the Middle East and North America, with 70 overseas branches, representative offices and remittance centres as of 30 June 2025. The Bank intends to leverage on its global network and leadership in remittance to facilitate cross-selling opportunities targeting sophisticated Filipinos clients residing outside the Philippines. The Bank has a suite of products targeted at international customers including home loans, wealth management, credit cards, trust, insurance, consumer loans, among other products. For instance, the Bank offers Own a Philippine Home Loan, a mortgage product designed to provide easy access to bank financing of residential properties in the Philippines for Overseas Filipinos and foreigners.

As of 30 June 2025, the Bank also maintained correspondent relationships with 337 banks and financial institutions and 99 overseas agents and tie-up partners worldwide. The Bank's OFW remittance business accounted for approximately 7% market share by remittance volume as of 30 June 2025 based on data from the BSP, making it one of the largest in the Philippines.

Highly experienced and trusted management team

The Bank has assembled a strong management team with its senior executive officers (consisting of officers at the executive vice-president level and above) having on average over 34 years of experience in the banking sector. The Bank believes that the extensive experience and financial acumen of its management provide it with a significant competitive advantage.

As of 30 June 2025, the Bank has several banking industry leaders on its Board of Directors, including Chairman Edgar A. Cua and President Edwin R. Bautista. The Bank's other top executives also have a proven track record in banking, finance and in other industries given their experience with leading banking firms both domestically and internationally. The Board of Directors has a strong independent element, with five of its 15 members being independent Directors as of the date of this Offering Circular (see “*Management—Board of Directors*” and “*Management—Executive Officers*” of this Offering Circular for more details).

Supportive shareholder group

The LT Group is led by Dr. Lucio C. Tan who has been a pillar of the Philippine banking industry since founding Allied Banking Corporation in 1977 and growing it into one of the largest banks in the Philippines before its merger with PNB in 2013. As a member of the LT Group and an affiliate of the Tan Companies, the Bank believes that it will continue to benefit from being part of one of the largest and most diversified conglomerates and group of companies in the Philippines, with interests ranging from beverages, airlines, tobacco, property development, education and others. The Bank believes that it has been able to achieve significant synergies with the LT Group and the Tan Companies, such as partnering with Philippine Airlines, Inc. (“PAL”) to introduce one of the most popular mileage rewards credit cards in the Philippine market and facilitating guarantees for ticketing agents of PAL, and providing collection and disbursement facilities to other companies such as Philip Morris Fortune Tobacco Corporation, Tanduay Distilleries, Inc., Asia Brewery, Inc. and MacroAsia Corporation, and continues to service the requirements of these companies as their bank-of-choice.

Business Strategies

The Bank aims to fortify its position as one of the leading banks in the Philippines, delivering consistent profitability supported by a solid balance sheet. To achieve this, the Bank will focus on the following key strategies:

Accelerate growth of the consumer finance business

The Bank’s lending strategy involves shifting its marketing focus from large institutional accounts to retail customers, with a goal of making consumer lending a significant portion of its revenues.

In March 2020, the PNB’s wholly owned thrift bank subsidiary, PNBSB, was integrated with the Parent Bank to strengthen the Bank’s foothold in the retail and consumer segment. Through the integration, the Bank’s consumer lending business was able to offer more competitive consumer finance products, capitalizing on the Bank’s lower funding costs, expanding its reach by leveraging PNBSB’s extensive branch network, and cross-selling to the Parent Bank’s existing deposit clients.

To augment its consumer lending strategy, the Bank aims to educate and arm its existing employees with the necessary tools and skill sets to implement the Bank’s growth strategy. This would include enhancement of internal “academies” focused on specific areas within the Bank to achieve the Bank’s training and development goals.

Enhance its core institutional banking business

The Bank will continue its Institutional Banking Sector’s growth trajectory with greater focus on higher return opportunities. As part of its loan products in this sector, the Bank intends to focus on historically higher margin loans such as secured project finance, structured loans and commercial banking loans which comprised 87% of the Bank’s total loan portfolio as of 31 December 2022 and 84% of the Bank’s total loan portfolio as 31 December 2024, while as part of its transaction banking product offerings, the Bank aims to provide differentiated payments and cash management solutions to improve cross-selling opportunities and capture ancillary revenue sources. The Bank also intends to increase its capital efficiency by providing holistic services to its strategic Institutional Banking Sector’s clients by also servicing their ecosystem of customers and suppliers through loans, capital markets, and transaction banking products and services. The Bank also intends to capitalize on its relationship with the LT Group and the Tan Companies by focusing on increasing coverage and penetration of the various member companies.

Continue focus on generating low-cost deposits

The Bank will continue to leverage on the strength of its nationwide branch network to generate low-cost deposits from its existing and growing customer base. In particular, the Bank intends to continue to attract and increase deposits by assigning all branch personnel to handle specific accounts with its branch managers focusing on the top 100 accounts. This will be complemented by the implementation of a “complete customer” strategy which includes

providing various banking and financial services to deposit clients to ensure deposits will be retained with the Bank for longer periods. The Bank also expects to increase deposits on operating accounts through its cash management, payroll and payments solutions as well as its credit product offerings. To maintain funding flexibility and support asset expansion, the Bank also intends to complement its low-cost deposit base by tapping cost-effective alternate funding mechanisms such as interbank borrowings, capital markets and reverse repurchase.

Pursue digitalization initiatives

The Bank's strategy is to collaborate with technology providers and FinTech companies, with the objective of enriching the digital experience available to its customers as well as to attract new clients. The Bank intends to take advantage of emerging technology and services that are readily available from third parties and are not currently provided by the Bank. The Bank also intends to leverage its relationship with members of the LT Group and other affiliated companies and capitalize on available and emerging digital technologies to maximize the value-add of its digital services. The Bank's Digital Innovations Group spearheads the Bank's plans and efforts towards maximizing recent technologies for the greater benefit of the Bank's customers and stakeholders. A key channel for the Bank's digital offering is the PNB Digital App, which has offered key services for existing customers with deposit, credit card and unit investment trust funds ("UITF") products. The PNB Digital App, launched in February 2021 and had approximately **1,641,131** users as of June 2025.

PNB Digital App provides the following services:

- View account balance and transactions history;
- Make intra-bank and inter-bank fund transfers through InstaPay and Pesonet to 140 banks, e-wallets and electronic money issuers, with the option to use convenient Quick Response ("QR") codes;
- Make bill payments to more than 1,500 billers, using CASA and Credit Cards as source of payment, and pay at merchant stores using QR codes;
- Subscribe, view and redeem UITF instruments; and
- Withdraw from PNB ATMs without the need of a debit card on hand (cardless withdrawal)

Aside from organizational and administrative controls, digital security in the app is enhanced by biometrics, multi-factor authentication (MFA) and soft token technologies, on top of the standard username, password, and one-time passcode (OTP).

This App package of relevant features, along with a user-friendly, intuitive interface, has been recognized by the following awards:

- 2023 Philippines Digital Experience of the Year for Banking, from the Asian Experience Awards; and
- 2024 Highly Acclaimed Excellence in Customer Service Innovation, from the Digital Banker CX Awards.

In enriching the App's features and services, the Bank also makes full use of its marketing channels (web, social media and print) to increase awareness and adoption of these clients.

The Bank also makes full use of its marketing channels (web, social media, print) to increase awareness of the PNB Digital App. The growth of users availing of the PNB Digital App services are set out in the table below.

	As of 31 December			As of 30 June
	2022	2023	2024	2025
User Base.....	778,361	1,105,231	1,449,058	1,641,131

Increment.....	326,870	343,827	192,073
Increase in users (%).	42%	31%	13%

The Bank seeks to further strengthen its security posture by integrating its digital channels with an Enterprise Fraud Management System, which detects and prevents frauds that can compromise the system due to social engineering.

As part of its continuous innovation, the Bank is also enriching its facilities to serve more customers for its deposits and consumer finance services by embarking on digital loans and CASA account openings using e-KYC and customer identity & access management solutions. The Bank has recently upgraded its loan origination systems for consumer loans and credit cards. Additionally, it will implement digital channels to offer these services remotely through mobile and web platforms.

As part of its ongoing initiatives, the Bank regularly coordinates with the Lucio Tan Group ecosystem to offer existing digital services to the employees and clients of the Group, offering promotions and facilitating their entry into the digital offerings of PNB.

See also “*Description of the Bank—Information Technology—Digital Initiatives*” of this Offering Circular for more details.

Improve fee income generation capabilities and intensify cross-selling efforts

As part of the strategy to improve its profitability, the Bank has initiatives in place to drive fee-based income growth. For example, the Bank intends to intensify its cross-selling efforts to its existing customers, including OFWs. The Bank believes its existing customer base has significant potential for cross-selling opportunities, as only approximately 8% of the Bank’s targeted depositors as of 30 June 2025 have availed of the Bank’s non-deposit banking services and products. The Bank also plans to focus its marketing efforts on offering consumer loan products, differentiated cash management solutions, bancassurance, usage of electronic remittance channels, wealth management products and trust banking products. Likewise, the Bank intends to continue to expand its product offerings to OFWs with a comprehensive suite of financial services, such as loan, insurance and savings products.

The Bank upholds the ecosystem strategy which positions the Bank as the financial intermediary for the management and flow of operating funds of customers, trade counterparties and individual customers. The Bank has launched PNB Connect to promote long term relationships by offering efficient cash management and innovative solutions to evolving markets that span across various segments such as SMEs, MSMEs and institutional clients.

To further gain a competitive advantage in the fast-changing banking industry, now characterized by the continued technological advancements, the Bank has promoted and implemented the use of “PNB C@shNet Plus”, a business online platform that provides corporate clients an access to a wide array of cash management services such as account management, liquidity management, collections and payments management.

The Bank also offers integrated corporate service packages and innovative financial solutions offered outside of the “PNB C@shNet Plus” platform to further address customers’ changing needs. The Bank will continue to remain committed to provide a full suite of cash management and innovative services that will bring efficiency and convenience to the markets it serves.

In 2021, the Bank introduced the PNB Digital App which allows its customers to, among others, to avail of key services for existing customers with deposit, credit card and UITF Products allowing further opportunity for cross-

selling of the Bank's offerings (see "*Pursue digitalization initiative*" and "*Description of the Bank—Information Technology—Digital Initiatives—PNB Digital App*" of this Offering Circular).

Enhance operational, asset and capital efficiency

The Bank will continue to undertake process improvements and automation which are expected to improve operational efficiency and generate cost savings. The Bank also intends to further cost efficiency improvements through branch re-engineering, economies of scale, systems integration, realignment of front offices and optimization of back-office processing and support functions.

Furthermore, the Bank expects that its digital banking initiatives will further enhance cost savings. As part of these initiatives, the Bank intends to simplify business processes through digitization, such as paperless account opening and e-KYC, electronic workflow and electronic statement of account. The Bank plans to outsource services in its cash operations and take on shared services for digital archiving, self-service operations support, and a centralized customer information file. Likewise, the Bank intends to undertake system enhancements in its front-loan system, remittance, and account reconciliation systems, as well as in its fraud management tools.

Leveraging the Bank's subsidiaries

The Bank will undertake a proactive approach to ensure that the return on its equity investments from its domestic and foreign subsidiaries is maximized. As such, the Bank's subsidiaries will implement strategic initiatives that will ensure the achievement of business targets aligned with the Bank's goals. For instance, PNB Securities intends to establish Direct Market Access facilities for its institutional clients and to actively market its services to high net worth clients, the LT Group and the Tan Companies. Similarly, PNB Capital plans to develop an interactive website for capital market offerings as well as maximize sales output per branch by including capital market products in score cards of branches and defined revenue sharing between PNB Capital and the Bank's Retail Banking Sector.

The Bank is committed in providing strong support to its subsidiaries while also ensuring their independence to operate their respective businesses. The subsidiaries intend to capitalize on the Bank's extensive branch network and resources in order to complement and enhance the product offerings of the Bank. The Bank also continuously seeks to extract and improve synergies between the Parent Bank and its subsidiaries through cross-selling and other related initiatives.

History

The Bank was established in 1916 by the Government. At that time, in addition to engaging in the general commercial banking business, the Bank also served as the *de facto* central bank of the Philippines. The Bank acted as the sole depository of Philippine Government deposits, the clearing house for the Philippine banking system, the custodian of bank reserves and the issuer of Philippine bank Bonds and Government bonds, functions which the Bank performed until 1949, when the Central Bank of the Philippines, which has since been renamed the BSP was established.

As a bank which was then solely owned by the Government, the Bank played an important role in implementing the Government's financial policies. Such financial policies included being a major provider of banking services to the Government as well as its agencies, LGUs and GOCCs, serving as a depository bank for working balances, providing fund transfers, disbursements, credits and import/export financing, administering trust funds, and acting as a channel for the sale of Government securities.

Following Proclamation No. 50, the Government embarked on the privatization of the Bank. In June 1989, the Government offered to the Philippine public 30.0% of the outstanding shares of the Bank for a total consideration of ₱1.1 billion. In April 1992, the Government disposed of a further 10.0% of the outstanding shares in the Bank

to the Philippine public for a total consideration of ₱2.1 billion. In December 1995, the Government disposed of a further 7.2% of the outstanding shares of the Bank.

On 27 May 1996, the Bank was incorporated with the Philippine SEC as a juridical entity. The Tan Companies (comprised of certain companies owned or controlled by Dr. Lucio C. Tan and affiliates) acquired approximately 35% of the total outstanding capital stock of PNB in late 1999 and joined the Board of Directors in December 1999. In early 2000, the Tan Companies increased its equity interest in the Bank to 69.32% and injected nearly ₱20 billion of fresh capital.

As a result of the Asian financial crisis, the Bank suffered a liquidity crisis for five years, ending on 31 December 2002, which necessitated significant levels of financial assistance from the BSP and the Government (through the Philippine Deposit Insurance Corporation (“**PDIC**”)). The Bank had to undergo a rehabilitation program pursuant to a memorandum of agreement (“**MOA**”) signed by the Republic of the Philippines, the PDIC and the Tan Companies (being a major shareholder of the Bank) on 3 May 2002. The MOA stipulated the following financial conditions: conversion into equity of ₱7.8 billion of the ₱25.0 billion assistance extended by the BSP and the PDIC; settlement of the ₱10.0 billion obligation by way of *dacion en pago* through the assignment of government and government related receivables; and the conversion of ₱6.1 billion into a ten-year loan with interest equivalent to the 91-day T-Bill rate plus 1.0%. This increased the Government’s stake in the Bank from 16.58% to 44.98%, in effect reducing the Tan Companies’ share to 44.98%.

In August 2005, the Government, as part of its privatization program, sold down its 32.45% stake in the Bank via an auction. The private stockholders represented by the Tan Companies exercised their right of first refusal, reducing the Government’s share to 12.5% and raising the Tan Companies’ stake in the bank to a total of 77.43%.

In June 2007, the Bank settled its ₱6.1 billion loan to PDIC, four years ahead of maturity date.

In August 2007, the Bank successfully completed a Tier 1 Follow-On Equity Offering where it raised about ₱5.1 billion, net of issuance cost of ₱199.5 million, in Tier 1 Capital. Together with the sale of 89 million primary shares, 71.8 million secondary shares owned by the Government through PDIC and the Department of Finance were sold to the public paving the way for a complete exit of the Government from the Bank.

On 9 February 2013, the Bank concluded its planned merger with Allied Banking Corporation (“**ABC**”) as approved and confirmed by the Board of Directors of the Bank and of ABC on 22 and 23 January 2013, respectively. The respective shareholders of the Bank and ABC, representing at least two-thirds of the outstanding capital stock of both banks, approved the amended terms of the Plan of Merger of the two banks on 6 March 2012. The original Plan of Merger was approved on 24 June 2008 by the affirmative vote of ABC and the Bank’s respective shareholders, representing at least two-thirds of the outstanding capital stock of both banks.

On 11 February 2013, the Board of Directors of LTG approved the acquisition of indirect ownership in the merged entity through an investment in the 27 holding companies which had collective ownership interest in PNB of 59.8% (collectively referred to as “**Bank Holding Companies**”). LTG’s acquisition was affected by way of a subscription to the increase in the authorized capital shares of 22 Bank Holding Companies and a direct buy-out of shares of five Bank Holding Companies.

As of 30 June 2025, LTG held indirect ownership of over 59.83% of the Bank’s shares. through the Bank Holding Companies, while 14.29% of the Bank’s shares were held by the Philippine Central Depository Nominee Corporation. The remaining 25.88% of the Bank’s shares were held by other stockholders holding less than 10.0% each. In November 2017, in recognition of the consistent improvement in the Bank’s credit profile, Moody’s upgraded the Bank’s foreign currency and local currency deposit ratings to Baa2/P-2 from Baa3/P-3, two notches above investment grade. The upgrade reflects the improvement in financial profile since PNB’s merger with Allied Banking Corporation. Capital Intelligence likewise raised the Bank’s Financial Strength Rating to ‘BBB-’ from ‘BB+’, one notch above investment grade, noting the Bank’s solid capital adequacy, good liquidity and

sound asset quality. In December 2017, Fitch Ratings also revised upwards the support rating floor of PNB to 'BB' from 'BB-', following the upgrade of the Philippines sovereign's rating to 'BBB' from 'BBB-'. In June 2018, Moody's assigned a Counterparty Risk Rating of Baa2(P-2) to the Bank.

To support the Bank's efforts to diversify its funding sources to meet the financial needs of its clients, PNB offered series of Long-Term Negotiable Certificates of Time Deposit ("LTNCDs") in 2017 and 2019 to extend the maturity profile of the Bank's liabilities as part of overall liability management and to raise long-term funds for general corporate purposes. In April 2018, the Bank also successfully issued in Singapore and Hong Kong its five-year Fixed Rate Senior Bonds worth U.S.\$300.0 million out of its U.S.\$1.0 billion Medium Term Note Programme. This marked the first time that the Bank tapped the international bond market for medium term dollar funding. The proceeds of the Bonds were used to support the Bank's loan expansion as the Bank took advantage of the country's sustained economic growth. In October 2024, the Bank successfully returned to the international market with a US\$300 million 5-year Sustainability Bond offering under its US\$2 billion MTN program. The issuance is included in the MSCI Green Bond Index.

In July 2019, the Bank successfully issued and listed 276,625,172 common shares priced at ₱43.38 per share from its stock rights offering. The net proceeds from the offer amounting to ₱11.7 billion were used to enhance the Bank's presence in emerging growth areas.

In March 2020, the Bank fully integrated its wholly owned thrift bank subsidiary, PNBSB, into the parent bank through the acquisition of its assets and assumption of its liabilities in exchange for cash. On 5 March 2020, PNBSB surrendered its thrift bank license to the BSP, and consequently converted into a holding company changing its name to "Allied Integrated Holdings, Inc." on 3 December 2020. With the integration, not only was the Bank able to deliver a more efficient banking experience and serve a wider customer base, but PNBSB's then customers were given access to PNB's diverse portfolio of financial solutions.

In November 2020, PNB and PNB Holdings Corporation ("PNB Holdings") entered into an agreement for the sale of their respective equity investment in PNB General Insurers Co., Inc. ("PNB Gen"), a former subsidiary of the Bank engaged in non-life insurance business. The sale of the shares in PNB Gen marked the Bank's exit from the non-life insurance space.

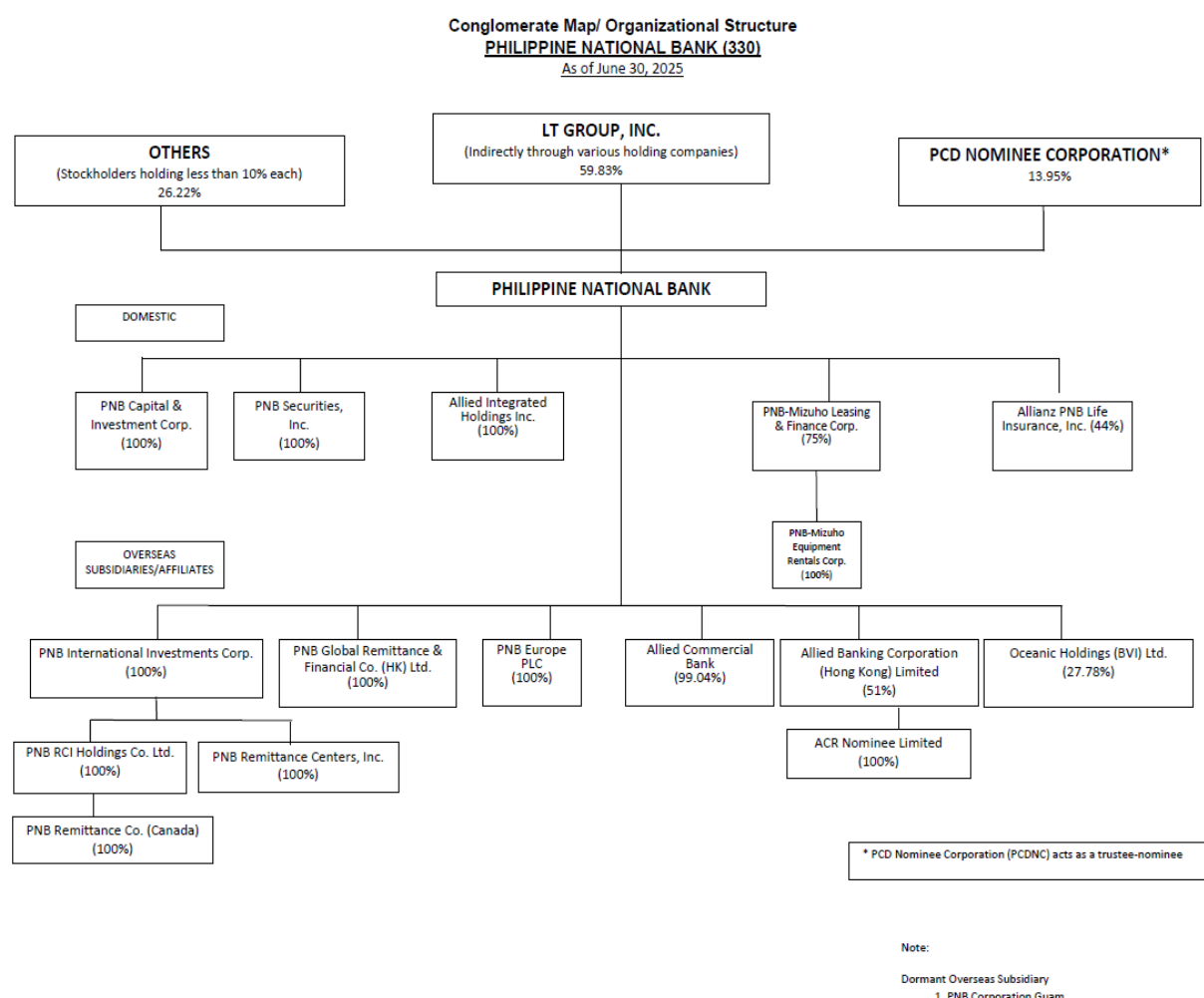
In 2021, as part of its strategies to monetize its low-earning assets, the Bank subscribed to additional 466,770,000 shares of PNB Holdings in exchange for certain real estate properties with fair values of ₱46.7 billion. Afterwards, the Bank declared property dividends of up to 239,353,710 common shares of PNB Holdings with a par value of ₱100.00 per share, to all stockholders of record as of 18 May 2021. In the same year, the Bank received the Certificate of Filing the Notice of Property Dividend Declaration issued by the Philippine SEC.

During the COVID-19 pandemic, the Bank deployed its "*Bank-on-Wheels*" in Metro Manila and some provinces where travel was restricted to provide easy and convenient access to cash for its clients. "*Bank-on-Wheels*" are mobile ATMs that allow customers to conveniently perform transactions such as cash withdrawal, cash deposit, bills payment, and fund transfer. Furthermore, the Bank provided a point-of-sale network that allowed bank customers to conveniently withdraw cash from 100 select branches of a leading pawnshop chain. In addition, the Bank partnered with a logistics company to make it easier and safer for small and medium businesses across the country to receive payments and manage cash flows during the community lockdowns. With these, the Bank was honored by The Asian Banker as the "*Best Managed Bank*" in 2020 for PNB's response to the challenges brought about by the community lockdowns imposed due to the pandemic.

In November 2023, to provide convenient financial services to OFWs, PNB opened a branch at the Department of Migrant Workers Building. The establishment of this branch reflects the Bank's commitment to serving OFWs seeking reliable banking solutions as PNB offers a range of services tailored to their requirements. This customer-centric approach is consistent with the Bank's strategy of being a supportive financial partner for the OFWs.

Organizational Structure

The following shows the structure of the Bank and its subsidiaries and associate as of 30 June 2025:



Banking Activities

The Bank provides a full range of banking and financial services to corporations, small and medium markets, retail customers, various Government units and agencies through its head office, domestic branches/offices, ATMs nationwide and overseas branches, representative offices, remittance centers and subsidiaries. The Bank's principal commercial banking activities include deposit-taking, lending, trade financing, foreign exchange dealings, bills discounting, fund transfers/remittance servicing, asset management, treasury operations, comprehensive trust services, retail banking, digital banking and other related financial services.

The Bank's banking activities are undertaken through different sectors and groups within the Bank, including Retail Banking Sector, Consumer Finance Sector, Institutional Banking Sector, and Global Banking and Markets Sector, International Banking and Remittance Group, Trust Banking Group, Digital Channel Management and Innovation Group and Marketing Group.

Retail Banking Sector

The Retail Banking Sector ("RBS") principally focuses on retail deposit products (i.e., current accounts, interest-bearing savings accounts and time deposit, U.S. dollar and other foreign currency accounts), cash management

solutions, credit cards, consumer loans, remittance services and other bank services. While the focal point for the RBS is the generation of lower cost funding for the Bank's operations, the RBS also offers cash management solutions to corporate clients such as basic banking services, liquidity management, disbursement and collections, among others. The RBS also caters the cross-selling of trust products, treasury products and bancassurance products (both life and non-life) to existing customers and referred customers by transforming its domestic branch distribution channels into a sales-focused organization. The Bank's bancassurance product, which provides it with additional fee income, is a BSP-approved service allowing banks such as the Bank to cross-sell life and non-life insurance products to the bank's client base and through their branch network.

Deposits

The Bank offers a full range of deposit products, including current accounts (both interest-earning and non-interest-bearing demand deposits), savings accounts and time deposits in Pesos, U.S. Dollars and other foreign currencies. These are being provided to its customers that include individuals (including OFWs and their beneficiaries), private businesses, NGAs, LGUs and GOCCs. To generate more deposits, the Bank intends to continue to implement measures that will enhance existing products and services and optimize the use of the latest technology to deliver more responsive banking services to its clients, reduce costs and improve productivity. Likewise, new products and promotions were introduced for unbanked individuals, alongside other deposit-based promotions to encourage existing clients to increase and keep their deposits with the Bank for longer periods of time.

As of 30 June 2025, the Bank's total deposit liabilities amounted to ₱1,003,063.8 million compared to ₱871,227.7 million, ₱927,970.9 and ₱971,672.1 million as of 31 December 2022, 2023, and 2024, respectively. As of 30 June 2025, 85.5% of total deposit liabilities were denominated in Pesos while 14.5% were denominated in foreign currency, principally in U.S. Dollars. As of 31 December 2022, 2023, and 2024, 84.9%, 86.2% and 86.2%, respectively, of total deposit liabilities were denominated in Pesos while 15.1%, 13.8% and 13.8%, respectively, were denominated in foreign currency, principally in U.S. Dollars. The ratio of CASA (demand account and savings account) to total deposit liabilities as of 31 December 2022, 2023, and 2024 and 30 June 2025, respectively, was 84.9%, 82.9%, 84.4% and 84.1% respectively. By sector, as of 30 June 2025, 99.7% of the Bank's total deposits were generated from the private sector, while the remaining 0.3% were accounted for by NGAs, LGUs, and GOCCs. As of 31 December 2022, 2023, and 2024, the private sector accounted for 99.3%, 99.7% and 99.7%, respectively, of total deposits while the balance of 0.7%, 0.3% and 0.3% were from the Government sector. In terms of customer base, the Bank had more than 5 million depositors as of 31 December 2024.

Branch Banking

As of 30 June 2025, the Bank's domestic branch network consisted of 631 branches and offices, approximately 39.3% of which are located in Metro Manila with the rest strategically located in other key cities or areas in the provincial areas such as local town centers or key crossroads of commerce.

The Bank believes that the breadth of its branch network allows the Bank to cover areas its competitors are not able to reach. The Bank also believes that these areas tend to be the places where many beneficiaries of OFWs reside, giving the Bank direct access to OFWs and their beneficiaries.

The Bank has undergone a rebranding program to improve customer experience at its branches. The Bank has made significant investments in the renovation of PNB branches nationwide. A total of ten branches in Metro Manila and the provinces were rebranded as of 30 June 2025.

As of 30 June 2025, the Bank operated a network of 1,719 ATMs at its branch premises and off-site locations. The Bank installed 21 new ATMs as of 30 June 2025.

The following table sets out the Bank's branches and ATM information in the Philippines:

		As of 31 December (audited)		As of 30 June (unaudited)	
		2022	2023	2024	2025
PNB					
Metro Manila		244	231	231	230
Rest of Luzon		214	213	213	214
Visayas		105	104	104	104
Mindanao		88	83	83	83
PNB	total	651	631	631	631
Branches					
PNB ATMs		1,720	1,680	1,701	1,719

The Bank's branch heads are responsible for the performance and profitability of their branches. The Bank regularly monitors the progress of each of its branches and keeps the relevant branch heads informed of such progress via a monthly dashboard. Although the Bank annually plans to expand its branch network to locations not currently served by the Bank, such expansion is subject to prior approval of the Monetary Board. The Bank has also been rationalizing its branch network, closing 86 branches between 2021 and 2023, and adjusting the size of certain branches in order to maximize operating efficiency and to become poised to expand its branch network should the opportunity arise.

The Bank is a member of Bancnet, a consortium of ATMs in the Philippines. Bancnet comprises 110 banks whose ATMs have been pooled for the common use of their respective customers. As of 30 June 2025, the Bank's customers had access to approximately 27,188 ATMs through the Bancnet system.

Security is an important consideration in the Philippine banking industry. All of the Bank's branches employ time delay security devices and closed-circuit televisions to prevent robberies. In addition, the Bank generally employs two security guards at each of its branches. These security services are provided by independent contractors to the Bank.

The Bank has also established a 24-hour customer care center, which handles all inbound inquiries for deposit accounts, as well as remittance and e-banking services offered by the Bank.

Institutional Banking Sector

The Bank's Institutional Banking Sector ("**IBS**") is the primary lending arm responsible for the establishment, expansion, and overall management of the Bank's relationships with MSME and corporate clients. The IBS is subdivided into two distinct business groups, the Corporate Banking Group ("**CBG**") and the Commercial Banking Group ("**COMMBG**").

The CBG, which offers a comprehensive suite of well-crafted products and services designed to meet complex requirements of its clients, supports IBS' conglomerates and large corporate clients, while the COMMBG oversees relationships with middle market and SME customers located in Metro Manila and provincial areas.

In 2023, IBS reorganized its COMMBG into Metro Manila COMMBG, Luzon COMMBG, and VisMin COMMBG to deepen the Bank's relationships with commercial clients and capitalize on growth opportunities with middle market and SME customers in priority industries. IBS also contributes significantly to the growth in the Bank's deposits and fee-based income through its underwriting capabilities and international trade business. Set out below is a summary of the IBS loans by type for the periods indicated.

	As of 31 December (audited)			As of 30 June (unaudited)
	2022	2023	2024	2025
	<i>(in ₱ millions)</i>			
Corporate Banking	339,919	308,035	321,760	354,791
Commercial Banking	178,564	228,129	214,883	212,649
Metro Manila	63,452	99,608	84,391	79,312
Luzon	26,989	30,718	36,359	34,671
VisMin	88,122	97,803	94,133	98,666
Financial Institution	5,928	9,605	10,298	14,993
Total	524,411	545,768	546,942	582,433

Corporate Banking Group

The CBG manages banking relationships with the country's top conglomerates and large corporates, Government and Government-related entities like national government agencies, LGUs (comprising of cities, municipalities and provinces), water districts, electric cooperatives, and GOCCs.

CBG provides a range of traditional banking products and services, including term loans, short-term loans, foreign currency loans, project finance and trade finance. It also offers a suite of cash management solutions such as disbursement, collection and liquidity management facilities.

To address customers' short-term working capital requirements, the CBG provides omnibus credit lines, which allow the customer to draw in the form of revolving credit lines or to secure trade financing and other forms of credit. Trade finance-related products and services include standby letters of credit, letters of credit, export advances, commercial and export bills discounting, documentary credits, negotiating bills under documentary credits, bills collection and trust receipts.

Commercial Banking Group

Metro Manila Commercial Banking Group

The Metro Manila COMMBG offers a wide array of loan, trade, and other credit products and services mainly to emerging conglomerates and mid-sized businesses primarily based in Metro Manila.

Luzon Commercial Banking and VisMin Commercial Banking Groups

The Luzon Commercial Banking and VisMin Commercial Banking Divisions provide a wide range of loan products and services to their respective large corporate customers, middle-market customers and small entrepreneurs that are located outside of Metro Manila with products and services similar to that offered by the Metro Manila COMMBG, except in respect of their geographical target markets. In addition, the Luzon Commercial Banking and VisMin Commercial Banking Divisions are the main platforms for promoting and developing the Bank's agricultural loan portfolio in their respective geographic target markets, with their capabilities being bolstered by offering structured finance solutions targeting regional emerging conglomerates diversifying into value-added businesses

Financial Institutions Division

The FID focuses on managing relationships with foreign and local banks, bank-affiliated leasing companies, financing companies, cooperatives, savings and loan associations, and insurance companies. Its business objectives include (i) capturing funding requirements while effectively managing credit risk, deposits, and remittances; (ii) generating fee-based and other income from the Bank's cash management products and trade services; (iii) providing customized financial solutions to clients; (iv) servicing the business requirements such as collections and disbursements; and (v) ensuring the availability of alternative funding sources for PNB through trade advance facilities of foreign banks and multilateral or government funding sources.

As of 30 June 2025, the Bank had 337 correspondent banks located in various regions, namely Asia, Australia, Europe, the Middle East, Africa, the United States, Canada and Latin America. These correspondent banks generally receive and process trade and payments for the Bank in foreign jurisdictions, as well as handle OFW remittances for the Bank. With these correspondent banks in place, the Bank is able to service customers in these regions more effectively.

Global Banking and Markets Sector

The Global Banking and Markets Sector (“**GBMS**”) is primarily tasked with the management of the Bank's liquidity and funding needs, as well as the execution of financial market transactions involving investments, trading of fixed income, foreign exchange, derivatives and hedging solutions for clients.

GBMS capitalizes on opportunities in capital markets and is entrusted to strategically deploy excess funds in low-risk high-quality investment outlets, effectively manage returns and duration and ensure the ease of converting these investments into higher-yielding assets as the market normalizes

GBMS provides a wide range of banking products and services to corporates, governments, financial institutions, and individuals. Its functions include developing the Bank's wealth management proposition by providing corporate and high-net-worth individuals with access to the financial markets. In addition, GBMS builds partnerships with banks and non-bank financial institutions by offering them banking solutions to address their needs and help attain their objectives. Moreover, GBMS ensures the availability of alternative funding sources for the Bank through trade advance facilities of foreign banks and multilateral or government funding sources.

Global Markets Group

The Global Markets Group (“**GMG**”) primarily manages the liquidity and regulatory reserves of the Bank and risk positions on interest rates and foreign exchange borne out from the daily inherent operations in deposit taking and lending and from proprietary trading. This includes an oversight on risk positions of its foreign branches and subsidiaries. The GMG is divided into four divisions:

- The Asset and Liability Management Division (“**ALMD**”) is responsible for managing the overall liquidity of the Bank's Regular Banking Unit (“**RBU**”) and FCDU books. It ensures strict compliance with the regulatory reserve requirements on deposits and other regulatory and internal ratios. ALMD is also responsible for managing the investment portfolio of the bank. Investments include securities issued by the Republic of the Philippines and other investment-grade sovereign and corporate issuers. ALMD also exercises oversight functions on liquidity management of foreign branches. ALMD coordinates with various internal business units to carry out its liquidity and interest rate risk management functions.
- The **Trading Division** is responsible for managing the proprietary trading activities of the Bank. It is composed of the following: (i) Foreign Exchange Desk, which handles the propriety trading of foreign currencies, particularly in the U.S. dollar/Peso spot market and U.S-dollar/third currencies market; (ii) Interest Rate Desk, which handles trading of Peso-denominated and

foreign currency-denominated fixed income securities; and (iii) Product Engineering Desk, which is responsible for managing the proprietary trading of derivative products where the Bank is allowed and licensed by the BSP, and is looking into yield enhancement products for the Bank's investment portfolio, and providing the hedging requirement of the Bank's qualified corporate clients through the Global Markets Sales Division. These trading departments also oversee the management of the fixed income securities and foreign exchange risk positions of the local and overseas branches of the Bank.

- **Global Markets Sales Division (“GMSD”)** is the marketing and sales arm of GMG and seeks to provide the best price and execution in foreign exchange, derivatives, and hedging solutions to corporates and financial institutions. GMSD is also the brokering arm for fixed-income products catering to institutional clients. GMSD conducts regular marketing calls together with IBS, RBS, IBRG and other bank units, develops plans and strategies and anticipates client requirements, and provides financial insights to deepen customer relationships and improve client satisfaction.
- **The Global Markets Business Support Division (GMBSD)** ensures that the Global Markets Group (GMG) mitigates operational risks and complies with internal and external policies and regulations. GMBSD also oversees projects and other efficiency initiatives.

Wealth Management Group

The **Wealth Management Group** is the investment distribution group of the bank that caters to individuals (High Net Worth and Retail) and Retail Corporations who want to make the most out of their wealth. The Group helps clients plan for their financial future by working closely with them in developing a diversified investment portfolio based on clients' financial condition, risk tolerance, sophistication and knowledge of financial markets and products. It facilitates investment in various investment products including fixed income securities (government and corporate securities), mutual funds, Unit Investment Trust Fund, single pay insurance and other allowed investment vehicles and structures. By leveraging on the Research Group of the Bank, the Group will continue to offer the best investment ideas to clients.

The group is composed of four units – the Investment Distribution Division, the Wealth Sales Division, Wealth Solutions Department and the Business Support Department.

- **Investment Distribution Division (“IDD”)** oversees the distribution of securities through all bank channels: including Retail Banking Sector, Institutional Banking Sector, Wealth Sales Division and Offshore/ Electronic/Digital channels. The Division coordinates with various sources of the securities in the primary and secondary market (e.g., PNB Capital and investment houses, issuers, market counterparties, etc.) and the distribution channels. They communicate the terms and conditions of the securities and educate the distribution channels on the type of securities being offered (e.g., Real Estate Investment Trusts, perpetual Bonds, preferred shares, etc.). As Securities and Exchange Commission licensed Fixed Income salesmen, the Division's brokers present and discuss fixed income products with clients.
- **Wealth Sales Division (“WS”)** manages Tier 3 clients (minimum Total Relationship Balance of P8M) by onboarding self-sourced accounts and co-managing existing Tier 3 clients from branches. Wealth Relationship Managers provides personalized and priority services, offering financial advisory through portfolio and risk- based investing. The Wealth Relationship Managers are also responsible for growing client relationships to increase Assets Under Management (AUM) and enhance the Bank's revenue through cross-selling and/or referral to product providers.
- **Wealth Management Group Business Support Department (“WMG BSD”)** provides essential support to ensure the smooth functioning of the Group's divisions, enhancing the performance and efficiency of the entire Wealth business while overseeing compliance with internal policies

and regulations. Key responsibilities include Product Development and Business Process Review and Optimization, Performance Tracking and Data Management, and Wealth System Support and Management.

- **Wealth Solutions Department (“WSD”)** A specialized team focused on enhancing customer experience that aims to increase Asset Under Management and Income by developing portfolio advisory frameworks, designing investment strategies, implementing market monitoring systems, providing comprehensive portfolio management, and conducting training programs for Relationship Managers. Wealth Solutions Officers optimize investment opportunities through portfolio analyses that consider the clients’ investment goals, risk tolerance, and level of sophistication.

International Banking and Remittance Group

As of 30 June 2025, the Bank maintained the largest overseas footprint with 70 overseas offices in 17 jurisdictions, complemented by over 50 remittance tie-ups that further amplify our presence worldwide. This strong network allows PNB to bring banking closer to its clients abroad enabling them to open deposit accounts, conveniently receive deposit instruments such as ATM card and passbook and do over-the-counter withdrawals. PNB’s overseas offices continue to generate significant deposit inflows through remittances.

With its strong overseas presence, PNB makes home loan applications more accessible to Filipinos abroad through its Own a Philippine Home Loan (OPHL) program— its unique value proposition that allows clients to apply and book home loans directly from overseas.

The Bank remains one of the leading providers of remittance services for Filipinos overseas. PNB offers various remittance channels to its customers, including over-the-counter services at overseas branches and offices, remittance centers, agents and partner tie-ups. To ensure greater accessibility and ease, the Bank also provides multiple remittance channels such as mail-in services in the US and Japan, a mobile app in Singapore, and phone and web-based options in the US and Europe.

Beneficiaries in the Philippines are able to receive their remittance through various payout modes, including online credit to PNB account, credit to other banks, cash delivery, and cash pick-up. The range of remittance products and services available to Overseas Filipinos include, among others, *Payroll Services for Seafarers*, *Overseas Bills Payment* which allows overseas remitters to make payments to various institutions in the Philippines.

Despite heightened competition from money service businesses and FinTech companies, the Bank has continued to maintain a significant market share in terms of remittance volume, based on BSP data as of 30 June 2025.

The Bank aims to further expand its international presence by forming strategic partnerships and to strengthen its market position through the adoption of technology and the execution of relevant strategic initiatives.

Trust Banking Group

The Bank, through its Trust Banking Group (“**TBG**”) provides a wide range of investment funds designed to meet every customer’s financial standing, investment goal, risk appetite and investment horizon. These includes money market, fixed income, multi-asset, local equity funds and global feeder funds. These funds are managed by a team of seasoned fund managers committed to delivering consistent value.

In addition to investment funds, TBG also provides a comprehensive suite of trust products and services tailored to both retail and corporate clients. For individual clients, TBG offers the Personal Management Trust

and Investment Management Account. On the corporate side, TBG delivers solutions such as Corporate Fund Management and Employee Benefit Trust, supporting organizations in managing their financial obligations and employee welfare programs. Furthermore, TBG is a trusted provider of fiduciary services, including Escrow, Facility Agency, Trust Under Indenture, and Transfer Agency, reinforcing its position as a reliable partner in complex financial transactions.

As of the first semester of 2025, TBG reported Php215.8 billion in total assets, reflecting a 13.2% increase from Php190.6 billion at year-end 2024. This strong performance underscores TBG's continued momentum and strategic growth.

A key milestone in TBG's digital transformation journey was the success of its UITF Online facility, which surpassed Php1 billion in total subscriptions as of May 2024 just one year after launch. The group is on track to double this figure by year-end, demonstrating strong client adoption and trust in its digital platforms.

TBG has also made significant strides in automation and sustainability. The rollout of its electronic Financial Statement (e-FS) project in December 2024 marked the completion of its major client reporting automation initiatives. These include the e-Confirmation of Transaction, e-UITF Statement of Account, and e-UITF Confirmation of Transaction—all of which have significantly reduced turnaround times and promoted paperless, eco-friendly operations.

TBG's excellence in fund management has been recognized by the *CFA Society of the Philippines*, with two of its UITFs earning top honors:

PNB High Dividend Fund – Best in Peso Equity in 2023

PNB Profit Peso Bond Fund – Best in Intermediate Term Bonds in 2025

Further affirming its leadership, *The Asset* named PNB TBG among the Top Investment Houses for 2025. Mr. Albert Joseph Hampton was awarded **Most Astute Investor for G3 Bonds and ranked #2 for Local Currency Bonds**, following similar accolades in 2024. These recognitions highlight TBG's disciplined investment approach, deep market insight, and unwavering commitment to client success.

Looking ahead, TBG is focused on expanding its UITF business, by broadening client access to global investment funds and expanding its electronic product distribution channels. It also plans to introduce alternative digital investment platforms for corporate issuances and government securities. In support of the BSP's financial inclusion agenda, TBG will actively promote the Personal Equity Retirement Account (PERA)—a voluntary retirement savings program offering unique tax advantages to help secure the financial future of Filipinos.

Digital Channel Management & Innovation Group

The Digital Channel Management & Innovation Group (“**DCMIG**”) is tasked to drive the Bank's consumer digital strategy by working with business lines and subsidiaries, support groups and Information Technology Group (“**ITG**”) to provide innovative digital experiences and services for retail consumers. DCMIG provides end-to-end digital business and product ideation and development, covering market scoping and assessment, ideation of business models, customer experience design, and coordination with marketing and business groups to promote the acquisition of digital customers and usage of digital offerings. DCMIG is likewise tasked to execute, deliver and implement digital products and services, as well as manage and provide post-launch support to the Bank's digital platforms, in coordination with ITG and external solutions providers.

Marketing Group

The Marketing Group's key role is to provide support in achieving the Bank's goals through centralized and solid marketing campaigns aligned with the PNB branding and strategy. The Marketing Group aims to build and strengthen a data-driven culture by providing timely and relevant customer insights aimed at enhancing productivity, acquisition, retention, and business growth and provides end-to-end management for all communications and brand-building initiatives of the Bank. The Marketing Group is composed of three divisions: (i) Market Intelligence and Analytics; (ii) Marketing Services; and (iii) Communications and Content Management.

Credit Approvals

Credit policies

One of the basic credit risk management infrastructures of the Bank is the adoption of effective credit policies to govern its various lending operations. These policies are directed towards the following institutional objectives: (i) to maintain a sound and prudent lending portfolio; (ii) to be responsive to market changes; (iii) to maintain the liquidity of its risk asset portfolio; and (iv) to attain profitability commensurate to risks taken.

All credit policies adopted by the Bank are approved by the Bank's Board of Directors and any amendments or revisions require prior approval of the Board unless expressly delegated to the President and other committees.

These policies reflect the Bank's credit risk tolerance which are communicated constantly to all lending units and support offices. Limits are imposed to manage credit concentration risks and provide more control of the Bank's lending operations. The Bank has also put in place pro-active monitoring systems to ensure compliance with statutory and internal limits. Approvals on deviations from the Bank's credit policies are based on the Bank's Manual on Signing Authority ("MSA") for credit matters.

Credit approval process

Loan recommendations are submitted to the different levels of credit committees or to designated approving officers within the Bank. The aggregate amount of the credit facility, generally, will determine the approving body which will approve the transaction. However, loan recommendations requiring Board approval needs the endorsement of the Senior Management Credit Committee ("SMCC") and the Executive Committee ("EXCOM").

Before the Bank approves any extension of credit, the Bank identifies the needs of the prospective borrower, analyses the appropriateness of the exposure and evaluates any inherent risks. The Bank assigns an account officer to every prospective borrower to start the credit approval process. The account officer identifies the borrowing requirements of the client and obtains the loan application form from client together with the required documents. The account officer further determines if exposure can be covered by collateral. In cases where a property appraisal is warranted, this is undertaken by the Bank's appraisal unit or by an accredited external appraiser. The account officer conducts credit evaluation on the prospective borrower with the assistance of the credit support units, as needed. For borrowers from the middle-market segments, the account officer will validate the borrower's financial position from different information sources. For transactional lending, the account officer may focus more on the size and quality of cash flows from the transaction but also continues to consider the financial position of the borrower itself.

Lending centers credit committees have authority to approve aggregate credits and trade transactions of not more than ₱20.0 million. Requests for credit accommodations and trade transactions aggregating up to ₱50.0 million are approved by the IBS Credit Committee while those up to ₱200.0 million are for approval of the

SMCC. Any request for approval of credit accommodations and trade transactions of over ₱200.0 million are endorsed by the SMCC and are submitted to the EXCOM for approval. Specific transactions which are beyond the authority of EXCOM shall require Board approval.

The decision on whether or not to extend the credit is determined by a combination of internal policies and guidelines and the regulatory policies of the BSP. The internal credit policies are continuously reviewed and updated by the Credit Policies Department.

Except as may be otherwise approved by the BSP, the Bank generally cannot grant to a single borrower a loan equivalent to more than 25.0% of the Bank's net worth. This can be increased by 10.0% provided these are secured by trust receipts, shipping documents, warehouse receipts or other documents transferring title to readily marketable non-perishable goods covered by insurance. In determining whether the Bank complies with the single borrower's limit of the BSP, the Bank includes exposure to related accounts (i.e., exposure to subsidiaries and parent companies of the borrower including guarantees by the borrower or its related companies or its principal officers) but excludes, among others, loans and other credit accommodations guaranteed by the BSP or the Philippine Government and Government corporations, loans secured by hold-outs/margin deposits maintained in the Bank and other loans and credit accommodation classified as non-risk by the Monetary Board.

The Retail Banking Group ("RBS") principally focuses on retail deposit products (i.e., current accounts, savings accounts and High-Cost accounts) and services. While the focal point is the generation of lower cost funding for the Bank's operations, the RBG also concentrates on the cross-selling of consumer finance products, trust products, fixed income products, credit cards and bancassurance products to existing customers and referred customers by transforming its domestic branch distribution channels into a sales-focused organization. The Bank's bancassurance product, which provides it with additional fee income, is a BSP-approved service allowing banks such as the Bank to sell life and non-life insurance products to the bank's client base and through their branch network. The Bank offers its non-life insurance and life-insurance products through its partners Alliedbankers Insurance Corporation ("ABIC"), a subsidiary, and Allianz PNB Life Insurance, Inc. ("PNB Life"), respectively.

In determining whether the Bank complies with the single borrower's limit of the BSP, the Bank includes exposure to related accounts (i.e., exposure to subsidiaries and parent companies of the borrower including guarantees by the borrower or its related companies or its principal officers) but excludes, among others, loans and other credit accommodations guaranteed by the BSP or the Government and Government corporations, loans secured by hold-outs/margin deposits maintained in the Bank and other loans and credit accommodation classified as non-risk by the Monetary Board. Additionally, exposure to specific sectors of the economy is subject to internally approved limits or ceilings which are regularly monitored. There are, however, certain sectors which are already subject to specific pre-determined lending requirements as imposed by law on all banks, specifically in the area of lending to small and medium scale industries, to the agricultural/agrarian sector and to the real estate industry.

The Bank also follows guidelines of the BSP in the grant of loans to its directors, officers, stockholders and other related interests (i.e., certain relatives, affiliates, subsidiaries and parent companies thereof). Grants of these facilities require the approval of the Bank's Board of Directors and compliance with individual and aggregate ceilings as well as the BSP reporting requirements.

For control purposes, implementation of credit approvals is subject to review at least once a year by the Internal Audit Group. This audit is designed to determine the efficiency of the internal control system in place as well as the quality of lending operations. Additionally, the Board Audit and Compliance Committee monitors the past due level and status of past due accounts. Enterprise Risk Management Group also does this via the Credit Dashboard reported to the Risk Oversight Committee.

In compliance with BSP requirements, the Bank has an Internal Credit Risk Rating System (“**ICRRS**”) for corporate accounts and credit scoring for consumer and small loans to standardize the assessment of its credit portfolio in terms of risk profile. The ICRRS grades new and existing corporate loan borrowers with total assets of more than ₱15.0 million, regardless of the total credit facilities. Exposures are grouped based on the underlying risk characteristics to provide homogenous segments for a better assessment of credit risk. Existing or prospective loan borrowers with asset size of ₱15.0 million and below are rated using the respective credit scoring system for small and medium enterprises as well as consumer loan borrowers.

Credit monitoring and review process

Pursuant to the BSP’s MORB, the Bank is required to establish a system of identifying and monitoring existing or potential problem loans and other risk assets and of evaluating credit policies with regard to prevailing circumstances and emerging portfolio trends. In compliance with this requirement, the Bank has established credit support units under its credit risk management group to review and monitor individual accounts within a particular portfolio to identify existing and potential areas of deterioration and assess the risks involved. In addition, the credit support units evaluate the degree to which a particular lending unit is complying with existing credit management policies.

The evaluation of the individual loan accounts culminates in the classification of the account. An account may be adversely classified depending on the degree or gravity of the perceived problems of the account reviewed. Classification is based on the parameters/guidelines set forth in the MORB.

The review and recommended classification of a loan account are initiated by the assigned account officer and approved per the MSA.

DOSRI

The Bank and its subsidiaries will, from time to time and in the ordinary course of business, enter into loans with directors, officers, shareholders and/or related interests (“**DOSRI**”). All such loans are on commercial, arm’s length terms. BSP regulations require that the aggregate amount of such DOSRI loans should generally not exceed 100.0% of the Bank’s net worth or 15.0% of the Bank’s total loan portfolio, whichever is lower, but in no case shall the total unsecured loans, other credit accommodations and guarantees to said DOSRI exceed 30% of the aggregate ceiling or the outstanding loans, other credit accommodations and guarantees, whichever is lower. The amount of any loan to a DOSRI of the Bank, of which 70.0% must be secured, may not exceed the aggregate amount of their unencumbered deposits with the Bank and the book value of their paid-in capital investments in the Bank. The Bank is required to report the level of DOSRI loans to the BSP on a weekly basis. The Bank is required to submit to BSP a copy of the approval within 20 days from the date of approval. As of 31 December 2022, 2023, 2024 and 30 June 2025, the Bank’s DOSRI loans amounted to ₱39.0 million, ₱2.7 million, ₱136.9 million and ₱1.24 million, respectively, or 0.0%, 0.0%, 0.0% and 0.0%, respectively, of the Bank’s total receivables from customers.

Information Technology

The Bank is committed to leveraging advanced information technology to drive operational excellence, enhance customer experience, and support sustainable growth. The strategic investments in digital transformation ensure that the bank remains competitive, resilient, and trusted by the Bank’s clients and investors.

Strategic Vision

The Bank is transforming business operations through next-generation technology solutions, creating an agile and customer-centric ecosystem. The focus is on delivering dependable products and services, boosting employee productivity, and achieving long-term operational efficiencies. This commitment ensures that the Bank remains

competitive in an increasingly digital marketplace while upholding the highest standards of security and regulatory compliance across local and international markets.

In line with this vision, the Bank has implemented key technological initiatives that redefine how to serve customers and stakeholders. In August 2025, the bank successfully completed the upgrade of the core banking system, migrating to the most updated release of Systematics on the modern z/OS platform, supported by a new IBM mainframe and expanded storage capacity. This upgrade delivers faster processing, stronger security protocols, modern API integration, and enhanced resilience. Additionally, the migration of the ATM platform from Connex to IST last March 22, 2025, that provides advanced functionality and improved reliability for customer transactions.

To strengthen technology governance and service delivery, the Bank adopted the world's leading IT Service Management platform, enabling more efficient technology management, improved resource alignment, and greater operational efficiency. The Bank also implemented a unified Enterprise Resource Planning (ERP) system to streamline financial, procurement, and operational processes, providing real-time insights and stronger governance.

Further, the IBS LEADS Project digitized corporate loan origination, accelerating approvals and improving transparency for corporate clients. The Unified Customer Contact Solution integrates all interaction channels call center, social media, and chat into a single ecosystem for faster response times and seamless engagement. Finally, the Enterprise Document Management System centralizes workflows to ensure compliance, security, and paperless operations, supporting sustainability goals.

These milestones mark a significant step in the digital transformation journey, providing a secure, scalable foundation for future growth and innovation.

Strengthening Risk Management and Cybersecurity Posture

While digital transformation introduces new risks and complexities, the Bank remains proactive and resilient in managing these challenges through a robust risk management framework designed to anticipate, prevent, and respond to threats—ensuring business continuity and stakeholder confidence. Beyond training and development, the bank invests heavily in cybersecurity, disaster recovery, and infrastructure modernization, supported by skilled personnel and advanced technologies.

The cybersecurity and fraud prevention initiatives include Enterprise Fraud Management powered by AI-driven analytics, the Information Security Strategic Plan (ISSP) and Cyber Security Program (ICSP), and a 24/7 Security Operations Center (SOC) combining third-party expertise with internal AI-powered tools. The Bank also deployed an anti-DDoS solution to protect the bank's public-facing applications.

To reinforce resilience, the Bank implemented an Enterprise Backup Solution, maintain a global off-site backup data center, and regularly conduct annual disaster recovery exercises. Infrastructure modernization projects include Check Point ELA for advanced network security, IPPBX telephony upgrades, Head Office fiber optic deployment, and Network Access Control for hardening the bank's endpoint security.

Governance and awareness remain central to the Bank's strategy, with continuous cybersecurity education campaigns, active collaboration with peers for threat intelligence sharing, and regular reporting of security posture to the Board and senior management committees.

Through these initiatives, the Bank demonstrates its unwavering commitment to protecting client information and assets. The integrated risk mitigation framework ensures operational stability and reinforces stakeholder confidence in the Bank's long-term strength and integrity.

Digital Initiatives

The Bank's strategy is to collaborate with technology solution providers and FinTech companies, with the objective of enriching the digital experience available to its customer as well as to attract new clients. The Bank intends to take advantage of emerging technology and services that are readily available from third parties that are not currently provided by the Bank. The Bank is also leveraging its relationship with the Lucio Tan Group of Companies (LTGC) to maximize the value-add of its digital services by capitalizing on available and emerging digital technologies. DCMIG is spearheading the Bank's plans and efforts towards maximizing recent technologies for the greater benefit of the Bank's customers and stakeholders.

PNB Digital App

The Bank offers digital banking solutions through its PNB Digital App. The number of the Bank's customers using PNB Digital App, which was launched in February 2021, grew by approximately **110.84%** from 31 December 2022 to 30 June 2025. As of 30 June 2025, the total number of users reached **1,641,131**.

PNB Digital App provides the following services:

- View account balance and transactions history;
- Make intra-bank and inter-bank fund transfers through InstaPay and Pesonet to 140 banks, e-wallets and electronic money issuers, with the option to use convenient Quick Response ("QR") codes;
- Make bill payments to more than 1,500 billers, using CASA and Credit Cards as source of payment, and pay at merchant stores using QR codes;
- Subscribe, view and redeem UITF instruments; and
- Withdraw from PNB ATMs without the need of a debit card on hand (cardless withdrawal)

Aside from organizational and administrative controls, digital security in the app is enhanced by biometrics, multi-factor authentication (MFA) and soft token technologies, on top of the standard username, password, and one-time passcode (OTP).

This App package of relevant features, along with a user-friendly, intuitive interface, has been recognized by the following awards:

- 2023 Philippines Digital Experience of the Year for Banking, from the Asian Experience Awards; and
- 2024 Highly Acclaimed Excellence in Customer Service Innovation, from the Digital Banker CX Awards.

In enriching the App's features and services, the Bank also makes full use of its marketing channels (web, social media and print) to increase awareness and adoption of these clients.

The Bank seeks to further strengthen its security posture by integrating its digital channels with an Enterprise Fraud Management System, which detects and prevents frauds that can compromise the system due to social engineering.

As part of its continuous innovation, the Bank is also enriching its facilities to serve more customers to its deposits and consumer finance services by embarking on digital loans and CASA account openings using e-KYC and customer identity & access management solutions. The Bank has recently upgraded its loan origination systems for consumer loans and credit cards. Additionally, it will implement digital channels to offer these services remotely through mobile and web platforms.

As part of its ongoing initiatives, the Bank regularly coordinates with the Lucio Tan Group ecosystem to offer existing digital services to the employees and clients of the Group, offering promotions and facilitating their entry into the digital offerings of PNB.

Core-banking system and ATM upgrade

The Bank successfully completed its core banking system upgrade last August 16, 2025, migrating to the most updated release of Systematics on the modern z/OS platform, supported by a new IBM mainframe and expanded storage. This upgrade ensures:

- Faster processing and improved efficiency
- Stronger security and encryption protocols
- Modern API integration for better connectivity
- Enhanced resilience and recovery capabilities

In addition, the Bank finalized the migration of its ATM platform from Connex to IST last March 22, 2025, which is an ATM/payment processing switch that offers a more advanced, flexible, and richer system functionality and is one of the most widely deployed payment switches in the market today.

Anti-money laundering systems

To improve its electronic system for money laundering monitoring, the Bank deployed in 2021 the SAS Anti-Money Laundering System (“SAS”), which is an electronic Transaction Monitoring (“TM”) that replaced the GIFTSWEB Enhanced Due Diligence (“EDD”) monitoring system which the Bank used since 2005. This anti-money laundering solution, developed and marketed by SAS Institute, a developer of analytics and artificial intelligence software based in Cary, North Carolina, United States, fulfils the strict and complex regulatory requirements for the detection, monitoring and reporting of suspected money laundering activities by financial institutions. The software solution provides the analytical tools needed to proactively detect and monitor possible suspicious transaction activity, respond to regulatory subpoenas and create a database for case management reports. The system also facilitates the preparation of Currency/Covered Transactions Reports and Suspicious Activity/Transaction Reports. It is currently being used by PNB Head Office in the Philippines since March 2021 and eight other PNB branches and subsidiaries, particularly PNB Remittance Centers Inc. since December 2020, PNB New York Branch, PNB Los Angeles Branch, PNB Guam Branch, PNB Singapore Branch, PNB Hong Kong Branch, and PNB Global Hong Kong since 2021, and PNB Japan Branch since April 2023

Subsidiaries

Universal banks in the Philippines, such as the Bank, may invest in the equity of banking-related companies or “allied undertakings.” Financial allied undertakings include leasing companies, banks, and investment houses, financing companies, credit card operations and financial institutions catering to small and medium-scale businesses.

Publicly listed universal banks may acquire up to 100.0% of the voting stock of one other commercial or universal bank, up to 100.0% of the voting stock of thrift banks and rural banks, up to 100.0% of other financial allied undertakings and up to 100.0% of non-financial undertakings. Prior Monetary Board approval is required for investments in financial allied undertakings and investments of more than 40.0% in non-financial undertakings.

The Bank’s subsidiaries and associate include the following:

Domestic subsidiaries and associate

- **Allied Integrated Holdings, Inc. (“AIHI”; formerly “PNBSB”)** AIHI ended its corporate life on 31 December 2022. It is now winding down its operations.
- **PNB Capital and Investment Corporation (“PNB Capital”)**, an investment house with a non-bank, non-quasi-banking license, was incorporated on 30 July 1997 and commenced operations on 8 October 1997. It is a wholly-owned subsidiary of the Bank. As of 30 June 2025, it had an authorized capital stock of ₱2.0 billion and paid-up capital of ₱1.5 billion or 20,000,000 shares and 15,000,000 shares at ₱100.0 par value, respectively. Its principal business is providing investment banking services, namely: debt underwriting (bonds, commercial papers), equity underwriting, private placements, loan syndications and financial advisory services. PNB Capital is authorized to buy and sell, for its own account, securities issued by private corporations and the government of the Philippines. As of 31 December 2024 and 30 June 2025, total assets of PNB Capital were ₱2.2 billion and ₱3.1 billion, respectively, while total capital was of ₱2.1 billion and ₱2.2 billion, respectively. For the year ended 31 December 2024 and the six months ended 30 June 2025, PNB Capital’s net income was ₱175.8 million and ₱81.0 million, respectively. PNB Capital is the sole global coordinator for this Programme
- **PNB Securities, Inc. (“PNBSI”)**, a wholly-owned subsidiary of the Bank, was incorporated on 18 January 1991 with an authorized capital of ₱200.0 million or 2,000,000 shares at ₱100 par value per share. As a member of the PSE, it is engaged in the brokerage and dealership of the various equity and equity-related securities listed in the PSE, including the distribution of initial public offerings in collaboration with PNB Capital. In addition, PNBSI performs other related services such as tender offer agency and price stabilization agency as well as processing of dividend and pre-emptive rights entitlements on behalf of its clients. Lastly, PNBSI also offers stock market research products to inform and assist clients in making decisions with their investments in the equities market.

As of 31 December 2024, PNBSI had a total paid-up capital of ₱100.0 million with total assets and total capital of ₱292.2 million and ₱185.8 million, respectively. As of 30 June 2025, total assets and total capital were ₱385.0 million and ₱192.9 million, respectively. For the year ended 31 December 2024, PNBSI’s net loss was ₱8.1 million, and for the six months ended 30 June 2025, PNBSI’s net income was ₱10.6 million. PNBSI ranked 24th among 122 active members in the PSE with 0.67% market share in terms of value turnover as of 30 June 2025.

- **PNB-Mizuho Leasing and Finance Corporation (“PMLFC”; formerly “PNB-IBJL Leasing and Finance Corporation”)** PMLFC ended its corporate term on March 31, 2024, and now winding down its operations.
- **PNB-Mizuho Equipment Rentals Corporation (“PMERC”; formerly “PNB-IBJL Equipment Rentals Corporation”)** PMERC ended its corporate term on 31 December 2024, and now winding down its operations.
- **Allianz PNB Life Insurance, Inc. (“Allianz PNB Life”, formerly “PNB Life”)** is an associate of the Bank, and traces its roots to New York Life Insurance Philippines, Inc. (“NYLIP”), the Philippine subsidiary of US-based New York Life International, LLC, which began its operations in the Philippines in August 2001.

In February 2003, ABC acquired a minority interest in NYLIP and started bancassurance operations in its branches nationwide. In June 2007, ABC and its principals became the majority shareholder NYLIP, as New York Life International, LLC divested all of its interests in NYLIP as part of its Asian strategy.

NYLIP formally changed its corporate name to PNB Life Insurance Inc. in May 2008 to reflect the change in ownership, and in anticipation of the merger of Allied Bank and Philippine National Bank. This change

in branding demonstrates the new owners' commitment to the Philippine life insurance market niche, its dynamism and growth prospects.

In October 2009, the Philippine National Bank acquired a minority stake in PNB Life, paving the way for the expansion of bancassurance operations of PNB Life to PNB branches nationwide.

With PNB as the surviving entity, the merger of ABC and the PNB in February 2013 further strengthened the bancassurance partnership with PNB Life, which benefited from the resulting synergy and increased operational efficiency. This development set the stage for the introduction of competitive investment-linked insurance products to bank clients, designed to meet their changing needs for complete financial solutions.

On 21 December 2015, the Bank entered into a 15-year exclusive partnership with Allianz SE under the following arrangements:

- Allianz SE will acquire 12,750 shares representing 51.0% of PNB Life and would have management control over PNB Life;
- PNB Life would operate under the name of "Allianz PNB Life Insurance, Inc."; and
- PNB Life would enter into a 15-year distribution agreement with the Bank, providing exclusive access to the nationwide branches of the Bank.

On 6 June 2016, the Bank sold 12,750 shares in PNB Life to Allianz. The change of the company's name to "Allianz PNB Life Insurance, Inc." was approved by the Philippine SEC on 21 September 2016.

As Allianz PNB Life expands its reach to more Filipino families, the company has set up regional business centers in Northern Luzon (San Fernando, La Union), Central Luzon (San Fernando, Pampanga), Southern Luzon (Naga City, Camarines Sur), Western Mindanao (Zamboanga City); Eastern Mindanao (Davao City), Eastern Visayas (Cebu City), and Western Visayas (Iloilo City). In Metro Manila, Allianz PNB Life has its business centers in Binondo City, Manila for West Metro Manila, while the offices in Quezon City Circle and Cubao seek to serve North and East Metro Manila, respectively.

Allianz PNB Life offers innovative financial solutions through a variety of platforms through its bancassurance with the Bank and alternative distribution channels. It is ranked among the top life insurance companies in the country in terms of premium income and is a leading provider of variable life products. As of 30 June 2025, total assets and total capital (net worth) of Allianz PNB Life were ₱153,808.4 million and ₱3,682.2 million, respectively. For the year ended 31 December 2024, Allianz PNB Life's net income was ₱981.6 million, while for the six months ended 30 June 2025, Allianz PNB Life had a net income of ₱412.9 million.

Foreign branches and subsidiaries

The Bank has the largest overseas network among Philippine banks, with 70 branches, representative offices, remittance centers and subsidiaries in the United States, Canada, Europe, the Middle East and Asia. The Bank also has 99 overseas agents, and tie-up partners and maintains correspondent relationships with 337 banks and financial institutions worldwide as of 30 June 2024. Its foreign subsidiaries include the following:

- **PNB International Investments Corporation ("PNB IIC")**, formerly Century Holding Corporation, a wholly owned subsidiary of the Bank, is a U.S. non-bank holding company incorporated in California on 21 December 1979. It changed its name to PNB International Investment Corporation on 16 November 1999. PNB IIC owns PNB Remittance Centers, Inc. ("**PNB RCI**") which was incorporated in California on 19 October 1990. PNB RCI is a company engaged in the business of transmitting money to the Philippines. As of 30 June 2024, PNB RCI has 17 branches in six states of the United States of America. Effective 31 December 2024, PNB IIC purchased PNB RCI Holding Company, Ltd.

which was incorporated in California on 18 August 1999. PNB RCI Holding Company, Ltd. is the holding company for PNB Remittance Company Canada (“**PNB RCC**”). PNB RCC is also a money transfer company incorporated in Canada on 26 April 2000. PNB RCC has 6 branches as of 30 June 2025.

PNB IIC does not actively compete for business, being a holding company only. PNB RCI and PNB RCC have numerous competitors, including U.S. banks, Philippine bank affiliates doing business in North America, as well as other money transfer companies such as Western Union, Money Gram, RIA, Xoom, Transfast, Lucky Money, and LBC.

PNB RCI is regulated by the U.S. Internal Revenue Service and the Department of Financial Protection and Innovation of the State of California and other state regulators of licensed money transmitters. PNB RCC is regulated by the Financial Transactions and Reports Analysis Centre of Canada.

- **PNB Global Remittance & Financial Company (HK) Limited (“PNB Global”)** is a wholly-owned subsidiary of PNB, was established in Hong Kong on July 20, 1976. The Company is engaged in providing remittance services bound to the Philippines. It also grants consumer loans to Filipinos and foreign nationals working in Hong Kong who are interested to purchase real estate properties in the Philippines.

PNB Global HK's Main Office is in Wanchai District while its six branches are strategically situated in Shatin, Yuen Long, Tsuen Wan, North Point, and two in Worldwide House in Central District of Hong Kong.

- **Philippine National Bank (Europe) PLC (“PNBE”)** is a wholly owned subsidiary of PNB. It started in 1976 as PNB London Branch and was incorporated in June 1994. It was granted a deposit taking license by the Bank of England in July 1997.

Following the merger of PNB and ABC in 2013, PNBE merged with Allied Bank Philippines (UK) Plc in 2014, with the former as the surviving entity. PNBE is an authorized institution under the Financial Services Act 2012 and is regulated by the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA).

Following the conclusion of the Brexit transition period in 2020, PNBE continues to provide services to Filipinos in the region through its UK office as well as its web and phone remittance platforms.

- **Allied Commercial Bank (“ACB”)** is a majority owned (99.04%) subsidiary of PNB and was formerly known as Xiamen Commercial Bank. ACB maintains its head office in Xiamen, Fujian, China and has a branch in Chongqing which was established in 2003.

From its establishment in 1993 until 2017, ACB was allowed to deal only in foreign currency-denominated products and services. In 2017, local currency or Chinese Yuan-denominated products and services were allowed except to local residents. Finally, in 2020, ACB obtained a banking license allowing it to offer services to all market segments with all traditional banking products, denominated in local or foreign currencies.

ACB is a full-service commercial bank specializing in international trade finance and lending to micro, small, and medium-sized enterprises. It offers a diverse and competitive range of deposit and lending products and remains committed to innovating financial solutions that meet the needs of its target clients. Key operational and strategic advancements:

- 2020: Launched an enterprise internet banking system to enhance convenience for corporate depositors.

- 2022: Upgraded its systems to automate credit management processes, improving operational efficiency and risk control.

Cross-border CNY Business: Defined as trade settlements and related transactions conducted in Chinese Yuan (CNY) between China and its international trade partners. ACB successfully developed and tested a pre-system for CNY cross-border payment and collection information management in early 2024. Following official regulatory approval to conduct cross-border CNY business in July 2024, the bank now provides customers with efficient cross-border settlement and financing services.

Credit Reporting Compliance: China's credit investigation framework mandates banks to submit credit exposure data. In 2024, ACB advanced the completion of its second-generation corporate credit reporting system, further enhancing the accuracy and timeliness of enterprise credit data submissions to comply with regulatory requirements.

In 2023, ACB amended its Articles of Association & By-law to a perpetual term, with supplementary revisions to align with regulations, strengthen corporate governance, and optimize the Board of Directors, Board Supervisor, and senior management mechanisms. Guided by the updated Articles, ACB standardized governance, enhanced body effectiveness, and laid the groundwork for long-term stable development.

- **Allied Banking Corporation (Hong Kong) Limited ("ABCHKL")** was incorporated in 1978 and is a private limited company holding a restricted license under the Banking Ordinance in Hong Kong. ABCHKL became a majority-owned subsidiary of the Bank as a result of the merger of PNB and Allied Banking Corporation in 2013.

ABCHKL's principal activity is commercial banking services, predominantly in Hong Kong, which includes deposit-taking, lending and trade financing, documentary credits, money market and foreign exchange operations.

ABCHKL's wholly owned subsidiary, ACR Nominees Limited, a private limited company incorporated in Hong Kong, and its principal activities are to provide management and general corporate services to its customers. It is a Trust or Company Service Provider licensee in Hong Kong.

Capital Expenditures

The Bank's capital expenditures for the three years ended 31 December 2022, 2023, and 2024 and for the six months ended 30 June 2025 are:

	For the years ended 31 December (audited)			For the period ended 30 June (unaudited)
	2022	2023	2024	2025
	(P millions)			
Capital Expenditures	1,428.7	1,018.8	1,392.4	846.0

The Bank has budgeted P2,400.0 million for capital expenditures in 2025 to be used mainly for upgrading of the core banking systems and its supporting infrastructure, acquisition of network communication and information technology systems, and for the development and/or acquisition of business applications and tools that will support the Bank's overall business plans.

Insurance

The Bank has insured its material properties against fire and other usual risks. The Bank also maintains insurance for operational risks such as the loss of cash or securities through loss or theft by obtaining insurance from third party providers. The Bank does not have business interruption insurance covering loss

of revenues in the event that its operations are affected by unexpected events. The Bank believes that its insurance coverage is appropriate for its business and operations and its peers in the industry.

Properties

The Bank's head office is located at Philippine National Bank Financial Center, Pres. Diosdado Macapagal Boulevard, Pasay City. The Bank leases 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:

Location	Number of Owned Branches	
	As of 31 December 2024	As of 30 June 2025
PNB		
Rest of Metro Manila	42	42
Luzon	73	73
Visayas	41	41
Mindanao	41	41
Total	197	197

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:

Location	Number of Leased Branches	
	As of 31 December 2024	As of 30 June 2025
PNB		
Rest of Metro Manila	201	201
Luzon	128	128
Visayas	63	63
Mindanao	42	42
Total	434	434

Intellectual Property

The Bank has applied for and received, intellectual property protection for its brand names "Philippine National Bank" and "PNB" with the Philippine Intellectual Property Office and with appropriate agencies in Canada and the European Community. Specifically, these cover its corporate logo, financial, investment banking and various remittance services. The Bank has not been the subject of any disputes relating to its intellectual property rights.

Legal Proceedings

The Bank is a party to legal proceedings which have arisen in the ordinary course of its business activities. The Bank believes that none of such legal proceedings arising in the ordinary course of the Bank's business activities, whether individually or in the aggregate, are reasonably expected to have a material adverse effect on the Bank or its consolidated financial condition.

Involvement of the Bank, the Directors, and Executive Officers in Certain Legal Proceedings

The Bank and some of its subsidiaries are, and may in the future, be parties to various legal proceedings in connection with the ordinary course of their operations and performance of business functions and responsibilities. None of such legal proceedings, either individually or in the aggregate, are expected to have a material adverse effect on the Bank and its subsidiaries or their financial condition.

Neither the Directors nor any of the Executive Officers have, for a period covering the past five (5) years, reported: (i) any petition for bankruptcy filed by or against a business to which they are related as a general partner or executive officer, save for Director Lucio C. Tan III, as detailed below; (ii) any criminal conviction by final judgment or being subject to a pending criminal proceeding, domestic or foreign, other than cases which arose in the ordinary course of business in which they may have been impleaded in their official capacity; (iii) being subject to any order, judgment, or decree, of a competent court, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or limiting their involvement in any type of business, securities, commodities, or banking activities; and (iv) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine Securities and Exchange Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgement has not been reversed, suspended, or vacated.

On 03 September 2021, PAL filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. Director Lucio C. Tan III has remained a Director of PAL and PNB since then. The Order confirming the Debtor's Plan of Rehabilitation was entered on 17 December 2021 and the Plan took effect on 31 December 2021. PAL completed a parallel filing before Branch CXI (111), Pasay City, Special Commercial Court and an Order for the recognition of the foreign proceeding under the Financial Rehabilitation Act of the Philippines was promulgated on 22 October 2021.

Competition

The Bank faces competition in all its principal areas of business, from both Philippine and foreign banks, as well as finance companies, mutual funds and investment banks. The Bank believes that offering diverse products and services, investing in technology, and leveraging synergies within the LT Group and with its Government customers, as well as building on relationships with the Bank's other key customers, have allowed it to maintain its market position in the industry. The Bank believes its principal competitors are BDO Unibank, Inc., Bank of the Philippine Islands, Metropolitan Bank and Trust Company, China Banking Corporation and Rizal Commercial Banking Corporation (see "*The Philippine Banking Industry*" of this Offering Circular).

In addition, the Bank faces competition from the emergence of FinTech, including businesses such as an all-digital bank set up by CIMB and ING Direct, and mobile payment tools or e-wallet applications such as GCash and PayMaya, and the growing popularity of peer-to-peer lending through digital platforms. As the Bank ventures into micro-finance and other consumer financing products, the Bank may also face competition from other consumer-focused players, including informal lenders.

Employees and Labor Relations

As of 30 June 2025, the Bank had a total of 8,877 employees comprising 4,845 officers and 4,032 rank and file employees. The average age of employees (i.e., officers and rank and file employees) is 38.09 years and the average tenure with the Bank is 11.08 years.

The Bank's regular rank and file employees are represented by one existing union under the Bank, as follows:

Name	Membership	Total Membership as of 30 June 2025	Effectivity
Philnabank Employees Association (“PEMA”)	PNB Pasay (original PNB employees and new hires under the Bank from 9 February 2013 onwards) and PNB Makati (original Allied Bank employees; absorbed under the Bank)	3,292 , or 82% of the non-officer population are members of PEMA	1 July 2022 to 30 June 2027

Previously, the Bank had two existing unions (PNBEU- PNB Employee Union and PEMA), which completed their merger in 2019. As of the date of this Offering Circular, the Bank has not suffered any strikes, and the Bank’s management believes that its relations with its employees and the union are harmonious and mutually beneficial.

Retirement Plan

Under the Bank’s regular retirement plan, employees shall be eligible for normal retirement upon reaching 60 years of age or completion 35 years of service, whichever comes first. The Bank also offers an early retirement plan which may be availed of by employees who have completed at least ten years of service regardless of age, or who have reached 55 years of age with at least ten years of service. The retirement plan provides each eligible employee with a defined amount of benefit dependent on one or more factors such as age, years of service and salary. For more information on the Bank’s retirement plan, see Note 28 to the Bank’s audited consolidated financial statements included in this Offering Circular.

Compensation Policy

Consistent with the Bank’s goal of being one of the Philippines’ preferred employers, the Bank has adopted a compensation policy that it believes is competitive with industry standards in the Philippines. Salaries and benefits are reviewed periodically and adjusted to retain current employees and attract new talent. Tied to this is a competency-based performance management system that calls for the alignment of individual key results, competencies, and development plans with the Bank’s overall business targets and strategy. Performance is reviewed annually, and employees are rewarded based on the attainment of pre-defined objectives.

Insurance

The Bank provides its employees with group accident insurance, term life insurance and medical hospitalization insurance coverage in line with good business practice and in accordance with Philippine standards. The Bank has also obtained insurance policies for all of its employees. Insurance premium payments for these policies are paid entirely by the Bank.

Corporate Social Responsibility and Sustainability

The Bank manifests and demonstrates its responsibility to society in various ways. In aspiring to be a world-class company, impact to society and the environment is an important element in the way the Bank conducts its business.

The Bank is dedicated to fostering sustainable growth and contributing positively to the economy, society, and the environment. Its comprehensive sustainability policy integrates environmental, social, and governance (“ESG”) principles into all aspects of its business operations, ensuring compliance with regulatory requirements and alignment with both local and international best practices. The Bank’s sustainability efforts are structured around four key pillars: (i) economic, (ii) environmental, (iii) social, and (iv) governance. Economically, the Bank focuses on revenue growth, profitability, and business continuity

through sustainable financing transactions and financial wellness programs. Environmentally, the Bank emphasizes efficient resource management, reducing its environmental footprint, and supporting businesses with positive environmental impacts. Socially, the Bank prioritizes capability-building, leadership development, and promoting social inclusion and gender equality. In terms of governance, the Bank ensures compliance with all applicable laws and regulations, maintains transparency and accountability, and implements an effective Environmental and Social Risk Management System (“**ESRMS**”).

The Bank’s sustainability policy underscores the importance of human capital, resource management, and stakeholder relationships. The Bank is committed to respecting human rights, fostering an inclusive work culture, and providing equal opportunities for all employees. This policy extends to the Bank’s customers, vendors, and third-party service providers, encouraging them to adopt sustainable practices.

The Bank sets out below a number of its key projects to further implement its sustainability policy:

Economic

- *Sustainability Bond Maiden Issuance (2024)*: Maiden issuance of sustainability bond amounting to \$300 Million, reinforcing the Bank’s commitment to responsible financing and support for sustainable projects.
- *Sustainable Finance and SDG-Aligned Portfolio (Ongoing)*. Monitoring of sustainable finance eligible portfolio and loans supporting SDGs.
- *Digitalization Efforts (Ongoing)*: Automating forms, developing online platforms to reduce paper consumption and maximizing AI integration improve operational efficiency.

Environmental

- *Project P.L.A.N.E.T. (Protect, Love, and Nurture the Environment Together) (2019)*: A campaign focused on environmental conservation.
- *PNB CommuniTree (2021-2025)*: An initiative aimed at environmental sustainability through tree planting and other green activities.
- *GHG Emissions Assessment (2025)*: Annual assessment and monitoring of GHG emissions and baseline assessment & quantification of Scope 3 emissions to set emission reduction targets.
- *Physical and Transition Risk Assessment (2025)*: Assessment of physical risk exposure of assets and potential impact of low-carbon economy scenarios.
- *Hazard Susceptibility Mapping for Employee Locations (2025)*: Mapping of hazard susceptibility and knowledge cascade on identifying vulnerabilities of employees and branch locations to improve resilience, adaptation and mitigation.
- *Digitalization Efforts (Ongoing)*: Automating bank forms, e-signatures, and developing online platforms to reduce paper consumption.

Social

- *PNB Sustainability Training and E-Learning Program (STEP) (2023)*: Educating employees on sustainability principles and ESG topics.
- *Donation of Decommissioned Computers (2021-2024)*: Providing resources to public schools and state universities.
- *Relief Support for Families Affected by Oil Spill in Oriental Mindoro (2023)*: Emergency response initiatives.
- *Relief Support for Communities Affected by Typhoon and Earthquake (2024-2025)*: Donation drive and initiative to provide resources to families affected by Typhoon Carina (July 2024) and earthquake in Cebu (September 2025).

- *Financial Literacy, Health, and Spiritual Wellness Sessions* (Ongoing): Programs aimed at improving the well-being of employees and communities.
- *PNB Employee Volunteerism Activities* (Ongoing): Engaging employees in community service activities such as tree planting, coastal clean-ups, and medical missions.

Governance

- *ESG Screening and Due Diligence* (Ongoing): Implementing enhanced due diligence for high and medium environment and social (“E&S”) risk accounts.
- *Enhanced Centralized Watchlist System (ECWS)* (2023): Conducting ESG Negative Screening for clients and vendors/suppliers.
- *Sustainability Criteria for Vendor Assessment* (2024): Integration of sustainability criteria and considerations in vendor information and vendor risk assessment form.
- *Facility Risk Rating (FRR) Review* (2023): Integrating environmental and social risk criteria into the Bank’s credit risk rating models.
- *PFRS S1 and S2 Integration Roadmap* (2025): Development of organizational plans and alignment of strategies in view of PFRS S1 and S2 reporting requirements.
- *Summit for Sustainable Growth* (2024): Convening of Board of Directors and Senior Management to strengthen PNB’s commitment to sustainability through discussion on ESG trends, regulations and strategies as informed by sustainability experts from IFC, WWF, UPLB and S&P Global.
- *Thematic Sustainability Workshops* (2025): Knowledge cascade to all units of the Bank on the requirements of PFRS S1 and S2, and guidance on setting ESG metrics and targets.
- *Compliance with BSP Circulars* (Ongoing): Adhering to regulations on sustainable finance, environmental and social risk management, and consumer protection.

These projects reflect the Bank’s ongoing commitment to integrating ESG principles into its operations, ensuring long-term value creation for all stakeholders while contributing to the achievement of the United Nations Sustainable Development Goals.

The Bank has undertaken several initiatives to integrate ESG principles into its lending practices, with the goal of ensuring that its financial activities support sustainable development while effectively managing associated risks. The Bank’s key initiatives include:

- *ESG Risk Categorization* (2021): Identification of loan accounts with high, medium, and low E&S risk categories based on the Philippine Standard Industrial Classification Code. ESG screening checklists and forms are used as part of due diligence, starting with high-risk and medium-risk accounts
- *ESG Scorecards* (2021-2024): Integration of ESG scorecard results into the credit risk assessment and rating of identified loan accounts. Guidelines have been established for project evaluation and selection of borrowers eligible for sustainable financing. Scorecards are updated in view of continuous updates on ESG and Sustainable Finance-related regulations and requirements.
- *Stakeholder Engagement* (2021 and 2022): Conducting roundtable discussions for loan clients and PNB employees to raise awareness about PNB’s Sustainability Financing Framework and align expectations regarding ESG requirements.
- *Sustainability Financing Framework* (2024): Updating and alignment of sustainability financing use of proceeds eligibility criteria and threshold to standards as supported by a second party opinion.

- *IBS LEADS Project* (Ongoing): A digitalization project aimed at automating the end-to-end loan evaluation and decision system to comply with various regulatory requirements, including those related to sustainable finance and environmental and social risk management.

These initiatives reflect the Bank's commitment to integrating ESG principles into its lending practices, ensuring that its financial activities support sustainable development while effectively managing associated risks.

Operational and Management Support

The Bank provides operational support to all of its subsidiaries. The support provided includes information technology, controllership, legal, operations and human resource services.

12.0 Risk Management

The Bank is exposed to risks that are particular to its lending and trading businesses and the environment within which it operates. The Bank's goal with respect to risk management is to ensure that it identifies, understands, measures, controls and monitors the various risks that arise from its business activities, and that it strictly adheres to the policies and procedures which are established to mitigate these risks.

Risk Management

The Bank recognizes that a sound, robust and effective enterprise risk management system complemented with global best practices are as a necessity and the prime responsibility of the Board and senior management. The Bank's approach to risk is founded on corporate governance practices that are intended to strengthen the enterprise risk management of the Bank, while positioning the Bank to manage the changing regulatory environment in an effective and efficient manner.

The Bank believes that strong independent oversight has been established at all levels within the Bank. The Bank's Board of Directors has delegated specific responsibilities to various board committees which are integral to the Bank's risk governance framework and allow executive management, through management committees, to evaluate and effectively manage the risks inherent in the business.

The approach to managing risk is outlined in the Bank's Enterprise Risk Management Framework ("**ERM Framework**") which creates the context for setting policies and standards and establishing the right practices throughout the Bank. The ERM Framework defines the risk management processes and sets out the activities, tools, and organizational structure to ensure material risks are identified, measured, monitored and managed.

The Bank believes that its ERM Framework, through regular reviews and updates, has been an effective risk management tool, and has proven to be resilient through economic cycles. The Bank relies on its ERM Framework and the "three lines" model and believes that these are important for its goal to develop a risk management system that is at par with global best practices.

Although the first line role of defense in risk management is primarily with the Bank's risk-taking units and support units, the Bank's Enterprise Risk Management Group is primarily responsible for the monitoring of risk management functions to ensure that a robust risk-oriented organization is maintained.

The risk management framework of the Bank is under the direct oversight of the Chief Risk Officer ("**CRO**") who reports directly to the Risk Oversight Committee ("**ROC**"). The CRO is supported by Division Heads with specialized risk management functions to ensure that robust organization is maintained. The Enterprise Risk Management Group is independent from the business lines of the Bank.

Each division monitors the implementation of the processes and procedures that support the policies for risk management applicable to the organization. These Board-approved policies, define the risks to be managed, set forth the organizational structure and mandate appropriate training necessary to manage and control risks. Further, each risk division engages with all levels of the organization among its business and support groups. This ensures that risk management and monitoring is embedded at the moment of origination.

The Bank's governance policies also provide for the validation, audit and compliance testing, to measure the effectiveness and suitability of the risk management structure. The Enterprise Risk Management Group also functions as the secretariat to the Risk Oversight Committee, which meets monthly to discuss the immediate previous month's total risk profile according to the material risks defined by the Bank in its ICAAP document.

The Bank's risk management system and the Bank's Board of Directors' criteria for assessing its effectiveness are revisited on an annual basis and limit settings are discussed with the relevant business units and presented to the Risk Oversight Committee for final approval by the Bank's Board of Directors.

In line with the integration of the BSP-required ICAAP and risk management processes, the Bank currently monitors eleven material risks. These material risks are:

Pillar 1 Risks:

1. Credit Risk (includes Counterparty and Country Risks)
2. Market Risk
3. Operational Risk

Pillar 2 Risks:

4. Credit Concentration Risk
5. Human Resource Risk
6. Interest Rate Risk in Banking Book
7. Information Technology Risk
8. Information Security/Cybersecurity Risk/ Data Privacy Risk
9. Liquidity Risk
10. Reputational Risk
11. Strategic Business Risk

Pillar 1 risk-weighted assets are computed based on the guidelines set forth in BSP Circular No. 538 using the "Standard Approach for Credit and Market Risks" and "Basic Indicator Approach for Operational Risks".

Risk Categories and Definitions

The Bank broadly classifies and defines risks into the following categories and manages the risks according to their characteristics. These are monitored accordingly under the enterprise ICAAP 2025 program:

Risk Category	Risk Definition	Risk Management Tools
Credit Risk (including Credit Concentration Risks and Counterparty Risks)	Credit risk is the risk to earnings or capital that arises from an obligor/s, customer/s or counterparty's failure to perform and meet the terms of its contract. Credit concentration risk arises from excessive exposures to individual counterparties, groups of related counterparties and groups of counterparties with similar characteristics (e.g., counterparties in specific geographical locations, economic or industry sector). Its potential loss implications are large enough relative to a bank's capital, total assets, or overall risk level, to threaten a financial institution's health or ability to maintain its core operations. It is inherent in a bank's assets, liabilities or off-balance sheet items, through the execution or processing of transactions (either product or service), or through a combination of exposures across these	<u>Enterprise-wide Tools</u> ▪ Internal risk rating for corporate accounts ▪ Credit Scoring for consumer loans ▪ Credit limits (statutory/ regulatory & internal limits) ▪ Manual of Signing Authority (MSA) ▪ Updated & responsive credit policies ▪ Performance vs. target ▪ Pre-approval review of loan recommendations ▪ Post-approval review of booked loans ▪ Expanded Real Estate Exposure Reporting ▪ Uniform Stress Test BSP Report <u>ERMG Tools</u> ▪ Trend Analysis (Portfolio / Past Due and NPL Levels) ▪ Stress testing/Rapid Loan Portfolio Reviews

	broad categories. The potential for loss reflects the size of the position and the extent of loss given a particular adverse circumstance (BSP MORB Sec 301.6, Series of 2009; BCBS)	▪ CRR Migration ▪ Tracking the movements of loan portfolio ▪ Monitoring of large exposures ▪ Monitoring of credit risk concentration ▪ Capital Adequacy Ratio (quarterly report) ▪ Review of adequacy of loan loss reserves and impairment loss ▪ Specialized Credit Monitoring (REST/EREE for Real Estate and Industry Limits) ▪ Concentrations and Demographics Review ▪ Counterparty Limits Monitoring
Human Resource Risk	Human Resource Risk covers PNB's risk of financial loss due to inadequate training, inexperience or illegal activities of risk-taking behavior of personnel. This risk is closely related to operations risk and its internal control aspects. It highlights the human side of risk-taking and the role and adequacy of code of conduct, personnel policies, training and development programs, ability to recruit and retain employees through adequate compensation and benefits and ability to sustain adequate workforce through succession planning.	▪ Talent Acquisition/ Retention and Career Management ▪ Remuneration Management ▪ Performance Appraisal System ▪ Training and Development ▪ Labor Management Relations ▪ Code of Conduct/Personnel Policies ▪ Employee Welfare/Wellness ▪ Employee Engagement Program ▪ Rewards System ▪ Compensation Package Review ▪ Attendance Reports ▪ Performance Appraisal Report ▪ Monitoring of employee's deliberate non-submission of acknowledgement receipts of personnel policies issued by HRG ▪ Grievance Reports/ Complaints ▪ Attrition rates, separation reports and exit interview forms ▪ Disciplinary Cases Report ▪ Recruitment Turnaround Time Report ▪ Number of training programs conducted Report ▪ Hiring and Attrition Tracking
Information Security/ Cyber Security/ Data Privacy Risk	Information Security Risk is the risk to organizational operations (including mission, functions, image, and reputation), organizational assets, and individuals due to the potential for unauthorized access, use, disclosure, disruption, modification or destruction of information or information assets that will compromise Confidentiality, Integrity, and Availability (CIA). This covers data or information being processed, in storage or in transit. Cyber Security Risk is the risk of damage to an organization through its information systems which is associated	Risk Identification ▪ GRC System ▪ Information Asset Register (IAR) ▪ IS Risk Assessment (ISRA) ▪ Project Risk Assessment (PRA), ▪ Third-Party IS Risk Assessment (TPISRA) ▪ IS Checklist ▪ Compliance Assessment & Validation ▪ Vulnerability Management

	with financial loss, disruption or damage to an organization from failure, unauthorized or erroneous use of its information systems. (NIST IR 7298 Revision 2, Glossary of Key Information Security Terms, Page Numbers 98 and 100)	Risk Prevention and Detection ▪ IS/Cyber Strategies & Programs ▪ MBSS Implementation ▪ Board Approved ISMS Policies, Guidelines, and Procedures ▪ IS/Cyber Awareness & Education ▪ Phishing & Social Engineering Simulations ▪ Periodic VAPT ▪ Continuous monitoring via SOC ▪ SIEM (24/7 SOC Service Provider) ▪ Code Review, App Testing, Web Application Firewall ▪ Encryption (in motion & at rest) ▪ Identity & Access Management (AD), Privilege Access Management ▪ Patch Management, NAC, VDI ▪ Secure Web Gateway, Wireless Security ▪ MFA, Application Content Filtering, Firewall ▪ Endpoint Detection & Response (EDR) ▪ Traffic Analyzer ▪ IDS/IPS ▪ EFMS ▪ DLP Response and Recovery ▪ Activate Security Incident Response Team (SIRT) ▪ Incident reporting & remediation guidance ▪ Digital forensics & root cause analysis ▪ Cyber Playbooks ▪ Cyber Incident Simulation Assess & Monitor ▪ Continuous process improvement ▪ Compliance self-assessment ▪ Metrics & Dashboards (KRIs / KPIs for risk and performance tracking) ▪ Reporting to senior management and regulators
Data Privacy (DP) Risk	Data Privacy (DP) Risk is the risk associated to potential loss due to unauthorized collection, processing, or access to personal data. It includes	▪ Enterprise-wide data privacy management system implementation ▪ Implementing the enterprise-wide data privacy policy and sub policies

	risks that the confidentiality, integrity and/or availability of personal data will not be maintained, or the risk that processing will violate the rights of data subjects or the general privacy principles (transparency, legitimate purpose and proportionality). Consequently, the data privacy risks may negatively impact the Bank's reputation and may result to financial losses.	including guidelines and procedures ▪ Playbook simulation ▪ Privacy Impact Assessment (PIA) process implementation ▪ Institutionalization of data protection and privacy culture within the PNB Group through education and regular awareness programs ▪ Implementation of the Data Sharing Agreement and Data Protection Agreement
Information Technology Risk	Information Technology Risk is any potential adverse outcome, damage, loss, violation, failure or disruption associated with the use of or reliance on computer hardware, software, devices, systems, applications and networks. (BSP Circular 808). It is also a business risk that is associated with the use, ownership, operation, involvement, influence and adoption of IT within PNB. It consists of IT-related events that could potentially impact the business. IT Risk includes Information Security Risk that could result from non-preservation of any or all of the domains of information security; that is, confidentiality, integrity and availability of information asset. (ISACA Risk IT Framework)	▪ IT Risk Assessment (ITRA) ▪ Project Risk Assessment (PRA) ▪ Incident Reporting Management ▪ Patch Management ▪ Technology Operations Management Policies & Guidelines ▪ Maintenance and upgrades of disaster recovery sites ▪ Business Users / IT joint engagement for problem resolution ▪ Formal Project Management Program adoption ▪ Maintenance and upgrades of disaster recovery sites ▪ Business Impact Analysis ▪ Change Management Process ▪ Capacity Monitoring ▪ Data Loss Prevention tool ▪ Privilege Access Management (PAM) ▪ Network Security Protection / Network monitoring tool ▪ Installation of firewalls, anti-virus, IPS/IDS, enterprise security solution (endpoint security, email and internet) ▪ IT Service Management tool ▪ Vulnerability assessments and penetration testing ▪ Logs Review
Interest Rate Risk in the Banking Books (IRRBB)	Interest rate risk is the current and prospective risk to earnings or capital arising from movements in interest rates. It arises from differences between the timing of rate changes and the timing of cash flows (repricing risk); from changing rate relationships among different yield curves affecting financial institution (FI) activities (basis risk); from changing rate relationships across the spectrum of maturities (yield curve risk); and from interest-related options embedded in FI products (options risk). The amount at risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position. (BSP Cir. No. 1044, Series of 2019).	▪ EAR Limits ▪ Balance Sheet Profiling ▪ Interest Repricing Gap Analysis ▪ Delta EVE ▪ Stress testing ▪ BSP Uniform Stress Testing

Liquidity Risk	Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Bank's inability to meet its obligations when they come due, without incurring unacceptable losses or costs. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. (BSP Cir. No. 981)	▪ MCO Limits ▪ Liquidity Ratios Limits ▪ Liquid Assets Monitoring ▪ Large Fund Provider Analysis ▪ Funding Liquidity/Contingency Planning ▪ Liquidity Stress Testing
Market Risk	Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of financial instruments, products and transactions in an institution's overall portfolio, both on or off-balance sheet and contingent financial contracts. Market risk arises from market-making, dealing and position taking in interest rate, foreign exchange, equity, and commodities market. (BSP Cir. No. 544, Series of 2006)	▪ VaR Limits ▪ Stop Loss Limits ▪ Management Action Triggers for FVOCI cumulative losses ▪ Duration Report ▪ FX Position Limit ▪ ROP Exposure Limit ▪ Limit to Derivatives / Structured Products ▪ Exception Report on Traders' Limit ▪ Exception Report on Rate Tolerance ▪ TPR computation ▪ Monthly validation/ preparation of the Market Risk Weighted Exposures in the CAR Report ▪ Stress testing / Scenario analysis ▪ BSP Uniform Stress Testing ▪ Back testing
Operational Risk	Operational Risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes Legal Risk but excludes Strategic and Reputational Risk. Operational Risk is inherent in all activities, products and services, and cuts across multiple activities and business lines within the financial institution and across the different entities in a banking group or conglomerate where the financial institution belongs. (BSP Circular 900, dated 18 January 2016)	▪ Internal Control ▪ Risk and Control Self-Assessment (RCSA) ▪ Loss Events Report (LER) ▪ Board approved Product Manuals ▪ Board approved Operating Policies and Procedures Manuals ▪ Key Risk Indicators (KRI) ▪ Business Continuity Plan (BCP) ▪ Disaster Recovery Plan (DRP) ▪ Business Continuity Playbooks ▪ Business Continuity Risk Assessment (BCRA) ▪ Business Impact Analysis (BIA) ▪ Crisis Management Plan (CMP) ▪ BCP Drills/Testing ▪ Incident Monitoring ▪ Vendor Risk Assessment (VRA) ▪ Vendor Risk Rating (VRR) ▪ Vendor Performance Evaluation (VPE) ▪ Materiality Determination template ▪ Statistical Analysis ▪ Awareness Campaign – Operational Risk, Business Continuity, Vendor Risk
Reputational Risk	Reputational Risk is the risk to earnings, capital, and liquidity arising from negative perception on the Bank of its customers, shareholders, investors, and employees, market analysts, the media, and other stakeholders such as regulators and other government	▪ Customer Engagement and Consolidated Complaints Report ▪ After Call and After Email Survey ▪ Security Measures for Digital Banking ▪ Market research on digital trends and profiling of digital users, statistics on

		agencies, that can adversely affect the Bank's ability to maintain existing business relationships, establish new businesses or partnerships, or continuously access varied sources of funding". (BSP Circular 1114, dated 08 April 2021). Reputational Risk also covers Customer Franchise Risk and Consumer Protection Risk. Customer Franchise Risk is defined in PNB's Policy on ICAAP, as the failure to find, attract, and win new clients, nurture and retain those PNB already has, and entice former clients back into the fold as well as the failure to meet client's expectation in delivering PNB's products and services. Consumer Protection Risk is defined as a failure of PNB to deliver its mandate to provide appropriate service and protection to its financial consumers.	usage, and transactions to anticipate and respond to changes in overall trends related to demands of customers and clients in relation to digital services platforms ▪ Fraud Management Program ▪ Social Media Management Framework ▪ Social Media Risk Management ▪ Use of Social Media metrics/Social Media Analytics ▪ Website Management ▪ Website Analytics ▪ Public Relations Campaign ▪ Mainstream media monitoring tool ▪ Customer feedback mechanism ▪ Products and Marketing Review
Strategic Risk	Business	Strategic business risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. This risk is a function of the compatibility of the firm's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation. The resources needed to carry out business strategies are both tangible and intangible. They include communication channels, operating systems, delivery networks, and managerial capacities and capabilities. The organization's internal characteristics must be evaluated against the impact of economic, technological, competitive, regulatory, and other environmental changes. (BSP Cir. No. 510, dated 03 Feb 2006)	▪ Regular ALCO reports on the latest Financials, monthly CAR, NPL & NIM projections, weekly performance on deposits, loans, treasury assets (levels, YTD, ADB) ▪ Regular updates on the status of sale of ROPA and other properties as well as NPL reduction ▪ Economic briefings for ALCO, Treasury and Senior Management by the Bank economist ▪ Corporate Planning's banking, industry reports and research studies ▪ Research Division's regular economic reports and forecasting and equities reports ▪ Budget Performance Report (BPR) distributed to concerned sector/group heads and PNB President (Key Result Areas [KRA] actual performance against targets) ▪ Compliance updates on new, revised regulations ▪ Annual Strategic Planning activities ▪ Performance and monitoring reports and surveys on bank products and services
Environmental and Social Risk		E & S Risk refers to potential financial, legal /or reputational negative effect of environmental issues on the Bank. This includes environmental pollution, climate risk (physical and transition risks), hazards to human health, safety, security and threats to community, biodiversity and cultural heritage among others	▪ Loss Events Report (LER) ▪ Risk and Control Self-Assessment (RCSA) ▪ Business Continuity Risk Assessment (BCRA) ▪ Hazard Hunter PH ▪ Key Risk Indicators (KRI) monitoring ▪ Enhanced Due Diligence E&S Scorecard ▪ Stress Testing

Asset/Liability Committee

The Asset/Liability Committee (“ALCO”) was established to assist the Board of Directors to assess, monitor and review all asset and liability management activities of the Bank relating to (i) interest rate risk; (ii) market/investment risk; (iii) liquidity risk; (iv) credit risk limited to investments; and (v) capital risk.

Maturity (liquidity) risk management

The Bank’s policy is to manage its operations with the objective of ensuring that adequate funds are available to meet credit demands of its customers and to repay deposits on maturity.

The Bank maintains diversified liquidity sources to provide it with flexibility in meeting liquidity requirements. Deposits from retail clients which are denominated in both Pesos and U.S. Dollars and generated by the Bank’s network of domestic branches are the Bank’s primary source of liquidity. The Bank believes it is able to differentiate itself from its peer banks, by having a large and diversified deposit base, with a majority of its deposits held in retail and middle market accounts which are not sensitive to interest rate movements. Further, due to the profile of the deposit account base and its structure for the past years, the Bank has been able to classify a majority of its deposit as “core deposits” (i.e., funds that typically remain in the Bank for the long term). As of 31 December 2024, and 30 June 2025, 84.4% and 76.0%, or ₱819.7 billion and ₱762.5 billion, respectively, of outstanding deposits of the Bank had a maturity period of one month or less.

Other sources of funds include short-term borrowings in the interbank market in the Philippines and abroad, borrowings through the Bank’s FCDU to fund its foreign currency-denominated assets, funds from maturing assets and profits from operations.

The Bank’s policy is to maintain what it believes is an adequate portion of its portfolio in short-term assets. As of 31 December 2024, and 30 June 2025, the Bank’s loans and receivables with remaining maturities of less than one year were 52.3%, and 54.2%, respectively, of the Bank’s total loans and receivables from customers. The Bank also maintains a significant portion of its asset portfolio in loans, with the Bank’s loans and receivables from customers representing 53.4%, and 54.5%, respectively, of the Bank’s total financial assets as of 31 December 2024 and 30 June 2025. In addition to the foregoing, the Bank’s trading and investment account includes securities issued by sovereign issuers (e.g., Government treasury bills, floating rate treasury notes and fixed rate treasury notes).

Of the Bank’s ₱342.2 billion, portfolio of gross trading and investment securities as of 31 December 2024, ₱161.0 billion, or 47.0% of which, was invested in securities with remaining maturities of one year or less. The gross trading and investment securities account amounted to 27.2% of the Bank’s total assets at that time. As of 30 June 2025, the Bank’s gross trading and investment securities portfolio amounted to ₱379.0 billion which accounted for 29.3% of the Bank’s total assets at that time. As of 30 June 2025, ₱148.0 billion, or 39.1% of such trading and investment securities had remaining maturities of one year or less.

Assets of the Bank also include funds due from BSP and other banks as well as interbank loans receivables, which (on a net basis) accounted for 5.1%, and 3.4%, respectively, of the Bank’s total assets as of 30 June 2025. Due from BSP and other banks are made on a short-term basis, 42.6% of which are available on demand or within one month from 30 June 2025. Interbank loans receivable, and securities held under agreements to resell are made on a short-term basis, 88.4%, of which are available or within one month from 30 June 2025.

The Bank’s liquidity management plan involves maintaining sufficient and diverse funding capacity to accommodate fluctuations in asset and liability levels despite due to changes in the Bank’s business operations or unanticipated events created by customer behaviour or capital market conditions. The Bank also seeks to ensure sufficient liquidity through a combination of active management of liabilities, a liquid asset portfolio comprising

substantial deposits in primary and secondary reserves, securing of money market lines and the maintenance of repurchase facilities to pre-empt any unexpected liquidity situations.

Although the Bank adopts what it believes to be a prudent policy on managing liquidity risks, a maturity gap exists between the Bank's long-term assets and short-term liabilities. This is attributable to the Bank's policy of taking advantage of higher yields of long-term assets which is being financed by the lower yields of short-term liabilities. Such strategy generally leads to the average maturity of its financial assets exceeding that of its liabilities. This liquidity risk arising from the mismatch is monitored and controlled by a gap analysis of maturities of relevant assets and liabilities reflected in the MCO report which is reported monthly to the ROC. The interest rate risk arising from the volatilities of the maturing/amortizing interest rate gaps are reflected in the EaR report, which is likewise discussed in both ALCO and the ROC. Further, regular stress tests exercises and simulation of the Bank's contingency funding plan are conducted, results of which are subsequently reported to the ROC to determine the impact of scenarios on the Bank's liquidity profile.

Interest rate risk management

The Bank seeks to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. Interest margins may increase as a result of such changes but may be reduced or may create losses in the event that unexpected movements arise.

Repricing mismatches will expose the bank to interest rate risk. The bank measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of a "repricing gap" analysis using the repricing characteristics of its financial instrument positions tempered with approved assumptions. To evaluate earnings exposure, interest rate sensitive liabilities in each time band are subtracted from the corresponding interest rate assets to produce a "repricing gap" for that time band. The difference in the amount of assets and liabilities maturing or being repriced over a one year period would then give the bank an indication of the extent to which it is exposed to the risk of potential changes in net interest income. A negative gap occurs when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. Vice versa, 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, a company with a positive gap is better positioned because the company's assets are refinanced at increasingly higher interest rates, increasing the net interest margin of the company over time. During a period of falling interest rates, a company with a positive gap would show assets repricing at a faster rate than one with a negative gap, which may restrain the growth of its net income or result in a decline in net interest income.

For risk management purposes, the loan accounts are assessed based on the next repricing date, thus as an example, if a loan account is scheduled to reprice three years from year-end report date, slotting of the account will be based on the date of interest repricing. Deposits with no specific maturity dates are excluded in the one-year repricing gap except for the portion of volatile regular savings deposits which are assumed to be withdrawn during the one year period and assumed to be replaced by a higher deposit rate.

The bank uses the Earnings at Risk (EaR) methodology to measure the likely interest margin compression in case of adverse change in interest rates given the bank's repricing gap. The repricing gap covering the one-year period is multiplied by an assumed change in interest rates to yield an approximation of the change in net interest income that would result from such an interest rate movement. The Parent bank's BOD sets a limit on the level of EaR exposure tolerable to the bank. EaR exposure and compliance to the EaR limit is monitored every two weeks and reported monthly by the ERMG and subject to a quarterly stress test.

The following table sets forth the Bank's repricing gap position as of 31 December 2024:

	2024 (audited) (in ₱ millions)					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱38,455.8	₱7,681.9	₱3,454.5	₱4,415.8	₱21,304.2	₱75,312.2
Interbank loans receivable and securities held under agreements to resell	108,224.5	17,800.6	—	242.2	—	126,267.3
Receivables from customers and other receivables - gross**	157,138.6	68,585.5	21,366.9	61,472.7	104,245.1	412,808.8
Total financial assets	₱303,818.9	₱94,068.0	₱24,821.4	₱66,130.7	₱125,549.3	₱614,388.3
Financial Liabilities*						
Deposit liabilities:						
Savings	₱158,681.5	₱72,692.8	₱27,725.0	₱51,339.0	₱264,897.2	₱575,335.5
Time***	82,979.9	40,903.3	6,699.7	5,023.5	11,762.3	147,368.7
Bonds payable	—	—	—	—	17,304.4	17,304.4
Bills and acceptances payable	7,869.4	2,324.0	2,295.4	7,719.6	—	20,208.4
Total financial liabilities	₱249,530.8	₱115,920.1	₱36,720.1	₱64,082.1	₱293,963.9	₱760,217.0
Repricing gap	₱54,288.1	(₱21,852.1)	(₱11,898.7)	₱2,048.6	(₱168,414.6)	(₱145,828.7)
Cumulative gap	54,288.1	32,436.0	20,537.3	22,585.9	(145,828.7)	

* Financial instruments that are not subject to repricing/roll forward were excluded.

** Receivables from customers excludes residual value of leased assets (Note 10).

*** Excludes LTNCD.

The following table sets forth the Bank's repricing gap position as of 30 June 2025:

	June 30, 2025 (unaudited) (in ₱ millions)					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱28,018.0	₱8,610.7	₱2,717.2	₱4,985.1	₱21,515.8	₱65,846.8
Interbank loans receivable and securities held under agreements to resell	92,789.6	10,475.3	1,425.0	324.7	—	105,014.6
Receivables from customers and other receivables - gross**	102,510.3	116,896.8	81,077.2	39,955.3	97,055.7	437,495.3
Total financial assets	₱223,317.9	₱135,982.8	₱85,219.4	₱45,265.1	₱118,571.5	₱608,356.7
Financial Liabilities*						
Deposit liabilities:						
Savings	₱157,719.5	₱87,452.7	₱27,996.4	₱52,883.2	₱270,480.6	₱596,532.4
Time***	68,746.5	63,665.5	7,857.5	6,771.4	12,179.9	159,220.8
Bonds payable	—	—	—	—	16,855.6	16,855.6
Bills and acceptances payable	3,791.4	8,472.6	—	1,379.2	749.2	14,392.4
Total financial liabilities	₱230,257.4	₱159,590.8	₱35,853.9	₱61,033.8	₱300,265.3	₱787,001.2
Repricing gap	(₱6,939.5)	(₱23,608.0)	₱49,365.5	(₱15,768.7)	(₱181,693.8)	(₱178,644.5)
Cumulative gap	(6,939.5)	(30,547.5)	18,818.0	3,049.3	(178,644.5)	

* Financial instruments that are not subject to repricing/roll forward were excluded.

** Receivables from customers excludes residual value of leased assets (Note 10).

*** Excludes LTNCD.

Another measure of the Bank's non-consolidated exposure to fluctuations in interest rates examines the impact of interest rate movements of various magnitudes on its net income. The following table sets forth, as of and for the period indicated, the impact of changes in interest rates on the Bank's non-consolidated net interest income:

	As of 31 December (audited)				As of 30 June (unaudited)			
	2022		2023		2024		2025	
	Statement of Income	Equity	Statement of Income	Equity	Statement of Income	Equity	Statement of Income	Equity
+50 bps	(P352.7)	(P352.7)	P120.0	P120.0	P135.8	P135.8	P2.7	P2.7
-50 bps	352.7	352.7	(120.0)	(120.0)	(135.8)	(135.8)	(2.7)	(2.7)
+100 bps	(705.5)	(705.5)	240.0	240.0	271.5	271.5	5.3	5.3
- 100 bps	705.5	705.5	(240.0)	(240.0)	(271.5)	(271.5)	(5.3)	(5.3)

Given the repricing position of the assets and liabilities of the Bank as of 30 June 2025, the Bank would expect annualized non-consolidated net interest income to increase by P5.3 million if interest rates increased by 100 basis points. If interest rates decreased by 100 basis points, the annualized non-consolidated net interest income of the Bank would decrease by P5.3 million. The Bank accomplishes the EAR computation on a monthly basis and conducts a quarterly stress test. In addition to EAR, the Bank also employs Economic value-based (EV-based) measures that assess the present value of the expected net cash flows of assets and liabilities, particularly those that are interest-bearing, discounted to reflect market rates. At the same time that fluctuations in interest rates will affect PNB's earnings, these will also have an impact on the bank's net worth or capital position. In coming up with present values, the relevant risk-free rate shall be used to formulate discount factors. Resulting weighted net positions across tenors are aggregated to determine the Economic Value of Equity ("EVE") per book and per major currency under different shock scenarios. Delta EVE is the difference between the total net present value of expected asset and liability cashflows when discounted at prevailing market rates and when discounted against shocked interest rates. Delta EVE is computed based on several interest rate shock scenarios (e.g., parallel up, parallel down, short rates up, short rates down, steepening rates, flattening rates). The scenario with the most negative Delta EVE, pertaining to the highest decline in net present value, is compared to the medium to long term Delta EVE trigger, which corresponds to a percentage of the Bank's CET1 capital.

The maximum negative Delta EVE coming from the parallel rates up scenario is at P17.2 billion or 11.85% of CET1 and P10.5 billion or 7.85% of CET1, as of 30 June 2025 and 31 December 2024, respectively.

Foreign currency risk management

Foreign currency liabilities generally consist of foreign currency-denominated deposits made in the Philippines (or which are generated from remittances to the Philippines by expatriates and contract workers who retain for their own benefit, or for the benefit of a third party, foreign currency deposit accounts with the Bank) and foreign currency-denominated borrowings of the Bank. Foreign currency-denominated liabilities are generally used to fund the Bank's foreign currency-denominated loan portfolio. The Bank is currently a net holder of foreign currency, as foreign currency-denominated assets exceed foreign currency-denominated liabilities.

The Bank's policy is to maintain foreign currency exposure within exposure limits approved by the Bank's Board of Directors and within existing regulatory guidelines.

Trading and investment securities

The Bank engages in fixed income securities trading. As of 30 June 2025, the Bank's gross trading and investment securities (which consist of financial assets at FVTPL, financial assets at FVOCI and financial assets at amortized costs) amounted to P378,985.3 million or 29.3% of total assets. As of 30 June 2025, 84.8% of the Bank's trading and investment portfolio comprised Government securities while 7.5% comprised privately issued securities. As of 30 June 2025, the Bank's financial assets at FVTPL, financial assets at FVOCI and financial assets at amortized cost amounted to P26,252.4 million, P236,904.6 million and P115,828.2 million, respectively, representing 2.0%, 18.3% and 9.0%, respectively, of the Bank's total assets.

Derivatives

The Bank trades in financial instruments where it either takes positions in traded and over-the-counter instruments, including derivatives, to take advantage of short-term market movements in currencies and interest rates or for hedging open risk positions. The Bank places trading and risk limits (including Value-At-Risk limits) on the exposure that can be taken at any point in time.

The Bank engages in derivatives for hedging and proprietary trades. Under BSP MORB, the Bank is authorized, as a Dealer, to enter into “Generally Authorized Derivatives Activities” which covers foreign exchange forwards, foreign exchange swaps, currency swaps, interest rate swaps and forward rate agreements. Furthermore, under the “Generally Authorized Derivatives Activities”, the Bank is also authorized, as an End-User, to enter into principal-protected foreign currency structured products and plain vanilla credit linked notes referencing the Republic of the Philippines. These derivatives transactions are covered by Bank policies on trading limits on the exposure that can be taken in relation to at any point in time. The Bank has also obtained from the BSP a Type 2 Limited Dealer Authority to engage as a Dealer in non-deliverable foreign exchange forwards and interest rate swaps, which are mainly used for the servicing of client requirements and for hedging purposes.

Subsidiaries and Overseas Offices

The risk management functions of the Bank’s subsidiaries, representative offices and remittance centers are embedded in their respective offices. The Subsidiaries and Overseas Branch Risk Management Department under the Parent Bank’s Enterprise Risk Management Group (“ERMG”), together with the designated risk overseers of such subsidiaries and offices, oversees these offices, helps facilitate their respective risk assessment, risk appetite and risk limits review/setting, portfolio monitoring, credit management review, policy formulation and helps their respective audit observations. The risk exposures of these offices are reported to their respective risk committees, and are also reported to the Parent Bank’s ROC, either individually or on a consolidated basis. Moreover, the Parent Bank’s ERMG conducts risk awareness programs for the Bank’s subsidiaries and overseas offices to improve their understanding and appreciation of risk management processes and requirements.

13.0 Selected Statistical Data

The following unaudited information should be read together with the Bank's consolidated financial statements included in this Offering Circular as well as "Description of the Bank's Assets and Liabilities" and "Risk Management" sections.

Average Statements of Financial Position and Related Interest

The following tables show the Bank's average balances, interest earned/incurred and average interest rates for the three years ended 31 December 2022, 2023, and 2024 and for the six months ended 30 June 2024 and 2025.

For the years ended 31 December (audited)									
2022				2023			2024		
Average Balance ⁽¹⁾	Interest Income/ Expense	Yield/ Cost (%)		Average Balance ⁽¹⁾	Interest Income/ Expense	Yield/ Cost (%)	Average Balance ⁽¹⁾	Interest Income/ Expense	Yield/ Cost (%)
(P millions, except percentages)									
Interest earning assets									
Due from BSP and other banks.....	179,353.1	1,417.7	0.8	140,367.5	2,608.0	1.9	106,558.8	1,637.2	1.5
Interbank loans receivable and securities held under agreements to resell	64,358.4	954.6	1.5	93,071.5	3,368.5	3.6	115,798.1	4,644.2	4.0
Financial assets at FVTPL.....	7,890.0	292.7	3.7	7,873.6	251.9	3.2	13,319.8	596.0	4.5
Investment securities at amortized cost and FVOCI	238,431.8	8,154.9	3.4	252,796.0	12,608.2	5.0	277,887.8	16,777.7	6.0
Loans and receivables	543,939.1	34,424.5	6.3	559,483.2	40,757.9	7.3	580,805.8	43,803.5	7.5
Total	1,033,972.4	45,244.4	4.4	1,053,591.8	59,594.5	5.7	1,094,370.3	67,458.6	6.2
Interest bearing liabilities									
Deposit liabilities ...	854,900.6	5,371.7	0.6	872,191.1	13,005.7	1.5	922,911.4	16,429.5	1.8
Bonds payable	55,911.3	2,111.2	3.8	49,965.0	1,660.2	3.3	29,397.6	1,237.7	4.2
Bills payable.....	37,668.0	434.0	1.2	21,306.1	335.8	1.6	24,006.5	450.9	1.9
Total	948,479.9	7,916.9	0.8	943,462.2	15,001.7	1.6	976,315.5	18,118.1	1.9

	For the six months ended 30 June 2025 (unaudited)					
	Average Balance ⁽¹⁾	Interest Income/ Expense	Yield/ Cost ⁽²⁾ (%)	Average Balance ⁽¹⁾	Interest Income/ Expense	Yield/ Cost ⁽²⁾ (%)
	(P millions, except percentages)					
Interest earning assets						
Due from BSP and other banks	134,443.1	950.3	1.4	70,579.5	567.3	1.6
Interbank loans receivable and securities held under agreements to resell	111,261.7	2,214.8	4.0	115,641.0	2,542.8	4.4
Financial assets at FVTPL.....	15,752.3	290.4	3.7	20,924.0	509.7	4.9
Investment securities at amortized cost and FVOCI.....	258,347.2	7,888.7	6.2	309,324.6	8,782.5	5.7
Loans and receivables	577,963.7	21,625.0	7.5	608,469.8	22,230.4	7.4
Total	1,097,768.0	32,969.2	6.1	1,124,938.9	34,632.7	6.2
Interest bearing liabilities						
Deposit liabilities	911,628.4	8,077.8	1.8	960,020.4	8,168.7	1.7
Bonds payable	42,720.2	729.5	3.4	17,080.0	419.7	5.0
Bills payable.....	23,713.6	131.7	1.1	21,002.7	278.7	2.7
Total	978,062.2	8,939.0	1.8	998,103.1	8,867.1	1.8

Notes:

- (1) Averages are based on the sum of the beginning and ending balances divided by two.
(2) Rates are annualized based on the actual number of days.

Analysis of Changes in Interest Income and Interest Expense – Volume and Rate Analysis

The following tables provide an analysis of changes in the Bank's interest income, interest expense, and net interest income between changes in volume (average balances) and changes in rates for the year ended 31 December 2022 compared with the year ended 31 December 2023, the year ended 31 December 2023 compared with the year ended 31 December 2024 and the six months ended 30 June 2024 compared with the six months ended 30 June 2025. Volume and rate variances have been calculated on the movement in average balances and the change in the interest rates on average interest earning assets and average interest-bearing liabilities in proportion to absolute volume and rate change. The variance caused by the change in both volume and rate has been allocated in proportion to absolute volume and rate change.

	For the year ended 31 December 2022 compared with the year ended 31 December 2023 (audited)			For the year ended 31 December 2023 compared with the year ended 31 December 2024 (audited)		
	Increase (Decrease) due to change in			Increase (Decrease) due to change in		
	Interest Income / Interest Expense	Average Volume	Average Rate	Interest Income / Interest Expense	Average Volume	Average Rate
	(P millions)					
Interest income on:						
Due from BSP and other banks	1,190.3	(308.2)	1,498.5	(970.8)	(628.2)	(342.6)
Interbank loans receivable and securities held under agreements to resell	2,413.9	425.9	1,988.0	1,275.7	822.5	453.2
Financial assets at FVTPL	(40.8)	(0.6)	(40.2)	344.1	174.2	169.9
Investment securities at amortized cost and FVOCI	4,453.3	491.3	3,962.0	4,169.5	1,251.5	2,918.0
Loans and receivables	6,333.4	983.7	5,349.7	3,045.6	1,553.3	1,492.3
Interest expense on:						
Deposit liabilities	7,634.0	108.6	7,525.4	3,423.8	756.3	2,667.5
Bonds payable	(451.0)	(224.5)	(226.5)	(422.5)	(683.4)	260.9
Bills payable	(98.2)	(188.5)	90.3	115.1	42.6	72.5
Net interest income	7,265.3	1,896.5	5,368.8	4,747.7	3,057.8	1,689.9

	For the six months ended 30 June 2024 compared with the six months ended 30 June 2025 (unaudited)			
	Increase (Decrease) due to change in			
	Interest Income / Interest Expense	Average Volume	Average Rate	Term
	(P millions)			
Interest income on:				
Due from BSP and other banks	(383.0)	(453.9)	68.8	2.1
Interbank loans receivable and securities held under agreements to resell	328.0	87.7	242.2	(1.8)
Financial assets at FVTPL	219.3	95.9	124.6	(1.2)
Investment securities at amortized cost and FVOCI	893.8	1,565.2	(666.5)	(4.9)
Loans and receivables	605.4	1,147.7	(539.0)	(3.3)
Interest expense on:				
Deposit liabilities	90.9	431.2	(339.8)	(0.5)
Bonds payable	(309.8)	(440.3)	128.7	1.7
Bills payable and other borrowings	147.0	(15.1)	163.0	(0.8)
Net interest income	1,735.4	2,466.8	(721.8)	(9.5)

Cash Flow Mismatch Analysis

The Bank manages its liquidity risk by analyzing net funding requirements under alternative scenarios, diversification of funding sources and contingency planning. To ensure that funding requirements are met, the Bank manages its liquidity risk by holding what it believes to be a sufficient amount of liquid assets of appropriate quality. It also maintains a balanced loan portfolio that is re-priced on a regular basis. The table below sets forth the Bank's structural liquidity gap position as of 30 June 2025. The analysis is based on the remaining period from the end of the reporting period to the contractual maturity date, or if earlier, the expected date the asset will be realized on the earliest period in which the Bank can be required to pay its liabilities.

	As of 30 June 2025 (unaudited)						
	On demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	Total
	(P millions, except percentages)						
Cash and Due from BSP	61,224.6	–	–	–	–	–	61,224.6
Due from Other Banks	–	13,616.4	3,969.2	1,364.1	1,056.9	–	20,006.6
Interbank Loans and Securities Held under Agreements to Resell	–	92,319.3	11,250.9	1,453.8	395.0	–	105,419.0
Financial Assets at FVTPL and FVOCI	–	93,387.0	39,216.4	1,491.1	5,927.6	141,687.7	281,709.8
Financial assets at amortised cost	–	54.1	2,978.9	5,667.1	8,739.8	142,353.7	159,793.6
Loans and Receivables	–	157,017.3	96,051.3	43,032.9	27,420.4	544,958.7	868,480.6
Total inflows....	61,224.6	356,394.1	153,466.7	53,009.0	43,539.7	829,000.1	1,496,634.2
Bills Payable.....	–	981.2	8,477.7	–	1,428.2	–	10,887.1
Bonds Payable ..	–	–	–	–	–	20,598.4	20,598.4
Deposits from Other Accounts	247,310.6	592,295.5	128,178.3	17,828.1	15,669.3	6,192.0	1,007,473.8
Other Liabilities	–	16,877.7	673.4	637.1	1,819.0	1,399.4	21,406.6
Total outflows..	247,310.6	610,154.4	137,329.4	18,465.2	18,916.5	28,189.8	1,060,365.9
Liquidity Gap....	(186,086.0)	(253,760.3)	16,137.3	34,543.8	24,623.2	800,810.3	436,268.3
Cumulative Gap	(186,086.0)	(439,846.3)	(423,709.0)	(389,165.2)	(364,542.0)	436,268.3	
Liquidity gap as % of Total Liabilities	(17.4%)	(23.8%)	1.5%	3.2%	2.3%	75.0%	40.9%

Notes:

- (1) Classification methodologies are based on PFRS Accounting Standards.
- (2) Assets and liabilities are classified into categories as per residual maturity.
- (3) Assets and liabilities that do not mature or have ambiguous maturities are classified as per historical behavioral analysis or management judgment.

Yields, Spreads and Margins

The following table sets out, for the periods indicated, the yields, spreads and interest margins on the Bank's interest-earning assets for the years ended 31 December 2022, 2023, and 2024 and the six months ended 30 June 2024 and 2025.

	For the year ended 31 December			For the six months ended 30 June	
	2022	2023	2024	2024	2025
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	<i>(P in millions, except percentages)</i>				
Interest income on interest-earning assets	45,244.4	59,594.5	67,458.6	32,969.2	34,632.7
Interest expense on interest-bearing liabilities.....	7,916.9	15,001.7	18,118.1	8,939.0	8,867.1
Average interest-earning assets	1,033,972.3	1,053,591.8	1,095,308.5	1,097,768.0	1,125,876.9
Average interest-bearing liabilities.....	948,479.8	943,462.2	976,315.6	978,062.1	998,103.1
Average total assets.....	1,167,970.9	1,177,853.2	1,234,080.1	1,233,449.2	1,275,289.0
Average interest-earning assets as a percentage of average total assets	88.5%	89.5%	88.8%	89.0%	88.3%
Average interest-bearing liabilities as a percentage of average total Assets	81.2%	80.1%	79.1%	79.3%	78.3%
Average interest-earning assets as a percentage of average interest-bearing liabilities	109.0%	111.7%	112.2%	112.2%	112.8%
Yield ⁽¹⁾	4.4%	5.7%	6.2%	3.0%	3.1%
Cost of funds ⁽²⁾	0.8%	1.6%	1.9%	0.9%	0.9%
Spread ⁽³⁾	3.6%	4.1%	4.3%	2.1%	2.2%
Net interest margin ⁽⁴⁾	3.6%	4.2%	4.5%	4.4%	4.6%

Notes:

Yield is interest income divided by total yearly average interest-earning assets. Averages are based on the total ending balance of the past two years divided by two.

- (2) Cost of funds is interest expense divided by total yearly average interest-bearing liabilities. Yearly averages are based on the total ending balance of the past two years divided by two.
- (3) Spread is the difference between yield and cost of funds.
- (4) Net interest margin is calculated as the difference between interest earned and interest expended divided by the total yearly average interest-earning assets. Yearly averages are based on total ending balance of the past two years divided by two.

Return on Equity and Assets

The following table presents selected financial ratios for the periods indicated.

	As of and for the year ended 31 December			As of and for the six months ended 30 June	
	2022	2023	2024	2024	2025
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	<i>(P in millions, except percentages)</i>				
Net income.....	11,584.0	17,965.8	21,178.0	10,290.2	12,516.8
Average total assets	1,167,970.9	1,177,853.2	1,234,080.1	1,233,449.2	1,275,289.0
Average shareholders' equity	165,564.3	180,527.1	203,888.8	196,964.4	221,277.9
Net income as a percentage of average total assets.....	1.0%	1.5%	1.7%	1.7%	2.0%
Net income as a percentage of average shareholders' equity ⁽¹⁾	7.0%	10.0%	10.4%	10.5%	11.3%
Average shareholders' equity as a percentage of average total assets ...	14.2%	15.3%	16.5%	16.0%	17.4%

Note:

- (1) Net income divided by average total equity for the period indicated

14.0 Assets and Liabilities

The following information should be read together with the Bank's consolidated financial statements included in this Offering Circular as well as "Capitalization and Indebtedness", "Description of the Bank" and "Risk Management". All amounts presented in this section except for Average Daily Balance and Average Yield/Cost have been prepared in accordance with PFRS Accounting Standards for the Bank.

ASSETS AND LIABILITIES

Funding

Sources of funding

Deposit liabilities, bills and acceptances payable, bonds payable, and capital funds, which consist of capital stock and capital paid in excess of par value are the sources of funding for the Bank. The Bank's deposit liabilities consist of demand, savings and time deposits, with a majority comprising savings accounts.

As of 30 June 2025, customer deposits accounted for 89.0% of the Bank's total funding sources. The Bank traditionally has most of its deposit liabilities in the form of deposits under savings accounts, reflecting the relative strength of the Bank in the retail segment of the banking market. Although the majority of the Bank's customer deposits are classified under current and savings accounts ("CASA"), the Bank's depositors typically roll over their deposits at maturity, effectively providing the Bank with a source of longer-term funding. As of 31 December 2022, 2023 and 2024 and 30 June 2025, the Bank's total deposit liabilities amounted to ₱871,227.7 million, ₱927,970.9 million, ₱971,672.1 million and ₱1,003,063.8 billion, respectively. For the years ended 31 December 2022, 2023, and 2024 and the six months ended 30 June 2025, the Bank's cost of funding for deposits was 0.6%, 1.4%, 1.7%, and 1.7%, respectively.

As of 31 December 2022, 2023, and 2024 and 30 June 2025, the Bank had total bills and acceptances payables amounting to ₱14,980.4 million, ₱20,162.6 million, ₱20,208.5 million and ₱14,392.4 million, respectively, and total equity (including non-controlling interest) of ₱169,905.6 million, ₱191,148.6 million, ₱216.628.9 million and ₱225,926.9 million, respectively.

As of 31 December 2024 and 30 June 2025, the Bank had bonds payable in the amount of ₱17,304.4 million and ₱16,855.6 million, respectively as a result of its issuance of US\$300 million benchmark-sized Sustainability Regulation S offering of 5-year senior notes (the "EMTN Notes") under its US\$2 billion Euro Medium Term Note programme (the "EMTN Programme"). The 5-year bond was priced at T+102 basis points, with a fixed coupon rate of 4.85%.

The following table sets forth an analysis of the Bank's sources of funding and the cost of each funding source:

	As of 31 December (audited)						As of 30 June (unaudited)	
	2022		2023		2024		2025	
	Actual	Cost of Funding ⁽¹⁾	Actual	Cost of Funding ⁽¹⁾	Actual	Cost of Funding ⁽¹⁾	Actual	Cost of Funding ⁽¹⁾
<i>(₱ millions, except percentages)</i>								
Deposits by type:								
Demand	220,043.9	0.1%	228,405.9	0.1%	244,369.1	0.1%	247,310.6	0.1%
Savings	519,940.5	0.3%	541,009.4	1.3%	575,335.5	1.7%	596,532.4	1.6%
Time and LTNCD ...	131,243.3	2.3%	158,555.6	4.0%	151,967.5	4.3%	159,220.8	4.3%
Total	871,227.7	0.6%	927,970.9	1.4%	971,672.1	1.7%	1,003,063.8	1.7%

	As of 31 December (audited)				As of 30 June (unaudited)	
	2022		2023		2024	
	Actual	Cost of Funding ⁽¹⁾	Actual	Cost of Funding ⁽¹⁾	Actual	Cost of Funding ⁽¹⁾
	<i>(₱ millions, except percentages)</i>					
Deposits by currency:						
Philippine Peso.....	739,703.1		800,005.3		837,137.2	857,611.6
Foreign	131,524.6		127,965.6		134,534.9	145,452.2
Total	871,227.7		927,970.9		971,672.1	1,003,063.8
Deposits by classification:						
Low Cost.....	739,984.4		769,415.3		819,704.6	843,843.0
Term.....	131,243.3		158,555.6		151,967.5	159,220.8
Total	871,227.7		927,970.9		971,672.1	1,003,063.8
Bills and						
Acceptances						
Payable						
Philippine Peso.....	1,097.9		39.8		2,443.6	118.9
Foreign	13,882.5		20,122.8		17,764.9	14,273.5
Total	14,980.4		20,162.6		20,208.5	14,392.4
Bonds Payable	58,439.1		41,490.9		17,304.4	16,855.6
Capital Funds						
Capital stock.....	61,030.6		61,030.6		61,030.6	61,030.6
Capital paid in excess of par value	32,116.6		32,116.6		32,116.6	32,116.6
Total	93,147.2		93,147.2		93,147.2	93,147.2
TOTAL.....	1,037,794.4		1,082,771.6		1,102,332.2	1,127,459.0

Note:

- (1) Cost of funding represents total interest expense for the year, divided by the average liability (sum of beginning and ending balances divided by two) for the respective period, expressed as a percentage.

Deposits

Deposits continue to be the Bank's main funding source. CASA deposits (i.e., demand and savings accounts) can be withdrawn on request by, and without any prior notice, the customer. As such, CASA deposits represent funding of the shortest term available to the Bank. On the other hand, a customer can withdraw time deposits, together with interest earned on such deposits, after the expiry of the time deposit period which typically ranges between six months and three years. Customers may also request the withdrawal of their time deposits prior to their maturity dates. However, such pre-termination results in a forfeiture of the interest payable on such deposits. As of 31 December 2022, 2023, and 2024 and 30 June 2025, the Bank's total deposit liabilities amounted to ₱871,227.7 million, ₱927,970.9 million, ₱971,672.1 million and ₱1,003,063.8 million, respectively. As a proportion of the Bank's total sources of funding, deposits accounted for 83.9%, 85.7%, 88.1% and 89.0%, as of 31 December 2022, 2023, and 2024 and as of 30 June 2025, respectively. In terms of currency, the Bank's deposits are primarily denominated in Pesos, reflecting the general profile of its customer base. As of 31 December 2022, 2023 and 2024 and 30 June 2025, 84.9%, 86.2%, 86.2% and 85.5%, respectively, of the Bank's deposits were denominated in Pesos. According to type of deposits, on the other hand, 84.9%, 82.9%, 84.4% and 84.1% of the

Bank's outstanding deposits as of 31 December 2022, 2023, 2024 and 30 June 2025, respectively, comprised demand and savings deposits. The following table presents a more detailed maturity analysis of the deposit base of the Bank as of the dates indicated:

	As of 31 December (audited)			As of 30 June (unaudited)
	2022	2023	2024	2025
	(in ₱ millions)			
Deposit by Type				
Demand.....	220,043.9	228,405.9	244,369.1	247,310.6
Savings	519,940.5	541,009.4	575,335.5	596,532.4
Time and LTNCDs	131,243.3	158,555.6	151,967.5	159,220.8
30-90 days	87,088.9	126,111.5	129,261.1	137,484.5
91-180 days	8,698.9	6,222.4	11,658.9	8,119.3
181 days and longer	35,455.5	26,221.7	11,047.5	13,617.0
Total.....	871,227.7	927,970.9	971,672.1	1,003,063.8

Bills and acceptances payable

As of 31 December 2022, 2023, 2024 and 30 June 2025, bills and acceptances payables amounted to ₱14,980.4 million, ₱20,162.6 million, ₱20,208.5 million and ₱14,392.4 million respectively. As of 31 December 2022, 2023, 2024 and 30 June 2025, 7.3%, 0.2%, 12.1% and 0.8%, respectively, of the Bank's bills and acceptances payables were denominated in Pesos.

The following table sets forth an analysis of the maturities of the bills and acceptances payable by contractual maturity dates of the Bank, as of the specified dates:

	As of 31 December (audited)			As of 30 June (unaudited)
	2022	2023	2024	2025
	(in ₱ millions)			
Bills Payable				
Due within one year	4,589.2	9,499.3	14,152.5	10,832.4
Due beyond one year	3,113.2	1,108.3	—	—
Total Bills Payable	7,702.4	10,607.6	14,152.5	10,832.4
Acceptances Outstanding.....	7,278.0	9,555.0	6,056.0	3,560.0
Total.....	14,980.4	20,162.6	20,208.5	14,392.4

Bonds Payable

On October 23, 2024, the Bank issued U.S.\$300 million 4.85% Fixed rate medium term senior notes due on 2029 under its US\$2 billion Euro Medium Term Note programme. As of 31 December 2024 and 30 June 2025, the Bank's bonds payable amounted ₱17.3 billion and ₱16.9 billion, respectively.

Capital funds

As of 31 December 2022, 2023, 2024 and 30 June 2025, the Bank's capital stock of ₱70.0 billion, consisted of 1.75 billion common shares with par value of ₱40.00 each.

Liquidity

The Bank's liquidity management initiatives seek to ensure that the Bank has available funds to meet its present and future financial obligations and to capitalize on business opportunities as they arise. Financial obligations arise from withdrawals of deposits, extensions of loans or other forms of credit, repayments on maturity of borrowed funds and operational needs. The Bank seeks to ensure sufficient liquidity through a combination of active management of liabilities, a liquid asset portfolio composed substantially of deposits in primary and secondary reserves, the securing of ample money market lines and the maintenance of repurchase facilities to pre-empt any unexpected liquidity situations. The Bank regularly monitors the maturity mismatch between assets and funding sources to ensure that it is kept at manageable levels.

Pursuant to BSP regulations, universal and commercial banks are required to maintain a RRR as a percentage of bank deposits and deposit substitute liabilities of 5%. The required reserves must be kept in the form of deposits placed in a demand deposit account with the BSP. The BSP also requires banks under the foreign currency deposit and expanded foreign currency deposit systems to maintain asset cover of 100.0% of their FCDU liabilities, except for U.S. dollar-denominated repurchase agreements with the BSP. The BSP allows banks to offset any deficiency in asset cover occurring in one or more days of the week by the excess cover that it may hold in the same week and in the immediately succeeding week. A simple moving average for every two-week reference period shall be used in the measurement of asset cover.

Beginning 25 October 2024, the BSP shall reduce the RRR against demand deposits, NOW accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable 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 (Philippine branch of a foreign bank) applicable to universal and commercial banks, and non-bank financial institutions with quasi-banking functions by 250 basis points, or from the current 9.5% to 7.0%.

As of 31 December 2022, 2023, 2024 and 30 June 2025, the Bank's liquid assets amounted to ₱317,788.4 million, ₱365,825.5 million, ₱365,296.9 million and ₱323,606.9 million, respectively, representing 27.8%, 30.2%, 29.0% and 25.0%, respectively, of the Bank's total assets as of those dates. As of 30 June 2025, the Bank's reserves on its Peso book stood at 11.5% of total Peso liabilities while the Bank's liquid asset cover stood at 69.5% of total FCDU liabilities. The Bank's liquid assets include cash and other cash items, amounts due from the BSP, amounts due from other banks, interbank loans receivables, securities held under agreements to resell, financial assets at fair value through profit or loss ("FVTPL") and financial assets at fair value through other comprehensive income ("FVOCI").

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

	As of 31 December (audited)			As of 30 June (unaudited)
	2022	2023	2024	2025
	<i>(₱ millions, except percentages)</i>			
Liquid Assets	317,788.4	365,825.5	365,296.9	323,606.9
Cash and Other Cash Items.....	22,217.9	21,151.4	20,638.0	15,314.2
Due from BSP.....	94,701.4	95,410.4	55,128.3	45,904.0
Due from Other Banks.....	26,010.2	21,243.9	20,183.9	19,942.8
Interbank Loans Receivable	16,290.1	35,634.4	22,787.2	44,088.2
Securities Held Under Agreements to Resell.....	64,523.9	69,694.5	103,480.1	60,926.4
Financial Assets Designated at FVTPL	7,347.2	10,516.9	17,921.0	26,252.4
Financial Assets at FVOCI	86,697.7	112,174.0	125,158.4	111,178.9
Total Assets	1,145,157.1	1,210,549.4	1,257,610.9	1,292,967.2
Total Deposits.....	871,227.7	927,970.9	971,672.1	1,003,063.8

Net Loans*	578,120.3	604,245.1	626,075.9	657,791.8
Financial Ratios				
Liquid Assets to Total Assets	27.8%	30.2%	29.0%	25.0%
Liquid Assets to Total Deposit Liabilities	36.5%	39.4%	37.6%	32.3%
Net Loans to Total Deposits	66.4%	65.1%	64.4%	65.6%

**Receivables from customers (net of unearned and other deferred income and allowance for credit losses as of 31 December 2022 and 2023, and net of allowance for expected credit losses and unearned and other deferred income as of 31 December 2023 and 30 June 2025).*

Loan Portfolio

Overview

As of 31 December 2022, 2023, 2024 and 30 June 2025, the Bank's gross loan portfolio as defined and categorized by the BSP (receivables from customers, other receivables, interbank loans and securities held under agreements to re-sell) amounted to ₱713,618.3 million, ₱765,315.2 million, ₱806,193.6 million and ₱816,568.4 million, respectively, representing 62.3%, 63.2%, 64.1% and 63.2%, respectively, of the Bank's total assets as of those dates.

The Bank has implemented different lending limits to be complied with by its credit committees to provide greater control in the Bank's lending operations. Depending on the credit size, credit applications exceeding certain limits must be approved by the Executive Committee and/or the Board of Directors of the Bank for credit approvals. The Bank has also adopted a strategy of selective lending by focusing on industries such as power and other infrastructure, rice/corn trading, and food processing, in which the Bank believes growth prospects remain stable and in which the ratio of NPLs is relatively low. At the same time, the Bank is reducing its exposure to industries with high NPL ratios.

Significant credit exposures as to industry sector

The following table sets forth an industry sector analysis of the Bank's receivables from customers before taking into account allowance for credit losses, as defined and categorized by the BSP:

	As of 31 December						As of 30 June	
	2022		2023		2024		2025	
	(audited)		(audited)		(audited)		(unaudited)	
	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(₱ millions, except percentages)</i>							
Real estate, renting and business activities	96,701.3	15.8%	110,728.7	17.3%	109,274.9	16.4%	125,215.5	18.0%
Electricity, gas and water	77,908.1	12.7%	83,942.3	13.1%	100,800.7	15.2%	111,075.4	16.0%
Wholesale and retail trade	94,635.3	15.4%	122,888.0	19.1%	118,612.7	17.9%	110,735.5	15.9%
Financial intermediaries	123,572.8	20.2%	92,281.4	14.4%	96,992.7	14.6%	106,082.3	15.3%
Manufacturing	64,750.8	10.6%	63,948.0	10.0%	68,291.7	10.3%	66,980.8	9.6%
Construction	30,989.7	5.1%	38,833.9	6.1%	46,132.9	7.0%	49,741.9	7.1%

	As of 31 December						As of 30 June	
	2022		2023		2024		2025	
	(audited)		(audited)		(audited)		(unaudited)	
	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(P millions, except percentages)</i>							
Transport, storage and communication ..	41,702.7	6.8%	46,249.8	7.2%	35,413.7	5.3%	35,126.0	5.0%
Agriculture, hunting and forestry	6,846.7	1.1%	8,187.7	1.3%	8,960.0	1.3%	8,740.9	1.3%
Public administration and defense.....	1,868.7	0.3%	4,101.2	0.6%	1,740.0	0.3%	3,317.1	0.5%
Others.....	73,881.9	12.0%	70,637.3	10.9%	78,017.4	11.7%	78,338.6	11.3%
Total	612,858.0	100.0	641,798.3	100.0	664,236.7	100.0	695,354.0	100.0

Real estate, renting and business activities, electricity gas and water, wholesale and retail trade, financial intermediaries and manufacturing represent the largest sectors of the Bank's loan portfolio. As of 30 June 2025, these sectors represented 18.0%, 16.0%, 15.9%, 15.3% and 9.6%, respectively, of the Bank's receivables from customers.

Under guidelines established by the BSP, the BSP considers that loan concentration exists when the total loan exposure to a particular industry exceeds 30.0% of the total loan portfolio. The Bank maintains a flexible policy toward its exposure to the Philippine economy, in principle avoiding exposure of more than 10.0% to a particular industrial sub-sector of the economy. The distribution of the Bank's loan portfolio by industry is also subject to seasonal fluctuations.

In addition, the Bank monitors its exposure to specific sectors of the economy to ensure compliance with specific pre-determined lending requirements imposed by law on all Philippine banks. The Bank must comply with legal requirements to make loans available to the agricultural sector and to SMEs. Mandatory credit allocation laws require all Philippine banks to make available 25.0% of their "loanable funds" to the agricultural sector in general, with 10.0% of such funds being made available exclusively to agrarian reform beneficiaries, and to allocate 6.0% of their loan portfolios to small-sized enterprises, and 2.0% to medium-sized, enterprises.

Maturity

The following table sets forth an analysis of the Bank's receivables from customers by maturity:

	As of 31 December						As of 30 June	
	2022		2023		2024		2025	
	(audited)		(audited)		(audited)		(unaudited)	
	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(P millions, except percentages)</i>							
Due within one year	236,492.9	38.6	299,449.2	46.7	316,100.7	47.6	318,288.2	45.8
Due over one year	376,365.1	61.4	342,349.1	53.3	348,136.0	52.4	377,065.8	54.2
Total.....	612,858.0	100.0	641,798.3	100.0	664,236.7	100.0	695,354.0	100.0

Loans due within one year primarily consist of loans to corporations for working capital and loans to consumers for general use. Loans with a maturity of between one and five years consist primarily of term loans to corporations and businesses. Loans with a maturity of over five years consist primarily of mortgage loan for property purchases.

Currency

The following table shows an analysis of the Bank's receivables from customers by currency:

	As of 31 December (audited)						As of 30 June (unaudited)	
	2022		2023		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)							
Philippine Peso	533,127.3	87.0	562,795.9	87.7	585,456.5	88.1	620,495.0	89.2
Foreign currency.....	79,730.7	13.0	79,002.4	12.3	78,780.2	11.9	74,859.0	10.8
Total.....	612,858.0	100.0	641,798.3	100.0	664,236.7	100.0	695,354.0	100.0

As of 30 June 2025, 89.2% of the Bank's receivables from customers was denominated in Pesos with 10.8% being denominated in foreign currency, most of which consisted of U.S. Dollars.

The Bank adopted a policy with respect to foreign currency lending pursuant to which foreign currency denominated loans can only be granted to companies with at least 50.0% of revenues in foreign currency and to importers who have authorization from the BSP to purchase foreign currency to service their foreign currency denominated obligations.

Interest rates

Interest rates on loans are generally set on the basis of the Bank's average or marginal cost of funds which in turn is largely referenced to the Bloomberg Valuation Service ("BVAL") plus a spread. BVAL reflects the secondary trading levels of the benchmark government securities, which are affected by the monetary policies of the BSP and other market factors

As of 30 June 2025, ₱506,859.8 million or 72.7% of the Bank's receivables of ₱695,979.2 million from customers was subject to re-pricing. A majority of the Bank's rate-sensitive assets and liabilities re-price every 30 to 90 days, which limits the Bank's exposure to fluctuations in domestic interest rates.

Size and concentration of loans

The following table sets forth a breakdown of Bank's receivables from customers by principal amount as of 30 June 2025:

Principal Amount	Percentage
Less than 1,000,000.....	1.2%
1,000,000 to 2,500,000.....	2.3%
2,500,000 to 5,000,000.....	2.5%
5,000,000 to 10,000,000.....	2.8%
10,000,000 to 50,000,000.....	10.2%
50,000,000 to 100,000,000.....	7.1%
More than 100,000,000.....	73.7%
Total.....	100.0%

The BSP currently imposes a limit on the size of the Bank's financial exposure to any single person or entity or group of connected persons or entities to 25.0% of the Bank's net worth. As of 30 June 2025, the Bank has complied with the single borrower's limit for all of its loans.

As of 30 June 2025, the Bank's single largest corporate borrower accounted for ₱23,552.2 million, or 3.4% of the Bank's outstanding receivables from customers.

As of 30 June 2025, the Bank's ten largest borrowers in the aggregate accounted for ₱110,989.6 million, or 15.9% of the Bank's outstanding receivables from customers.

Secured and unsecured loans

The following table sets forth the Bank's secured and unsecured receivables from customers, according to type of collateral:

	As of 31 December (audited)						As of June 2025 (unaudited)	
	2022		2023		2024		2025	
	Amount	%	Amount	%	Amount	%	Amount	%
<i>(₱ millions, except percentages)</i>								
Secured								
Real estate mortgage	61,579.4	10.1	126,721.6	19.7	68,136.3	10.3	65,918.2	9.5
Bank deposit hold-out.....	3,844.7	0.6	7,439.9	1.2	3,855.5	0.6	3,819.5	0.6
Chattel mortgage	12,560.8	2.1	15,319.9	2.4	6,919.5	1.0	6,561.6	0.9
Others.....	30,856.6	5.0	1,551.4	0.2	17,558.2	2.6	71,765.3	10.3
Unsecured.....	504,016.5	82.2	490,765.5	76.5	567,767.2	85.5	547,289.4	78.7
Total.....	612,858.0	100.0	641,798.3	100.0	664,236.7	100.0	695,354.0	100.0

The Bank principally focuses on cash flows in assessing the creditworthiness of borrowers. However, it will seek to minimize credit risk in support of a loan by requiring borrowers to pledge or mortgage collateral to secure the payment of loans. As of 30 June 2025, 21.3% of receivables from customers were extended on a secured basis, and 9.5% were backed by real estate mortgages.

The Bank's general policy in the acceptance of support or security arrangements for loans provides for the guidelines on acceptable and unacceptable forms of collateral. The Bank's maximum loan value for real estate collateral is 60.0% of its appraised value.

Loan Loss Management and Provisioning

Overview

PNB has successfully managed to reduce its NPL ratio from 51.6% in 2002 to 4.5% in 2010 and to 5.49% as of 30 June 2025. PNB's NPLs, as defined by BSP Circular No. 941 dated 20 January 2017, amounted to ₱44,040.7 million as of 30 June 2025 and 31 December 2024. PNB's net NPL ratio was of 1.59% as of 30 June 2025. According to the data from the BSP, net NPL ratios for the Philippine banking system were 1.47%, 1.51%, 1.27% and 1.28% as of 31 December 2022, 2023, 2024 and 30 June 2025, respectively.

For the years ended 31 December 2022, 2023, 2024 and the six months ended 30 June 2024 and 2025, the Bank's provision for impairment, credit and other losses was ₱7,198.1 million, ₱5,923.1 million, ₱3,868.1 million, ₱2,069.4 million and ₱341.9 million, respectively, representing 15.9%, 9.9%, 5.7%, 6.3% and 1.0%, respectively, of the Bank's gross interest income for such periods. As of 30 June 2025, the Bank's NPL coverage was of 86.3% compared to 92.5%, 91.1% and 86.3% as of 31 December 2022, 2023, and 2024, respectively.

Volatile economic conditions may adversely affect the ability of the Bank's borrowers to repay their indebtedness, and, as a result, the Bank may experience an increase in NPLs and provisions for probable losses.

Remedial Management Group

The Bank's Remedial Management Group is focused on reducing the level of the Bank's NPLs.

Loan Loss classification

BSP regulations require that Philippine banks classify loans based on five different categories corresponding to levels of risk: "pass", "especially mentioned", "substandard", "doubtful" and "loss". This classification depends on management's evaluation of the collectability of the loan, after consideration of prevailing and anticipated economic conditions, collection and credit experience with the specific account, fair market value of collateral, and financial capabilities of any guarantors. Those loans which do not have a greater than normal risk, and for which no loss on ultimate collection is anticipated, are "pass". All other loan accounts, comprising those loan accounts which have a greater than normal risk, are classified as "especially mentioned", "substandard", "doubtful" or "loss" assets.

The Bank has adopted PFRS 9 in preparing its financial statements which changed the accounting for impairment losses by from incurred loss approach to a forward-looking ECL approach. Thus, it is no longer required that a credit event has occurred before credit losses are recognized. Instead, an entity calculates the ECL for all assets classified under amortized cost and FVOCI, which include, but are not limited to, corporate loans, consumer finance loans, and bonds. In August 2018, the BSP issued Circular No. 1011 which formally adopts PFRS 9 in its prudential loan loss provisioning policy, with certain modifications. The Bank has adopted the said circular as of its effectivity date, which is reflected in the Bank's financial statements and reports to BSP.

With the adoption of PFRS 9, the Bank is also required to classify its loan portfolio based on the 3-stage approach of PFRS 9 that is based on whether there is significant increase in credit risk ("**SICR**") since initial recognition. Loans which are performing and have not experienced significant increase in credit risk since initial recognition are classified under stage 1 and require 12-month ECL, while loans with significant increase in credit risk since initial recognition but are not yet in default are considered stage 2. Loans which are in default or non-performing are classified under stage 3. Stage 2 and stage 3 loans require lifetime ECL. The stage of the loan is being considered to further classify the loan as to "pass", "especially mentioned", "substandard", "doubtful" or "loss": Stage 1 loans have risk asset classification of "pass", stage 2 loans may be classified as either "especially mentioned" or "substandard", while stage 3 exposures may be classified as "substandard", "doubtful" or "loss". With the shift to expected credit loss approach, the Bank has developed ECL models for each loan segment. The ECL is an unbiased and probability-weighted amount that reflects time value of money and considers reasonable and supportable information on past event, current conditions and future economic conditions. Generally, the three major components are the probability of default ("**PD**"), loss given default ("**LGD**"), and exposure at default ("**EAD**"). PD captures the obligor or borrower risk. LGD reflects, in part, how collateral is being managed. EAD is largely the on-balance amount and off-balance amount (for committed lines) in the event of a default. The off-balance amount to be included shall be computed through the credit conversion factor ("**CCF**").

The Bank performs review of the classification of loan exposures on a monthly basis and for significant exposures, assesses the credit standing based on financial condition, early warning signals and payment behavior of the borrower. Based on these classifications, the Bank establishes allowances in accordance with the approved ECL methodologies and discloses its problem loans using criteria required under BSP regulations. Risk management policies complement the application of probability-weighted ECL models. Together, ECL models and their corresponding policies shall enhance the assessment and monitoring of accounts. The classification of loans and allowances are subject to BSP review.

As of 30 June 2025, the Bank's allowance for credit losses on loans was ₱41.6 billion. As a percentage of the Bank's NPL portfolio, such allowance for credit losses was 94.4% as of 30 June 2025 as reflected in the unaudited condensed consolidated financial statements of the Bank as of 30 June 2025 elsewhere in this Offering Circular.

Non-performing loans

Unless otherwise stated, the presentation of the Bank's classification of its loan portfolio and related ratios in this section, including impairment losses and allowance for probable losses, are on the basis of BSP guidelines.

Under BSP guidelines, loans are 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 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.

Loans which have been foreclosed or have been transferred to the Bank's ROPA are not classified as NPLs.

The table below sets forth details of PNB's NPLs, ROPA, non-performing assets ("NPAs") (as described below), restructured loans and write-offs for loan losses as of 31 December 2022, 2023, 2024 and 30 June 2025:

	As of 31 December (audited)			As of 30 June (unaudited)
	2022	2023	2024	2025
	(P millions, except percentages)			
Non-performing loans (NPLs), gross ⁽¹⁾	42,005	46,054	44,354	43,292
Non-performing loans (NPLs), net ⁽²⁾	17,990	18,190	13,765	12,000
Adjusted loan portfolio ⁽³⁾	678,573	731,716	775,787	785,552
Total non-performing loans to adjusted loan portfolio ⁽⁴⁾	2.7%	2.5%	1.8%	1.5%
Receivables from customers	600,128	628,842	651,292	682,777
ROPA, Gross	17,104	18,062	19,930	20,692
ROPA, Net	13,265	14,112	15,545	16,545
Total assets	1,133,744	1,200,374	1,248,257	1,283,539
Non-performing assets (NPAs) ⁽⁵⁾	57,421	62,460	62,494	62,132
NPAs to total assets	5.1%	5.2%	5.0%	4.8%
Allowance for impairment and credit losses (total) ⁽⁶⁾	47,771	47,265	47,198	46,246
Allowance for credit losses (loans) ⁽⁴⁾	38,271	41,831	38,546	37,718
Allowance for impairment losses (ROPA) ⁽⁶⁾	2,151	2,294	2,595	2,295
Allowance for credit losses (loans) ⁽³⁾ to total non-performing loans, gross	91.1%	90.8%	86.9%	87.1%
Allowance for impairment and credit losses (total) to total non-performing assets	83.2%	75.7%	75.5%	74.4%
Total restructured loans	42,692	40,539	37,681	35,206
Restructured loans to receivables from customers	7.1%	6.4%	5.8%	5.2%
Loans – written off ⁽⁷⁾	2,070	1,370	1,654	1,431

Notes:

- (1) Figures pertain to the Parent Bank only.
- (2) Net of NPLs fully covered by allowance for credit losses and consists of the Parent Bank only.
- (3) Including Interbank Loans Receivable and Securities Held Under Agreements to Resell, net of NPLs fully covered by allowance for credit losses and transferred account.

- (4) Based on BSP computation and is based on Parent Bank balances only.
- (5) Sum of Gross NPLs and ROPA (net of depreciation and gross of allowance for impairment losses).
- (6) Amounts are based on PFRS Accounting Standards.
- (7) Amounts presented are loans written off from Parent Bank Receivables from Customers.

PNB's NPLs (gross of allowance for impairment losses) was ₱42,004.8 million, ₱46,054.3 million, ₱44,353.7 million and ₱43,292.2 million as of 31 December 2022, 2023 and 2024 and 30 June 2025, respectively. However, NPL ratios of PNB based on BSP guidelines, net of valuation reserves was of 1.53% as of 30 June 2025 compared to 1.77% as of 31 December 2024. PNB's gross NPL ratio was of 6.19%, 6.29%, 5.72% and 5.51% as of 31 December 2022, 2023 and 2024 and 30 June 2025, respectively.

In order to manage its loan portfolio and reduce its exposure to NPLs, the Bank's practice is to restructure those classified loans which it considers suitable for restructuring. The Bank restructured loans on a case-by-case basis. Restructuring methods used by the Bank have included extending the maturity of loans beyond their original maturity date and providing for rescheduled payments of principal consistent with the expected cash flows on the borrower in question. The Bank will also consider, in certain circumstances, receiving partial repayments of the principal in respect of restructured loans. The Bank has also agreed to debt-for-equity swaps, but it rarely uses this as a restructuring solution.

In accordance with BSP guidelines, in general, NPLs which are successfully restructured are considered current and no longer non-performing following three consecutive payments of the required amortization of principal and/or interest. As of 30 June 2025, the Bank had ₱22,786.8 million restructured loans which were treated as current.

In accordance with BSP guidelines, loans and other assets in litigation are classified as NPAs. The Bank's NPAs principally comprise ROPA and NPLs. The Bank has established the Acquired Assets Management Group to actively manage and, where appropriate, sell its ROPA. The Bank has sold approximately ₱1,176.2 million, ₱2,025.6 million, ₱396.6 million and ₱241.6 million of ROPA for the years ended 31 December 2022, 2023, and 2024 and the six months ended 30 June 2025, respectively. These ROPAs were resolved through direct sales and joint ventures.

Sectoral analysis of non-performing loans

The following table sets forth, as of the dates indicated, the Bank's gross NPLs by the respective borrowers' industry or economic activity and as a percentage of the Bank's gross NPLs:

	As of 31 December						As of 30 June	
	2022		2023		2024		2025	
	(audited)		(audited)		(audited)		(unaudited)	
	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(₱ millions, except percentages)</i>							
Manufacturing (various)	6,105	13.9	6,832	14.6	6,023	13.4	5,682	12.9
Real estate, renting and business activities	13,894	31.6	13,592	29.0	10,951	24.4	10,786	24.5
Wholesale and retail trade.....	7,991	18.2	8,742	18.7	7,924	17.6	7,788	17.7
Agriculture, fishing, and forestry.....	3,749	8.5	3,675	7.8	3,632	8.1	3,587	8.2
Transport, storage and communication.....	1,618	3.7	1,417	3.0	1,359	3.0	945	2.1
Financial Intermediaries.....	1,160	2.6	3	0.0	2,172	4.8	2,130	4.8

	As of 31 December						As of 30 June	
	2022		2023		2024		2025	
	(audited)		(audited)		(audited)		(unaudited)	
	Amount	%	Amount	%	Amount	%	Amount	%
<i>(₱ millions, except percentages)</i>								
Construction	4,417	10.0	9,148	19.5	8,995	20.0	9,070	20.6
Public administration and defense	57	0.1	138	0.3	51	0.1	51	0.1
Others	5,017	11.4	3,289	7.0	3,859	8.6	4,002	9.1
Total	44,008	100.0	46,836	100.0	44,966	100.0	44,041	100.0

Top 10 non-performing loans

As of 30 June 2025, the Bank's exposure from its ten largest NPLs range from ₱451.1 million to ₱2,449.8 million and amounted to ₱9,852.5 million in aggregate. These ten largest NPLs accounted for 1.4% of the Bank's total gross loans and 22.76% of its gross NPLs to customers.

As of 31 December 2024, the Bank's exposure from its ten largest NPLs range from ₱451.1 million to ₱2,449.8 million and amounted to ₱9,895.0 million in aggregate. These ten largest NPLs accounted for 1.5 % of the Bank's total gross loans and 22.31 % of its gross NPLs to customers.

Acquired Assets Management Group

The Bank's Acquired Assets Management Group ("AAMG") is responsible for the overall disposal and management of the Bank's ROPA. It operates based on the Bank management's overall directions/plans and strategies. Its sales performance has a direct impact on the financial aspects of the Bank.

For the year ended 31 December 2024 and the six months ended 30 June 2025, AAMG was able to systematically manage and dispose 807 and 379 properties, respectively, which has an aggregate market value of ₱2,066.8 million and ₱1,351.1 million, respectively. These properties are classified into:

up

Classification	Number of Properties		Aggregate Market Value (in ₱ millions)	
	For the year ended 31 December 2024	For the six months ended 30 June 2025	For the year ended 31 December 2024	For the six months ended 30 June 2025
Commercial	172	3	1,145.3	43.8
Residential	214	103	650.4	1,188.3
Industrial	—	—	—	—
Others	421	273	271.1	122.0
Total	807	379	2,066.8	1,354.1

For the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025, AAMG has generated ROPA disposal of ₱1,176.2 million, ₱2,025.6 million, ₱396.6 million and ₱241.6 million, respectively.

As part of the Bank's strategy to effectively market and dispose of its ROPA, the Bank's ROPA is categorized into five pool assets:

Pools	Focus
1	Pabahay Bonanza (ROPA < ₱5.0 million in market value)
2	Litigated ROPA/For possible compromise settlements
3	Clean
4	Partially Impeded
5	Joint Ventures

The Bank's strategy in the disposal of its ROPA is as follows:

- Focused selling of high value foreclosed properties;
- Enhancing value of properties through effective property management activities such as consolidation and being in physical possession of such properties, among others; and
- Increasing efforts to generate recurring income for the Bank through leases, including from ROPA, Bank-owned properties, collections from the comprehensive agrarian reform programme ("CARP"), and interest income.

Investment Portfolio

As of 30 June 2025, the Bank's gross trading and investment securities portfolio comprised 29.3% of its total assets. The Bank carries out its investment activities according to various investment and trading policies. These policies set forth delegation of powers, types of instruments, maximum limits on investments in different types of securities, position limits, stop loss limits, duration limits, and minimum acceptable credit spreads.

The table below shows the balances of the Bank's investment securities as of the dates indicated:

		As of 31 December (audited)				As of 30 June (unaudited)	
		2022		2023		2024	
		Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
		(P millions)					
Financial							
assets at		7,347.2	7,347.2	10,516.9	10,516.9		
FVTPL						17,921.0	17,921.0
Financial							
assets at		158,183.5	158,183.5	164,531.5	164,531.5		
FVOCI.....						211,742.8	211,742.8
Investment							
securities		114,315.8	111,403.0	123,356.2	123,571.3		
at							
amortized							
cost ⁽¹⁾						112,569.9	111,785.7
Total		279,846.5	276,933.7	298,404.6	298,619.7	342,233.7	341,449.5
						378,985.2	378,327.6

Note:

(1) Gross of allowance of expected credit losses.

The following table sets out an analysis of the Bank's total investment portfolio (gross of allowances for impairment losses) by maturity as of 30 June 2025:

	Due within one year	Due more than 1 to 5 years	Due more than 5 to 10 years	Due more than 10 years	Total
	(P millions)				
Financial assets at FVTPL....	5,443.4	1,238.7	14,513.5	5,056.8	26,252.4
Financial assets at FVOCI....	52,334.3	47,090.2	88,922.8	48,557.3	236,904.6
Investment securities at amortized cost.....	1,975.3	16,859.5	65,154.3	31,839.1	115,828.2
Total.....	59,753.0	65,188.4	168,590.6	85,453.2	378,985.2

Financial Assets at FVTPL

Financial assets at FVTPL are recorded at fair value. Changes in fair value relating to the held for trading positions are recognized in trading and investment securities gains (losses) – net. As of 31 December 2022, 2023, and 2024 and 30 June 2025, the Bank’s financial assets at FVTPL amounted to ₱7,347.2 million, ₱10,516.9 million, ₱17,921.0 million and ₱26,252.4 million, respectively.

	As of 31 December (audited)						As of 30 June (unaudited)	
	2022		2023		2024		2025	
	Book/ Market Value	Trading Gains (Losses)	Book/ Market Value	Trading Gains (Losses)	Book/ Market Value	Trading Gains (Losses)	Book/ Market Value	Trading Gains
	<i>(₱ millions)</i>							
Government.	4,371.7	(146.6)	8,174.4	411.8	16,181.8	619.3	24,970.9	429.8
Private	1,610.7	(64.5)	1,590.5	(12.9)	649.2	29.3	2.3	2.1
Total debt securities .	5,982.4	(211.1)	9,764.9	398.9	16,831.0	648.6	24,973.2	431.9
Equity securities.....	2.9	(0.2)	2.8	(0.2)	2.9	0.1	2.9	0.0
Derivative assets	1,361.9	0.0	749.2	0.6	1,087.1	(1.1)	1,276.3	0.0
Total	7,347.2	(211.3)	10,516.9	399.3	17,921.0	647.6	26,252.4	431.9

Financial Assets at FVOCI

Financial assets at FVOCI are recorded at fair value. Unrealized gains and losses arising from the fair valuation of financial assets at FVOCI are excluded, net of tax as applicable, from the Bank’s reported earnings, and are included in the Bank’s statement of comprehensive income as “Changes in net unrealized loss on financial assets at FVOCI”. As of 31 December 2022, 2023 and 2024 and 30 June 2025, the Bank’s financial assets at FVOCI amounted to ₱158,183.5 million, ₱164,531.5 million, ₱211,742.8 million and ₱236,904.6 million, respectively. The following table sets forth, as of the dates indicated, information related to the Bank’s financial assets at FVOCI.

	As of 31 December (audited)						As of 30 June (unaudited)	
	2022		2023		2024		2025	
	Book/ Market Value	Trading Gains	Book/ Market Value	Trading Gains (Losses)	Book/ Market Value	Trading Gains	Book/ Market Value	Trading Gains
	<i>(₱ millions)</i>							
Government securities..	117,939.8	0.0	124,372.4	0.0	167,824.8	0.0	191,481.4	0.0
Private debt securities..	15,430.8	(1,058.3)	14,180.6	0.1	15,578.2	0.1	17,473.7	0.0
Equity securities..	24,812.9	0.0	25,978.5	0.0	28,339.8	0.0	27,949.5	0.0
Total	158,183.5	(1,058.3)	164,531.5	0.1				0.0

As of 31 December (audited)						As of 30 June (unaudited)	
2022		2023		2024		2025	
Book/ Market Value	Trading Gains	Book/ Market Value	Trading Gains (Losses)	Book/ Market Value	Trading Gains	Book/ Market Value	Trading Gains
				211,742.8	0.1	236,904.6	

Investment Securities at Amortized Cost

After initial measurement, investment securities at amortized cost are recorded at amortized cost using the effective interest method, less allowance for credit losses. As of 31 December 2022, 2023 and 2024 and 30 June 2025, the Bank's financial assets at amortized cost amounted to ₱110,468.0 million, ₱123,200.4 million, ₱112,422.4 million, and ₱115,671.7 million, respectively. The following table sets forth, as of the dates indicated, information related to the Bank's financial assets at amortized cost.

	As of 31 December (audited)			As of 30 June (unaudited)
	2022	2023	2024	2025
	Book Value	Book Value	Book Value	Book Value
		(₱ millions)		
Government securities.....	78,197.4	104,533.3	96,817.4	104,791.4
Private debt securities.....	36,118.4	18,822.9	15,752.5	11,036.8
Less allowance for expected credit losses.....	3,847.8	155.8	147.5	156.5
Total	110,468.0	123,200.4	112,422.4	115,671.7

15.0 Management

The overall management and supervision of the Bank is undertaken by its Board of Directors. The Board of Directors is empowered to direct, manage and supervise, under its collective responsibility, the affairs of the Bank. The Executive Officers, subject to control and supervision of the Board, have direct charge of the business activities of the Bank. They are responsible for the implementation of the policies set by the Board in their respective business units. Under the Bank's Amended By-Laws, the Board of Directors consists of fifteen members. There should be at least two Independent Directors or such number of directors that constitutes twenty per cent of the members of the Board, whichever is higher, but in no case less than two. The table below sets out the members of the Board of Directors as of 30 June 2025:

Name	Position	Citizenship	Age
Lucio C. Tan ¹	Chairman Emeritus	Filipino	90
Edgar A. Cua	Chairman and Director	Filipino	70
Lucio C. Tan III	Vice Chairman	Filipino	32
Edwin R. Bautista	Director and President and CEO	Filipino	65
Judith V. Lopez	Independent Director	Filipino	67
Chester Y. Luy	Director	Filipino	56
Geocel D. Olanday	Independent Director	Filipino	69
Isabelita M. Papa	Lead Independent Director	Filipino	77
Shiela T. Pascual	Director	Filipino	62
Wilfrido E. Sanchez	Director	Filipino	88
Eusebio V. Tan	Director	Filipino	74
Michael G. Tan	Director	Filipino	59
Vivienne K. Tan	Director	Filipino	57
Maria Almasara Cyd N. Tuaño-Amador	Independent Director	Filipino	68
Marcia T. Uy	Independent Director	Filipino	63
Cesar L. Villanueva	Director	Filipino	69

The following is a brief description of the business experience of each of the Directors:

Name	LUCIO C. TAN
Age	90
Nationality	Filipino
Education	* Bachelor of Science in Chemical Engineering degree from Far Eastern University * Doctor of Philosophy, Major in Commerce, from University of Sto. Tomas
Current Position in the Bank	* Chairman Emeritus
Date of First Appointment	* December 8, 1999 (Director) * September 22, 2023 (Chairman Emeritus)
Directorship in Other Listed Companies	* Chairman and CEO of LT Group, Inc., PAL Holdings, Inc. and MacroAsia Corporation
Other Current Positions	* Chairman and CEO of Philippine Airlines, Inc. Asia Brewery, Inc., and Basic Holdings Corporation * Chairman and President of Tangent Holdings Corporation, Trustmark Holdings Corporation, Buona Sorte Holdings, Inc., Asian Alcohol Corporation, Himmel Industries, Inc., Charter House,

¹ Ceased to be a director of PNB as of 22 September 2023; serves as Chairman Emeritus of the Board of Directors.

	Incorporated, Foremost Farms, Inc., Progressive Farms, Inc., and Zuma Holdings and Management Corporation
	* Chairman: Allied Commercial Bank Xiamen, Allied Banking Corporation (Hong Kong) Limited, Allianz PNB Life Insurance, Inc., Eton Properties Philippines, Inc., Fortune Tobacco Corporation, PNB Holdings Corporation, Tanduay Distillers, Inc., Alliedbankers Insurance Corporation, Air Philippines Corporation, PMFTC, Inc., Grandspan Development Corporation, and University of the East * Chairman Emeritus of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. * Founder and Vice Chairman of the Foundation for Upgrading the Standard of Education, Inc. * Founded the Tan Yan Kee Foundation, Inc., of which he is the Chairman and President
Other Previous Positions	* Chairman of Allied Banking Corporation, PNB Life Insurance, Inc., PNB Savings Bank, and Allied Leasing and Finance Corporation * Director of Philippine National Bank
Awards/Citations	* Honorary degrees from various universities * Lifetime Achievement Awardee by the Dr. Jose P. Rizal Awards for Excellence * Adopted to the Ancient Order of the Chamorri and designated Ambassador-at-Large of the U.S. Island-territory of Guam * Diploma of Merit by the Socialist Republic of Vietnam * Outstanding Manilan for the year 2000 * UST Medal of Excellence in 1999 * Most Distinguished Bicolano Business Icon in 2005 * 2003 Most Outstanding Member Award by the Philippine Chamber of Commerce and Industry (PCCI) * Award of Distinction by the Cebu Chamber of Commerce and Industry * Award for Exemplary Civilian Service of the Philippine Medical Association * Honorary Mayor and Adopted Son of Bacolod City; Adopted Son of Cauayan City, Isabela and Entrepreneurial Son of Zamboanga * Distinguished Fellow during the 25th Conference of the ASEAN Federation of Engineering Association * 2008 Achievement Award for service to the chemistry profession during the 10th Eurasia Conference on Chemical Sciences
Name	EDGAR A. CUA
Age	70
Nationality	Filipino
Education	* Bachelor of Arts in Economics degree (Honors Program) from the Ateneo de Manila University * Master of Arts in Economics degree from the University of Southern California * Master of Planning Urban and Regional Environment degree from the University of Southern California * Advanced Chinese from the Beijing Language and Culture University * Sustainable Development Training Program, Cambridge University

Current Position in the Bank	* Chairman/Independent Director
Date of First Appointment	* May 31, 2016 (Independent Director) * April 25, 2023 (Chairman of the Board) * April 29, 2025 (Director)
Directorship in Other Listed Companies	* None
Other Current Positions	* Chairman/Director of Allied Integrated Holdings, Inc. (<i>formerly PNB Savings Bank</i>) * Chairman/Director of PNB Capital and Investment Corporation * Director of PNB-Mizuho Leasing and Finance Corp., PNB-Mizuho Equipment Rentals Corporation, PNB International Investments Corporation, and PNB Remittance Company (Canada) * Director of Davao Unicar Corporation * Advisor of Peking University Alumni Association of the Philippines, Inc.
Previous Positions	* Vice Chairman/Independent Director of PNB Capital and Investment Corporation * Independent Director of Allied Commercial Bank, Xiamen, PNB-Mizuho Leasing and Finance Corp., PNB-Mizuho Equipment Rentals Corporation, PNB International Investments Corporation, and PNB Remittance Company (Canada) * Vice Chairman/Director of PNB Savings Bank * Held various managerial and staff positions at the Asian Development Bank (ADB) during a 30-year professional career. * Retired in 2015 as Senior Advisor, East Asia Department of the Asian Development Bank (ADB), based in ADB's Resident Mission in Beijing, People's Republic of China (PRC). Other managerial positions in ADB included Deputy Director General, East Asia Department, Country Director, ADB Resident Mission in Indonesia and Deputy Country Director, ADB Resident Mission in PRC. • Staff Consultant, SGV & Co.

Name	LUCIO C. TAN III
Age	32
Nationality	Filipino
Education	* Bachelor of Science in Electrical Engineering, Stanford University * Master of Science, Major in Computer Science, Stanford University
Current Position in the Bank	* Director
Date of First Appointment	* April 27, 2021 (Director) * April 30, 2024 (Vice Chairman)
Directorship in Other Listed Companies	* President and Chief Operating Officer of LT Group, Inc. * President and Chief Operating Officer of PAL Holdings, Inc. * Director of MacroAsia Corporation
Other Current Positions	* Director of PNB Holdings Corporation, Philippine Airlines, Inc., Air Philippines Corporation, Lufthansa Technik Philippines, MacroAsia Airport Services Corporation, MacroAsia Catering Services Inc., MacroAsia SATS Food Industries, MacroAsia SATS Inflight Services Corporation, Prior Holdings Corporation, Belton Communities, Inc., Eton City, Inc., First Homes, Inc., ALI Eton Property Development Corporation, Dominion Realty and Construction Corporation, Fortune Tobacco Corporation, REM Development Corp., Shareholdings, Inc., Sipalay Trading

	Corporation, Qualisure Holdings, Inc., Asia's Merging Dragon Corporation, PMFTC Inc., and Fortune Landequities and Resources, Inc.
	* Director and President of Dunman Holdings Corporation, Tanduay Brands International, Inc., and Tanduay Distillers, Inc.
	* Vice Chairman and President of Sabre Travel Network (Philippines) Inc.
	* Vice President of Dunmore Development Corporation
	* Member of Stanford Tau Beta Pi Engineering Honor Society
Other Previous Position/s	* Vice Chairman/Director/COO of LT Group, Inc.
	* Director of Victorias Milling Company, Inc., Allied Club, Inc., Asia Cancer Center, Inc., Kaizer Chemical Industries, Inc., and Silangan Holdings, Incorporated
	* Director/Vice President of PAL Holdings, Inc.
	* President and COO of Tanduay Distillers, Inc.
Awards/Citations	* Stanford University Frederick E. Terman Award (2015), award given to engineering seniors who are at the top 5% of their class
	* Stanford University Tau Beta Pi Engineering Honor Society (2013), honor given to engineering juniors/seniors who are at the top 1/8 of their class
	* Stanford University President's Award for Academic Excellence Freshmen Year (2012), award given to freshmen who are at the top 3% of their class
	* Young Presidents' Organization (Local and International Chapters)
Name	EDWIN R. BAUTISTA
Age	65
Nationality	Filipino
Education	* Bachelor of Science in Mechanical Engineering from the De La Salle University
	* Advance Management Program from the Harvard Business School
Current Position in the Bank	* Director/President and CEO
Date of First Appointment	* April 29, 2025
Directorship in Other Listed Companies	* None
Other Current Positions	* Director of Allianz PNB Life Insurance, Inc., Bankers Association of the Philippines, PNB International Investments Corporation, PNB RCI Holding Co., Ltd., and PNB Remittance Company (Canada)
	* Board Member/Trustee of the Museo de Iloilo
	* Board Member of the Philippine Map Collectors Society
	* Board Member/Trustee of DLSU-College of St. Benilde
	* Board Member/Trustee of DLSU Dasmariñas Museum Foundation
Other Previous Positions	* Director/President & CEO/President & COO of UnionBank of the Philippines
	* Held various positions from SVP to Senior SVP in UnionBank of the Philippines
	* Chairman of CitySavings Bank
	* Chairman of First Union Plans
	* Director of First Union Properties
	* Chairman of UBP Currency Brokers
	* Director of UnionBank Investment Corp.
	* Director of UBX

- * Director/Vice Chairman of Union Digital Bank
- * Director of Aboitiz Power Corporation
- * Director of Aboitiz Equity Ventures
- * Director/Treasurer of BancNet
- * Chairman of the Philippine Clearing House Corporation
- * Director/Excom/Treasurer of the Bankers Association of the Philippines
- * President & CEO of International Exchange Bank
- * SVP and Group Head of Global Transaction Banking of Citibank N.A.
- * Faculty of College of Engineering/Director of Placement Office of the De La Salle University

Name	JUDITH V. LOPEZ
Age	67
Nationality	Filipino
Education	* Bachelor of Science in Business Administration major in Accountancy from the University of the East * Management Development Program from the Institute of Management * Executive Business Course for PWC Partners from the University of Western Ontario * Executive Program from the Harvard School of Business * Certificate in Business Economics-Strategic Economic Business Program from the University of Asia and the Pacific * Certified Public Accountant
Current Position in the Bank	* Independent Director
Date of First Appointment	* April 29, 2025
Directorship in Other Listed Companies	* None
Other Current Positions	* Independent Director of PNB Capital and Investment Corporation
Other Previous Positions	* Independent Director of Philippine Veterans Bank * Chairman/Member, External Audit Committee of International Monetary Fund (Washington DC) * Chairman and Senior Partner/Vice Chairman/Managing Partner for Assurance/Audit Partner or Price Waterhouse Philippines/Isla Lipana & Co. * Trustee/Chairman of FINEX Foundation * Trustee of FINEX Academy * President/Member of the Board of Financial Executives Institute of the Philippines * Chairman of Audit and Assurance Standards Council * Member of Financial Reporting Standards Council * Member of Philippine Interpretations Committee * President of Association of Certified Public Accountants in Public Practice (ACPAPP) * President of ACPAPP Foundation * Board Member/Sectoral Director for Public Practice of Philippine Institute of Certified Public Accountants

Name	CHESTER Y. LUY
Age	56
Nationality	Filipino

Education	* Bachelor of Science in Business Administration (Magna Cum Laude and graduated at the Top of B.S. Business Administration Class of 1990), University of the Philippines * Masters in Management degree from the J.L. Kellogg Graduate School of Management at Northwestern University * Chartered Financial Analyst (CFA)
Current Position in the Bank	* Director
Date of First Appointment	* May 11, 2020 (Board Advisor) * September 22, 2023 (Director)
Directorship in Other Listed Companies	* Board Advisor of LT Group, Inc.
Other Current Positions	* Director of Tanduay Distillers, Inc. * Director of Philippine National Bank (Europe) PLC. * Director of PNB Global Remittance and Financial Company (HK) Limited * Director of PNB Remittance Company (Canada) * Board Advisor of Eton Properties Philippines, Inc. * Board Advisor of PNB Capital and Investment Corporation
Other Previous Positions	* Board Advisor of Philippine National Bank * Director of PNB-Mizuho Leasing and Finance Corporation * EVP and Head of Strategy Sector and Wealth Management Group * Senior Executive Vice President, Treasurer and Head for the Financial Advisory and Markets Group (comprised of the Treasury and the Wealth Management Group) of Rizal Commercial Banking Corporation * He served in senior leadership roles as Managing Director across a variety of businesses including Investment Banking, Corporate Finance, Credit Risk Analysis, Investment Management, and Wealth Management with several international banks and was based in New York, Singapore and Manila. * He held senior leadership roles at JPMorgan, Bank of America Merrill Lynch, Barclays Capital, HSBC, Julius Baer, Bank of Singapore and RCBC * Member of the Singapore Institute of Directors * Served on the Board of a Singapore-based Real Estate and Hospitality Entity
Awards/Citation	* Men Who Matter Award (2017) by People Asia Magazine Survey * Top Senior Analyst in the U.S by Institutional Investor Magazine Polls for several years * Awarded as the Most Outstanding Business Administration Student for the Class of 1990 of University of the Philippines * Graduated at the Top of his Class, garnering the highest GPA for the graduating University of the Philippines' B.S. Business Administration Class of 1990.
Name	GEOCEL D. OLANDAY
Age	69
Nationality	Filipino

Education	* Bachelor of Science in Business Administration and Accountancy from the University of the Philippines * Master of Business Administration from the University of the Philippines * Certified Public Accountant
Current Position in the Bank	* Independent Director
Date of First Appointment	* October 11, 2024
Directorship in Other Listed Companies	* Lead Independent Director of SBS Philippines Corporation
Other Current Positions	* Director of PNB Remittance Company (Canada) * CEO & Chief Advisor of Amaris Global Advisory Services (HK), Ltd. * Teaching Fellow at the Institute of Corporate Directors
Other Previous Positions	* Trustee of South Metro Manila iHome Foundation, Inc. * President of Eternal Bright Sanctuary, Inc. * Advisor of MGS Construction Incorporated * Non-Executive Director of Star 8 Green Technology Corporation, Philippines and Mindoro Resources Ltd. * Chief Operating Officer of Moldex Realty, Inc., Habitat for Humanity Philippines Foundation, Household Development Corporation, Southwell Waterworks Corporation, Brittany Corporation, Capitol Development Bank Securities, Inc., and Brown Bull Properties, Inc. * Part-time Professor Level 5 of De La Salle – College of Saint Benilde * Senior Vice President of Greenfield Development Corporation * Country General Manager of Baxter Healthcare Philippines, Inc. * President of Golden MV Holdings, Inc., Manuela Corporation, and Citicorp Scrimgeour Vickers Ph * Vice President of Citibank NA, Manila Branch * Marketing Manager of Unilever Philippines, Inc. * Vice President for Marketing of Security Bank Corporation – Diners Club International Corporation * Assistant Vice President of Security Bank Corporation * Part-time Manager of Plastimer Industrial Corporation * Senior Product Manager of Unilever Philippines, Inc.

Name	ISABELITA M. PAPA
Age	77
Nationality	Filipino
Education	* Bachelor of Science in Commerce – Banking & Finance from the University of Sto. Tomas
Current Position in the Bank	* Lead Independent Director
Date of First Appointment	* August 5, 2021 (Independent Director) * April 29, 2025 (Lead Independent Director)
Directorship in Other Listed Companies	* None
Other Current Positions	* Independent Director of PNB-Mizuho Leasing and Finance Corporation, PNB-Mizuho Equipment Rentals Corporation, PNB Capital and Investment Corporation, PNB Remittance Centers, Inc., PNB Remittance Holding Co., Ltd., and PNB Remittance Company (Canada) * Sole Proprietor of Isabelita Transport

Previous Positions	* Consultant of Bankers Association of the Philippines
	* Co-Chairperson for the Task Force of the ISO 20022 Migration Project
	* Resource Person for Corporate Governance of the Bankers Institute of the Philippines
	* Executive Vice President for Operations and Information Technology – Asia United Bank
	* Director: Rural Bank of Angeles and Cavite United Rural Bank
	* Senior Vice President/Country Manager – Bank of America N.A.
	* Executive Vice President for Operations – United Overseas Bank Phils.
	* Senior Vice President for Operations: Solidbank Corporation and The International Corporate Bank
	* Assistant Vice President for International Division – Family Bank & Trust Co.
	* Unit Head/Account Officer – Citibank N.A.
	* Chairperson – SWIFT Users Group, Philippines
	* Chairperson, Subcommittee on Payments and Funds Transfer – Bankers Association of the Philippines
	* President / Resource Person for Corporate Governance – Bankers Institute of the Philippines
	• Member – Catholic Mass Media Awards Committee

Name	SHEILA T. PASCUAL
Age	62
Nationality	Filipino

Education	* Bachelor of Science in Business Management from the Ateneo de Manila University
Current Position in the Bank	* Director
Date of First Appointment	* November 22, 2019
Directorship in Other Listed Companies	* Director of PAL Holdings, Inc.
Other Current Positions	* Director of Allied Commercial Bank, Xiamen, Buona Sorte Holdings Inc., Saturn Holdings, Inc., Tangent Holdings Corporation, Trustmark Holdings Corporation, Philippine Airlines, Inc. and Zuma Holdings and Management Corporation
	* Business Development Manager of Allied Banking Corporation (Hong Kong) Limited
	* Treasurer of Eton Properties Ltd.
Other Previous Position/s	* Marketing Development Officer of Asia Brewery Incorporated

Name	WILFRIDO E. SANCHEZ
Age	88
Nationality	Filipino
Education	* Bachelor of Arts degree from the Ateneo de Manila University
	* Bachelor of Laws from the Ateneo De Manila University

	* Masters of Law from Yale Law School
Current Position in the Bank	* Independent Director
Date of First Appointment	* April 27, 2021 (Independent Director) * April 30, 2024 (Director)
Directorship in Other Listed Companies	* Board Advisor of LT Group, Inc.
Other Current Positions	* Tax Counsel of Quiason Makalintal Barot Torres Ibarra Sison & Damaso Law Offices * Independent Director of Asia Brewery, Inc., and Tanduary Distillers, Inc. * Director of Eton Properties Philippines, Inc., Kawasaki Motor Corporation, EMCOR, Inc., K-Servico, Inc., J-DEL Investments and Management Corp., WODEL, Inc., KS Prime Financial Corp., Trimotors Technology Corp. and Commercial Trade Financial Services, Inc. * Trustee of JVR Foundation, Inc.
Other Previous Position/s	* Independent Director Philippine National Bank, Eton Properties Philippines, Inc. and LT Group, Inc. * Director of EEI Corporation and House of Investments, Inc. * Vice Chairman/Director of Antonelli Realty Holdings, Inc. * Trustee of NYK-TDG Friendship Foundation, Inc., Asian Institute of Management, and Gokongwei Brothers Foundation * Independent Director of Transnational Diversified Corp. * Director of Universal Robina Corp., Transnational Plans, Inc., Center for Leadership & Change, Inc., Adventure International Tours, Inc., Transnational Financial Services, Inc., Amon Trading Corp., Rizal Commercial Banking Corporation, Asiabest Group International Inc., Magellan Capital Holdings Corporation, and Joint Research and Development Corporation
Name	EUSEBIO V. TAN
Age	74
Nationality	Filipino
Education	* Bachelor of Arts, Major in Economics – <i>Summa Cum Laude</i> (Liberal Arts Accelerated Honors Program) from De La Salle University * Bachelor of Laws from Ateneo De Manila University * Master of Laws, from Columbia Law School, Columbia University New York
Current Position in the Bank	* Director
Date of First Appointment	* September 22, 2023
Directorship in Other Listed Companies	* None
Other Current Positions	* Of Counsel of Angara Abello Concepcio Regalla & Cruz Law Offices (ACCRALAW) * Director of PNB Holdings Corporation
Other Previous Positions	* Various positions in ACCRALAW * Member of Board of Directors of Meritas Law Firms Worldwide * Director/Treasurer of the Integrated Bar of the Philippines – Pasay, Makati, Mandaluyong, San Juan Chapter

Awards/Citations	* President/Vice President/Ex-Officio Director of Integrated Bar of the Philippines – Makati Chapter
	* Member of Integrated Bar of the Philippines – National Committee on Legal Aid
	* Member of the Board of Governors/President of Management Association of the Philippines
	* Member of the Board of Directors/President of Financial Executives Institute of the Philippines
	* Chairman/Board of Trustees of Philippines-Japan Economic Cooperation Committee, Inc.
	* Member of Philippine Host Committee of Inter-Pacific Bar Association – Conference in Manila, Philippines
	* Member of Philippine Host Committee of Lawasia – XVTH Conference in Manila, Philippines
	* President of Rotary Club of Manila (The First Rotary Club in Asia)
	* Conferred with the award of “The Order of the Rising Sun with Neck Ribbon” by the Emperor of Japan and the Japanese government
	* General Excellence Gold Medal and Dr. Jose Rizal Honors Society Ring Awardee conferred by the De La Salle University
	* Second Honors Silver Medal Awardee conferred by the Ateneo de Manila University

Name	MICHAEL G. TAN
Age	59
Nationality	Filipino
Education	* Bachelor of Applied Science in Civil Engineering, Major in Structural Engineering, from the University of British Columbia, Canada
Current Position in the Bank	* Director
Date of First Appointment	* February 9, 2013
Directorship in Other Listed Companies	* Director of LT Group, Inc., Victorias Milling Company, Inc. and MacroAsia Corporation
Other Current Positions	* Director, President and Chief Operating Officer of Asia Brewery, Inc. * Director of the following companies: Absolut Distillers, Inc., Tanduay Distillers, Inc., Tanduay Brands International, Inc., Shareholdings, Inc., PMFTC Inc., Maranaw Hotel (Century Park Hotel), Pan Asia Securities, Inc., Asia’s Emerging Dragon Corporation, Paramount Land Equities, Inc., Saturn Holdings, Inc., Tangent Holdings Corporation, PNB Global Remittance and Financial Company (HK) Limited, Allied Banking Corp. (Hong Kong) Limited, Foremost Farms, Inc., Trustmark Holdings Corporation, and Havitas Developments Corporation * Director/Treasurer of Zuma Holdings and Management Corporation * Trustee of Help Educate and Rear Orphans (HERO) Foundation, Inc. * Member of ASEAN Business Advisory Council (ASEAN BAC) * Director/Vice President of Federation of Filipino Chinese Chambers of Commerce and Industry, Inc. (FFCCCII) * Director for Transport and Vice President for Industry of Philippine Chamber of Commerce and Industry * Member of the Private Sector Advisory Council

Other Previous Positions	* Chairman of PNB Holdings Corporation * Director/President/Chief Operating Officer of LT Group, Inc. * Director of Philippine Airlines Inc. Bulawan Mining Corporation, PNB Management and Development Corporation, Alliedbankers Insurance Corporation, PNB Forex, Inc., PNB Savings Bank, Air Philippines Corp., Lucky Travel Corporation, Eton Properties Philippines, Inc., ALI-Eton Development Corporation, Sabre Travel Network (Philippines), Inc., and Allied Commercial Bank, Xiamen * Director and Treasurer of PAL Holdings, Inc. * Trustee of Philippine Airlines Foundation, Inc. * Director of Allied Banking Corporation (ABC) from January 30, 2008 until the ABC's merger with PNB on February 9, 2013 * Honorary Advisor of the sixth edition of the Belt and Road Summit held on September 2021 in Hong Kong
Awards/Citations	* 2021 Stargate People Asia "People of the Year" * 2021 4th Mansmith Masters Awards
Name	VIVIENNE K. TAN
Age	57
Nationality	Filipino
Education	* Bachelor of Science - Double Degree in Mathematics and Computer Science from the University of San Francisco, U.S.A * Diploma in Fashion Design and Manufacturing Management from the Fashion Institute of Design and Merchandising, Los Angeles, U.S.A.
Current Position in the Bank	* Director
Date of First Appointment	* December 15, 2017
Directorship in Other Listed Companies	* Director of LT Group, Inc. and MacroAsia Corporation
Other Current Positions	* Director of Eton Properties Philippines, Inc., Philippine Airlines, Inc., and Air Philippines Corporation * Executive Director of Dynamic Holdings Limited * Trustee of University of the East, University of the East Ramon Magsaysay Memorial Medical Center and College of Saint Benilde * Founding Chairperson of the Entrepreneurs School of Asia (ESA) * Founding Trustee of the Philippine Center for Entrepreneurship (Go Negosyo)
Other Previous Positions	* Board Advisor of LT Group, Inc. * Director of PAL Holdings * Director/Executive Vice President/Treasurer/Chief Administrative Officer of Philippine Airlines, Inc. * Executive Vice President, Commercial Group and Manager, Corporate Development, of Philippine Airlines, Inc. * Director of Bulawan Mining Corporation and PNB Management and Development Corporation * Founder and President of Thames International Business School * Owner of Vaju, Inc. (Los Angeles, U.S.A.) * Systems Analyst/Programmer of Fallon Bixby & Cheng Law Office (San Francisco, U.S.A.) * Proponent/Partner of various NGO/social work projects like Gawad Kalinga's GK-Batya sa Bagong Simula, livelihood programs thru Teenpreneur Challenge spearheaded by ESA, Conserve and Protect

Foundation's artificial reef project in Calatagan, Batangas, Quezon City, Sikap-Buhay Project's training and mentorship program for micro-entrepreneurs, and as Chairman of Ten Inspirational Entrepreneur Students Award.

Awards/Citations * Recipient of the Ten Outstanding Young Men (TOYM) Award for Business Education and Entrepreneurship (2006), UNESCO Excellence in Education and Social Entrepreneurship Award (2007), Leading Women of the World Award (2007), and "People of the Year", People Asia Award (2008)

Name **MARIA ALMASARA CYD N. TUAÑO-AMADOR**

Age 68

Nationality Filipino

Education * Bachelor of Science in Business Economics from the University of Philippines School of Economics (with honors)
* Master of Arts in Economics from the University of Philippines School of Economics
* Master of Science in Policy Science from the Graduate Institute of Policy Science in Tokyo, Japan
* Doctor of Philosophy in Economics from the Australian National University
* Leadership Course in Driving Government Performance from Harvard Kennedy School of Government

Current Position in the Bank * Independent Director

Date of First Appointment * April 25, 2023

Directorship in Other Listed Companies * None

Other Current Positions * Independent Director of Radiowealth Finance Company Inc., Radiowealth Financial Services Corporation, and PNB International Investments Corporation
* Chairman/Independent Director of PNB Remittance Company (Canada)
* Advisor of the Association of BSP Retirees, Inc., and BSP Compassionate Leaders for Animal Welfare

Previous Positions * Deputy Governor of the Resource Management Sector of the Bangko Sentral ng Pilipinas
* Head of the BSP Research Academy
* Chairperson of the BSP Provident Fund
* Vice-Chairperson of the Philippine International Convention Center (PICC)
* Chairperson of the PICC Executive Committee
* Director of the Philippine Guarantee Corporation
* Director of the Philippine Retirement Authority
* Advisory Panel of the ASEAN+3 Macroeconomic Research Office
* Assistant Governor of the Monetary Policy Sub-Sector of the Bangko Sentral ng Pilipinas
* Managing Director of the Monetary Policy Sub-Sector of the Bangko Sentral ng Pilipinas
* Director of the Center for Monetary & Financial Policy of the Bangko Sentral ng Pilipinas
* Senior Advisor/Advisor to the Executive Director of the International Monetary Fund, Washington, D.C.

- * Director of the Department of Economic Research of the Bangko Sentral ng Pilipinas
- * Held positions in various capacities at the Department of Economic Research of the Bangko Sentral ng Pilipinas

Name	MARCIA T. UY
Age	63
Nationality	Filipino
Education	* Bachelor of Science in Business Economics from the University of the Philippines, Diliman * Master of Business Administration from Fordham University Graduate School of Business, New York
Current Position in the Bank	* Independent Director
Date of First Appointment	* April 29, 2025
Directorship in Other Listed Companies	* None
Other Current Positions	* Independent Director of PNB International Investment Corporation
Other Previous Positions	* Head of Commercial Treasury & Director of Rio Tinto * Treasurer of GE Healthcare * Head of Treasury Operations of Shell Treasury Centre East * Head of Treasury & Corporate Finance Head of FX & MM Desk of Pilipinas Shell Petroleum * Senior Budget Analyst of Office of Management & Budget New York City

Name	CESAR L. VILLANUEVA
Age	69
Nationality	Filipino
Education	* Bachelor of Science in Commerce – <i>Magna Cum Laude</i> from the Holy Angel University * Bachelor of Laws – <i>Valedictorian</i> from the Ateneo de Manila Law School * Master of Laws from the Harvard Law School * Diplomate of Juris Science from the San Beda Graduate School of Law * Certified Public Accountant * Member, Philippine Bar
Current Position in the Bank	* Director
Date of First Appointment	* April 29, 2025
Directorship in Other Listed Companies	* None
Other Current Positions	* Senior Founding Partner of Villanueva Gabionza & Dy Law Firm * Executive Director of Asian Development Bank Administrative Tribunal

Other Previous Positions	* Independent Director of Professional Services, Inc./The Medical City
	* Director of Kapampangan Development Foundation, Inc.
	* Professorial Lecturer of Ateneo de Manila Law School
	* Chairman of VGS Insurance Agency, Inc.
	* Director of VGS Holdings, Inc.
	* Director/President of VGS Properties, Inc.
	* Director of VGS Land, Inc.
	* Director of GTM Real Estate Holdings, Inc.
	* Director of Batangas Land Company, Inc.
	* Dean of Ateneo de Manila Law School
	* Director/Chairman of the Institute of Corporate Directors
	* Independent Director of Medical Doctors, Inc. (Makati Medical Center)
	* Chairman/CEO of GOCC Governance Commission
	* Chairman of Clark Development Corporation
	* Director of Clark International Airport Corp.

Executive Officers The following is a list of the Bank's Executive Officers as of 30 July 2025:

Name	Position	Citizenship	Age
Bautista, Edwin R.	President & CEO	Filipino	65
Albalate, Francis B.	Sector Head & Chief Financial Officer	Filipino	54
Baltazar, Roberto D.	Sector Head	Filipino	61
Licup, Jose German M.	Sector Head	Filipino	59

Compensation of Directors and Executive Officers

The annual compensation of executive officers consists of a 16-month guaranteed cash emolument. Directors, on the other hand, are entitled to a reasonable per diem for each Board or Board committee meeting attended.

Information as to the aggregate compensation during the last two fiscal years and to be paid in the ensuing fiscal year 2024 to the Bank's President and four other most highly compensated executive officers and all other officers as a group are as follows:

Year ended 31 December	Salary	Bonuses (₱ millions)	Total
2025 (projected)	4,890.7	1,626.4	6,517.1
2024.....	4,446.1	1,478.6	5,924.7
2023.....	4,149.8	1,390.7	5,540.5

The total per diem given to the Board of Directors of the Bank for the years ended 31 December 2023 and 2024 amounted to ₱71.3 million and ₱96.3 million, respectively. The Bank expects to pay total per diem to the Board of Directors in the amount of ₱134.9 million for the year ending 31 December 2025.

The Directors receive fees, bonuses and allowances that are already included in the amounts stated above. Aside from the said amounts, they have no other compensation plan or arrangement with the Bank.

The executive officers receive salaries and bonuses that are included in the amounts stated above. Aside from the foregoing, they have no other compensation plan or arrangement with the Bank.

Involvement of the Bank, the Directors and Executive Officers in Certain Legal Proceedings

The Bank and some of its subsidiaries are, and may in the future be, parties to various legal proceedings in connection with the ordinary course of their operations. None of such legal proceedings, either individually or in the aggregate, are expected to have a material adverse effect on the Bank and its subsidiaries or their financial condition.

Neither the Directors nor any of the Executive Officers have, for a period covering the past five years, reported: (i) any petition for bankruptcy filed by or against a business to which they are related as a general partner or executive officer, save for Director Lucio C. Tan III, as detailed below; (ii) any criminal conviction by final judgement or being subject to a pending criminal proceeding, domestic or foreign, other than cases which arose in the ordinary course of business in which they may have been impleaded in their official capacity; (iii) being subject to any order, judgement, or decree, of a competent court, domestic or foreign, permanently or temporarily enjoining, barring, suspending or limiting their involvement in any type of business, securities, commodities or banking activities; and (iv) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine Securities and Exchange Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgement has not been reversed, suspended, or vacated.

On 3 September 2021, PAL filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. Director Lucio C. Tan III has remained a Director of PAL and PNB since then. The Order confirming the Debtor's Plan of Rehabilitation was entered on 17 December 2021 and the Plan took effect on 31 December 2021. PAL completed a parallel filing before Branch CXI (111), Pasay City, Special Commercial Court and an Order for the recognition of the foreign proceeding under the Financial Rehabilitation Act of the Philippines was made on 22 October 2021.

Corporate Governance

The Bank believes that compliance with the principles of good corporate governance begins with the Board of Directors. The Board of Directors is primarily responsible for approving and overseeing the implementation of the Bank's strategic objectives, risk management strategy, corporate governance and corporate values. Compliance with the highest standards in corporate governance principally starts with the Board of Directors which has the responsibility to foster the long-term success of the Bank and secure its sustained competitiveness and profitability in accordance with its fiduciary responsibility. In the same manner, every employee of the entire organization is expected to embrace the same degree of commitment to the desired level of corporate standards.

The Bank's Board of Directors is composed of 15 individuals of proven competence, integrity, and probity. These individuals determine the Bank's purposes, vision and mission, and strategies to carry out its objectives, ensure compliance with all relevant laws, regulations and codes of best business practices, adopt a system of internal checks and balances, and install a process of selection to ensure a mix of competent directors and officers.

To ensure the Bank's compliance with the principles of good corporate governance, members of the Board have been selected as members of the standing committees constituted pursuant to the corporation's Code on Corporate Governance, the Bank's By-Laws and other regulatory standards. These are the Board Audit and Compliance Committee, Corporate Governance and Sustainability Committee, Risk Oversight Committee, Board Oversight Related Party Transactions (RPT) Committee, Executive Committee, Board IT Governance Committee, Trust Committee, Board Strategy and Policy Committee and the Board Overseas Offices Oversight Committee. In addition, the Philippine Code of Corporate Governance for Publicly Listed Companies requires the Bank, as a publicly listed company, to have at least three independent directors or such number as to constitute at least one-third of the members of the Board, whichever is higher. As of April 29, 2025, Judith V. Lopez, Geocel D. Olanday, Isabelita M. Papa, Maria Almasara Cyd N. Tuano-Amador and Marcia T. Uy serve as the Bank's five independent directors, in compliance with such code.

The Corporate Governance and Sustainability Committee, which assists the Board in the performance of its governance responsibilities, including the functions of the nominations and remuneration committee, ensures the Board's effectiveness and adherence to corporate governance principles and guidelines and the selection of members of the Board and senior executives of the Bank as well as the appointment in the respective Board committees. The Board Audit and Compliance Audit Committee has oversight responsibility relating to the integrity of the Bank's financial statements, internal controls and compliance with legal and regulatory requirements.

Recognizing the importance of the role of independent directors, the Board has elected the independent directors to act as Chairman of five Board-level committees, namely: the Board Audit and Compliance Committee, the Corporate Governance and Sustainability Committee, the Risk Oversight Committee, the Board Oversight Related Party Transaction Committee, and the Board IT Governance Committee. The independent directors are also members of the Board Strategy and Policy Committee and the Board Overseas Offices Oversight Committee, and a non-voting members of the Executive Committee. In these Board committees, the five independent directors of the Bank play an active role in the formulation of the business strategies and priorities of the Bank, its subsidiaries and affiliates. The Board and its committees continue to review and strengthen the corporate governance policies to adopt consistency in the corporate governance framework in the Bank, its subsidiaries and affiliates.

The Bank actively promotes the safety and soundness of its operations through a compliance system that fully adheres to banking laws, rules and regulations and to maintain an environment that is governed by high standards and best practices of good corporate governance. This is achieved primarily through the formulation of policies and procedures, an organizational structure and an effective compliance program that will support the Bank's compliance system. To further strengthen good corporate governance, the Board of Directors appointed the Chief Compliance Officer as the Corporate Governance Executive tasked to assist the Board and the Corporate Governance and Sustainability Committee in the discharge of their corporate governance oversight functions.

Finally, the Asean Corporate Governance Scorecard (ACGS) Golden Arrow Awards has once again recognized PNB for its commitment to the highest standards of corporate governance as it received the prestigious Four Golden Arrow Award for the fourth consecutive year during the 2025 ASEAN Corporate Governance Scorecard (ACGS) Golden Arrow Awards. PNB was recognized based on scores derived from the 2024 ACGS assessment results, which evaluated the Bank's 2023 operations.

Board Committees

Specific responsibilities of the Board are delegated to its committees. Currently, the Bank has nine committees which are: the Corporate Governance and Sustainability Committee, the Board Audit and Compliance Committee, the Risk Oversight Committee, the Board Oversight Related Party Transactions (RPT) Committee, the Executive Committee, the Trust Committee, the Board Strategy and Policy Committee, the Board IT Governance Committee and the Board Overseas Offices Oversight Committee. A brief description of the functions and responsibilities of the key committees are set out below:

Executive Committees

The Board Executive Committee is responsible for the review, discussion, approval and/or endorsement to Board, of the following: (a) management proposals on credit facilities; investment in financial assets; and borrowings and capital raising, updates and reports on credit, transactional, administrative and other matters; and (b) policies, procedures, and manuals of products and services other than personnel policies, as proposed or initiated by the Bank's management. It also provides oversight and focuses on specific areas to ensure long-term viability of the Bank's domestic and foreign offices and subsidiaries consistent with the Bank's strategic goals.

Board Audit and Compliance Committee

The Board Audit & Compliance Committee ("**BACC**") is responsible in assisting the Board in the performance of its oversight responsibility relating to financial reporting process, systems of internal control, audit process and

monitoring of compliance with applicable laws, rules and regulations. The BACC also provides oversight functions over internal and external auditors and ensures that they act independently from each other; provides oversight to compliance functions and/or oversees the compliance program; conducts annual independent audit of the Bank's financial statements, the engagement of the external auditors and the evaluation of the external auditor's qualifications, independence and performance. Moreover, the BACC oversees the compliance by the Bank with legal and regulatory requirements, including the Bank's disclosure controls and procedures. The BACC also investigates significant issues/concerns and escalates results to the Board.

Risk Oversight Committee

The Risk Oversight Committee ("**ROC**") is created to assist the board in overseeing the risk profile and approves the risk management framework of the Bank and its related allied subsidiaries and affiliates. It is mandated to set risk appetite, approve frameworks, policies & processes for managing risk, and accept risks beyond the approval discretion provided to the Bank's management. It has the authority to direct the Bank's management to submit regular reports on current risk exposures on credit, market, interest rate, liquidity, operational, legal, compliance, strategic, reputation, technology and other risks, as well as to address such risks.

Corporate Governance and Sustainability Committee

The Corporate Governance and Sustainability Committee is tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions of the Nomination, Remuneration and Sustainability Committees, ensuring compliance with and proper observance of corporate governance principles and global practices. It oversees the implementation of the corporate governance framework and periodically reviews the framework to ensure that it remains appropriate in light of material changes to the Bank's size, complexity and business strategy, as well as its business and regulatory environments.

Board Oversight RPT Committee

The Board Oversight RPT Committee ("**BORC**") is created to assist the Board in performing its oversight functions in monitoring and managing potential conflicts of interest of stockholders, Board members, Management, and other stakeholders. The BORC oversees the evaluation of RPTs that present the risk of potential abuse and ensure that rules and regulations are considered to properly and effectively implement the Bank's RPT policy guidelines. It exercises sound and objective judgement on the RPTs for the best interest of the Bank and that the processes and approvals are conducted at arm's length basis.

Trust Committee

The Trust Committee, a special committee reporting directly to the Board of Directors, is primarily responsible for overseeing the fiduciary activities of the Bank. It ensures that fiduciary activities are conducted in accordance with applicable laws, rules and regulations, and prudent practices. The Trust Committee is also responsible for the initial review of assets placed under the custody of the Bank's Trust Banking Group as trustee or fiduciary; investment, reinvestment and disposition of funds or property; and review and approval of transactions between trust and/or fiduciary accounts, among others.

Board IT Governance Committee

The Board IT Governance Committee ("**BITGC**") is created to assist the Board in performing its oversight functions in reviewing, approving and monitoring the IT Risk Management Framework and IT Strategic Plan of the Bank. It reviews and endorses for approval of the Board the Enterprise IT Strategic Plans of the Bank, its subsidiaries and affiliates. The BITGC also reviews and monitors significant IT concerns and corrective actions arising from regulatory examinations, internal audits and external reviews.

Board Strategy & Policy Committee

The Board Strategy and Policy Committee (“**BSPC**”) is the governing board committee exercising authority and delegating to the Bank’s management the implementation of the Board approved strategic plans and policies. The BSPC reviews, evaluates, approves and/or endorses for Board approval of new products, amendments to products, marketing programs, and policies, procedures and manuals pertaining thereto. It also performs oversight function on the business plans, initiatives, risk and regulatory compliance; and reviews the strategic objectives and business priorities, direction, overall plans, and result areas that relates to the thrusts and programs of the Bank.

Board Overseas Offices Oversight Committee

The Board Overseas Offices Oversight Committee (“**BOOOC**”) assists the Board of Directors in overseeing the overseas offices in relation to operational, legal and regulatory risks to ensure its long-term viability consistent with the Bank’s strategic goals and risk profile. It reviews the formulation of policy guidelines and procedures to ensure the quality of compliance and risk management of the different business legal vehicles by focusing on key risk areas. It also reviews actions taken in relation to regulators’ recommendations, changes in laws, and regulatory environment for each of the overseas business legal vehicle, in coordination with the respective entity Board of Directors, other Board Committees and Senior Management Sector/Group Heads that provide oversight support to the overseas offices.

Compliance with Corporate Governance Practices

A sound and effective compliance regime is the cornerstone of PNB’s strength and market presence. The Bank adheres to the values of integrity, ethics, and good governance in the conduct of its business and affairs, exercising prudence in arriving at decisions, enforcing internal discipline and a system of checks and balances in its operating processes, and upholding transparency and accountability to its various stakeholders, including customers, investors, stockholders, and regulators.

The Global Compliance Group (“**GCG**”) is responsible for the timely identification and mitigation of risks that erode the franchise value of PNB such as risks of legal or regulatory sanctions, material financial loss, or loss of reputation because of its failure to comply with laws, rules, related self-regulatory organization standards, and codes of conduct applicable to PNB’s operations. Compliance risk management is an integral part of PNB’s culture: under the risk governance framework, risk management is the responsibility share and shared accountability of all employees, management and the Board of Directors.

GCG is headed by the Chief Compliance Officer (“**CCO**”) who functionally reports to the BACC, and administratively to the President and CEO. GCG is independent from the line of business and is composed of five (5) divisions: Financial Crime Risk, Regulatory Compliance Risk, Compliance Assurance, Compliance Operations and Corporate Governance. GCG through the CCO, oversees the overall design and effective implementation of the Compliance Program which serves as the authoritative codification of GCG’s powers, mandate, authority, and formal status within the organization. The program further fosters adherence to banking laws, rules and regulations, and is ultimately aimed to promote the safety and soundness of PNB’s operations.

Due to the high risk of money laundering, terrorist financing/weapons of mass destruction, proliferation financing, bribery, and corruption locally and overseas, the mitigation of financial crime risks is crucial in preserving the integrity of the financial system.

A robust financial crime compliance effort provides added protection to the Bank from the risks associated to existing and potential customers. Appropriate governance on all matters pertaining to financial crimes are properly implemented as these concerns are timely presented to the BACC for its approval or notation. This is to ensure

that the Bank shall not be used as a conduit for money laundering and terrorist financing by having adequate controls, systems, policies, and mechanisms in place.

The Financial Crime Risk Division (“**FCRD**”) encompasses five key areas: anti-money laundering, counter terrorist financing, sanctions, anti-bribery and corruption, and tax transparency, and this was expanded to cover not only money laundering, but also other forms of financial crime. To mitigate the risks, FCRD ensures an end-to-end robust control framework in place and is embedded enterprise wide. The FCRD also provides training to upskill and retool employees and to keep them abreast in the changes in policies and procedures set forth by legislation, regulations, banking guidance, and global best practices. The FCRD provides advisory support to the Bank’s business and other support units.

The Regulatory Compliance Risk Division (“**RCRD**”) ensures adherence to banking laws, rules, regulations and guidelines issued and mandated by the Bank’s various regulators. The division observes ongoing dissemination of regulatory issuances to various units through the appointed Compliance Officer Designates. It also provides advisory support to the Bank’s business and other support units.

The Compliance Assurance Division’s primary responsibility is to review and assess a business unit’s compliance with applicable rules and regulations, prescribed practices, internal policies and procedures, or ethical standards in relation to regulatory and money laundering/terrorist financing risks.

Family Relationships

Chairman Emeritus Lucio C. Tan and Board Advisor Carmen K. Tan are spouses. Directors Sheila T. Pascual and Vivienne K. Tan are children of Chairman Emeritus Lucio C. Tan and Board Advisor Carmen K. Tan, while Director Lucio C. Tan III is the grandson of Chairman Emeritus Lucio C. Tan and Board Advisor Carmen K. Tan. Mr. Michael G. Tan is a son of Chairman Emeritus Lucio C. Tan.

16.0 Related Party Transactions

In the ordinary course of business, the Bank has loans and other transactions with its subsidiaries and affiliates, and with certain DOSRI.

Under the Bank's policy, these loans and other transactions are made substantially on the same terms as other individuals and businesses of comparable risk. Under BSP Circular 423, the amount of direct credit accommodation to each of the Bank's DOSRI, 70% of which must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Bank. The total outstanding loans, other credit accommodations, and guarantees made to DOSRI generally should not exceed 100% of the Bank's net worth or 15% of the Bank's total loan portfolio, whichever is lower. As of 30 June 2025, the Bank was in compliance with such BSP regulations.

Information related to transactions with related parties and with certain DOSRI is shown under Note 33 of the consolidated financial statements of the Bank as of and for the years ended 31 December 2022, 2023, and 2024 included in this Offering Circular.

The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts as of the period indicated:

						As of 31 December (audited)		As of 30 June (unaudited)	
						2022	2023	2024	2025
						(P millions)			
Total	outstanding			DOSRI		39.0	2.7	136.9	1.2
loans.....									
Percentage	of	DOSRI	loans	to	total	0.0%	0.0%	0.0%	0.0%
loans.....									
Percentage	of	unsecured	DOSRI	loans	to	total	DOSRI	1.6%	0.0%
loans.....								0.0%	8.6%
Percentage	of	past due	DOSRI	loans	to	total	DOSRI	3.5%	45.4%
loans.....								0.0%	0.0%
Percentage	of	non-performing	DOSRI	loans	to	total	DOSRI	3.5%	43.1%
loans.....								0.0%	8.6%

BSP Circular No. 560, issued on 31 January 2007, as amended by BSP Circular No. 914, issued on 23 June 2016 provides the rules and regulations that govern loans, other credit accommodations, and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said circular, the total outstanding loans, other credit accommodations, and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.0% of the net worth of the lending bank/quasi-bank, provided that the unsecured portion shall not exceed 5.0% of such net worth. Further, the total outstanding loans, credit accommodations, and guarantees to all subsidiaries and affiliates shall not exceed 20.0% of the net worth of the lending bank/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer, and/or stockholder of the lending institution, except where such director, officer, or stockholder sits in the board of directors or is appointed officer of such corporation as representative of the bank/quasi-bank as reported to the BSP. As of 31 December 2022, 2023, and 2024 and 30 June 2025, 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.

BSP Circular No. 654, issued on 12 May 2009, provides a separate individual limit (25.0% of the net worth of the lending bank/quasi-bank) to loans of banks/quasi-banks to their subsidiaries and affiliates engaged in energy and

power generation, subject to the following conditions: (a) the unsecured portion thereof shall not exceed 12.5% of such net worth 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 documents; (d) the lending bank shall consider its total project finance exposures in complying with the BSP guidelines in managing credit limits, large exposures and credit risk concentration; (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. Such subsidiaries and affiliates should not be related interests of any of the director, officer, and/or stockholder of the lending bank/quasi-bank, except where such director, officer, or stockholder sits in the board of directors or is appointed officer of such corporation as representative of the bank/quasi-bank. As of 31 December 2022, 2023, and 2024 and at 30 June 2025, the Bank had no subsidiary nor affiliate engaged in energy and power generation.

The balances as of 31 December 2023 and 2024 and the six months ended 30 June 2025 in respect of subsidiaries included in the Bank's financial statements are as follows:

		As of 31 December (audited)		As of 30 June (unaudited)
		2023	2024	2025
		(₱ millions)		
Loans	and	14,161.9	14,060.9	14,233.8
receivables.....				
Deposit		10,026.2	9,694.9	9,516.7
liabilities.....				

The income and expenses for the years ended 31 December 2022 and 2023 and the six months ended 30 June 2025 in respect of subsidiaries included in the Bank's financial statements are as follows:

		As of 31 December (audited)		As of 30 June (unaudited)
		2023	2024	2025
		(₱ millions)		
Interest		1,275.9	1,363.7	627.1
income.....				
Interest		244.9	194.0	82.9
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.

17.0 Philippine Taxation

The following discussion is a general description of certain Philippine tax aspects relating to the Bonds. It is based on the laws, regulations, and rulings in force as of the date of this Offering Circular and is subject to any changes in law or interpretations thereof occurring after such date, for which changes could 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 invest, purchase, own, or dispose of the Bonds and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective Bondholders are advised to consult their own tax advisers concerning the overall tax consequences of their investment in the Bonds.

The tax treatment of a holder of the Bonds may vary depending upon such holders' particular situation, and certain holders may be subject to special rules not discussed below (which may include compliance with the Foreign Account Tax Compliance Act of the United States). Foreign tax consequences of the ownership and disposition of the Bonds are not discussed below. This summary does not purport to address all tax aspects that may be important to a holder of the Bonds.

INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF OWNERSHIP AND DISPOSITION OF THE PARTICULAR BONDS THEY WILL BE HOLDING, INCLUDING THE APPLICABILITY AND EFFECT OF ANY LOCAL OR FOREIGN TAX LAWS.

As used in this section, the term “resident alien” refers to an individual whose residence is within the Philippines but who is not a citizen of the Philippines; a “non-resident alien” is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines; a non-resident alien who is actually within 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 who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a “non-resident alien not doing business in the Philippines.” A “resident foreign corporation” is a foreign corporation engaged in trade or business within the Philippines; and a “non-resident foreign corporation” is a foreign corporation 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.

TAXATION OF INTEREST INCOME

The Philippine National Internal Revenue Code, as amended by Republic Act No. 10963, or the Tax Reform for Acceleration and Inclusion (“TRAIN”), and Republic Act No. 11534 or the CREATE Law, as amended (the “**Tax Code**”) provides that interest income on interest-bearing obligations of Philippine residents, such as the Bonds, are Philippine-sourced income subject to Philippine income tax.

On 29 May 2025, the Capital Market Efficiency Promotion Act (“**CMEPA**”), was signed into law by President Ferdinand R. Marcos, Jr. and took effect on 1 July 2025, following its publication. The transitory provision of the CMEPA provides that any tax exemption and preferential rate on financial instruments issued or transacted prior to 1 July 2025 shall be subject to the prevailing tax rate at the time of its issuance for the remaining maturity of the relevant agreement.

A key reform under the CMEPA is the uniform tax treatment of short-term and long-term bonds. The law provides for a standard final withholding tax rate of 20% on interest income for all bondholders, except for non-resident aliens not engaged in trade or business and non-resident foreign corporations, both of whom shall continue to be subject to their currently applicable final withholding tax rate of 25%. Accordingly, CMEPA removed preferential tax rates and exemptions for long-term deposits or investments in the form of savings, common or individual trust

funds, deposit substitutes, investment management accounts, and other investments with a maturity period of not less than five (5) years. Similarly, gains realized by individual or corporate Bondholders on the sale or exchange or retirement of Bonds with a maturity of more than five (5) years no longer exempt from Philippine income tax and are now included in the computation of a Bondholder's gross income.

In light of the CMEPA, interest income arising from bonds are considered as Philippine sourced income subject to final withholding tax at the following rates:

Philippine citizens and resident alien individuals –	20%
Non-resident aliens doing business in the Philippines –	20%
Non-resident aliens not doing business in the Philippines –	25%
Domestic corporations –	20%
Resident foreign corporations –	20%
Non-resident foreign corporations –	25%

The above final withholding tax rates may be reduced by applicable provisions of tax treaties in force between the Philippines and the tax residence country of the non-resident Bondholder. Many tax treaties to which the Philippines is a party provide for a preferential reduced rate of 15% where Philippine sourced interest income is paid to a resident of the other contracting state. However, tax treaties generally provide that the preferential rate will not apply if the recipient carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected to such permanent establishment.

In addition to the above, the CMEPA provides for the following salient terms:

- Stock transaction tax on the sale of shares of stock listed and traded through a local or foreign stock exchange was reduced from a tax rate of 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 the net capital gains realized by resident citizens and domestic corporations from the sale, exchange, or disposition of shares of stock not traded in a local or 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 Republic Act 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;
- A final withholding tax of 20% is uniformly 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 are also subjected to a tax rate of 20%, except royalty payments on books, other literary works, and musical compositions, which are subject to a tax rate of 10%;
- Documentary stamp tax on original issuance of shares was reduced to a tax rate of 0.75% from 1%, based on the par value of the shares, or actual consideration for the issuance of such shares of stock if there is no par value; and
- No documentary stamp tax shall be imposed on the following: (a) sale, exchange, redemption, or other disposition of shares of stock listed and traded through a local or foreign stock exchange; (b) original issuance, redemption or other disposition of shares in a mutual fund company; and (c) issuance of certificate or other evidence of participation in a mutual fund or unit investment trust fund.

CHANGE IN TAX RATES OR NEW TAX RATES

In the event there is a change in the tax treatment of the Bonds or on the tax rates applicable to a Bondholder of the Bonds because of new, or changes or repeal in, tax laws, or interpretations thereof, as a result of which, a Bondholder previously exempt from tax shall be made subject to tax on income earned from the Bonds or 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 sole account of the Bondholders. Consequently, the Paying Agent, on behalf of the Issuer, as applicable, shall make the necessary withholding or deduction for the account of the Bondholders concerned. All sums payable by the Bank to tax-exempt persons (upon qualification as such and presentation of acceptable proof of tax exemption) shall be paid without deductions for taxes, duties, assessments, or government charges.

TAX EXEMPT STATUS

Revenue Memorandum Order No. 14-2021 (“**RMO**”), issued on 31 March 2021, streamlines the procedure and documents for the availment of treaty benefits. The RMO covers all items of income derived by non-resident taxpayers from Philippine sources that are entitled to relief from double taxation under the relevant tax treaty.

The withholding agent or income payor may rely on the submitted BIR Form No. 0901 (Application Form for Treaty Purposes), Tax Residency Certificate (“**TRC**”) duly issued by the foreign tax authority, and the relevant provision of the applicable tax treaty on whether to apply a reduced rate of, or exemption from, withholding at source on the income derived by a non-resident taxpayer from all sources within the Philippines. Therefore, it is imperative for non-resident taxpayers intending to avail of treaty benefits to always submit documents to each withholding agent or income payor prior to the payment of income for the first time.

Failure to provide the said documents when requested may lead to withholding of a tax applying the regular rates prescribed under the Tax Code for non-resident foreign corporations or non-resident aliens not engaged in trade or business, as the case may be, and not the treaty rate.

When the treaty rates have been applied by the withholding agent on the income earned by the non-resident, the former shall file with International Tax Affairs Division (“**ITAD**”) a request for confirmation on the propriety of the withholding tax rates applied on that item of income. On the other hand, if the regular rates have been imposed on the said income, the non-resident shall file a Tax Treaty Relief Application (“**TTRA**”) with ITAD. In either case, each request for confirmation and TTRA shall be supported by the documentary requirements specified in the Order.

The request for confirmation shall be filed by the withholding agent at any time after the close of the taxable year but shall in no case be later than the last day of the fourth (4th) month following the close of such taxable year when the income is paid or becomes payable, or when the expense/asset is accrued or recorded in the books, whichever comes first. If the BIR determines that the withholding tax rate applied is lower than the rate that should have been applied on an item of income pursuant to the treaty, or that the non-resident taxpayer is not entitled to treaty benefits, it will issue a BIR Ruling denying the request for confirmation or TTRA. Consequently, the withholding agent shall pay the deficiency tax plus penalties. On the contrary, if the withholding tax rate applied is proper or higher than the rate that should have been applied, the BIR will issue a certificate confirming the non-resident income recipient’s entitlement to treaty benefits. In the latter case, the taxpayer may apply for a refund of excess withholding tax.

Generally, one TTRA or request for confirmation shall be filed for each transaction except for long-term contracts (e.g., contracts for services or loan agreements, license agreements, etc.) i.e., those which are effective for more than a year, where an annual updating shall be made until the termination of the contract. To ensure that the proper rate is applied until the end of the contract, the non-resident taxpayer must submit the COE issued by the BIR and the updated TRC before the last day of the first month of the taxable year or at least ten (10) business days before the first interest payment for the taxable year, whichever is earlier to the Selling Agents. If the income of the non-resident taxpayer has been subjected to regular rates, he/she/it may subsequently file a claim for refund of the difference between the amount of Withholding tax actually paid in the Philippines and the amount of tax that should have been paid under the treaty after obtaining a certificate confirming his/her/its entitlement to treaty benefits. For this purpose, a duly accomplished BIR Form No. 1913 shall be filed together with the letter request.

All claims for refund shall be filed within the two-year prescriptive period provided under Section 229 of the Tax Code, as amended. In any case, all Bondholders are required to submit to the Bank, through the Paying Agent, their respective BIR-issued Taxpayer Identification Numbers (TIN).

Bondholders who are exempt from, are not subject to final withholding tax, or are subject to a lower rate of final withholding tax on interest income may avail of such exemption or preferential withholding tax rate by submitting the necessary documents. Said Bondholder shall submit:

- i. the following requirements, in form and substance prescribed by the Issuer, to the Registrar or the Selling Agents (together with their completed Application to Purchase) who shall then forward the same to the Registrar:
 - (a) For (1) tax-exempt corporations under Section 30 of the Tax Code (except non-stock, non-profit educational institutions under Section 30(H) of the Tax Code); (2) cooperatives duly registered with the Cooperative Development Authority; and (3) BIR-approved pension fund and retirement plan – certified true copy of valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR. For this purpose, a tax exemption certificate or ruling shall be deemed “valid, current and subsisting” if it has not been more than 3 years since the date of issuance thereof;
 - (b) For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 – certified true copy of the Bondholder’s current, valid and subsisting Certificate of Accreditation as PERA Administrator;
 - (c) For all other tax-exempt entities (including, but not limited to, (1) non-stock, non-profit educational institutions; (2) government-owned or -controlled corporations; and (3) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) – certified true copy of tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income is exempt from income tax and, consequently, withholding tax;
 - (d) For entities claiming tax treaty relief pursuant to RMO 14-2021, (a) prior to the payment of interest due: (1) three (3) originals of the appropriate form (currently, BIR Form 0901-I (Interest Income)) or Application Form for Treaty Purposes filed by the Bondholder or, if the Bondholder is a fiscally transparent entity, each of the Bondholder’s owners or beneficiaries, (2) one (1) original of the valid and existing tax residency certificate duly issued by the respective foreign tax authority of the country of residence of the Bondholder or, if the Bondholder is a fiscally transparent entity, the country of residence of each of the Bondholder’s owners or beneficiaries in the form acceptable for recognition under Philippine laws, (3) the relevant provision of the tax treaty providing for the claimed tax exemption or preferential tax rate, in a form acceptable to the Issuer, (4) three (3) originals of the duly notarized, consularized, or apostilled (as the case may be) Special Power of Attorney executed by the Bondholder or the Bondholder’s owners or beneficiaries, as may be applicable, in favor of its

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 Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, is/are not doing business in the Philippines to support the applicability of a tax treaty relief; (b) and (5) an original or certified true copy of the Certificate of Entitlement ("COE") issued by the ITAD certifying the Bondholder's entitlement to tax treaty relief in connection with the Bonds. It shall be the Bondholder's sole responsibility and obligation to file the TTRA with the BIR ITAD to prove its entitlement to tax treaty relief, and in relation thereto, the Issuer shall, upon request of the Bondholder, provide the relevant documents which are required to be submitted for purposes of filing a TTRA. For the avoidance of doubt, in order for the preferential rate to apply, the Bondholder must submit the COE issued by the BIR and the TRC together with the Application to Purchase, to the Selling Agents. In order for the Issuer to apply the preferential rate for the succeeding taxable years, the Bondholder must submit an updated TRC before the last day of the first month of the taxable year or at least ten (10) business days before the first interest payment for the taxable year, whichever is earlier. The Issuer shall withhold regular tax rates in its interest payments for the ensuing taxable year if the Bondholder fails to provide the updated TRC within the prescribed deadline; and (c) Any other document that the Issuer or PDTC may require from time to time. In addition, upon the request of the Issuer, the Selling Agent, or the Registrar, as the case may be, the Bondholder shall submit an updated Part II (A), (B), (C), and (D) of the Certificate of Residence for Tax Treaty Relief ("CORTT") Form. Only the originals should be submitted to the Joint Lead Arrangers and Bookrunners, the Selling Agents, the Bank or the Registrar.

- ii. a duly notarized declaration and undertaking, in prescribed form, executed by (ii.a) the Corporate Secretary or any authorized representative, who has personal knowledge of the exemption based on his official functions, if the Applicant purchases the Bonds for its account, or (ii.b) the Trust Officer, if the Applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Bonds pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting that the same Bondholder named in the tax exemption certificate described in (i) above, is specifically exempt from the relevant tax or is subject to a preferential tax rate for the relevant tax, undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of the tax exemption certificates or preferential rate entitlement, and agreeing to indemnify and hold the Issuer and Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities, or any tax or charge arising from the non-withholding of the required tax; and
- iii. if applicable, such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent, or as may be required under applicable regulations of the relevant taxing or other authorities; provided further that, all sums payable by the Issuer to tax-exempt entities shall be paid in full without deductions for Taxes, duties, assessments, or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar and Paying Agent.

Transfers taking place in the Register of Bondholders after the Bonds are listed in PDEx may be allowed between taxable and tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when allowed under, and are in accordance with the relevant rules, conventions and guidelines of PDEx and PDTC. A selling or purchasing Bondholder claiming tax-exempt status is required to submit the following documents to the Registrar, together with the supporting documents specified under Registry and Paying Agency Agreement upon submission of Account Opening Documents to the Registrar: (i) a written notification of the sale or purchase, including the tax status of the transferor or transferee, as appropriate; and (ii) an indemnity agreement wherein the new Bondholder undertakes to indemnify the Issuer for any tax that may later on be assessed on the Issuer on account of such transfer.

DOCUMENTARY STAMP TAXES

Pursuant to the CMEPA and RR No. 019-2025, documentary stamp tax (“DST”) is imposed upon the issuance of the Bonds at the rate of 75% of 1% of the issue price of the Bonds; provided that, for Bonds with terms of less than one year, the DST to be collected shall be that of a proportional amount in accordance with the ratio of its term in number of days to 365 days. 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 issuance shall be paid by the Bank for its own account.

No documentary stamp tax is imposed on a subsequent sale or disposition of the Bonds, provided that there is no change in the maturity date or to the remaining term of the Bonds.

TAXATION ON SALE OR OTHER DISPOSITION OF BONDS

If the Bonds are considered ordinary assets of individual Bondholders, gains from the sale or disposition of such Bonds are included in the computation of taxable income, which is subject to the following graduated tax rates for Philippine citizens (whether residents or non-residents), or resident foreign individuals or non-resident aliens engaged in trade or business in the Philippines effective 1 January 2023 and onwards:

Not over ₱250,000	0%
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 + 20% of the excess over ₱400,000
Over ₱800,000 but not over ₱2,000,000	₱102,500 + 25% of the excess over ₱800,000
Over ₱2,000,000 but not over ₱8,000,000	₱402,500 + 30% of the excess over ₱2,000,000
Over ₱8,000,000	₱2,202,500 + 35% of the excess over ₱8,000,000

For non-resident aliens not engaged in trade or business, the gain shall be subject to the 25% final withholding tax.

If the Bonds are considered as capital assets of individual Bondholders, gains from the sale or disposition of the Bonds shall be subject to the same rates of income tax as if the Bonds were held as ordinary assets, except that if the gain is realized by an individual who held the Bonds for a period of more than twelve months prior to the sale, only 50% of the gain will be recognized and included in the computation of taxable income. If the Bonds were held by an individual for a period of 12 months or less, 100% of the gain will be included in the computation of the taxable income.

Gains derived by qualified domestic corporations on sale or other disposition of the Bonds are included in the computation of taxable income which is subject to a 20% or 25% regular corporate income tax or 1% or 2% MCIT, as the case may be. Gains derived by resident foreign corporations on the sale or other disposition of the Bonds are included in the computation of taxable income which is subject to 25% regular corporate income tax or 1% or 2% MCIT, as the case may be. Gains derived by non-resident foreign corporations on the sale or other disposition of the Bonds 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.

Furthermore, any gains realized on the sale of the Bonds may be exempt from Philippine income tax under an applicable tax treaty subject to such other documentary requirements as may be reasonably required under the rules and regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief. However, under the proposed CMEPA, this exemption would be removed. Gains from the sale, exchange, or retirement of

bonds, debentures or other certificates of indebtedness with a maturity of more than five (5) years are no longer excluded from gross income.

VALUE-ADDED TAX

Gross receipts derived by dealers in securities from the sale of the Bonds in the Philippines shall be subject to value-added tax (“VAT”) of 12%. The term “gross receipt” means gross selling price less acquisition cost of the Bonds sold. For purposes of this section, dealers in securities are merchants of stocks or securities, whether individual, partnership, or corporations, with an established place of business, regularly engaged in the purchase of securities and their resale to customers. Moreover, for purposes of this section, “dealers in securities” are merchants of stocks or securities, whether individual, partnership, or corporations, with an established place of business, regularly engaged in the purchase of securities and their resale to customers.

GROSS RECEIPTS TAX

Banks and non-bank financial intermediaries performing quasi-banking functions are subject to gross receipts tax (“GRT”) on gross receipts derived from sources within the Philippines at the following rates:

On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of the remaining maturities of instruments from which such receipts are derived:

Maturity period is 5 years or less —	5.0%
Maturity period is more than 5 years —	1.0%

In case the maturity period is shortened by virtue of pretermination, then the maturity period shall be reckoned to end as of the date of pretermination for purposes of classifying the transaction and the correct tax rate shall be applied accordingly.

Other non-bank financial intermediaries are subject to GRT at the following rates:

- (a) On interest, commissions, discounts and all other items treated as gross income under the Tax Code, as amended – 5.0%
- (b) On interests, 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 5 years or less —	5.0%
Maturity period is more than 5 years —	1.0%

In case the maturity period is shortened through pretermination, then the maturity period shall be reckoned to end as of the date of pretermination for purposes of classifying the transaction and the correct rate of tax shall be applied accordingly. Net trading gains realized within the taxable year on the sale or disposition of the Bonds by banks and non-bank financial intermediaries performing quasi-banking functions shall be taxed at 7%.

The pending legislation for the enactment of House Bill (“HB”) No. 4339, also known as the Passive Income and Financial Intermediary Taxation Act (“PIFITA Bill”) seeks to introduce a single gross receipts tax rate of 5% to be imposed on banks and non-bank financial intermediaries performing quasi-banking functions. It aims to remove the distinction between lending and non-lending income, as well as the maturity of the instrument. All types of income will be taxed at 5%, with the exception of dividends, equity shares, and net income of subsidiaries, which will remain exempt. HB No. 4339 was approved on the third and final reading by the House of

Representatives on 14 November 2022. The bill remains pending with the Senate as of the date of this Offering Circular.

ESTATE AND DONOR'S TAX

The transfer of Bonds upon the death of an individual Bondholder to his or her heirs by way of succession, whether such holder was a citizen of the Philippines or an alien and regardless of residence, is subject to Philippine estate tax at the rate of 6% based on the value of the decedent's net estate.

Moreover, individual and corporate Bondholders, whether or not citizens or residents of the Philippines, who transfer the Bonds by way of gift or donation are liable to pay Philippine donors' tax on such transfer at the rate of 6% computed on the basis of the total gifts in excess of P250,000 made during the calendar year.

The estate tax as well as the donor's tax in respect of the Bonds shall not be collected (a) if the deceased at the time of his death or the donor at the time of his 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 that foreign country.

In case the Bonds 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 Bonds exceeded the value of the consideration may, unless made in the ordinary course of business (i.e., a transaction which is *bona fide*, at arms' length, and free from any donative intent), be deemed a gift and may be subject to donor's taxes.

TAXATION OUTSIDE THE PHILIPPINES

The tax treatment of non-resident Bondholders 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. Each holder of any of the Bonds should consult its own tax adviser as to the particular tax consequences on such holder acquiring, owning and disposing of the Bonds, including the applicability and effect of any state, local and national laws.

18.0 Philippine Banking Industry

This 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 Issuer, the Joint Lead Arrangers and Bookrunners or any of their affiliates or advisers. None of the Issuer, Joint Lead Arrangers and Bookrunners or any of their affiliates or advisors make any representations as to the accuracy or completeness of this information.

Introduction

The banking industry in the Philippines is composed of universal banks, commercial banks, rural banks, thrift banks (including savings and mortgage banks, private development banks and stock savings and loan associations), cooperative banks and Islamic banks.

According to BSP's report on the Philippine Financial System, as of 31 December 2024, the commercial banking sector, comprising universal and commercial banks, consisted of 44 head offices, 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 are organized primarily to accept drafts and to issue letters of credit, discount and negotiate promissory notes, drafts, bills of exchange and other evidence 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 lend money on a secured or unsecured basis. Universal banks are banks that have authority, in addition to commercial banking powers, to exercise the powers of investment houses, to invest in the equity of business 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 SMEs and individuals. As of 31 December 2024, there were 41 thrift banks (including microfinance-oriented banks), based on BSP's report on the Physical Network of the Philippine Financial 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 31 December 2024, there were 383 rural and cooperative banks, based on BSP's report on the Philippine Financial System.

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 AI-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 small-and medium-sized enterprises. 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 of 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. Under Circular 1219, issued in October 2025, the BSP eased Islamic banking rules by approving new regulations to encourage more participation in the industry. These include standardizing the capital requirement framework and reducing administrative requirements.

During the past decade, the Philippine banking industry has been marked by two major trends – the liberalization of the industry, and mergers and consolidation.

Foreign bank entry was liberalized in 1994, enabling foreign banks to invest in up to 60% 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 10 new foreign bank branches in 1995. Republic Act No. 8791 or the General Banking Law of 2000 (the “**General Banking Law**”) further liberalized the industry by providing that the Monetary Board may authorize foreign banks to acquire up to 100% of the voting stock of one domestic bank within seven years from the effectivity of said law on 13 June 2000 or until 13 June 2007. 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% 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% of the voting stock thereof. As of 31 December 2024, there were 24 foreign banks with branches and four foreign banks with subsidiaries in the Philippines, based on BSP’s report on the Philippine Financial System, and as of 31 December 2024, they accounted for 6.1% of the total resources of the Philippine banking system. Under 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 authorized 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 domestic bank (including banks under receivership or liquidation, provided no final court liquidation order has been issued); (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 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% of the resources or assets of the entire banking system is held by domestic banks, which are majority-owned by Filipinos.

The liberalization 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 Sumitomo Mitsui Banking Corporation, Cathay United Bank, Industrial Bank of Korea, Shinhan Bank, Yuanta Commercial Bank, United Overseas Bank, Hua Nan Commercial Bank, Bank of Taiwan, and Land Bank of Taiwan being granted new licenses, and also 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 December 2024, there are 24 branches of foreign banks 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. 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 concentration, 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 liberalization, and to the mergers and consolidation trend, the BSP issued BSP 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 licenses or the establishment of new banks under the MORB was lifted under a two-phased approach. Under Phase 1 of the liberalization, the grant of new universal/commercial banking license was allowed in connection with the upgrading of an existing domestic thrift bank. Under Phase 2, the moratorium on the establishment of new domestic banks was fully lifted and locational restrictions were fully liberalized from 1 January 2018.

As of 31 December 2024, six (6) 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), the digital bank subsidiary of state-owned Land Bank of the Philippines (LANDBANK), UNObank Inc. (UBI), Union Digital Bank Inc. (UDB) and GoTyme Bank Corporation (GTyme). We note that the BSP lifted the moratorium on issuance of new digital bank license starting 1 January 2025 and increased the maximum number of digital banks that may be allowed to operate in the country to ten (10). The BSP will close new applications starting 1 December 2025, following the approval of a moratorium on digital bank licensing on 18 September 2025.

The following table sets out a comparison, based on publicly available data, of the five largest Philippine banks in terms of assets as of 30 June 2025:

Name	Market Capitalization¹	Total Equity²	Total Assets²	Loans and Receivables – net²	Customer deposits²	No. of Branches³
<i>(in ₱ millions, except number of branches)</i>						
BDO Unibank Inc. Metropolitan Bank & Trust Co	814,070	608,798	4,905,959	3,286,815	3,908,696	1,793
Land Bank of the Philippines	311,671	379,397	3,182,967	1,604,958	2,082,387	960
Bank of the Philippine Islands	-	273,469	3,443,772	1,250,122	3,041,278	607
China Banking Corp.	561,139	450,205	2,327,389	2,298,682	2,553,030	1,266
	144,391	161,006	1,805,970	815,377	1,169,992	650

Notes:

- (1) Market Capitalization as of 30 June 2025 based on data from Bloomberg.
- (2) Financial data taken from each bank's published balance sheet disclosed to the BSP as of 30 June 2025.
- (3) Data for a number of branches (including branches of subsidiaries) was taken from each bank's annual report as of 31 December 2024

According to the results of the Q1 2025 Senior Bank Loan Officers' Survey conducted by BSP, most of the respondent banks maintained their credit standards for loans to businesses and consumers.

The BSP issued BSP Circular No. 839, Series of 2014 dated 27 June 2014 which adopts a prudential real estate stress test limit (“**REST Limit**”) for universal and commercial banks, thrift banks on a solo and consolidated basis on their aggregate real estate exposures. The REST Limit combines 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 and commercial banks are 6% of CET1 capital ratio and 10% of risk-based capital adequacy ratio, 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% of CET1 capital, for thrift banks that are subsidiaries of universal and commercial banks, 6% of Tier 1 capital, for stand-alone thrift banks, and 10% of risk-based capital adequacy ratio for all thrift banks.

On 20 August 2020, the BSP issued Circular No. 1093, expanding the real estate loan limit for universal and commercial banks (UKBs) 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 this 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.

19.0 Banking Supervision and Regulation

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. It does not purport to be a comprehensive description of all the laws and regulations that may be relevant to a decision to purchase, own or dispose of the Bonds. The regulations may not be exhaustive and are intended to provide a general background and information to the investors and are not intended to substitute for professional legal advice or a detailed review of the relevant laws and regulations.

General

Republic Act No. 8791 or the General Banking Law of 2000 (the “**General Banking Law**”), Republic Act No. 7653 or the New Central Bank Act of 1993, as amended by Republic Act No. 11211 (the “**New Central Bank Act**”), vest the BSP, which exercises its powers through the Monetary Board, with power and authority 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, private development banks, stock savings and loan associations and microfinance thrift banks), Islamic banks, rural banks, cooperative 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. Moreover, 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.

The Manual of Regulations for Banks, as amended from time to time (“**MORB**”) is the principal source of rules and regulations that must be complied with by banks in the Philippines. The MORB contains regulations applicable to universal banks, commercial banks, thrift banks, rural banks and non-bank financial intermediaries performing quasi-banking functions. These regulations include those relating to the organization, management and administration, deposit and borrowing operations, loans, treasury and money market operations, and trust and other fiduciary functions. Supplementing the Manual are rules and regulations disseminated through various circulars, memoranda, circular letters and other directives issued by the Monetary Board.

The MORB and other regulations are principally implemented by the Financial Supervision Sector (the “**FSS**”) of the BSP. The FSS is responsible for ensuring the observance of applicable laws and rules and regulations by banking institutions operating in the Philippines (including Government credit institutions and their subsidiaries and affiliates, 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

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 100.0% 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 100.0% of the voting stock of only one other universal or commercial bank. A universal bank may also own up to 100.0% 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 and

(iv) make collections and payments for the account of others and perform such other services for their customers as are not incompatible with 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 intermediaries are allowed, to a certain extent, to invest in allied (both financial and non-financial) undertakings while only universal banks may invest in non-allied undertakings.

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.

Regulations

The MORB and various BSP regulations impose the following restrictions on commercial, universal and savings banks.

Minimum Capitalization

By virtue of BSP Circular No. 854 (2014), the minimum capital requirement for all bank categories, namely universal banks, commercial banks, thrift banks, rural banks, and cooperative banks, was increased in order to strengthen the banking system. In 2022, the BSP issued Circular No. 1151 which amended the minimum capitalization for rural banks in the Philippines. 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 million, ₱50 million for head office with up to four branches, ₱120 million for head office with five to nine branches, and ₱200 million for head office with more than nine branches. Below are the amended minimum capital requirements for banks as of 2025:

Bank Category/Network Size	Existing Minimum Capitalization (₱)	Reviewed 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
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)		500 million
Head Office only		750 million
Up to 10 branches*		1.00 billion
11 to 50 branches*		2.00 billion
More than 50 branches*		
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)		20 million
Head Office only		30 million
Up to 10 branches*		40 million
11 to 50 branches*		80 million
More than 50 branches*		
Head Office in All Other Areas Outside NCR (4th to 6th Class Municipalities)		10 million
Head Office only		15 million
Up to 10 branches*		20 million
11 to 50 branches*		40 million
More than 50 branches*		
Digital Banks		1.00 billion

Further, in April 2023, the BSP issued Circular No. 1173 wherein the BSP modified the minimum capitalization of conventional banks with Islamic banking units. This BSP Circular provides that the minimum capitalization requirements for a universal bank 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 capitalization requirement applicable to an Islamic Bank.

These minimum levels of capitalization may be changed by the Monetary Board from time to time.

Capital Adequacy Requirements

In January 2012, the BSP required the universal and commercial banks in the Philippines, including their subsidiary banks and quasi-banks, to adopt in full the capital adequacy standards under Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems effective 1 January 2014. Basel III supplemented the capital adequacy framework under Basel II: Revised International Convergence of Capital Measurement and Capital Standards to further strengthen the loss absorption capacity of local banks and encourage banks to rely more on core capital instruments like CET1 and Tier 1 issues.

This allowed local banks one full year for a parallel run of the old and new guidelines prior to the effectiveness 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 the Basel III accord for universal and commercial banks.

The guidelines set new regulatory ratios for banks to meet specific minimum thresholds for CET1 capital and T1 capital in addition to the CAR. The BSP maintained the minimum CAR at 10% and set a minimum CET1 ratio of 6% and a minimum T1 capital ratio of 7.5%. The new guidelines also introduced a CCB of 2.5% which shall be made up of CET1 capital. This buffer was intended to promote the conservation of capital and build-up of adequate cushion that can be drawn down by banks to absorb losses during periods of financial and economic stress. Under BSP Circular No. 1027 dated 28 December 2018, net due from head office, branches and subsidiaries outside the Philippines of foreign banks branches, excluding accumulated net earnings is required to be deducted from CET1 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 under Basel III". Under the Circular, the BSP adopts policy measures for D-SIBs, which are essentially aligned with documents issued by the Basel Committee on Banking Supervision on global systemically important banks ("G-SIBs") and D-SIBs. The policy aims to reduce the probability of failure of D-SIBs by increasing their going-concern loss absorbency and to reduce the extent or impact of failure of D-SIBs on the domestic or real economy. The submission of data requirements for the identification of D-SIBs took effect starting with 2014 data while compliance with the additional higher loss absorbency requirement was phased in from 1 January 2017 with full implementation on 1 January 2019.

Under BSP Circular No. 856, the systemic importance of a bank is assessed in relation to the impact of its failure on the domestic economy based on certain bank-specific factors (on a consolidated basis): size, interconnectedness, substitutability/financial institution infrastructure, and complexity. Banks that have a score that exceeds the cut-off under the indicator-based measurement approach shall be classified as D-SIBs. In assessing D-SIBs, supervisory judgment may also be utilized based on the principles set forth in the circular. Using cluster analysis, D-SIBs will be initially allocated into two buckets with an empty bucket to provide banks with an incentive to avoid becoming more systemically important. The assessment will be run annually, and D-SIBs reallocated as a result. If the empty bucket becomes populated in the future, a new empty bucket shall be added with a required higher additional loss absorbency level which shall increase in increments of 1.0% of risk-weighted assets.

Banks identified as D-SIBs will be required to have higher loss absorbency ("HLA"). This higher requirement is aimed at ensuring that D-SIBs have a higher share of their balance sheets funded by instruments which increase their resilience as a going concern, considering that the failure of a D-SIB is expected to have a greater impact on

the domestic financial system and the economy as a whole. To ensure a maximum degree of consistency in terms of effective loss absorbing capacity, the HLA requirement will be addressed through CET1 capital.

On 27 September 2019, the BSP issued Circular No. 1051 which amended the framework for dealing with D-SIBs provided under BSP Circular No. 856.

Under BSP Circular No. 1051, the minimum HLA requirement for the lower bucket shall be 1.5% of risk-weighted assets at all times. For the higher populated bucket, the HLA requirement shall range from above 1.5% to 2% of risk-weighted assets. An empty top bucket with HLA requirement of 2.5% of risk-weighted assets shall also be maintained. The differentiated HLA requirement for D-SIBs slotted under the higher-populated bucket is to be based on the ranking of a bank's overall systemic importance through the use of the indicator-based measurement approach. An equation is provided in BSP Circular No. 1051 for computing the additional loss absorbency requirement for D-SIBs slotted under the higher-populated bucket.

Bucket	Score Range	Minimum additional HLA requirement (CET1 capital as a percentage of risk-weighted assets)
3 (empty)	B-C	2.5%
2	A-B	>1.5% to 2.0%
1	Cut-off point – A	1.5%

The HLA requirement shall also be on top of the combined requirement for Capital Conservation Buffer (“CCB”) and Countercyclical Capital Buffer (“CCyB”). In addition, restrictions on distributions are provided under BSP Circular No. 1051, depending on the CCyB rate of the bank. However, payments which do not result in the depletion of CET1 capital are not considered capital distributions. The total CET1 capital requirement for D-SIBs will be as follows:

CCyB rate is 0%:

Bucket	Minimum CET1 Requirement (a)	CCB (b)	CCyB (c)	D-SIB HLA Requirement (d)	Total Additional CET1 Requirement (b+c+d)	Total Required CET1 (a+b+c+d)
3 (empty)	6.00%	2.50%	0%	2.50%	5%	11.00%
2*	6.00%	2.50%	0%	2%	4.50%	10.50%
1	6.00%	2.50%	0%	1.50%	4.00%	10.00%

*Assuming an HLA requirement of 2%

CCyB rate is at 2.5%

Bucket	Minimum CET1 Requirement (a)	CCB (b)	CCyB (c)	D-SIB HLA Requirement (d)	Total Additional CET1 Requirement (b+c+d)	Total Required CET1 (a+b+c+d)
3 (empty)	6.00%	2.50%	2.50%	2.50%	7.50%	13.50%
2*	6.00%	2.50%	2.50%	2%	7.00%	13.00%
1	6.00%	2.50%	2.50%	1.50%	6.50%	12.50%

*Assuming an HLA requirement of 2%

Transitional arrangements for the HLA requirement will be implemented. In the case of banks included in the first list of D-SIBs (to be released in June 2015 based on December 2014 data), compliance with the HLA requirement was phased-in starting 1 January 2017, with full compliance on 1 January 2019. Under BSP Circular No. 857, further lists of D-SIBs will be issued until 31 December 2021. After the phase-in period, banks identified as D-SIBs will have 18 months to comply with the required HLA.

Data Cut-Off	Release of D-SIBs List	Compliance Period
December 2014	June 2015	Phased-in: 1 January 2017 – 1 January 2019
December 2015	June 2016	Phased-in: 1 January 2018 – 1 January 2019
December 2016	June 2017	1 January 2019 – 31 December 2019
December 2017	June 2018	1 January 2020 – 31 December 2020
December 2018	June 2019	1 January 2021 – 31 December 2021

BSP Circular No. 1051 likewise imposes capital distribution constraints should a D-SIB's capital fall within a specified range (subject to phased-in implementation and other provisions of the circular):

CCyB rate is at 0%

Restrictions on Distributions	Level of CET1 Capital	
	Bucket 1	Bucket 2*
No distribution (until the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with)	<=9.25%	<=9.50%
50% of earnings may be distributed (if the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with)	>9.25% – 10.0 %	>9.50% – 10.5%

*Assuming an HLA requirement of 2%

CCyB rate is at 2.5%

Restrictions on Distributions	Level of CET1 Capital	
	Bucket 1	Bucket 2*
No distribution (until the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with)	<=11.75%	<=12.00%
50% of earnings may be distributed (if the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with)	>11.75% – 12.50%	>12.00% - 13.00%

*Assuming an HLA requirement of 2%

A D-SIB will not be subject to any restriction on distribution if the following conditions are met:

- Positive retained earnings as of the preceding quarter and compliance with the regulatory requirements for the declaration of dividends;
- Compliance with total required CET1 and D-SIBS HLA requirement (under the circular) before distribution; and
- Compliance with minimum capital ratios after distribution.

D-SIBs will also be subjected to greater supervisory requirements such as additional disclosures and reports in its Internal Capital Adequacy Assessment Process (“ICAAP”).

These requirements may lead to the Bank having to hold even higher minimum levels of capital compared with the levels above, should it be designated as a D-SIB by the BSP.

On 9 June 2015, the BSP issued Circular No. 881, entitled Implementing Guidelines on the Basel III Leverage Ratio Framework (“**Circular No. 881**”). In accordance with Circular No. 881, the leverage ratio of universal and commercial banks as well as their subsidiary banks and quasi-banks, computed as the level of a bank’s Tier 1 capital against its total on-book and off book exposures, must not be less than 5%. During the monitoring period up to 31 December 2016, sanctions were not imposed on covered institutions falling below the 5% minimum; however, all covered institutions were required to submit periodic reports. On both a solo and consolidated basis, this ratio should not be less than 5% for universal and commercial banks, as well as their subsidiary banks/quasi-banks. On 22 January 2018, however, the BSP issued Circular No. 990, extending the monitoring period up to 30 June 2018. By 1 July 2018, the leverage ratio became a Pillar 1 requirement.

Banks also face new liquidity requirements under Basel III’s framework on liquidity standards, which were adopted by the BSP through Circular No. 905-16, entitled Implementation of Basel III Framework on Liquidity Standards — Liquidity Coverage Ratio (“**LCR**”) and Disclosure Standards (“**Circular No. 905-16**”). Circular No. 905 adopted the Basel III for LCR Framework and Minimum Liquidity Ratio Framework, and the Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (“**NSFR**”).

The LCR requires banks to hold sufficient levels of high-quality liquid assets to enable them to withstand a 30-day liquidity stress scenario. Beginning 1 January 2018, the LCR threshold that banks would have to meet is 90%, which was increased to 100% beginning 1 January 2019. During the observation period prior to 1 January 2018, banks were required to submit quarterly LCR reports for monitoring purposes. On 15 March 2019, the BSP issued Circular No. 1035, entitled Amendments to the Basel III LCR Framework and Minimum Liquidity Ratio Framework (“**Circular No. 1035**”) which (i) 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, (ii) adopted the 70% LCR floor for subsidiary banks and quasi-banks during the observation period, (iii) amended the LCR framework under the MORB, and (iv) amended the formula for minimum liquidity ratio.

Meanwhile, the Net Stable Funding Ratio (“**NSFR**”) requires that banks’ assets and activities are structurally funded with long-term and more stable funding sources. On 6 June 2018, the BSP issued Circular No. 1007, entitled Implementing Guidelines on the adoption of the Basel III Framework on Liquidity Standards - Net Stable Funding Ratio. It provided that the implementation of the minimum NSFR would be phased in to help ensure that the covered banks and quasi-banks could meet the standard through reasonable measures without disrupting credit extension and financial market activities. Covered banks and quasi-banks went through an observation period from 1 July 2018 to 31 December 2018 before the actual implementation of the minimum 100% NSFR, which would begin on 1 January 2019 and continue thereafter. On 15 March 2019, the BSP issued Circular No. 1034, further extending the observation period for subsidiary banks and quasi-banks of universal and commercial banks from 1 July 2018 to 31 December 2019 before the implementation of the minimum 100% NSFR beginning 1 January 2020.

Both the LCR threshold and the NSFR threshold are now at 100%, following the full implementation of the provisions of Circular Nos. 1035 and 1034, respectively. On 13 February 2020, the BSP issued Memorandum No. M-2020-003, entitled Guidelines on the Electronic Submission of the Basel III NSFR Report and Liquidity Coverage Ratio Report. It states that all subsidiary banks and quasi-banks must observe the guidelines for purposes of the NSFR and LCR reports beginning reporting period ended 31 January 2020, in line with BSP Circular Nos. 1035 and 1034.

On 16 April 2021, Circular No. 1113 amended the guidelines on the recovery plan of banks designated as D-SIBs. In order to reduce the negative impact of D-SIBs on the economy, the BSP provided for a framework consisting of three parts: assessment methodology; HLA and interaction with other elements of the Basel III framework; and the intensive supervisory approach. Under the intensive supervisory approach, a D-SIB must prepare a concrete and reasonable recovery plan which must be implemented in the event that the HLA capital requirement is breached. This includes specific initiatives such as restructuring and disposing of assets, capital raising activities and streamlining businesses. Apart from a recovery plan, the D-SIB must also submit an Internal Capital Adequacy Assessment Process (“ICAAP”) On 18 October 2022, Circular No. 1158 amended the guidelines governing the submission of recovery plans of banks as well as the prudential measures under the ICAAP and Supervisory Review Process.

Reserve Requirements

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 Circular Nos. 1041, 1054, 1056, 1063 (2019), 1082, 1092 (2020), 1175, 1176 (2023), 1201 (2024), and 1211 (2025), universal and commercial banks (including the Bank) are required to maintain regular reserves of: (a) 5.0% 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 (Philippine branch of a foreign bank); (b) 0.0% against deposit substitutes evidenced by repurchase agreements and inter-bank call loans; (c) 4.0% against long-term negotiable certificates of time deposits (“**LTNCDs**”) issued under BSP Circular No. 1056 (2019); (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 issued within one year from 6 January 2024; (e) 0% for bonds mentioned in (d) issued one year after 6 January 2024, effective for another 12 months; and (f) 3.0% against bonds other than those in (d) and (e); and (g) 0% against basic deposit accounts as defined under Section 213 of the MORB and for interbank call loan transactions (“**IBCL**”).

The Monetary Board’s reduction in the reserve requirement rate for bonds issued by banks and QBs from 6% to 3% took effect from the reserve week starting 31 May 2019 pursuant to Circular No. 1054. The reduction was implemented in furtherance of the BSP’s commitment to the growth of the local debt market, and to incentivize banks and QBs to tap the domestic bond market as part of their liquidity management.

The Monetary Board’s reduction of the reserve requirement ratio for universal and commercial banks took effect from the reserve week starting 28 March 2025, pursuant to Circular No. 1211. The reduction is in line with the BSP’s broad financial sector reform agenda to promote a more efficient financial system by lowering financial intermediation costs. The adjustment in reserve requirement ratios is also aimed at increasing domestic liquidity in support of economic activity.

On 8 October 2020, the BSP issued Circular No. 1100 which amended Circular No. 1087 issued 27 May 2020. It provided the following allowable alternative modes of compliance with the required reserves against deposit and deposit substitute liabilities:

- Peso-denominated loans that are granted to MSMEs, excluding banks and non-banks with quasi-banking function (NBQBs) that meet the definition of a small- and medium enterprise, subject to the conditions stated above.
 - That the loan was granted, renewed or restructured after 15 March 2020; Provided, that if such MSME loan becomes past due or non-performing, it is no longer eligible as an alternative mode of compliance with the reserve requirements, except if such MSME loan has been subsequently

renewed/restructured by the bank/NBQB in accordance with existing regulations. Notwithstanding this provision, a bank/NBQB may continue to utilize said past due or non-performing MSME loan as alternative compliance with the reserve requirements for an additional thirty (30) calendar days from the date the loan becomes past due or non-performing, whichever comes earlier;

- That the loan was granted on or before 15 March 2020 but has been renewed or restructured after 15 March 2020 provided, that the bank demonstrates an increase in its MSME loan portfolio during the month preceding the reserve day.
- That the MSME loan is not hypothecated or encumbered in any way, or rediscounted with the BSP, or earmarked for any other purpose.

The use of loans to large enterprises as allowable alternative compliance shall be available to banks from 29 May 2020 to 30 June 2023, pursuant to BSP Circular No. 1155 issued on 21 September 2022.

Pursuant to BSP Memorandum Circular No. 1176, (2023), in the case of thrift banks, rural banks, and cooperative banks, the outstanding MSME loans and loans to large enterprises of these banks that are utilized as alternative compliance with the reserve requirement as of 30 June 2023 shall remain eligible for such purpose until said loans are fully paid but not later than 31 December 2025; provided, however, that such MSME loans and loans to large enterprises which subsequently become past due or non-performing, or are extended, renewed, or restructured, shall no longer be eligible as alternative compliance with the reserve requirement. The outstanding balance of MSME loans and loans to large enterprises that are utilized by these banks as compliance with the required reserves as of 30 June 2023 shall not be increased but may be reduced and once reduced, said loans shall not be increased thereafter.

New MSME loans and loans to large enterprises granted after 30 June 2023 by banks shall not be eligible as alternative compliance with the reserve requirement.

On 23 June 2023, the BSP issued Memorandum Circular No. 1175, reducing the reserve requirements against deposit and deposit substitute liabilities (i.e., demand deposits, NOW accounts, savings deposits, time deposits, negotiable CTDs, long-term non-negotiable tax exempt CTDs and deposit substitutes) in local currency of banks, with effect from 30 June 2023 as follows (a) for universal banks from 12% to 9.5%; (b) for thrift banks from 3% to 2%; and (c) for rural and cooperative banks from 2% to 1%. It also provides the reserve requirements against deposit and deposit substitutes in local currency for digital banks which was set at 6%.

On 13 December 2023, the BSP issued Circular No. 1185 granting a gradual reduction of the reserve requirement rate from 1% for the first year from effectivity thereof, to 0% in the succeeding year, effective for another twelve (12) months, against new and outstanding sustainable bonds issued by banks. On 24 September 2024, the BSP announced that it will again reduce RRRs to support its continuing efforts to reduce distortions in the financial system, lower intermediation costs, and promote better pricing for financial services. Beginning 25 October 2024, the RRR against demand deposits, NOW accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable 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 (Philippine branch of a foreign bank) applicable to (i) universal and commercial banks and non-bank financial institutions with quasi-banking functions, shall be reduced from 9.5% to 7.0%, (ii) digital banks shall be reduced from 6.0% to 4.0%, (iii) thrift banks shall be reduced from 2.0% to 1.0%, and (iv) rural and cooperative banks shall be reduced from 1.0% to 0.0%. On 28 March 2025, the BSP reduced the RRR further to: (i) 5% for universal and commercial banks and non-bank financial institutions with quasi-banking functions, (ii) 2.5% for digital banks, and (iii) 0.0% for thrift banks.

Loan Limit to a Single Borrower

Under the General Banking Law and its implementing regulations, the total amount of loans, credit accommodations and guarantees that may be extended by a bank to any borrower shall at no time exceed 25.0 % of the net worth of such bank (or 30.0 % of the net worth of the bank in the event that certain types and levels of security are provided). This ceiling may be adjusted by the Monetary Board from time to time. 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.

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 payment of principal and interest, (c) loans and other credit accommodations secured by U.S. treasury Bonds 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 hold-out on or assignment of deposits maintained in the lending bank and held in the Philippines, (e) loans, credit accommodations and acceptances under LCs to the extent covered by margin deposits, (f) debt securities acquired as a result of market making activities pursuant to the rules and guidelines of the SEC and the market or exchange where such securities are traded and/or enrolled and (g) other loans or credit accommodations which the Monetary Board of the BSP may from time to time specify as non-risk items. On 22 July 2020, the BSP issued BSP Memorandum Circular No. 1091 excluding debt securities held by market makers from the SBL for a period of 90 days if acquired between 1 August 2020 to 31 July 2021, and 60 days if acquired from 1 August 2021 onwards, provided that:

1. the market-making positions shall be taken up in the trading book in accordance with Section 614/614-Q on investment activities of BSFI;
2. the market-making positions shall be properly identified and segregated from the BSFI's proprietary
3. positions; and
4. the BSFI shall periodically monitor the market value of the subject debt securities and the number of days the securities have been outstanding from date of acquisition.

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. On 13 December 2023, the BSP issued Circular No. 1185 which approved the grant of additional single borrower's limit of 15% of net worth on loans, credit accommodation and guarantees for the purpose of financing eligible green or sustainable projects, including transitional activities related to decarbonization.

Trust Regulation

The MORB contains the regulations governing the grant of authority to and the management, administration and conduct of trust, other fiduciary business and investment management activities of trust corporations and financial institutions allowed by law to perform such operations. Trust corporations, banks and investment houses may engage in trust and other fiduciary business after complying with the requirements imposed by the Manual. The Bank may, under its charter documents, accept and manage trust funds and properties and carry on the business of a trust corporation. BSP Circular No. 1025 dated 13 December 2018 provides that in addition to the basic security deposit, banks authorized to engage in trust and other fiduciary business shall maintain reserves on trust

and other fiduciary account, except accounts held under (1) administratorship; (2) trust under indenture; (3) custodianship and safekeeping; (4) depository and reorganization; (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) specialized institutional accounts under trust.

Foreign Currency Deposit System

A Foreign Currency Deposit Unit (“FCDU”) is a unit of a local bank or of a local branch of a foreign bank authorized by the BSP to engage in foreign currency-denominated transactions. Commercial banks which meet the net worth or combined capital accounts and profitability requirements prescribed by the Monetary Board of the BSP may be authorized to operate an expanded FCDU. Thrift banks with a net worth or combined capital accounts of at least ₱325 million if they are located in Metro Manila, and ₱52 million if they are located outside Metro Manila, may be authorized to operate FCDUs.

In general, FCDUs of such banks may, in any acceptable foreign currency (a) accept deposits and trust accounts from residents and non-residents; (b) deposit with foreign banks abroad, offshore banking units (“OBUs”) and other FCDUs/Expanded FCDUs (“EFCDUs”); (c) invest in foreign currency- denominated debt instruments; (d) grant short-term foreign currency loans as may be allowed by the BSP; (e) borrow from other FCDUs/EFCDUs, from non-residents and OBUs, subject to existing rules on foreign borrowings; (f) engage in foreign currency to foreign currency swaps with the BSP, OBUs and FCDUs; (g) engage in securities lending activities as lender, subject to certain conditions; (h) engage in repurchase agreements involving foreign currency denominated government securities; (i) purchase foreign currency denominated securities under resale agreements from other banks’ FCDUs/EFCDUs, non-resident financial institutions and OBUs; (j) issue Hybrid Tier 1 (“HT1”) capital instruments subject to the requirements under existing regulations; and (k) engage in U.S.\$- denominated repurchase agreements with the BSP. In addition to the foregoing, commercial banks and universal banks may: (a) engage in foreign exchange trading and, with prior BSP approval, engage in financial futures and options trading; (b) on request/instruction from its foreign correspondent banks, provided that the foreign correspondent banks deposit sufficient foreign exchange with the FCDU, (i) issue LCs for a non-resident importer in favor of a non-resident exporter, (ii) pay, accept, or negotiate drafts/bills of exchange drawn under the LC and (iii) make payment to the order of the non-resident exporter; (c) engage in the direct purchase of export bills of resident exporters, subject to certain conditions; and (d) invest in foreign currency denominated structured products issued by banks and special purpose vehicles (“SPVs”) of high credit quality, subject to the provisions of the MORB. FCDUs are required to maintain a 100.0 % cover for their foreign currency liabilities, except for U.S.\$-denominated repurchase agreements with the BSP, and at least 30.0 % of the cover requirement for foreign currency liabilities must be in the form of liquid assets. The 100% asset cover and 30% to be held in the form of liquid assets must be unencumbered, except as otherwise provided in the Manual of Regulations for Foreign Exchange Transactions (“FX Manual”). FCDUs of universal and commercial banks and thrift banks have the option to maintain foreign currency deposits with the BSP equivalent to 15% of their foreign currency deposit liabilities as a form of foreign exchange cover.

Effective on 1 January 2019, however, pursuant to BSP Circular No. 996, the liquid asset cover requirement for FCDU/EFCDU liabilities for universal, commercial, thrift, rural and cooperative banks is 0%.

BSP Circular No. 1134 (2021) amended provisions in the FX Manual. Universal banks, commercial banks, thrift banks, Islamic banks, and digital banks may accept foreign currency deposits as provided under R.A. No. 6426 or the Foreign Currency Deposit Act. Universal banks, commercial banks, and Islamic banks are authorized to operate an EFCDU, while thrift banks, digital banks, and RB/Coops are authorized to operate an FCDU as long the respective bank has the pre-qualification requirements for the corresponding license type. The guidelines on lending foreign currency funds to the bank’s RBU have also been amended by the deletion of Appendix 14. The requirement of submitting Appendix 14 signifies that the outstanding balance on funds borrowed from

FCDU/EFCDU did not exceed the prescribed cap of 30% of the level of FCDU/EFCDU deposit liabilities. Under the amended guidelines, there is no longer a prescribed cap.

Under Circular No. 1134 dated 28 December 2021, appendices 13 and 14 of the FX Manual on the guidelines on the availment of US Dollar-Denominated Repurchase Agreement Facility with the BSP, and the Sworn Certificate of FCDU/EFCDU lending to RBU, respectively have been deleted. Recently, Circular 1197 introduced amendments to foreign exchange regulations covering reporting guidelines and penalty provisions, including the sworn certification of compliance with FCDU/EFCDU cover requirements.

On 29 May 2025, the CMEPA was signed into law by President Ferdinand R. Marcos, Jr. and took effect on 1 July 2025 following its publication. Under the CMEPA, income derived by a depository bank under the expanded foreign currency deposit system from foreign currency transactions with nonresidents, offshore banking units in the Philippines, local commercial banks (including branches of foreign banks that may be authorized by the BSP to transact business with foreign currency deposit system units and other depository banks under the expanded foreign currency deposit system shall be exempt from all taxes, except net income from such transactions as may be specified by the Secretary of Finance, upon the recommendation by the Monetary Board which shall be subject to the regular income tax payable by banks. However, the interest income from foreign currency loans granted by such depository banks under said expanded system to residents other than offshore banking units in the Philippines or other depository banks under the expanded system shall be subject to a final tax at the rate of 10%.

Lending Policies, Secured and Unsecured Lending

Banks are generally required to ascertain the purpose of a proposed loan, and the proceeds of the loan are to be used for that purpose only. Under existing regulations, total real estate loans of universal and commercial banks should not exceed 20% of their total loan portfolio, net of interbank loans, with certain exceptions under the BSP MORB.

In accordance with the BSP Circular No. 855 issued on 29 October 2014, BSFIs are mandated to have adequate and effective credit risk management systems commensurate to their credit risk-taking activities. The BSP shall evaluate the financial institution's credit risk management system on both the individual and subsidiary levels, and if the BSP determines that the financial institution's risk exposures are excessive relative to its capital, the BSP may direct the institution to reduce its exposure to an appropriate level. A loan 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 the valuation methodology used is sound. In the case of real estate collateral, the maximum collateral value shall be 60% of its appraised value, while in the case of cash and standby letters of credit, the maximum collateral value shall be 100% of its appraised value. A loan may also be considered as secured to the extent covered by a third-party financial guarantee or surety arrangement where the credit enhancement provider is itself considered to be of high credit quality (credit rating of at least AA or equivalent) or is considered to be such by the BSP. Finally, a loan may be secured by a combination of acceptable collateral and guarantee arrangements as defined above, provided such arrangements are independent of one another for credit enhancement purposes.

The BSP also clarified that the collateral cap on real estate mortgages is not the same as a loan-to-value ratio limit, or a minimum borrower equity requirement, which remains a bank-determined policy (and averages 20.0 % under current industry practice according to the BSP). Under the enhanced guidelines of the BSP, however, the bank's internal policy on minimum borrower equity will be subject to closer regulatory scrutiny as to whether it is prudent given the risk profile of its target market. Prior to lending on an unsecured basis, a bank must investigate the borrower's financial condition and ability to service the debt and must obtain certain documentation from the borrower, such as financial statements and tax returns. Any lending should be only for a time period essential for completion of the operations to be financed.

On 27 June 2014, the BSP issued BSP Circular No. 839 adopting a prudential real estate stress test (“**REST**”) limit for universal, commercial and thrift banks on a solo and consolidated basis on their aggregate real estate exposures. The REST limit combines a macroprudential overlay of a severe test scenario, the principal of loss absorbency through minimum capital ratio thresholds and heightened supervisory response. Real estate exposures are those defined in Memorandum No. M-2012-046 and include other real estate property of the banks such as those recorded under Real and Other Properties Acquired and Non-Current Assets Held for Sale. For purposes of the circular, a stress test will be undertaken on a bank’s Real Estate Exposure and other real estate property under an assumed write-off rate of 25%.

For universal and commercial banks, the prudential REST limits are 6% of CET1 capital ratio and 10% of risk-based CAR, on a solo and consolidated basis under the prescribed write-off rate.

In light of the pandemic, the BSP issued Circular No. 1133 to provide relief to the unbanked and underserved population. Effective 3 January 2022, the following ceilings on interest rates and other fees for covered loans are as follows:

- A nominal interest rate ceiling equivalent to 6% per month (0.2% per day).
- An effective interest rate ceiling equivalent to 15 percent per month (0.5% per day), which shall include the nominal interest rate along with all other applicable fees and charges (i.e. processing fees, service fees, notarial fees, handling fees and verification fees, among others), but excluding fees and penalties for late payment or non-payment.
- A cap on penalties for late payment or non-payment at 5% per month on the outstanding scheduled amount due.
- A total cost cap of 100% of the total amount borrowed (applying to all interest, other fees and charges, and penalties) regardless of time the loan has been outstanding.

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 19 January 2023, the BSP issued Circular 1165 which amends the ceiling on interest or finance charges for credit card receivables to an annual rate of 36% from the 24% cap imposed by BSP Circular No. 1098, which was issued to alleviate the burden on Filipino consumers due to the COVID-19 pandemic. The circular provides that banks may now impose a maximum annual interest rate of 36% except for credit card installment loans which shall be subject to a monthly add-on rate not exceeding one percent (1%). For credit card cash advances, in addition to the foregoing interest rates, no other fee or charge shall be imposed apart from the maximum processing fee of ₱200.00 per transaction. These fees and rates are subject to review by the BSP every six (6) months.

Mandatory Lending Requirements

Republic Act No. 11901, or the Agricultural, Fisheries and Rural Development Financing Enhancement Act of 2022 (the “**Agri-Agra Law**”), which lapsed into law on 28 July 2022 and repealed Republic Act No. 10000 or The Agri-Agra Reform Credit Act of 2009. The Agri-Agra Law mandates all banking institutions, whether private or government, to set aside at least 25% of their total loanable funds for agriculture and fisheries credit in general. 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. Under the law, banks may also comply through the various alternative forms of compliance.

Banks that fail to comply or only partially comply with the minimum requirements under the Agri-Agra Law shall be penalized by the BSP with an annual monetary penalty and/or administrative sanctions. 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.

On 3 December 2020, the BSP issued Memorandum No. M-2020-086, which allowed housing loans granted from 15 September 2020 to 31 December 2020 as an alternative mode of compliance with the mandatory agrarian credit allocation. Housing loans include all loans granted to individuals, fully secured by the first mortgage on residential property that is or will be occupied by the borrower as well as housing microfinance loans as provided under Section 314 of the MORB. On 3 March 2021, the BSP issued Circular No. 1111, amending Section 331 of the MORB in order to implement the provisions of the Implementing Rules and Regulations of R.A. No. 10000. The 25% mandatory agriculture, fisheries and agrarian reform credit allocation may be complied with through:

1. Actual extension of loans undertaken after 20 April 2010 to qualified borrowers for financing agriculture, fisheries, and agrarian reform activities other than loans rediscounted with universal or commercial banks or loans to the extent funded by proceeds from bonds issued for the exclusive purpose of on-lending to the agriculture, fisheries and agrarian reform sector in the case of DBP or LBP;
2. Special deposit accounts maintained for the exclusive purpose of on-lending to the agriculture, fisheries and agrarian reform sector in the case of Bangko Sentral-accredit rural financial institutions; or
3. Wholesale lending of other banks for the exclusive purpose of on-lending to the agriculture, fisheries, and agrarian reform sector, in the case of Bangko Sentral accredited rural financial institutions.

In complying with the mandatory reform credit, eligible securities purchased after 20 April 2010, and loans and other credits granted after 20 April 2010 may be used as alternative modes.

On 9 June 2023, the BSP issued Circular No. 1174 as a component of the IRR of the Agri-Agra Law, further amending Section 331 of the MORB. The Circular retained the mandatory credit allocation and provided for the reports on the utilization of loanable funds generated which were set aside for mandatory agriculture, fisheries and rural development financing.

Republic Act No. 9501, also known as the Magna Carta for Micro, Small and Medium Enterprises (“**MSMEs**”), provides that for a period of ten years from 17 June 2008, all lending institutions shall set aside at least 8.0% for loans to micro and small enterprises and at least 2% for medium enterprises of their total loan portfolio based on their balance sheet as of the end of the previous quarter and make it available for lending to such enterprises. Investments in Government securities will not satisfy such obligation.

In addition, branches or agencies of commercial banks located within certain geographical groupings outside Metro Manila must lend at least 75.0% of total deposits, net of required reserves and total cash in vault, at such branches to businesses in their locality. This requirement is deemed to be complied with if, in the relevant geographical grouping, the bank’s total lending for the financing of agricultural and export industries constitutes 60.0% of its deposits. However, for the purposes of compliance with this requirement, loans granted at the head office or other offices to customers in that area may be assigned to the branch in the geographic area in which the customer is located.

Furthermore, Republic Act No. 9178, also known as the Barangay Micro Business Enterprises Act, provides incentives to private banks and financial institutions extending credit to Barangay Micro Business Enterprises (“**BMBEs**”). Accordingly, all loans granted to BMBEs shall be considered as part of alternative compliance with the rules on reservation of funds for the agricultural sector and for small and medium enterprises.

Banks may be allowed to report compliance on a group-wide basis (i.e. on a parent-subsidiary consolidated basis), so that excess compliance of any bank in the group can be used as compliance for any deficient bank in the group, provided that any such subsidiary bank is at least majority-owned by the parent bank, and provided further that the parent bank shall be held responsible for the compliance of the group.

Qualifications of Directors and Officers

On 22 August 2017, BSP issued Circular No. 969, strengthening guidelines on corporate governance in BSP-supervised financial institutions as set out in the MORB. The BSP aimed to align its existing regulations with the Code of Corporate Governance for Publicly listed Companies issued by the SEC. Through the Circular, prospective directors have the burden of proving that they possess all the minimum qualifications and none of the disqualifications listed in the MORB and must submit proof to the BSP of their qualification. 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 19 February 2024, Circular No. 1188 was issued, introducing amendments to the persons exempted from attending the seminar on corporate governance for board of directors.

Certain persons are permanently disqualified from acting as bank directors or officers, as outlined in BSP Circular No. 1076, issued on 18 February 2020, and BSP Circular No.1216, issued on 16 July 2025. Those permanently disqualified include the following: (a) persons who have been convicted by final judgment of a court (i) for an offense involving dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of Batas Pambansa Blg. 22 (which penalizes the issuance of checks that are not sufficiently funded), violation of Anti-Graft and Corrupt Practices Act and prohibited acts and transactions under Section 7 of Republic Act No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees); (b) persons who have been convicted by final judgment of a court or other tribunal for violation of banking laws, rules and regulations; (c) persons who have been convicted by final judgment for cases filed against them for offenses under Republic Act No. 3591, as amended (“**PDIC Charter**”); (d) persons who have been convicted by final judgment of a court for offenses which involve moral turpitude, or for offenses which they were sentence to serve a term of imprisonment of more than six years; (e) persons who have been judicially declared insolvent, spendthrift, or incapacitated to contract; (f) persons who were found to be culpable for the bank’s closure, as determined by the Monetary Board; (g) persons found by the Monetary Board to be administratively liable for violation of laws, rules, or regulations implemented by the BSP, where a penalty of removal from office is imposed, and which resolution of the Monetary Board has become final and executory; (h) persons found liable by any government agency/corporation, including government financial institutions, for violation of any law, rule, or regulation involving dishonesty, misconduct, or any other grave or less grave offense classified under the Revised Administrative Code or Civil Service rules that adversely affect their fitness and propriety as directors or officers, and which finding of said government institution has become final and executory; and (i) persons who voluntarily submitted an irrevocable sworn written commitment to perpetually inhibit themselves from participating in the ownership whether directly or indirectly, and/or management, in whatever capacity, of any BSP-supervised financial institution.

Meanwhile, certain persons are temporarily disqualified from holding a director or officer position, including:

- Persons who have shown unwillingness to settle their financial obligations, as evidenced by, but not limited to, the following circumstances: (a) the person has failed to satisfy any financial obligation that has been adjudicated by court; (b) the person has filed for insolvency or suspension of payments that adversely affects his or her fitness and propriety as director or officer; or (c) a person who is delinquent in the payment of an obligation with a bank where he or she is a director or officer, or at least two obligations with other banks or financial

intermediaries. They shall remain temporarily disqualified until the financial obligation has been settled or satisfied;

- Persons involved in the closure of banks pending their closure by the Monetary Board.
- Persons confirmed by the Monetary Board to have committed acts or omissions, which include failure to observe or discharge their duties and responsibilities prescribed under existing regulations, that (a) caused undue injury or disadvantage to the bank through manifest partiality, evident bad faith, or gross inexcusable negligence; (b) caused or may have caused material loss or damage to the bank, its depositors, creditors, investors, stockholders, to the BSP or to the public in general; or (c) exposed the safety, stability, liquidity, or solvency of the bank to abnormal risk or danger;
- Persons found to have been involved in any irregularity or violation which constitutes a just cause for dismissal or termination as defined under the Labor Code of the Philippines, as amended, regardless of any action by the bank;
- Persons certified by, or in the official files of, foreign financial regulatory authorities, financial intelligence units, or similar agencies or authorities of foreign countries, as charged with commission of, or having committed, irregularities or violations of any law, rule, or regulation which may adversely affect the fitness and propriety of the person or the ability to effectively discharge his or her duties;
- Persons, other than those disqualified due to crimes involving moral turpitude, who after conduct of investigation by domestic financial or commercial regulatory authorities, financial intelligence units, or similar agencies such as the SEC, AMLC, or PDIC, have complaints filed against them by the aforementioned agencies, units, or authorities pending before a court of law or quasi-judicial body, or convicted by said court or quasi-judicial body but whose conviction has not become final and executory, for offenses involving violation of laws, rules and regulations, which may adversely affect the fitness and propriety of the person or the ability to effectively discharge his or her duties;
- Persons with cases pending before a court or other tribunal, or those convicted by said court or tribunal but whose conviction has not become final and executory, for offenses involving: estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of Batas Pambansa Blg. 22 (which penalizes the issuance of checks that are not sufficiently funded), violation of Anti-Graft and Corrupt Practices Act and prohibited acts and transactions under Section 7 of Republic Act No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees), (b) persons who have been convicted by final judgment of a court or other tribunal for violation of banking laws, rules, and regulations;
- Persons who have been convicted by a court for an offense involving moral turpitude, and persons who have been sentenced to serve a term of imprisonment of more than six years for other crimes but whose conviction has not become final and executory;
- Persons with pending cases for offenses under the PDIC Charter or those who have been convicted for said cases but whose conviction has not yet become final and executory;
- Persons found by the Monetary Board to be administratively liable for violation of laws, rules, and regulations implemented by the BSP, where a penalty of removal from office is imposed, and which resolution of the Monetary Board is on appeal, unless execution or enforcement thereof is restrained by the appellate court; and
- Persons against whom a formal charge has been filed or who are found liable by any government agency/corporation, including government financial institutions, for violation of any law, rule, or regulation involving dishonesty, misconduct, or any other grave or less grave offense classified under the Revised Administrative Code or Civil Service rules that adversely affect their fitness and propriety as directors or officers, and which finding of said government

institution is on appeal and the execution or enforcement thereof is restrained by the appellate court.

Resignation or retirement from his or her office would not exempt the director or officer from being permanently or temporarily disqualified.

BSP Circular No. 1076 (2020) also provides a list of those prohibited from becoming officers of a bank, including any appointive or elective official, whether full time or part time, except in cases where such service is incidental to the financial assistance provided by the government or government-owned or controlled corporations, or in cases allowed under existing laws.

Under BSP Circular No. 969, independent directors shall have the additional qualifications that he or she: (a) is not or has not been an officer or employee of the bank, its subsidiaries or affiliates within three years from his election; (b) is not a director or officer of the bank's majority stockholder and of its related companies within three years from his election; (c) is not an owner of more than 2% of the outstanding shares or a stockholder of the bank with shares of stock sufficient to elect one seat in the board of directors of the institution, or in any of its related companies or of its majority corporate shareholders; (d) is not a close family member (spouse, parent, child, brother, sister, parent-in-law, son/daughter-in-law, and brother-/sister-in-law) of any director, officer or a shareholder holding shares of stock sufficient to elect one seat in the board of the bank or any of its related companies, or any of its substantial shareholders; (e) is not acting as a nominee or representative of any director or substantial shareholder or any of its related companies; and (f) is not retained as a professional adviser, consultant or counsel of the bank, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm; (g) is independent of the management and free from any business or other relationship; and (h) was not appointed in the bank, its subsidiaries, affiliates, or related interests as Chairman "Emeritus," "Ex-Officio," Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the board of directors in the performance of its duties and responsibilities during the past three years from the date of appointment; (i) is not affiliated with any non-profit organization that receives significant funding from the bank or any of its related companies or substantial shareholders; and (j) is not employed as an executive officer of another company where any of the bank's executives serve as directors. BSP Circular No. 1129 (2021) amended BSP Circular No. 969, adding a maximum cumulative term for independent directors that is set to nine years. In the case of cooperative banks, the maximum cumulative term shall be eight years. Once the maximum cumulative term has been reached, the independent director shall be perpetually barred from serving as an independent director in the same BSFI but may serve as a regular director. This maximum cumulative term rule shall be reckoned from 2012.

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:

1. By the Monetary Board: (a) Directors and Chief Executive Officer ("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 ₱10 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 Billion; (c) Heads of internal audit risk management and compliance functions, regardless of rank, of NSSLAs.
2. 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 officer, regardless of rank, of banks, quasi-banks and NBFIs with trust authority; (d) Trustees and CEO/President or its equivalent rank of NSSLAs with total assets of less than ₱10 Billion; (e) Heads of internal audit risk management and compliance functions, regardless of rank, of NSSLAs.

Loans to DOSRI Transactions

The amount of individual outstanding loans, other credit accommodations and guarantees to Directors, Officers, Stockholders, their Related Interests (“**DOSRI**”), of which at least 70% must be secured, should not exceed an amount equivalent to their unencumbered deposits and book value of their paid-in capital contribution in the bank. In the aggregate, outstanding loans, other credit accommodations and guarantees to DOSRI generally should not exceed 100% of the bank’s combined capital accounts or 15.0% of the total loan portfolio of the bank, whichever is lower. In no case shall the total unsecured loans, other credit accommodations and guarantees to DOSRI exceed 30% of the aggregate ceiling or of their outstanding loans, other credit accommodations and guarantees, whichever is lower. For the purpose of determining compliance with the aggregate ceiling on unsecured credit accommodations and guarantees, banks shall be allowed to average their ceiling on unsecured loans, other credit accommodations and guarantees every week.

On 2 June 2016, the Monetary Board approved the revisions to prudential policies on loans, other credit accommodations and guarantees granted to DOSRIs. The Monetary Board allowed the exclusion of loans granted by a bank to its DOSRI for the purpose of project finance from the 30% unsecured individual ceiling during the project gestation phase, provided that the lending bank shall ensure that standard prudential controls in project finance loans designed to safeguard creditors’ interests are in place, which may include a 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.

On 23 June 2016, the BSP issued Circular No. 914 (2016), amending the prudential policy on loans, other credit accommodations, and guarantees granted to DOSRI, subsidiaries and affiliates. Circular No. 914 has raised the ceilings on the exposure 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 certain 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.

On 27 October 2017, the BSP issued 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. The Circular excluded the following in determining compliance with the ceilings provided under 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.

The credit card operations of banks shall not be subject to these regulations where the credit cardholders are the bank’s directors, officers, stockholders and their related interests, subject to certain conditions.

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 FCDU asset cover and minimum capital requirements. The Monetary Board approved the exclusion of the term 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.

Valuation Reserves for Credit Losses Against Loans

As a general rule, banking regulations define past due accounts of a bank as referring to all accounts in a bank's loan portfolio, all receivable components of trading account securities, and other receivables that are not paid at maturity. In the case of loans or receivables payable in instalments, banking regulations consider the total outstanding obligation past due in accordance with the following schedule:

Mode of Payment	Minimum Number of Instalments in Arrears
Monthly	3
Quarterly	1
Semestral	1
Annually	1

However, when the total amount of arrears reaches 20% of the total outstanding balance of the loan or receivable, the total outstanding balance of the loan or receivable is considered past due notwithstanding the number of instalments in arrears.

BSP regulations allow loans and advances to be written off as bad debts only if it can be justified as being uncollectible. The board of directors of the bank has discretion as to the frequency of write-offs provided that these are made against provisions for credit losses or against current operations. Prior approval of the Monetary Board of the BSP is required to write off loans to the bank's directors, officers, stockholders and their related interests. On 21 October 2021, BSP Memorandum No. M-2021- 056 was issued, providing guidelines on the regulatory treatment of restructured loans for purposes of measuring expected credit losses.

In accordance with BSP Circular No. 941 dated 20 January 2017, loans, investments, receivables, or any financial asset, including restructured loans, as a general rule 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, BSFIs may provide a cure period on a credit product-specific basis, not to exceed 30 calendar days within which to allow the obligors or borrowers to catch up on their late payment without being considered as past due. Any cure period policy shall be based on verifiable collection experience and reasonable judgment that support tolerance of occasional payment delays.

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 the BSP-supervised financial institutions are mandated to 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 calendar days. Policies for writing off problem credits must be approved by the board of directors in accordance with defined policies and shall incorporate well-defined criteria under which credit exposure may be written off. Procedures shall explicitly narrate and document the necessary operational steps and processes to execute the policies. Policies shall define and establish the reasonable period of time within which to write off loans already classified as "loss". BSP regulations allow loans and advances to be written off as bad debts only if it can be justified to be uncollectible. The board of directors of the bank has discretion as to the frequency of write-offs provided that these are made against provisions for credit losses or against current operations. The prior approval of the Monetary Board of the BSP is required to write off loans to the DOSRI.

On 29 October 2014, the BSP issued BSP Circular No. 855 which provides the Guidelines on Sound Credit Risk Management Practices, prescribing, among others, guidelines in setting up allowance for credit losses. On 23 August 2022, the BSP issued Circular No. 1149 which provided 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.

Guidelines on General Reserves

Under the MORB, banks are required to develop and document a sound loan loss methodology that can reasonably estimate provisions for loans and other credit accommodations and risk assets in a timely manner, and to ensure that the specific and collective allowance for credit losses, aggregate amount of individual and collectively assessed probable credit losses are adequate and approximates the expected losses in their credit portfolio. Banks are also required to set up a general loan loss provision equivalent to one percent of all outstanding Stage 1 on balance sheet loans, except for accounts considered as credit risk-free under existing regulations. Banks are not required to provide a one percent general provisioning on other credit exposures covered by PFRS 9 such as off-balance sheet accounts and investments.

Restrictions on Branch Opening

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. Upon BSP's prior approval, these branches may be used by the banks as outlets for the presentation and/or sale of financial products of its allied undertakings or investment house units.

BSP Circular No. 854 (2014) prescribes the amended minimum capitalization for banks in order to be given authority to establish branches, as follows:

Bank Category	Minimum Capital (in billions)
Universal Banks with more than 100 branches	₱ 20.0
Universal Banks with 11 to 100 branches	₱ 15.0
Universal Banks with up to 10 branches	₱ 6.0
Universal Banks with Head Office only	₱ 3.0
Commercial Banks with more than 100 branches	₱ 15.0
Commercial Banks with 11 to 100 branches	₱ 10.0

Bank Category	Minimum Capital (in billions)
Commercial Banks with up to 10 branches	₱ 4.0
Commercial Banks with Head Office only	₱ 2.0
Thrift Banks:	
With Head Office within NCR and with more than 50 branches	₱ 2.0
With Head office in all other areas outside NCR and with more than 50 branches	₱ 0.8
Rural and Cooperative Banks:	
Head Office in NCR and more than 50 branches	₱ 0.2
Head Office in all other areas outside NCR (all cities up to third-class municipalities) with more than 50 branches	₱ 0.08
Head Office in all other areas outside NCR (fourth to sixth class municipalities) with more than 50 branches	₱ 0.04

Generally, only universal/commercial and thrift banks may establish branches on a nationwide basis. Once approved, a branch should be opened within six months from the date of approval (extendable for another six-month period, upon the presentation of justification therefor). Under the Manual, as amended by BSP Circular No. 759 (2012), banks may establish as many branches as its Qualifying Capital can support taking into account any approved but unopened branch(es) outstanding at the time of application. Approved branches shall be opened within one year from the date of approval thereof, subject to extension on a case-to-case basis, but in no case exceeding three years, while approved Other Banking Offices (“**OBOs**”) shall be opened within one year from date of approval thereof, which shall not be subject to any extension. Requirements for opening branches/OBOs are also contained in BSP Circular No. 759.

Pursuant to BSP Circular No. 505, issued on 22 December 2005, banks were allowed to establish branches in the Philippines, except in the cities of Makati, Mandaluyong, Parañaque, Pasay, Pasig and Quezon and the municipality of San Juan, Metro Manila. Note, however, that under BSP Circular No. 728 (2011), the restrictions on establishment of branches have been fully lifted as of 1 July 2014, subject to certain requirements. BSP Circular No. 759 liberalized 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. It permitted a bank to establish as many branches as its qualifying capital can support in accordance with existing rules. 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.

Under the first phase, second-tier universal and commercial banks with capital accounts of at least ₱10 billion and thrift banks with capital of at least ₱3 billion that have fewer than 200 branches in restricted areas as of December 2010 were allowed to apply and establish branches in these restricted areas until 30 June 2014. The second phase of the current liberalization approach began on 1 July 2014, pursuant to which all banks (except rural and cooperative banks that are not allowed to establish branches in Metro Manila) were able to apply and establish branches in previously restricted areas, subject to certain requirements.

At present, pursuant to BSP Circular No. 932 (2016), all banks, including rural and cooperative banks, as a general rule are now allowed to establish branches anywhere in the Philippines, including in cities previously considered as restricted areas. Through BSP Circular No. 987 (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.

Branches of microfinance-orientated banks, microfinance-orientated branches of regular banks and branches that will cater primarily to the credit needs of BMBEs duly registered under the Barangay Micro Business Enterprises Act of 2002 (Rep Act No. 9178) may be established anywhere upon the fulfilment of certain conditions.

On 26 November 2020, the Monetary Board approved the inclusion of digital banks as a distinct classification of banks. Digital banks offer financial products and services that are processed end-to-end through a digital platform and/or electronic channels without any physical branch or sub-branch or branch-lite unit offering financial products and services. 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.

The BSP, through Circular No. 1205 series of 2024 lifted the moratorium on the grant of digital bank licenses, including the conversion of an existing bank's license into a digital bank license. A maximum of ten digital banks shall be allowed to operate in the country starting on 1 January 2025. Applications for the establishment of other types of banks that will primarily offer financial products and services that are processed end-to-end through a digital platform shall be treated and evaluated as a digital banking license application.

OTHER LAWS AND REGULATIONS

Revised Corporation Code

Republic Act No. 11232, also known as the Revised Corporation Code, was signed into law on 20 February 2019 and became effective on 23 February 2019. Salient features of this law include the following:

- 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, NSSLAs, and corporations engaged in money service business, preneed trust and insurance companies, and other required financial institutions, must have independent directors composing at least 20% of 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 such.
- Material contracts between the 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 modes 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 establishing 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 submission of a certificate issued by the appropriate government agency to the effect that such by-laws or amendments are in accordance with law.
- 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 companies, the Commission may require that 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 Revised Corporation 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.

Anti-Money Laundering Act

Republic Act No. 9160, or the Anti-Money Laundering Act ("AMLA") of 2001, was passed on 29 September 2001. Under its provisions, as amended, certain financial intermediaries, including a bank's offshore banking units, quasi-banks, trust entities, non-stock savings and loan associations, all other institutions including their subsidiaries and affiliates supervised and/or regulated by the BSP and insurance companies and/or institutions regulated by the Philippines' Insurance Commission, are required to submit a "covered" transaction report involving a single transaction in cash or other equivalent monetary instruments in excess of ₱500,000 within one banking day, or a single casino cash transaction involving an amount in excess of ₱5 million or its equivalent in any other currency.

Covered institutions are also required to submit a "suspicious" transaction report if there are reasonable grounds to believe that any amounts processed are the proceeds of money laundering activities. "Suspicious transactions" are transactions with covered persons, regardless of the amounts involved, where any of the following circumstances exist:

1. There is no underlying legal or trade obligation, purpose or economic justification;
2. The client is not properly identified;
3. The amount involved is not commensurate with the business or financial capacity of the client;
4. Taking into account all known circumstances, it may be perceived that the client's transaction is structured in order to avoid being the subject of reporting requirements under the Act
5. Any circumstance relating to the transaction which is observed to deviate from the profile of the client and/or the client's past transactions with the covered person;

6. The transaction is in any way related to an unlawful activity or offense under this Act that is about to be, is being or has been committed; or
7. Any transaction that is similar or analogous to any of the foregoing.

Covered and suspicious transactions are required to be reported to the Anti-Money Laundering Council of the Philippines (the “**AMLC**”) of the BSP within five working days from the occurrence thereof, unless the AMLC prescribes a different period not exceeding 15 working days. The Court of Appeals, upon verified *ex parte* petition by the AMLC and after determination of the probable cause that the monetary instrument or property is in any way related to an unlawful activity as defined in the AMLA, may issue a freeze order, which shall be effective immediately, over such monetary instrument or property.

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, entity or 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 mass media, electronic mail or other similar devices. A violation of this rule is deemed a criminal act.

BSP Circular No. 495 (2005) as amended by BSP Circular No. 527 (2006) requires all universal and commercial banks to adopt an electronic money laundering transaction monitoring system by 14 October 2007. The said system should, at a 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 the AMLA.

BSP Memorandum No. M2012-017 (April 2012) likewise requires all covered banking institutions to comply with the AML Risk Rating System (the “**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 AML policies and procedures embodied in a money laundering and terrorist financing prevention programme duly approved by the board of directors; (c) robust internal controls and audit; and (d) effective implementation. BSP Memorandum No. M-2020-84 (November 2020) provided for the adoption of the Money Laundering/Terrorist Financing Risk Assessment System (“**MRAS**”), replacing the ARRS for BSP-supervised financial institutions. MRAS assesses the inherent money laundering/terrorist financing risk and the quality of the risk management system of a BSFI in order to determine the net money laundering/terrorist financing risk of a BSFI. The system uses a four-point rating scale in its assessment: high (excessive level of residual risk), above average (substantial level of residual risk), moderate (manageable level of residual risk), and low (marginal level of residual risk).

Institutions that are subject to the 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 five years from the date of a transaction. Records of closed accounts must also be kept for five years after their closure.

In 2012, two amendments to the Philippines’ AML regime came into effect, Republic Act No. 10167 and Republic Act No. 10168. Republic Act No. 10167 amended Section 10 of the AMLA, which requires that a petition to the Court of Appeals for an order to freeze accounts be verified. Furthermore, the Court of Appeals must act on the

petition within a period of 24 hours of filing. The affected depositor's remedy would be to file a motion to lift, which the Court of Appeals must resolve within the 20-day freeze period.

Section 11 of the AMLA was likewise amended. Section 11 now provides that the AMLC is authorized to examine bank accounts "upon order of any competent court based on an *ex parte* application". However, the same provision sets out additional instances when no court application is required.

Further to the above, an order to examine bank accounts receives the same treatment by the Court of Appeals as an order to freeze accounts. Now, the Court of Appeals is compelled to act on such applications within 24 hours of filing.

Also, R.A. No. 10167 has expanded the coverage of AMLC to enable inquiries into so-called "related accounts", defined as: "funds and sources of which originated from and/or are materially linked to the monetary instrument(s) or property(ies) subject of the freeze order(s)".

Republic Act No. 10168 defined the crime of financing terrorism, in accordance with the state policy to protect life, liberty and property from acts of terrorism. The offence is committed by one who "directly or indirectly, willfully and without lawful excuse, possesses, provides, collects, or uses property or funds or makes available property, funds or financial services or other related services, by any means, with the unlawful and willful intention that they should be used or with the knowledge that they are to be used, in full and in part: (a) to carry out or facilitate the commission of any terrorist act; (b) by a terrorist organization, association, or group; or (c) by an individual terrorist".

On 15 February 2013, Republic Act No. 10365 was approved. This amendment expanded the coverage of the AMLA to include covered persons, natural and juridical. Additions to the enumeration of covered persons include jewelry dealers for transactions involving an amount in excess of ₱1 million and requires the Land Registration Authority to submit reports on all real estate transactions involving an amount in excess of ₱500,000. Furthermore, the enumeration of predicate crimes expanded to include 20 additional crimes including bribery, extortion, malversation of public funds, fraud, and financing of terrorism.

In 2016, the AMLC approved the Revised Implementing Rules and Regulations of the AMLA. In July 2017, Republic Act No. 109271 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. The measure requires casinos to report suspicious transactions to the AMLC. This amendment was one of the recommendations of the Financial Action Task Force ("**FATF**"), a global anti-money laundering and anti-terrorism watchdog. 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 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. In January 2021, AMLC issued Resolution No. 27 amending the implementing rules and regulations of R.A. No. 9160. The amendment added as a covered transaction, a cash transaction with or involving real estate developers or brokers exceeding ₱7.5 Million or its equivalent in any other currency.

The AMLC plays a central role in the enforcement of this law as the AMLC, *motu proprio* or at the request of the Anti-Terrorism Council, is authorized to investigate in order for it to ascertain that there is probable cause that the financing of terrorism is being conducted, planned or facilitated. When the AMLC is satisfied that funds are for terrorist funding, it can issue an *ex parte* order to freeze, without delay, funds which it has "determined to be related to financing of terrorism or acts of terrorism" or where there is probable cause to believe that funds are to be used in connection with terrorist activities.

In order to assist the AMLC in its investigations, it released guidelines on the digitalization of customer records (“**DIGICUR**”) in 2018. Under DIGICUR, all covered persons must digitize all customer records. The AMLC, in AMLC Regulatory Issuance (“**ARI**”) No. 6 Series of 2021, granted a final extension for covered persons to comply with DIGICUR until 30 September 2022, and non-compliance with DIGICUR will result in a penalty between ₱37,500 to ₱375,000 per customer. Moreover, the covered persons must submit a quarterly DIGICUR Status Report of Compliance (“**QUADSREC**”) within 15 calendar days after each reference quarter, with the first report submitted on or before 31 October 2021. The submission of the QUADSREC must be continuously done until the covered person has fully complied with the requirements under DIGICUR. As an exemption, covered persons who do not maintain an account or e-wallet for their customers need not comply with DIGICUR and would only need to submit a QUADSREC once, indicating that they are exempt from the coverage of DIGICUR. This must be submitted on or before 31 October 2021.

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. 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 given that the compliance of the Philippines with the Financial Action Task Force Forty Recommendations and the effectiveness of its AML/CFT regime will be assessed. 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 27 November 2018, the 2018 Implementing Rules and Regulations of the AMLA took effect. This incorporated the amendments under Republic Act No. 10972, which included casinos as covered persons. However, implementation by casinos of AMLA will continue to be governed by the existing Casino Implementing Rules and Regulations. These implementing rules and regulations feature new rules on the AMLC’s coordination with law enforcement agencies, beneficial ownership, customer due diligence and national risk management and assessment. In relation thereto, on 14 January 2019, BSP issued Circular Letter No. CL-2019-002, addressed to all BSFIs on the guidelines issued by the AMLC on digitalization of customer records and identification of beneficial owners.

On 29 January 2020, the AMLC issued ARI A, B and C No. 1 (2020), which amends certain provisions of the 2018 implementing Rules and Regulations of Republic Act No. 9160, as amended. The ARI added provisions on immediate family members and close associates of politically exposed persons (“**PEPs**”) and expanded the definition of a customer or client to include juridical persons. Such resolution also provided that the suspicious transaction report shall cover all transactions, whether completed or attempted, and shall be promptly filed within the next working day from the occurrence thereof.

On 18 July 2020, Republic Act No. 11479 or the Anti-Terrorism Act of 2020 (“**Anti-Terrorism Act**”) became effective. The Anti-Terrorism Act repealed Republic Act No. 9372 or the Human Security Act to provide stricter penalties and regulations against the inimical acts of terrorism. Section 35 of the Anti-Terrorism Act authorizes the Anti-Money Laundering Council (“**AMLC**”), either upon its own initiative or at the request of the Anti-Terrorism Council, to investigate: (a) any property or funds that are in any way related to financing of terrorism

or violation of Sections 4, 6, 7, 10, 11, or 12 of the Anti-Terrorism Act; and (b) property or funds of any person or persons in relation to whom there is probable cause to believe that such person or persons are committing or attempting or conspiring to commit, or participating in or facilitating the financing of the aforementioned sections. In this regard, the AMLC is authorized to inquire into or examine deposits and investments with any banking institution or non-bank financial institution and their subsidiaries and affiliates without a court order. It also provides penalties to any person who maliciously, or without authorization, examines deposits, placements, trust accounts, assets, or records in a bank or financial institution and any employee, official, or a member of the board of directors of a bank or financial institution, who after being duly served with the written order of authorization from the Court of Appeals, refuses to allow the examination of the deposits, placements, trust accounts, assets, and records of a terrorist or an outlawed group of persons, organization, or association.

On 29 January 2021, Republic Act No. 11521 was approved, further amending the AMLA to include violations under the SRC and Strategic Trade Management Act. It also includes tax deficiencies in excess of ₱25,000,000. The AMLC is also empowered to issue *ex parte* freeze orders in cases of violations involving terrorist financing.

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.

On 30 March 2023, BSP Circular No. 1170, s. 2023 was issued which amended the provisions of the Manual of Regulation for Banks on Customer Due Diligence (“CDD”). The circular provides that “where a covered person is unable to comply with the relevant CDD measures, considering risk-based approach, it shall (a) not open the account, commence business relations, or perform the transaction; or (b) terminate the business relationship; but in both cases, it shall consider filing a suspicious transaction report (“STR”) in relation to the customer.” The circular also includes the guidelines for the use of the Electronic Know Your Customer system as a method of electronically verifying the credentials of a customer.

On 4 July 2023, the Office of the President issued Memorandum Circular No. 33, adopting the National Anti-Money Laundering/Counter-Terrorism Financing/Counter-Proliferation Financing Strategy 2023-2027. This strategy outlines seven strategic objectives designed to address the risks and deficiencies in the Philippines’ AML/CFT systems. Each objective includes action plan items to be completed by relevant government agencies. The strategy aims to respond to findings from the Asia Pacific Group on Money Laundering and the FATF, which placed the Philippines on the Grey List, or “Jurisdictions Under Increased Monitoring,” after a twelve-month observation period due to the country’s failure to make tangible progress on key FATF recommendations. By reorganizing the National AML/CFT Coordinating Committee and implementing the National Anti-Money Laundering/Counter-Terrorism Financing/Counter-Proliferation Financing Strategy 2023-2027, the Philippine government aims to enhance the effectiveness of its AML, CFT, and CPF measures and facilitate the country’s removal from the FATF Grey List.

On 29 April 2024, the BSP issued Circular No. 1193 which amended the relevant regulations of the BSP on money laundering/terrorist/proliferation financing reporting and notification requirements. The Circular was issued to enable the BSP to have timely and accurate information on significant risk events arising from money laundering/terrorist/proliferation financing-related activities and or transactions, as part of its risk-based anti-money laundering and countering the terrorism and proliferation financing supervision.

On 11 December 2024, the AMLC issued Regulatory Issuance No. 2, Series of 2024 of the Guidelines on Transaction Reporting and Compliance Submissions (**GoTRACS**) to provide covered persons with a set of guidelines to carry out their duties on transaction reporting.

On 21 February 2025, the AMLC announced the removal of the Philippines from the FATF’s Grey List. According to the AMLC, the Philippines’ exit from the FATF Grey List is expected to facilitate faster and lower- cost cross-border transactions, reduce compliance barriers, and enhance financial transparency. These will support business,

strengthen the country's position as an attractive destination for foreign direct investment, and benefit Filipinos, particularly overseas Filipino workers.

On 18 September 2025, the BSP issued Circular No. 1218 amending Sections 923/923-Q of the MORB and MORNBFIs to strengthen anti-money laundering and counter-terrorism and proliferation financing controls on large-value cash payouts. The circular limits cash payouts exceeding ₱500,000 (or equivalent in foreign currency) in a single day to check, fund transfer, direct credit, or other digital payment methods. Transactions above this threshold are subject to enhanced due diligence (“**EDD**”) and may only proceed upon submission of additional identification or proof of legitimate business purpose. BSFIs may adopt lower internal limits based on their ML/TF/PF risk assessment, and must file a suspicious transaction report where EDD cannot be satisfactorily completed or would likely tip off the customer.

Financial Institutions Strategic Transfer Act

Under Republic Act No. 11523, otherwise known as the Financial Institutions Strategic Transfer (“**FIST Act**”), a Financial Institutions Strategic Corporation (“**FISTC**”) is a corporation organized under the laws of the Philippines that is authorized to invest in or acquire the Non-Performing Assets (“**NPA**s”) 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. The FIST Act is applicable to assets that have become non-performing on or before 31 December 2022.

Pursuant to said law, NPAs of financial institutions may be transferred to 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; and
- (d) Value-added tax on the transfer of NPAs, or gross receipts tax the Tax Code, 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 Act. Transfers from a FISTC to a third party of NPAs acquired by the FISTC within such a 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 institutions or government operated and controlled corporations which are devoted to socialized or low-cost housing shall not be converted to other uses.

The BSP issued Circular No. 1117 (2021), as amended by Circular No. 1147 (2022) implementing the FIST Act. These Circulars provide 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. BSFIs must comply with the provisions of these Circulars in the sale/transfer transactions of non-performing assets for purposes of availing the tax exemptions and incentives/privileges under the FIST Act.

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 the 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, assess, control, and monitor any risks arising from the proposed electronic banking activities.

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.

Under BSP Circular No. 542, dated 1 September 2006, the BSP released the 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 programme for the customers of banks; (d) development of policy on disclosures and transparencies, and the availability of electronic banking services; 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 more secure Europay, MasterCard and Visa (“EMV”) chip-enabled cards. In 2014, BSP Circular No. 859 set out the EMV Implementation Guidelines which govern the implementation for debit cards in any card-accepting device/terminal. As of 1 January 2017, all cards issued and card-accepting devices are required to be EMV-compliant. Prior to full compliance, failure on the part of BSFIs to submit and implement their EMV migration plan is subject to additional enforcement actions. However, pursuant to BSP Memorandum No. M-2017-019 issued on 9 June 2017, BSP-supervised financial institutions 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 provisions of the Manual.

On 22 February 2019, the BSP issued BSP Circular No. 1033 introducing certain amendments to the regulations on electronic banking services and other electronic operations, particularly electronic payment and financial services (“EPFS”). EPFS are products and services that enable customers to receive payments or initiate financial transactions and other related services through an electronic device. BSP Circular No. 1033 requires parties to obtain the approval of the BSP prior to offering EPFS and to meet certain BSP reporting requirements.

On 1 June 2020, the BSP issued Memorandum No. M-2020-047 reminding BSFIs to exercise caution when publicly promoting themselves as “digital banks” and clarified that no distinct “digital banking” license is issued to institutions that have pursued a digital-centric business model. Instead, institutions offering digital-centric financial services are either existing or have applied as a universal, commercial, thrift, or rural bank that conduct electronic banking services under the specific rules laid out in BSP Circular No. 1033.

On 2 December 2020, the BSP issued BSP Circular No. 1105 which provided the Guidelines on Establishment of Digital Banks. While digital banks have no physical branch, 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 BSP requires BSFIs 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, BSP Circular No. 1166 or the Amendments to the Regulations on Electronic Money (“E-Money”) and the Operations of Electronic Money Issuers (“EMI”) in the Philippines. The amended guidelines cover BSFIs that issue E-money and engage in the E-money business in the Philippines. Additionally, the amended guidelines provide that banks may offer E-money services subject to prior approval of the BSP under an EPFS license. The guidelines provide for minimum disclosure requirements that BSFIs must include in the terms and conditions that customers must acknowledge prior to the availment of e-money services. Further, the guidelines require BSFIs to have sufficient liquidity requirements to meet E-money redemptions and provide minimum amounts for BSFIs with outstanding E-money balance of at least ₱100 million and those with outstanding E-money balance below ₱100 million.

Under the Circular, EMI banks are required to have minimum capitalization, which is the higher of the bank’s required capitalization depending on its bank category or the bank’s required capitalization based on EMI category. Moreover, large-scale EMI banks are required to have a minimum capital of ₱200 million, whereas small-scale EMI banks are required to have a minimum capital of ₱100 million. Monetary penalty or a non-monetary penalty as may be authorized by the Monetary Board may be imposed as sanction on a BSFI and/or its directors/officers, in case of violation of the guidelines.

Finally, BSP Memorandum No. M-2023-037 was issued on 15 December 2023, providing for the Moratorium on Increase of Fee for InstaPay and PESONet transactions to participants who currently charge transfer fees for person-to-person fund transfers via InstaPay and PESONet, which directed said participants to maintain said fees.

Virtual Asset Service Providers

On 26 January 2021, the BSP issued Circular No. 1108 which provides the guidelines and regulations governing the grant of authority to and the management and administration of Virtual Asset Service Providers (“VASPs”). Under the Circular, the BSP recognizes that once fiat currency (the legal tender of an issuing country) is exchanged or converted into a Virtual Asset (“VA”), it becomes easily transferrable, facilitating expedient movement or transfer of funds and payment services, among others. Under the 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 million or ₱10 million, for VASPs with or without safekeeping and/or administration services as defined in said Circular, respectively.

Virtual asset refers to any type of digital unit that can be digitally traded, or transferred, and can be used for payment or investment purposes. It can be defined as “property”, “proceeds”, “funds”, “funds or other assets”, and other “corresponding value”. It is used as a medium of exchange or a form of digitally stored value created by agreement within the community of VA users. Notably, digital units of exchange that is used for (a) the payment of goods and services solely provided by its issuer like gift checks; or (b) the payment of virtual goods and services within an online game like gaming tokens, are not considered as virtual assets. VASPs are defined as any entity that offers services or engages in activities that provide facility for the transfer or exchange of VA, which involve the conduct of the following activities: (i) exchange between VAs and fiat currencies; (ii) exchange between one or more forms of VAs; (iii) transfer of VAs; and (iv) safekeeping and/or administration of VAs.

The Circular also defines Money Service Business as financial services that involve the acceptance of cash, checks, other monetary instruments or other stores of value, and the payment of a corresponding sum in cash or other form to a beneficiary by means of communication, message, transfer, or through a clearing network which the service provider belongs. On 10 August 2022, the BSP issued BSP Memorandum No. M-2022-035 which provides for a modified approach in the grant of VASP Licenses. The regular application window for new VASP licenses has been closed for three (3) years, beginning 1 September 2022, subject to reassessment by the BSP based on market developments.

Related Party Transactions

In BSP Circular No. 895, dated 14 December 2015, the BSP issued guidelines strengthening oversight and control standards for managing related party transactions. This was further strengthened through the issuance of BSP Circular No. 969, dated 22 August 2017, which enhanced corporate governance guidelines. These guidelines highlight that while transactions between and among the entities within the same group create financial, commercial, and economic benefits, higher degree of standards should be applied to protect the interest of all stakeholders. It is emphasized that related party transactions are generally allowed 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 these 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 to protect the interest of depositors, creditors, and other stakeholders. 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, whistleblowing mechanisms, and restitution of losses and other remedies for irregular related party transactions. Further, a universal or commercial bank which is part of a conglomerate is required to form a Related Party Transactions Committee ("**RPT Committee**"), composed of at least three members of the board of directors, two of whom must be independent directors, including the chairperson. The RPT Committee may not contain non-executive directors, and independent directors must always comprise a majority of the Committee. The RPT Committee has the duty to ensure that all related parties are continuously identified, related party transactions are monitored and subsequent changes in relationships with counterparties (from non-related to related and vice-versa) are captured. It is also responsible for evaluating all material related party transactions to ensure that these are not undertaken on more favorable economic terms and to ensure that appropriate disclosures are made and/or information is provided to regulating and supervising authorities in respect of the institution's related party transaction exposures. The RPT Committee must also prepare a report to the board on a regular basis, on the status and aggregate exposures to each related party, as well as to all related parties. Lastly, they are tasked with overseeing the implementation of the system for identifying, monitoring, measuring, controlling, and reporting related party transactions, including the periodic review of related party transaction policies and procedures.

On 25 April 2019, the SEC issued Memorandum Circular No. 10-2019 regarding the Rules on Material Related Party Transactions for Publicly Listed Companies ("**SEC MC 10-2019**"). Under SEC MC 10-2019, when the related party transactions amount to 10% or higher of a publicly listed company's total assets, it is considered a material related party transaction ("**MRPT**") and must be disclosed and reported to the SEC. 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.

Islamic Banking Law

On 22 August 2019, former President Rodrigo R. Duterte signed into law Republic Act No. 11439, or "An Act Providing for the Regulation and Organization of Islamic Banks" ("**Rep. Act No. 11439**"). Under Rep. Act No. 11439, the government recognized the vital role of Islamic banking and finance in creating opportunities for

greater financial inclusion especially for the underserved Muslim population, in expanding the funding base for small and medium-sized enterprises as well as large government infrastructure through financial arrangements with risk sharing as their core element, and in contributing to financial stability through the use of financial contracts and services that are founded on risk sharing rather than speculation in compliance with Shari'ah principles.

Rep. Act No. 11439 authorized the establishment of Islamic banks and authorized conventional banks to engage in Islamic banking arrangements, including structures and transactions, through a designated Islamic banking unit within the bank subject to segregation of such banking units (**Islamic banks**). In addition to traditional banking powers and other banking powers that are compliant with *Shari'ah* principles, Islamic banks may perform the following services: (i) accept drafts and issue letters of credit or letters of guarantee, negotiate Bonds and bills of exchange and other evidence of indebtedness; provided, that such financial instruments are in accordance with the principles of *Shari'ah*; (ii) act as collection agents in respect of payment orders, bills of exchange or other commercial documents covering *Shari'ah* compliant transactions; (iii) provide *Shari'ah* compliant financing contracts and structures; and (iv) make investments in any transactions allowed under *Shari'ah* principles. Islamic banks may also issue investment participation certificates, *sukuk* and other *Shari'ah* compliant funding instruments to be used by the Islamic banks in their operations or capital needs. Islamic banks may also carry out financing and joint investment operations by way of *mudarabah* partnership, *musharakah* joint venture or by decreasing participation, *murabahah* purchasing on a cost-plus financing arrangement, lease (*ijara*) arrangements, construction and manufacture (*istisna'a*) arrangements and other *Shari'ah* compliant contracts and structures and invest funds directly in various projects or through the use of funds whose owners desire to invest jointly with other resources available to the Islamic bank on a joint *mudarabah* basis in accordance with the foregoing arrangements, contracts and structures. On 29 December 2019, the BSP issued Circular No. 1069 and 1070 which, respectively, provided the Guidelines on the Establishment of Islamic Banks and Islamic Banking Units and the Shari'ah Governance Framework for Islamic Banks and Islamic Banking Units. On 23 March 2022, the BSP issued Circular No. 1139 which provides the guidelines for reporting Islamic banking and finance transactions or arrangements. Further, on April 2023, the BSP issued Circular No. 1173 on the modified minimum capitalization of conventional banks with Islamic banking units.

National Payment Systems Act

On 30 October 2018, Congress enacted Republic Act No. 11127, or “An Act Providing for the Regulation and Supervision of Payment Systems” (“**Rep. Act No. 11127**”). Rep. Act No. 11127 seeks to regulate payment systems, recognizing that they are crucial parts of the financial infrastructure of the country. The law defines payment systems as the set of payment instructions, processes, procedures, and participants that ensures the circulation of money or movement of funds. Meanwhile, the same law defines operators as persons who provide clearing or settlement services in a payment system, or define, prescribe, design, control, or maintain the operational framework of the payment system.

Under Rep. Act No. 11127, all operators of payment systems must register with the BSP. Furthermore, the SEC can no longer register the articles of incorporation of any operator of a designated payment system, or any amendment thereto, or otherwise issue to an operator a license to do business in the Philippines, unless accompanied by a certificate of authority from the Monetary Board, under its seal. The SEC shall also not register the by-laws of an operator of a designated payment system, or any amendment thereto, unless accompanied by a certificate of authority from the BSP. The law also grants the BSP the power to designate a new payment system if it determines that the existing payment system is posing or has the potential to pose a systemic risk or the designation is necessary to protect the public interest.

On 9 September 2019, the BSP issued BSP Circular No. 1049 which implements the provisions of Rep. Act No. 11127. It provides that banks which act as payment systems operators must register with the BSP through notification; it will not have to apply or pay registration fees. The BSP will then issue the registering bank a Provisional Certificate of Registration. Thereafter, the BSP will issue the bank a Certificate of Registration, if

warranted, and provided the documents submitted by the bank meet all regulatory requirements. BSP Circular No. 1068, issued on 26 December 2019, extended the deadline for registration of existing payment systems operations from 1 October 2019, as originally stated in Circular No. 1049, to 1 April 2020.

On 7 July 2020, the BSP issued BSP Circular No. 1089 which provides the Payment System Oversight Framework (“**PSOF**”) that sets out the approach and rules of the BSP in the conduct of its oversight function pursuant to Rep. Act No. 11127. The PSOF follows a risk-based oversight approach mainly through the designation of payment systems. In the event that the operator of a designated payment system (“**DPS**”) fails to satisfy regulatory expectations, resulting in a threat to the safety, efficiency and reliability of the system, the PSOF empowers the BSP to appoint a manager to administer the operation of the DPS.

On 5 April 2021, the BSP issued Memorandum M-2021-021 which provides the guidelines that BSFIs must comply to ensure the soundness and adequacy of their risk management and practices in dealing with Operators of Payment Systems (“**OPS**”) and Non-bank Electronic Money Issuers (EMIs), including but not limited to (i) performing appropriate assessment of entities based on observable business activities and transactions indicating that such entities are OPS or non-bank EMIs; (ii) dealing only with OPS registered with the BSP and non-bank EMIs duly licensed by the BSP; (iii) performing appropriate customer due diligence when dealing with entities that are registered with the BSP as OPS or licensed as non-bank EMI; (iv) conducting appropriate risk assessment of OPS or non-bank EMI; and (v) performing continuing account and transaction monitoring.

On 14 September 2021, the BSP issued Circular No. 1126, which provides the mandatory adoption of the Principles for Financial Market Infrastructure (“**PFMI**”) by the designated payment systems pursuant to Circular No. 1089 and Rep. Act No. 11127. The PFMI is a set of international standards designed to strengthen FMIs and make them more resilient to financial crises and participant defaults. On 17 September 2021, the BSP issued Circular No. 1127 providing the governance policy for OPS, which is required to be added to the Manual of Regulations for Payment Systems.

On 1 March 2022, the BSP issued Circular No. 1138 which establishes regulatory reporting standards for OPS. The circular requires an OPS to establish a reporting system that will aggregate all material data and produce the reports required by the BSP under both business-as-usual and stressed conditions (i.e., emergency conditions for OPS such as a crisis, national or public health emergencies, weather-related events, or sudden closures of markets and/or clearing agencies where the transactions therein are processed through an OPS for eventual settlement) in a timely manner. The circular also specifies sanctions that may be imposed on an OPS for non-compliance with reporting requirements. It also prescribes non-monetary penalties such as the disqualification of the Chief Executive Officer or, in the case of unsubmitted reports, suspension for at least one month to one year. The top officials and members of the board may also be disqualified from the industry for further offences and the Monetary Board will have the power to designate a manager to take over the operations.

On 29 November 2022, BSP issued Circular No. 1161 which introduced amendments to the Manual of Regulations for Payment Systems to incorporate the National Retail Payment System Framework. On 14 March 2024, the BSP issued Circular No. 1191 creating the first official Manual of Regulations for Payment Systems, which encapsulates the cumulative compilation of rules and regulations issued as of end-December 2023.

Data Privacy Act

Rep. 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

expressly provides that it does not apply to certain types of information, including those 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.

On 19 August 2020, the BSP issued Memorandum No. M-2020-066 reminding BSFIs to further intensify information security awareness and education campaigns against SMS-based attacks in response to the rise of phishing campaigns which lure and defraud BSFI employees and customers to disclose their user account credentials and sensitive information or to click malicious links. Thus, BSFIs are required to adopt multi-layer controls such as calibration of fraud management system rules and parameters and conducting threat hunting exercises to detect unusual activities and takedown phishing sites, among others.

On 2 November 2021, the BSP issued Memorandum No. M-2021-059 which advises BSFIs to cooperate and share relevant information to third parties, other financial institutions, payment gateway providers, third party service providers, and law enforcement agencies in the conduct of fraud investigations. The following information may be shared in the conduct of fraud investigations: (i) name, (ii) home or delivery address, (iii) email address, (iv) mobile or contact numbers, (v) bank or financial information, and (vi) bank or financial transaction details without a prior court order or proceeding. On 11 June 2024, BSP Memorandum No. M-2024-019 was issued, reminding BSFIs on the proper handling of personally identifiable information and other sensitive data of customers.

Miscellaneous BSP Circulars

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.

On 26 June 2017, the BSP amended the Manual again through Circular No. 963. The issuance instituted governance processes in accordance with the BSP’s expectation that banks establish an effective reporting system generation and timely submission of reports. The reports must comply with those standards prescribed by the BSP, and those banks that fail to do so (i.e. file an erroneous report, delayed report or no report) are subject to certain sanctions that can be aggravated by habitual violations. Banks had until 31 December 2017 to make the necessary preparations to their systems and processes in order to comply with the new provision, with full implementation on 1 January 2018.

On 3 November 2017, the BSP issued Circular No. 981, amending the guidelines on liquidity risk management and the related amendments to the Manual. Among the highlights of the changes were additional guidelines related 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 had 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-à-vis their existing risk management systems by 31 March 2018.

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.

On 9 November 2017, BSP issued Circular No. 982, providing enhanced guidelines on information security risk management (ISRM) 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.

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 D-SIBs, in developing recovery plans. These expectations are consistent with the earlier-issued guidelines on corporate governance under Circular No. 969.

On 1 February 2018, BSP issued Circular No. 992, which set out the framework for banks to offer a basic deposit account to promote account ownership among the unbanked. The minimum key features of the account include: simplified KYC requirements; an opening amount of less than ₱100.00; no minimum maintaining balance; and no dormancy charges. To prevent misuse of the basic deposit account, its maximum balance is set at ₱50,000.00. As an incentive for banks, the basic deposit account is granted a preferential 0.00% reserve requirement which lowers their account maintenance cost. Notably, on 23 November 2021, the BSP issued Memorandum No. M-2021-065, providing temporary regulatory relief for banks that offer basic deposit accounts. Under the Circular, non-presentation of identification cards (**IDs**) for basic deposit accounts are allowed for the year 2022, subject to the following conditions: (i) the customer shall submit duly signed certification that he/she has no valid ID; (ii) the customer's account activities shall be subject to ongoing monitoring by the bank to identify potential abuse of the relaxed requirement and any suspicious transactions must be reported to the AMLC; and (iii) should the depositor exceeded the ₱50,000.00 maximum balance, the bank must initiate measures to convert the account into a regular deposit account.

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 of the book value of the total trust, other fiduciary and investment management assets, and at no time shall be less than ₱500,000.00; 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 point in time less than ₱500,000.00. 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 9 August 2018, the BSP issued additional requirements for the issuance by banks of bonds and commercial papers. Circular No. 1010 provides that a bank may issue bonds and/or commercial paper without prior BSP approval, provided that the following conditions are met:

- a. The bank must have a CAMELS composite rating of at least “3” and a “Management” rating of not lower than “3”.
- b. The bank has no major supervisory concerns in governance, risk management systems, and internal controls and compliance system;
- c. The bank/QB has complied with directives and/or is not subject of specific directives and/or enforcement actions by the BSP; and
- d. The bonds issued are enrolled and/or traded in a market which is organized in accordance with the SEC rules and regulations.

Further, the issuing bank, including its subsidiaries, affiliates, and the wholly or majority-owned or controlled entities of such subsidiaries and affiliates, except for its trust departments or related trust entities, is prohibited from holding or acting as a market maker of the bank’s listed/traded bonds or commercial paper. Likewise, the registry bank, including the underwriter/arranger of the issuance, shall be a third party with no subsidiary/affiliate relationship with the issuing bank and which is not related to the issuing bank in any manner that would undermine its independence.

On 31 August 2018, the SEC issued Memorandum Circular No. 12, establishing guidelines on the issuance of green bonds in the Philippines under the ASEAN Green Bonds Standards (**ASEAN GBS**). The proceeds of the issuance must be exclusively applied to finance or refinance, in part or in full, new and/or existing eligible Green Projects. Green Projects refer to the broad categories of eligible projects as listed in the ASEAN GBS, including renewable energy, pollution prevention and control, terrestrial and aquatic biodiversity conservation, among others. The list is non-exhaustive, but all Green Projects must provide clear environmental benefits which will be assessed and, where feasible, quantified by the issuer. The SEC circular further provides for various reporting and disclosure requirements, including annual reports to investors throughout the life of the green bonds.

On 10 October 2018, the BSP issued Circular No. 1017, which provides the policy framework on the grant of regulatory relief measures to banks/quasi-banks (QBs) affected by calamities. Under the framework, banks/QBs may access regulatory relief packages, including the provision of financial assistance to officers who are affected by the calamity even in the absence of BSP approved purposes, for a period of one (1) year from the date of declaration of state of calamity.

On 31 October 2018, the BSP issued Circular No. 1019, which amended provisions relating to the technology and cyber-risk reporting and notification requirements for BSFIs. The amendments were made to enable the BSP to have ready access to accurate, timely, and actionable information regarding BSFI’s technology risk profiles as well as the evolving cyber-threat environment for a more responsive, proactive and effective banking supervision.

On 7 February 2019, the BSP issued BSP Circular No. 1031 which provided additional guidelines on the grant of specific type of licenses to the permissible activities of BSFIs, as enumerated therein.

On 26 February 2019, the SEC issued MC No. 05 s.2019, which established guidelines for the reference of Capital Market Professionals in the Philippines and other Signatory countries who intend to obtain an ACMF Pass in a Signatory country under the Memorandum of Understanding on the ACMF Pass.

On 4 April 2019, the BSP issued BSP Circular No. 1037, which provided an extension of transitory period of the amended reporting templates on bank loans and deposit interest rates. The Monetary Board, in its Resolution No. 547, approved the amendments to Section 173 on Reports of the MORB, as amended by Circular No. 1029 dated 25 January 2019.

On 11 April 2019, the BSP Monetary Board, in its Resolution No. 546, approved the amendments to the Manual of Regulations for Non-Bank Financial Institutions (**MORNBFI**) on the election of foreign nationals as directors of QBs and/or other BSP-supervised financial institutions and the employment of foreign nationals as officers or employees of financing companies. This resolution is now known as BSP Circular No. 1038.

On 25 April 2019, the SEC issued MC No. 08 s. 2019, which implemented set of rules that primarily governs the issuance of ASEAN Sustainability bonds where proceeds shall be exclusively applied to finance or refinance a combination of both Green and Social projects that respectively offer environmental and social benefits.

On 25 April 2019, the SEC issued MC No. 09 s. 2019, which implemented set of rules that primarily governs the issuance ASEAN Social bonds where proceeds shall be exclusively applied to finance or refinance in part or in full, new and/or existing Social projects.

On 20 May 2019, the BSP issued BSP Circular No. 1040, supported by Monetary Board Resolution No. 543. This approved the revised framework on the selection of external auditors for BSFIs in accordance with the cooperative arrangement among the Financial Sector Supervisors, namely the BSP, the SEC, Insurance Commission, and the Philippine Deposit Insurance Corporation, under the auspices of the Financial Sector Forum.

On 29 May 2019, the BSP issued Circular No. 1041 supported by Monetary Board Resolution Nos.727.A dated 16 May 2019 and 753.A dated 23 May 2019 in which the Monetary Board approved the reduction in the reserve requirement ratios of selected reservable liabilities of banks and non-bank financial institutions with quasi-banking functions.

On 6 September 2019, the BSP issued Circular No. 1048 which contained the Guidelines and Procedures Governing the Consumer Assistance and Management System. The Circular provides that BSFI should have Consumer Protection Risk Management System (“**CPRMS**”) which should include the governance structure, policies, processes, measurement and control procedures to ensure that consumer protection risks are identified, measured, monitored, and mitigated. The Circular further empowered the BSP to deploy enforcement actions to ensure compliance with BSP Regulations on Financial Consumer Protection.

On 9 September 2019, the BSP issued BSP Circular No. 1049, which implements the provisions of Republic Act No. 11127. It provides that banks which act as payment systems operators must register with the BSP through notification; it will not have to apply or pay registration fees. The BSP will then issue the registering bank a Provisional Certificate of Registration. Thereafter, the BSP will issue the bank a Certificate of Registration, if warranted, and provided the documents submitted by the bank meet all regulatory requirements. BSP Circular No. 1068, issued on 26 December 2019, extended the deadline for registration of existing payment systems operations from 1 October 2019, as originally stated in Circular No. 1049, to 1 April 2020.

On 7 February 2020, the BSP issued Circular No. 1074, which amends regulations on financial audits, applicable to banks under the MORB and the Manual of Regulations for Foreign Exchange Transactions.

On 10 February 2020, the BSP issued Circular No. 1073, which approved the extension of the transitory period on single borrower's limit, as applicable to foreign bank branches. The circular provides that existing foreign bank branches can use twice the level of capital as basis for determining the single borrower's limit.

On 9 March 2020, the BSP issued Circular No. 1078, prescribing the Guidelines on Correspondent Banking Relationships. The circular states that covered persons must adopt the stated policies and procedures to prevent correspondent banking activities from being used for money laundering or terrorist financing activities; furthermore, covered persons must designate an officer responsible to ensure compliance with the Guidelines and the covered person's policies and procedures. On 4 February 2021, the BSP issued Circular No. 1109, which provides the amendments to the regulations on investment management activities ("**IMA**") under the MORB and MORNBF. Under the circular, the minimum size of an account was reduced and the securities eligible as investment outlet for commingled funds under investment management were expanded. The circular provides that BSFIs may determine the minimum amount that should be maintained by a client in an IMA which shall be at least ₱100,000. It also provides the requirements for the commingling of funds, which refer to acts of combining funds from multiple IMAs for the sole purpose of investing in qualified assets.

On 28 May 2021, the BSP issued Memorandum No. M-2021-031, which provides the guidelines on cash agents. Cash agents are third party entities where customers can perform secure real-time deposit and withdrawal transactions for their own accounts, fund transfers, bills payment, and payments online. The circular provides for mechanisms that banks with cash agent operation are required to observe to allow their customers to verify accredited agents and lodge complaints for agent-related transactions.

On 29 March 2022, the BSP issued Circular No. 1142 which amended the guidelines in computing the minimum required capital and the risk-based capital adequacy ratio. In determining capital, deposits 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 this Circular, 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 assets. Moreover, for the purposes of the issuance of a Qualification Certificate as Administrator to an entity, compliance with minimum net worth of 100 million pesos shall take into account the total outstanding unsecured credit accommodations extended by the Administrator to DOSRI.

On 19 July 2024, BSP issued Circular No. 1198 which establishes the Regulatory Framework for Merchant Payment Acceptance Activities ("**MPAA**") to strengthen oversight of operators of payment systems ("**OPS**"). It requires all entities offering merchant payment services to obtain a Merchant Acquisition License ("**MAL**") from the BSP and to comply with governance, risk management, cybersecurity, AML/CTPF, and consumer protection standards. The framework sets minimum capital requirements (₱5 million to ₱10 million) based on the average monthly value of collected funds transferred to merchants, mandates timely settlement of funds received by the OPS for transfer to a merchant within two business days, and requires transparency in pricing and merchant fees. It also outlines due diligence and monitoring obligations for merchants, dispute resolution procedures, and segregation of funds received or collected on behalf of merchants from funds owned by the OPS itself.

On 20 September 2024, BSP issued Memorandum No. M-2024-027 which provides updated guidelines for the submission of the Enhanced Comprehensive Credit and Equity Exposures Report ("**COCREE**") 2.0, replacing the earlier 2021 version (COCREE 1.0). The memorandum covers universal and commercial banks, thrift banks, rural banks, cooperative banks, digital banks, nonbank financial institutions with quasi-banking functions, and trust corporations and requires them to use the updated COCREE 2.0 Report Package, which has been enhanced to include features such as data dictionaries and line-item instructions. Submission must be made through the BSP Relationship Management System. Penalties for reporting violations will be waived during the pilot testing phase but enforced after a grace period of three reporting periods following full implementation.

On 28 January 2025, BSP issued Circular No. 1209 which sets out guidelines for the accurate and timely submission of required data, pursuant to the New Central Bank Act, for statistical and policy development purposes. The Circular applies to all persons, entities, and government offices requested by the BSP to provide data, which must be complete, accurate, consistent, and reliable. It authorizes the BSP Governor to issue a data request or a subpoena for the production of books and records for statistical and policy development purposes. It likewise specifies procedures for submission and acceptable modes of transmission. Any violation of this Circular, such as in cases of refusal to comply with a subpoena issued, non-compliant data submissions, or non-submissions, will subject any person or entity to contempt or sanctions. A one-year transition period is provided for affected entities to prepare their systems and processes before full enforcement.

On 22 August 2025, BSP issued Circular No. 1217 which adopted the Global Master Repurchase Agreement (“GMRA”) for the reverse repurchase and repurchase facilities of the BSP, thereby aligning BSP’s monetary operations with international best practices. The circular provides that repurchase, reverse repurchase, and Overnight Lending Facility (“OLF”) transactions entered by the BSP and participating entities shall be governed by the GMRA, together with other applicable BSP rules and regulations.

The Philippine Competition Act

Republic Act No. 10667, or the Philippine Competition Act (“PCA”) 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 PCA was enacted to enhance economic efficiency and promote free and fair competition in trade, industry and all commercial economic activities. To implement its objectives, the PCA 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, however, the PCC must still apply for a warrant with the relevant court.

The PCA prohibits and imposes sanctions on: (a) anti-competitive agreements between or among competitors, (b) mergers and acquisitions which have the object or effect of substantially preventing, restricting or lessening competition, and (c) practices which are regarded as abuse of dominant position, because such conduct would substantially prevent, restrict or lessen competition, such as selling goods or services below cost to drive out competition, imposing barriers to entry or to prevent competitors from growing and setting prices or terms that discriminate unreasonably between customers or sellers or the same goods, subject to certain exceptions.

On 3 June 2016, the PCC issued the implementing rules and regulations of the PCA (the “PCA IRR”). Under Section 3, Rule 4 of the PCA IRR, as amended by PCC Advisory 2019-001 (effective 1 March 2019), parties to a merger or acquisition are required to provide the PCC notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or the value of the assets in the Philippines of the ultimate parent entity of at least one of the acquiring or the acquired entities, including that of all entities that the ultimate parent entity controls, directly or indirectly (the “**Size of Party**”) exceed ₱5.6 billion; and (b) the value of the transaction (the “**Size of Transaction**”) exceeds ₱2.2 billion, as determined under the PCA IRR; while parties to a joint venture transaction are 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 ₱2.2 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 ₱2.2 billion. As provided in MC No. 18-001 dated 10 March 2018, the thresholds are automatically adjusted commencing on 1 March 2019 and on 1 March of every succeeding year, using as an 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. The revised thresholds, however, shall not apply to mergers or acquisitions pending review by the PCC, transactions requiring notification consummated before the effectiveness of the memorandum circular and transactions already the subject of a decision by the PCC.

PCC Advisory 2019-001 further adjusted the thresholds such that effective 1 March 2019, 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 ₱5.6 billion; and (b) the value of the transaction exceeds ₱2.2 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 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 assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2.2 billion.

The threshold amounts were last modified by the PCC in Commission Resolution No. 01-2024, effective 1 March 2024. Currently, parties to a merger or notification are required to provide notification when (a) the aggregate annual gross revenues in, or into, or from the Philippines, or the value of the assets in the Philippines of the ultimate parent entity of the acquiring or the acquired entities exceeds ₱7.8 billion; and (b) the value of the transaction, as determined under subsections (1), (2), (3), and (4) of Rule 4, Section 3 of the PCA IRR, exceeds ₱3.2 billion.

Violations of the PCA and the PCA IRR have severe consequences. Under the PCA and the PCA IRR, a transaction that meets the thresholds but is not in compliance with the notification requirements and waiting periods are considered void and will subject the parties to the transaction to an administrative fine of one % to five % of the value of the transaction. Criminal penalties for entities that enter into anti-competitive agreements, as defined, include: (a) a fine of not less than ₱50 million but not more than ₱250 million and (b) imprisonment for two to seven years for directors and management personnel who knowingly and willfully participate in such criminal offenses. Administrative fines of ₱100 million to ₱250 million may be imposed on entities found to have violated prohibitions on 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. Failure to comply with a ruling, order, or decision of the PCC or the disclosure, publication, transfer, copying or dissemination of confidential information may amount to a fine of ₱55,000 up to ₱2.2 million.

On 15 September 2017, the PCC published the 2017 Rules of Procedure (the “**Rules of Procedure**”) 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 of Procedure 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 (the “**Merger Rules**”) which provides the procedure for the review or investigation of mergers and acquisition pursuant to the PCA IRR. The Merger Rules provide that parties to a merger that meets the thresholds in Section 3 of Rule 4 of the PCA IRR are required to notify the PCC within 30 days from the signing of definitive agreements relating to such merger.

On 28 May 2019, the PCC approved the Expedited Merger Rules which apply when: (1) there are no actual or potential horizontal or vertical (including complementary) relationships in the Philippines between the acquiring entity and the acquired entity and the entities it controls; (2) the merger is a global transaction where the acquiring and acquired entities identified in the definitive agreement are foreign entities (foreign parents), and their subsidiaries in the Philippines act merely as manufacturers or assemblers of products with at least 95% of such products exported to the foreign parents, subsidiaries, affiliates or third parties located outside the Philippines, provided that the remaining 5% of product sales in a market in the Philippines is minimal in relation to the entirety of such Philippine product market; (3) the candidate relevant geographic market of the merger is global and the acquiring and acquired entities have negligible or limited presence in the Philippines; and (4) joint ventures, whether incorporated or not, were formed purely for the construction and development of a residential and/or commercial real estate development project.

On 10 September 2019, the Supreme Court of the Philippines approved the Rules on Administrative Search and Inspection under the PCA. The rules govern the application, issuance, and enforcement of inspection orders for administrative investigations of alleged violations of the PCA. 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.

On 19 January 2021, the PCC issued Memorandum Circular No. 21-001 adjusting the schedule of fines for violations of the 2017 Rules of Procedure and the Rules of Merger Procedure. The administrative fines may amount up to ₱275 million. Commitment of acts such as failure to comply with a ruling, order, or decision of the PCC or the disclosure, publication, transfer, copying or dissemination of confidential information may amount to a fine of ₱55,000.00 up to ₱2.2 million.

On 18 May 2023, the PCC issued the Non-Horizontal Merger Guidelines that aim to strengthen the transparency of the analytical process undertaken by the PCC when reviewing mergers and acquisitions. The Guidelines on substantive non-horizontal merger analysis were issued pursuant to Section 16 of the Competition Act and are supplementary to the 2018 PCC Merger Review Guidelines.

On 21 August 2023, the PCC issued the Guidelines for the Motu Proprio Review of Mergers and Acquisitions in Digital Markets. The Guidelines were issued to provide greater transparency and predictability over the PCC's power of motu proprio review of mergers and acquisitions, by providing a non-exhaustive list of transactions that PCC believes may indicate competition issues in the digital market, thus potentially triggering motu proprio review by the PCC.

Amended Retail Trade Liberalization Act

Rep. Act No. 11595, which amends the Retail Trade Liberalization Act (the “**RTLA**”) was signed into law on 10 December 2021 and took effect on 21 January 2022. The amended RTLA reduced the minimum paid-up capital requirements for foreign retail enterprises from ₱125 million to ₱25 million, removed the requirement for certificate of pre-qualification to the Philippine Board of Investment, and lowered the investment requirement for each store owned by a foreign enterprise from US\$830,000 (around ₱43 million) to ₱10 million, among others.

Amended Foreign Investment Act of 1991

Rep. Act No. 11647, which amends the Foreign Investment Act of 1991 (the “**FIA**”), was signed into law on 2 March 2022 and was published in the Official Gazette on 14 March 2022. The amended FIA provided less stringent requirements for non-Philippine nationals to do business in the country.

Under the Amended FIA, except as otherwise provided under the RTLA and other relevant laws, micro and small domestic market enterprises with paid-in equity capital less than the equivalent of US\$200,000.00 are reserved to Philippine nationals. However, a minimum paid-in capital of US\$100,000.00 shall be allowed to non-Philippine nationals if:

- (1) they involve advanced technology as determined by the Department of Science and Technology, or
- (2) they are endorsed as startup or startup enablers by the lead host agencies pursuant to Republic Act No. 11337, otherwise known as the Innovative Startup Act; or
- (3) a majority of their direct employees are Filipinos, but in no case shall the number of Filipino employees be less than fifteen (15).

Further, the amended FIA created the Inter-Agency Investment Promotion Coordination Committee, a body that will integrate all promotion and facilitation efforts to encourage foreign investments in the country.

Amended Public Service Act

Rep. Act No. 11659, which amends the Public Service Act (the **PSA**), was signed into law on 21 March 2022. The amended PSA clarified what may be considered a “public utility” by providing an exclusive list of what public utilities are. Prior to the amendment, there was no statutory definition of a “public utility”. Hence, the Supreme Court filled the gap by construing the term “public service” under the prior PSA as equivalent to public utility under the Constitution.

The amendments now classify the following services as a public utility, subject to the 40% foreign ownership cap under the Constitution: (i) Distribution of electricity, (ii) Transmission of electricity, (iii) Petroleum and petroleum products pipeline transmission systems, (iv) Water pipeline distribution systems and wastewater pipeline systems, including sewerage pipeline systems, (v) seaports, and (vi) public utility vehicles.

The amended PSA likewise defines critical infrastructure as any public service which owns, uses, or operates systems and assets, whether physical or virtual, so vital to the Republic of the Philippines that the incapacity or destruction of such systems or assets would have a detrimental impact on national security, including telecommunications and other services as may be declared by the President.

It further provides that nationality requirements may not be imposed by the relevant administrative agencies on any public service that is not classified as public utility. With the amendments brought by Rep. Act No. 11659, foreign nationals may now fully own industries that were previously considered as public utilities such as telecommunication, shipping, airline, railway, toll road and transport network vehicle companies, subject to the Reciprocity Clause under the PSA. However, the amended PSA provides that in the interest of national security, the President, after review, evaluation, and recommendation of the relevant government department or administrative agency, may suspend or prohibit any proposed merger or acquisition transaction or any investment in a public service that results in the grant of control to a foreigner or foreign corporation. Moreover, entities controlled by or acting on behalf of a foreign government or foreign state-owned enterprises are prohibited from owning capital in any public service classified as either public utility or critical infrastructure.

Further, the amended PSA provides that upon recommendation of the National Economic Development Authority, the President may recommend to Congress the classification of a public service as a public utility based on the following criteria:

1. The person or juridical entity regularly supplies and transmits and distributes to the public through a network a commodity or service of public consequence;
2. The commodity or service is a natural monopoly that needs to be regulated when the common good so requires. For this purpose, natural monopoly exists when the market demand for a commodity or service can be supplied by a single entity at a lower cost than by two or more entities;
3. The commodity or service is necessary for the maintenance of life and occupation of the public; and
4. The commodity or service is obligated to provide adequate service to the public on demand.

Personal Property Security Act of 2018

On 17 August 2018, Republic Act No. 11057, also known as the Personal Property Security Act (“**PPSA**”), was enacted aims to establish a modern legal framework for securing obligations with personal property. On 18 November 2019, its Implementing Rules and Regulations were promulgated. The PPSA provides for the creation, perfection, priority, and enforcement of security interests in personal property and covers all transactions that secure an obligation with movable collateral, except for interests in aircraft and interests in ships. The law repealed, amended or modified certain provisions of the Chattel Mortgage Law (Act No. 1508), provisions in the

Civil Code of the Philippines regarding pledge and mortgage, and provisions regarding registration of chattel mortgages under the Property Registration Decree (Presidential Decree No. 1529), among other laws.

Moreover, the PPSA provides for a centralized and nationwide electronic registry where notice of a security interest and a lien in personal property may be registered. Accordingly, pursuant to its mandate under the PPSA, the Land Registration Authority (“**LRA**”) issued Circular No. 02-2025 providing for the commencement of the operations of the Personal Property Security Registry (“**PPSR**”), a central platform for registration and searching of notices relating to security interests in personal property. The PPSR was operationalized on 3 February 2025 and allows the registration and search of an Initial Notice, an Amended Notice, a Termination Notice, and Notices of Auction Sale, among others. A notice is effective from the time it is discoverable on the records of the PPSR and is automatically terminated by the system based on the indicated “term end date.” Nonetheless, the period of effectiveness of a notice may be extended by registering an amendment notice. Circular No. 02-2025 also sets forth a schedule of flat fees for services related to the PPSR: ₱380 for registration of a new notice, ₱30 for registration of an amendment notice, and ₱30 for certifications. There are no fees for registration of a termination notice.

Electronic Securities Issue Portal

In 2021, the PDS Group launched its e-Securities Issue Portal (“**e-SIP**”), a web-based platform designed to streamline processes in the primary issuance of fixed income instruments. It is accessible to key stakeholders such as issuers, underwriters or arrangers, selling agents, and client investor applicants. e-SIP enables online submission and processing of documents related to the listing, enrollment, and registration of bondholders, as may be updated from time to time. It also allows investors to electronically reserve bond issuances and allows issuers to expand their reach by selling their securities online.

The portal supports both primary and secondary market activities. For the primary market, it facilitates: (a) the listing and enrollment of fixed income securities in the PDEx Fixed Income Market, (b) the reservation process for applicant-investors with selling agents for securities to be issued or listed, and (c) the transmission of the applicant-investors’ documents and selling agents’ sales reports to the PDTC registry. For the secondary market, it streamlines the creation and electronic submission, prior to settlement, of investor registration and transfer instructions of clients who buy and sell bonds in the secondary market.

Maharlika Investment Fund Act of 2023

On 18 July 2023, Republic Act 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 capitalization of the Maharlika Investment Corporation (“**MIC**”), in the amount not exceeding ₱50 billion for the initial subscription of the National Government to the capitalization of the MIC. Thereafter, the dividends of the BSP shall be remitted to the National Government to fund the increase in the capitalization of the BSP.

The Financial Products and Services Consumer Protection Act

RA No. 11765 or the Financial Products and Services Consumer Protection Act (“**FCPA**”) was signed into law on 6 May 2022. The FCPA expanded the powers of financial regulators such as the BSP and imposed duties on financial service providers such as banks. Violation of the FCPA will result in the imposition of enforcement actions, penalties and/or administrative sanctions from the BSP.

On 28 November 2022, the Monetary Board issued Circular No. 1160 which provides for the implementing guidelines for the FCPA with respect to BSFIs. Based on this Circular, banks must meet the following standards in dealing with financial consumers:

- Disclosure and Transparency;

- Protection of Client Information;
- Fair Treatment;
- Effective Recourse; and
- Protection of Consumer Assets against Fraud and Misuse.

Pursuant to the FCPA, the BSP may, in addition to the enforcement actions under the MORB, restrict 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 enter an 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.

The Anti-Financial Account Scamming Act of 2024

Republic Act No. 12010, also known as the Anti-Financial Account Scamming Act (“**AFASA**”), was signed into law on 20 July 2024 to combat financial cybercrimes, safeguard the interests of financial consumers, and uphold the integrity of the financial system.

The AFASA authorizes the BSP to investigate violations of the law, apply for cybercrime warrants, and collaborate with law enforcement agencies in the investigation of cases covered by the law. It grants the BSP limited authority to examine and investigate bank accounts, e-wallets, and other financial accounts that are involved in the prohibited acts under the law, which includes engaging in money muling activities and social engineering schemes.

Under the AFASA, the prohibition on money muling activities includes the following acts for the purpose of obtaining, receiving, depositing, transferring, or withdrawing proceeds that are known to be derived from crimes, offenses, or social engineering schemes:

1. Using, borrowing or allowing the use of a Financial Account (as defined under Section 3 of the law);
2. Opening a financial account under a fictitious name or using the identity or identification documents of another;
3. Buying or renting a Financial Account;
4. Selling or lending a Financial Account; or
5. Recruiting, enlisting, contracting, hiring, utilizing or inducing any person to perform the acts mentioned in items 1 to 4 of this subsection.

Meanwhile, social engineering schemes are committed by a person who obtains sensitive identifying information of another person, through deception or fraud, resulting in unauthorized access and control over the person’s Financial Account, by performing any of the following acts:

1. Misrepresenting oneself as acting on behalf of an Institution, or making false representations to solicit another person's sensitive identifying information; or
2. Using electronic communications to obtain another person's sensitive identifying information.

The aforementioned acts shall be considered as economic sabotage when committed under any of the following circumstances:

1. By a group of three (3) or more persons conspiring or confederating with one another;
2. Against three (3) or more persons individually or as a group;
3. Using a mass mailer; or
4. Through human trafficking.

Under the AFASA, financial institutions have the obligation to employ adequate risk and fraud management systems to ensure that their clients' financial accounts are protected and temporarily hold funds subject of a disputed transaction within a period prescribed by the BSP, which shall not exceed thirty (30) days, unless otherwise extended by a court of competent jurisdiction.

BSP has issued three circulars implementing the AFASA. Circular No. 1213 amends existing information technology risk management regulations to strengthen cybersecurity measures among BSP-supervised financial institutions (“**BSFIs**”). These include the adoption of real-time fraud monitoring systems, machine learning algorithms, biometric authentication, and a 24-hour pause period after key account changes. The BSP emphasized that BSFIs must maintain an aggressive security posture to safeguard customers from cyber fraud and preserve confidence in digital financial channels. Additionally, under Circular No. 1214 (2025), requests for inquiry into financial accounts must be filed by competent authorities such as the PNP, NBI, DOJ, AMLC, and other financial regulators through the BSP’s Consumer Account Protection Office, supported by justifications and details of the suspected offenses. These agencies must also enter into agreements with the BSP for the sharing of account and transaction information.

Meanwhile, Circular No. 1215 (2025) outlines the rules on the temporary holding of disputed funds and the coordinated verification of disputed transactions. All BSP-supervised institutions (“**BSIs**”) are required to collaborate and establish an industry protocol for such temporary holding and verification. To help curb financial scams and cybercrime, funds may be held if they are linked to unusual or suspicious activity, unknown or illegal sources, unlawful activities, or unauthorized access and control over a financial account. BSIs may temporarily hold disputed funds for up to 30 calendar days, extendable only by order of a court of competent jurisdiction. During the holding period, the funds remain credited but cannot be withdrawn. Moreover, BSIs are mandated to develop real-time automated systems capable of tracing disputed, suspicious, or other similar online transactions; triggering the temporary holding of disputed funds; and inducing timely alerts for involved BSIs.

20.0 Distribution and Sale

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information found elsewhere in this Offering Circular, the General Terms and Conditions included herein, the Pricing Supplement, and the related Agreements regarding the offer, maintenance, trade and settlement of the Bonds. Prospective Bondholders should read this entire Offering Circular, the General Terms and Conditions, and the related Agreements fully and carefully. In case of any inconsistency between this summary and the more detailed information in this Offering Circular, then the more detailed portions and/or General Terms and Conditions, and/or the Agreements, as the case may be, shall at all times prevail.

Offering and Procedures

Pursuant to the Issue Management and Placement Agreement, Registry and Paying Agency Agreement and Trust Agreement, (the “Agreements”) entered into by the Bank with the relevant counterparties, and subject to the general terms and conditions of the Bond Certificate, as well as the applicable provisions of the MORB, the Bonds are being issued by the Bank with (a) ING, PNB Capital and SCB as Joint Lead Arrangers and Bookrunners; (b) the Bank, ING and SCB as Selling Agents; (c) Philippine Depository & Trust Corp. as Registrar and Paying Agent; (d) Development Bank of the Philippines – Trust Banking Group as Trustee; and (e) other Lead Arrangers and Bookrunners and Selling Agents as confirmed by the Bank for each series or tranche under the Programme.

The following is a summary of the procedures to be adopted among the parties and the prospective Bondholders and is qualified in its entirety by, and should be read in conjunction with, the more detailed information found elsewhere in this Offering Circular and the Agreements.

The Offer Period

During the Offer Period, the Bank, through the relevant Joint Lead Arrangers and Bookrunners and the relevant Selling Agents, shall solicit subscriptions to the Bonds from Bondholders. Prospective Bondholders may purchase the Bonds during the Offer Period by submitting fully and duly accomplished Applications to Purchase the Bonds (the “Applications”), either in electronic form through the e-SIP Portal of the Philippine Dealing System (“PDS”) or in hard copy (in such number of copies required for the offering), together with all the required attachments and the corresponding payments to the Selling Agents from whom such application was obtained no later than 5:00 p.m. (or such earlier or later time as may be indicated in the Application to Purchase) on the last day of the Offer Period. Applications received after said date or time or without the required attachments will be rejected. Only Applications that are accompanied by payments in cleared funds or covered by acceptable payment instructions and covering the entire application money shall be accepted by the Selling Agents. The Selling Agents shall receive such funds and shall hold it until the end of the Offer Period. The Issuer may, in consultation with the relevant Lead Arrangers and Bookrunners, adjust the timetable as necessary, including closing the public offer period earlier, and subject to other factors, including, but not limited to, market conditions.

The Applicant or Offeror shall be deemed to have firmly, unequivocally, and irrevocably made the offer to purchase the Bonds in accordance with the General Terms and Conditions at the purchase amount offered (the “**Offered Purchase Amount**”) from the Bank through the Selling Agent on the Issue Date. The Offered Purchase Amount must be accompanied by checks or demand drafts or covered by appropriate debit or other acceptable payment instructions made out to the order of the relevant Bond issuance and must be tendered as a deposit for full payment for the Offer (the “**Deposit**”). Subject to the foregoing, the Offer, and the Deposit tendered hereby, shall not be withdrawable without the prior written consent of the Selling Agent and the Bank.

In addition to duly executed Application to Purchase forms, each applicant shall submit the following documents to the relevant Joint Lead Arrangers and Bookrunners and the relevant Selling Agents:

- 1) Documents to be provided by Applicants who are individuals:

- a. At least one (1) authentic and unaltered photo-bearing plastic identification document issued by an official government authority in accordance with BSP Circular No. 608 (2008) and BSP Circular No. 706 (2011) as may be amended from time to time, or such other ID and documents as may be required by or acceptable to the Registrar and/or the Selling Agent concerned;
 - b. Two (2) fully executed signature cards in the form attached to the Application; and
 - c. Name, present address, date and place of birth, nature of work and source of funds of the beneficial owners or beneficiary of the Applicant / Offeror, if applicable;
 - d. 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 Applicant; and
 - e. Such other documents as may be reasonably required by the relevant the Selling Agent or the Registrar in implementation of its internal policies regarding Know Your Customer (“KYC”) and anti-money laundering.
- 2) Documents to be submitted by corporate and institutional Applicants:
- a. SEC-certified or Corporate Secretary-certified true copy of the SEC Certificate of Registration, Articles of Incorporation and By-Laws or such other relevant and equivalent organizational or charter documents, as amended to date;
 - b. Original or Corporate Secretary-certified true copy of the duly notarized certificate confirming the resolution of the Board of Directors and/or committees or bodies authorizing the purchase of the Bonds and specifying the authorized signatories;
 - c. SEC-certified or Corporate Secretary-certified copy of the latest General Information Sheet which lists the names of directors / trustees / partners, principal, stockholders owning at least 20% of the outstanding capital stock and primary officers such as the President and Treasurer;
 - d. Name, present address, date and place of birth, nature of work and source of funds of the beneficial owner or beneficiary of the Applicant / Offeror, if applicable;
 - e. A list, certified by the Corporate Secretary of the Applicant/Offeror, of the natural persons who are the beneficial owners of the parent company of the Applicant/Offeror;
 - f. IDs of the Applicant’s/Offeror’s authorized signatories and at least two (2) of the Applicant’s/Offeror’s directors, including the managing director, as applicable; and such IDs and documentation as the Selling Agent concerned may require for purposes of KYC and AMLA compliance;
 - g. Two (2) fully executed signature cards containing the specimen signatures of the authorized signatories of the Applicant, duly authenticated by the Corporate Secretary with respect to corporate and institutional investors, in the form attached to the Application; and
 - h. Such other documents as may be reasonably required by the relevant Selling Agent or the Registrar in implementation of its internal policies regarding Know Your Customer (“KYC”) and anti-money laundering.
- 3) Documents to be provided by Tax-Exempt Bondholders:

- a. the following requirements, in form and substance prescribed by the Issuer, to the Registrar or the Selling Agents (together with their completed Application to Purchase) who shall then forward the same to the Registrar:
 - i. For (1) tax-exempt corporations under Section 30 of the Tax Code (except non-stock, non-profit educational institutions under Section 30(H) of the Tax Code); (2) cooperatives duly registered with the Cooperative Development Authority; and (3) BIR-approved pension fund and retirement plan – certified true copy of valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR. For this purpose, a tax exemption certificate or ruling shall be deemed “valid, current and subsisting” if it has not been more than 3 years since the date of issuance thereof;
 - ii. For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 – certified true copy of the Bondholder’s current, valid and subsisting Certificate of Accreditation as PERA Administrator;
 - iii. For all other tax-exempt entities (including, but not limited to, (1) non-stock, non-profit educational institutions; (2) government-owned or -controlled corporations; and (3) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) – certified true copy of tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income is exempt from income tax and, consequently, withholding tax;
 - iv. For entities claiming tax treaty relief pursuant to RMO 14-2021, (a) prior to the payment of interest due: (1) three (3) originals of the appropriate form (currently, BIR Form 0901-I (Interest Income)) or Application Form for Treaty Purposes filed by the Bondholder or, if the Bondholder is a fiscally transparent entity, each of the Bondholder’s owners or beneficiaries, (2) one (1) original of the valid and existing tax residency certificate duly issued by the respective foreign tax authority of the country of residence of the Bondholder or, if the Bondholder is a fiscally transparent entity, the country of residence of each of the Bondholder’s owners or beneficiaries in the form acceptable for recognition under Philippine laws, (3) the relevant provision of the tax treaty providing for the claimed tax exemption or preferential tax rate, in a form acceptable to the Issuer, (4) three (3) originals of the duly notarized, consularized, or apostilled (as the case may be) Special Power of Attorney executed by the Bondholder or the Bondholder’s owners or beneficiaries, as may be applicable, in favor of its 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 Bondholder or the Bondholder’s owners or beneficiaries, as may be applicable, is/are not doing business in the Philippines to support the applicability of a tax treaty relief; (b) and (5) an original or certified true copy of the Certificate of Entitlement (“COE”) issued by the BIR International Tax Affairs Division (“ITAD”) certifying the Bondholder’s entitlement to tax treaty relief in connection with the Bonds. It shall be the Bondholder’s sole responsibility and obligation to file the tax treaty relief application (“TTRA”) with the BIR ITAD to prove its entitlement to tax treaty relief, and in relation thereto, the Issuer shall, upon request of the Bondholder, provide the relevant documents which are required to be submitted for purposes of filing a TTRA. For the avoidance of doubt, in order for the preferential rate to apply, the Bondholder must submit the COE issued by the BIR and the Tax Residency Certificate (“TRC”), together with the Application to Purchase, to the Selling Agents. In order for the Issuer to apply the preferential rate for the

succeeding taxable years, the Bondholder must submit an updated TRC before the last day of the first month of the taxable year or at least ten (10) business days before the first interest payment for the taxable year, whichever is earlier. The Issuer shall withhold regular tax rates in its interest payments for the ensuing taxable year if the Bondholder fails to provide the updated TRC within the prescribed deadline; and (c) Any other document that the Issuer or PDTC may require from time to time. In addition, upon the request of the Issuer, the Selling Agent, or the Registrar, as the case may be, the Bondholder shall submit an updated Part II (A), (B), (C), and (D) of the Certificate of Residence for Tax Treaty Relief ("CORTT") Form. Only the originals should be submitted to the Joint Lead Arrangers and Bookrunners, the Selling Agent, the Bank or the Registrar.

- b. a duly notarized declaration and undertaking, in prescribed form, executed by (i) the Corporate Secretary or any authorized representative, who has personal knowledge of the exemption based on his official functions, if the Applicant purchases the Bonds for its account, or (ii) the Trust Officer, if the Applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Bonds pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting that the same Bondholder named in the tax exemption certificate described in (a) above, is specifically exempt from the relevant tax or is subject to a preferential tax rate for the relevant tax, undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of the tax exemption certificates or preferential rate entitlement, and agreeing to indemnify and hold the Issuer and Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities, or any tax or charge arising from the non-withholding of the required tax; and
- c. if applicable, such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent, or as may be required under applicable regulations of the relevant taxing or other authorities; provided further that, all sums payable by the Issuer to tax-exempt entities shall be paid in full without deductions for Taxes, duties, assessments, or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar and Paying Agent.

In addition, the relevant Joint Lead Arrangers and Bookrunners and the relevant Selling Agents may each request such other documents from an applicant in order to establish his/her/its eligibility as Bondholder of the Bonds, 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.

Allocation and Issue of the Bonds

Applications to Purchase of the Bonds shall be subject to the availability of the Bonds and acceptance by the Bank. The relevant Lead Arrangers and Bookrunners, in consultation with the Bank, reserve the right to accept, reject, scale down, or reallocate any Application.

In the event that payment supporting any Application is returned by the drawee bank for any reason whatsoever, the Application shall be automatically cancelled and any prior acceptance of the Application shall be deemed revoked. If any Application is rejected or accepted in part only, the application money or the appropriate portion thereof 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 Applications to Purchase. The acceptance of the Application to Purchase shall ipso facto convert such Application to Purchase into a purchase agreement between the Bank and the relevant prospective Bondholder.

On the relevant Issue Date, the Selling Agents shall, on behalf of the Issuer, accept the relevant Applications to Purchase. The acceptance of the Application to Purchase shall ipso facto convert such Application to Purchase into a duly executed purchase agreement between the Issuer and the relevant Bondholder.

Upon confirmation by the Issuer of acceptance of the relevant Applications and the respective amount of Bonds, the Registrar and Paying Agent shall release in accordance with the Registry and Paying Agency Agreement the relevant registry confirmation (the “**Registry Confirmation**”) to successful applicants confirming the acceptance of their purchase of the Bonds and consequent ownership thereof and stating the pertinent details including the amount accepted, with copies to the Issuer.

The Registrar shall rely solely on the Final Sales Report in its preparation of the Registry and the issuance of the Registry Confirmation for each Bondholder. The Registrar shall distribute the Registry Confirmations directly to the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

Transactions in the Secondary Market

All secondary trading of the Bonds shall be coursed through the trading facilities of PDEX, subject to the payment by the Bondholder of applicable fees in connection with trading on PDEX and the Registrar. Transfers shall be subject to the procedures of the BSP, the Registrar and Paying Agent, and PDEX, including but not limited to the guidelines on minimum trading lots, minimum holding denominations and record dates.

The Bank will be enrolling or listing (as applicable) the Bonds in PDEX for secondary market trading. Upon enrollment or listing of the Bonds with PDEX, investors shall course their secondary market trades through the trading participants of PDEX for execution in the PDEX Trading Platform in accordance with the PDEX Trading Rules, Conventions and Guidelines, as these may be amended or supplemented from time to time, and shall settle such trades on a Delivery versus Payment (DvP) basis in accordance with PDEX Settlement Rules and Guidelines. The secondary trading of the Bonds in PDEX may be subject to such fees and charges of PDEX, the trading participants of PDEX, and other providers necessary for the completion of such trades. Transactions on the Bonds on PDEX will be subject to the duly approved and relevant rules of the exchange, including guidelines on minimum trading lots and other guidelines for holding and trading of the Bonds as may be prescribed by the BSP.

No transfers will be effected during the period between the Record Date (two (2) business days prior to the relevant Interest Payment Date), and the Banking Day immediately prior to an Interest Payment Date or Principal Payment Date, inclusive.

The Registrar shall register any transfer of the Bonds upon presentation to it of the following documents in form and substance acceptable to it:

- the relevant Trade-Related Transfer Form or Non-Trade Related Transfer Form, as the case may be, duly accomplished by the transferor Bondholder and endorsed by the relevant Trading Participant, substantially in the form agreed upon between the Bank and the Registrar
- in the case of a new Bondholder:
 - duly accomplished Investor Registration Form of the buyer/transferee as prescribed by the Registrar, substantially in the form set out in Annex F of the Registry and Paying Agency Agreement;
 - proof of the qualified tax-exempt status of the transferee, if applicable, and the covering Affidavit of Undertaking, Schedule 4 of the Registry and Paying Agency Agreement as the Form of Indemnity Undertaking;
 - the original duly endorsed signature cards of the buyer/transferee and such other original or certified true copies of other documents submitted by the buyer/transferee in support of the

- transfer or assignment of the Bonds in its favor;
 - the appropriate secretary's certificate attesting to the board resolutions authorizing the transfers and acceptances as well as designating the authorized signatories, together with specimen signature cards duly signed by the parties, and duly authenticated by each party's corporate secretary; and
- upon enrollment or listing of the Bonds in PDEX, such other applicable documents or instructions to effect settlement of PDEX trades pursuant to the trading and settlement rules of PDEX in effect at that time.
- such other documents that may be required by the Registrar and Paying Agent; including but not limited to those documents for Non-Trade Transactions.

Where the Bonds become listed on PDEX, all trade transactions must be coursed through PDEX in accordance with the PDEX Rules and conventions.

Transfers of the Bonds made in violation of the restrictions on transfer under the General Terms and Conditions shall be null and void and shall not be registered by the Registrar.

Payment of Interest and Principal

The Paying Agent shall pay, or cause to be paid, on behalf of the Issuer on or before 12:00 noon on each Payment Date the total amounts due in respect of the Bonds through a direct credit (via RTGS) of the proper amounts, net of taxes and fees (if any) to the Cash settlement banks of the Bondholders, for onward remittance to the relevant Cash Settlement Account of the Bondholders with the Cash settlement bank no later than 5:00 p.m. on each Payment Date.

Crediting of amounts in respect of the Bonds is at all times subject to the settlement procedures of RTGS and the internal clearing policies and procedures of each beneficiary/receiving bank.

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 Bondholders, the maintenance of the records of the Bondholder in the Registry, the issuance, cancellation, and replacement, when proper, of the Registry Confirmations, and the transfers of the Bonds from a purchaser or seller/transferor of the Bonds.

Transfer Fees in the Secondary Trading

1. Transfer Fee of P100.00 to be paid each by the transferring Bondholder and the buyer/transferee prior to the registration of any transfer of the Bonds in the Registry. Either side may opt to pay the full charge of P200.00 per transfer. For transfers from a registry account to the depository, the full charge of P200.00 per transfer shall be charged to the transferring bondholder.
2. Account Opening Fee of P100.00 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 PDSClear System if so duly authorized by a bondholder

Transfer Fees due to Non-Trade Transactions

1. Transaction Fee of P100.00 to be paid each by the transferring bondholder and the requesting party prior to the registration of any transfer of the Bonds in the Registry. Either side may opt to pay the full charge of P200.00 per transfer.
2. Transaction Fee of P500.00 per side plus legal cost, for non-intermediate transfers (e.g. inheritance, donation, pledge).

Other Fees charged to the Bondholder

These fees pertain to instances when PDTC is requested to undertake the printing of non-standard reports for the Bondholders 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 P200.00 to be paid upon each application for a certification request of holding.
2. Fee of P50.00 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 Bondholder free of charge).
3. Fee of P50.00 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 P100.00 per request, plus P20.00 per page.
 - b. Report requiring back-up file restoration is subject to a fee of P300.00 per request, plus P20.00 per page.

21.0 Index to Group Financial Statements

Attached to this Offering Circular are the Bank's Audited Financial Statements for the year ended 31 December 2024, and the Unaudited Financial Statements as of June 30, 2025.

22.0 The Parties

The Bank

Philippine National Bank

PNB Financial Center
Pres. Diosdado Macapagal Blvd.
Pasay City, Metro Manila, Philippines

Joint Lead Arrangers and Bookrunners

ING Bank N.V., Manila Branch

22/F Arthaland Century Pacific
Tower
5th Avenue cor. 30th Street
Bonifacio Global City, Taguig
City, Metro Manila, Philippines

PNB Capital and Investment Corporation

9th Floor, PNB Financial Center,
D. Macapagal Blvd., Pasay City,
Metro Manila, Philippines

Standard Chartered Bank

20/F Ayala Triangle Gardens
Two Paseo de Roxas cor.
Makati Avenue, Makati City,
Metro Manila, Philippines

Selling Agents

Philippine National Bank

PNB Financial Center
Pres. Diosdado Macapagal Blvd.
Pasay City, Metro Manila,
Philippines

ING Bank N.V., Manila Branch

22/F Arthaland Century Pacific
Tower
5th Avenue cor. 30th Street
Bonifacio Global City,
Taguig City, Metro Manila,
Philippines

Standard Chartered Bank

20/F Ayala Triangle Gardens
Two Paseo de Roxas cor.
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Metro Manila, Philippines

Legal Counsel to the Bank

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Legal Counsel to the Joint Lead Arrangers and Bookrunners

Romulo Mabanta Buenaventura Sayoc & de los Angeles

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Makati City, Metro Manila, Philippines

Trustee Development Bank of the Philippines – Trust Banking Group

3F DBP Building
Sen. Gil J. Puyat Avenue cor.
Makati Avenue, Makati City,
Metro Manila, Philippines

Independent Auditor SyCip Gorres Velayo & Co.

6760 Ayala Avenue
Makati City, Metro Manila,
Philippines

Registrar and Paying Agent Philippine Depository & Trust Corp.

29F BDO Equitable Tower
8751 Paseo de Roxas,
Makati City, Metro Manila,
Philippines

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Philippine National Bank

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of Philippine National Bank and its Subsidiaries (the Group) and the parent company financial statements of Philippine National Bank (the Parent Company), which comprise the consolidated and parent company statements of financial position as at December 31, 2024 and 2023, and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years in the period ended December 31, 2024, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2024 and 2023, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2024 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

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



Key Audit Matters

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

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

Applicable to the audit of the consolidated and parent company financial statements

Adequacy of Allowance for Credit Losses on Loans and Receivables

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

Allowance for credit losses on loans and receivables as of December 31, 2024 amounted to ₱42.2 billion for the Group and the Parent Company. Provision for credit losses in 2024 amounted to ₱3.8 billion and ₱3.7 billion for the Group and the Parent Company, respectively.

The disclosures related to the allowance for credit losses on loans and receivables are included in Note 16 of the financial statements.

Audit response

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

We (a) assessed the Group's and the Parent Company's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts, credit risk management policies and practices in place; (c) tested the Group's and the Parent Company's application of internal credit risk rating system by reviewing the ratings of sample credit exposures; (d) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in the Group's and the Parent Company's records



and considering management's assumptions regarding future collections, advances, extensions, renewals and modifications; (e) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations, and the effects of any financial support and credit enhancements provided by any party; (f) tested exposure at default considering outstanding commitments and repayment scheme; (g) evaluated the forward-looking information used for overlay through corroboration of publicly available information and our understanding of the Group's and the Parent Company's lending portfolios and broader industry knowledge; and (h) tested the effective interest rate used in discounting the expected loss.

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

We recalculated impairment provisions on a sample basis. We involved our internal specialist in the performance of the above procedures.

We reviewed the completeness of the disclosures made in the financial statements.

Impairment Testing of Goodwill

As of December 31, 2024, the goodwill of the Group and the Parent Company amounted to ₱10.2 billion and ₱10.3 billion, respectively, as a result of the acquisition of Allied Banking Corporation in 2013. Under PFRS Accounting Standards, the Group and the Parent Company are required to test the amount of goodwill for impairment annually. Goodwill has been allocated to three cash generating units (CGUs) namely Retail Banking, Corporate Banking, and Treasury. The Group and the Parent Company performed the impairment testing using the value in use calculation. The annual impairment test is significant to our audit because it involves significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty, specifically estimates of loan and deposit growth rates, interest margin, discount rates, and long-term growth rate.

The disclosures related to goodwill impairment are included in Note 14 to the financial statements.

Audit response

We involved our internal specialist in evaluating the methodology and the assumptions used by the Group and the Parent Company. We compared the key assumptions used, such as loan and deposit growth rates, interest margin and long-term growth rate to the historical performance of the CGUs and to economic and industry forecasts. We tested the parameters used in the derivation of the discount rate against market data. We also reviewed the disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Other Information

The other information consists of the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2024, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2024 are expected to be made available to us after the date of this auditor's report.



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

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

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

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

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

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

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

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

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

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



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Parent Company to express an opinion on the consolidated and parent company financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

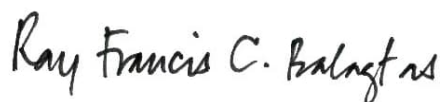


Report on the Supplementary Information Required Under Revenue Regulations 15-2010 and Section 174 of the Manual of Regulations for Banks (MORB)

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 39 and with Section 174 of the MORB in Note 40 to the financial statements are presented for purposes of filing with the Bureau of Internal Revenue and Bangko Sentral ng Pilipinas, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of Philippine National Bank. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is
Ray Francis C. Balagtas.

SYCIP GORRES VELAYO & CO.



Ray Francis C. Balagtas

Partner

CPA Certificate No. 108795

Tax Identification No. 216-950-288

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

BIR Accreditation No. 08-001998-107-2023, September 12, 2023, valid until September 11, 2026

PTR No. 10465263, January 2, 2025, Makati City

February 25, 2025



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

(In Thousands)

	Consolidated		Parent Company	
	December 31		December 31	
	2024	2023	2024	2023
ASSETS				
Cash and Other Cash Items	₱20,638,033	₱21,151,391	₱20,522,258	₱21,052,526
Due from Bangko Sentral ng Pilipinas (Notes 7 and 17)	55,128,316	95,410,350	55,128,316	95,410,350
Due from Other Banks (Note 33)	20,183,894	21,243,856	11,478,178	13,626,624
Interbank Loans Receivable (Notes 8 and 33)	22,787,194	35,634,440	21,282,167	33,437,319
Securities Held Under Agreements to Resell (Notes 8 and 35)	103,480,119	69,694,538	103,480,119	69,694,538
Trading and Investment Securities				
Financial Assets at Fair Value Through Profit or Loss (FVTPL) (Note 9)	17,920,985	10,516,864	17,770,142	10,363,259
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Note 9)	211,742,783	164,531,492	211,270,334	164,136,971
Investment Securities at Amortized Cost (Note 9)	112,422,382	123,200,427	112,040,395	122,730,465
Loans and Receivables (Notes 10 and 33)	636,819,625	616,710,746	622,392,170	602,158,763
Property and Equipment (Note 11)	10,195,539	10,754,018	9,372,895	9,862,219
Investments in Subsidiaries and an Associate (Note 12)	3,446,613	3,199,124	21,630,204	20,567,070
Investment Properties (Note 13)	15,964,267	14,579,558	15,544,917	14,111,607
Deferred Tax Assets (Note 30)	7,460,676	6,981,726	7,478,726	6,929,669
Intangible Assets (Note 14)	1,084,955	1,301,726	1,007,460	1,214,890
Goodwill (Note 14)	10,184,843	10,184,843	10,325,201	10,325,201
Other Assets (Note 15)	8,150,629	5,454,301	7,533,619	4,752,685
TOTAL ASSETS	₱1,257,610,853	₱1,210,549,400	₱1,248,257,101	₱1,200,374,156
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 17 and 33)				
Demand	₱244,369,119	₱228,405,865	₱244,265,215	₱228,144,045
Savings	575,335,527	541,009,449	574,238,560	540,063,571
Time	147,368,732	145,752,061	144,142,631	141,770,924
Long Term Negotiable Certificates	4,598,770	12,803,543	4,598,770	12,803,543
	971,672,148	927,970,918	967,245,176	922,782,083
Financial Liabilities at FVTPL (Notes 18, 23 and 35)	924,053	555,811	921,693	555,811
Bills and Acceptances Payable (Notes 19, 33 and 35)	20,208,451	20,162,603	20,208,451	20,162,603
Lease Liabilities (Notes 29 and 33)	3,808,997	3,832,884	3,722,719	3,723,316
Accrued Taxes, Interest and Other Expenses (Note 20)	8,798,553	10,465,373	8,582,094	10,049,650
Bonds Payable (Note 21)	17,304,421	41,490,871	17,304,421	41,490,871
Income Tax Payable	159,233	180,364	76,516	103,470
Other Liabilities (Note 22)	18,106,056	14,741,922	17,071,589	13,553,863
	1,040,981,912	1,019,400,746	1,035,132,659	1,012,421,667
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Capital Stock (Note 25)	61,030,594	61,030,594	61,030,594	61,030,594
Capital Paid in Excess of Par Value (Note 25)	32,116,560	32,116,560	32,106,560	32,106,560
Surplus Reserves (Notes 10, 25 and 32)	4,967,037	4,677,930	4,967,037	4,677,930
Surplus (Note 25)	113,663,851	91,979,317	113,823,592	92,174,169
Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Notes 9 and 33)	142,134	(1,722,653)	142,134	(1,722,653)
Remeasurement Losses on Retirement Plan (Note 28)	(2,655,218)	(2,728,542)	(2,655,218)	(2,728,542)
Accumulated Translation Adjustment (Note 25)	2,357,844	1,999,668	2,357,844	1,999,668
Other Equity Reserves (Notes 12 and 25)	1,189,003	248,830	1,330,690	390,517
Share in Aggregate Reserves on Life Insurance Policies (Note 12)	21,209	24,246	21,209	24,246
Other Equity Adjustment	13,959	13,959	—	—
	212,846,973	187,639,909	213,124,442	187,952,489
NON-CONTROLLING INTERESTS (Note 12)	3,781,968	3,508,745	—	—
	216,628,941	191,148,654	213,124,442	187,952,489
TOTAL LIABILITIES AND EQUITY	₱1,257,610,853	₱1,210,549,400	₱1,248,257,101	₱1,200,374,156

See accompanying Notes to Financial Statements.



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF INCOME

(In Thousands, Except Earnings per Share)

	Consolidated			Parent Company		
	Years Ended December 31					
	2024	2023	2022	2024	2023	2022
INTEREST INCOME ON						
Loans and receivables (Notes 10 and 33)	₱43,803,454	₱40,757,927	₱34,424,531	₱43,035,508	₱40,119,733	₱33,794,036
Investment securities at amortized cost and FVOCI (Note 9)	16,777,707	12,608,170	8,154,922	16,733,356	12,560,530	8,143,092
Interbank loans receivable and securities held under agreements to resell (Note 8)	4,644,161	3,368,565	954,603	4,564,414	3,360,981	896,683
Deposits with banks and others (Notes 7, 12 and 33)	1,637,256	2,607,973	1,417,661	1,335,615	2,252,437	1,330,052
Financial assets at FVTPL (Note 9)	596,012	251,894	292,685	587,577	243,483	284,251
	67,458,590	59,594,529	45,244,402	66,256,470	58,537,164	44,448,114
INTEREST EXPENSE ON						
Deposit liabilities (Notes 17 and 33)	16,429,535	13,005,646	5,371,667	16,400,951	12,971,817	5,383,153
Bonds payable (Note 21)	1,237,647	1,660,193	2,111,192	1,237,647	1,660,193	2,111,192
Bills payable and other borrowings (Notes 19, 29 and 33)	450,938	335,847	433,973	447,107	319,588	363,544
	18,118,120	15,001,686	7,916,832	18,085,705	14,951,598	7,857,889
NET INTEREST INCOME	49,340,470	44,592,843	37,327,570	48,170,765	43,585,566	36,590,225
Service fees and commission income (Notes 26 and 33)	6,961,870	6,591,256	6,997,609	6,238,388	5,754,883	5,563,369
Service fees and commission expense	1,447,236	1,266,613	1,429,195	1,336,278	1,150,389	935,945
NET SERVICE FEES AND COMMISSION INCOME	5,514,634	5,324,643	5,568,414	4,902,110	4,604,494	4,627,424
OTHER OPERATING INCOME						
Net gains on sale or exchange of assets (Note 26)	1,995,042	4,541,567	7,775,154	1,991,310	4,621,894	7,770,001
Foreign exchange gains - net (Note 23)	1,169,286	1,367,409	1,608,281	961,949	1,149,699	1,149,444
Trading and investment securities gains (losses) - net (Notes 9 and 33)	647,580	394,103	(1,280,783)	646,118	394,755	(1,277,759)
Equity in net earnings (losses) of subsidiaries and an associate (Note 12)	419,505	268,093	(56,060)	831,256	560,393	747,341
Miscellaneous (Note 27)	688,971	871,394	1,136,692	500,029	624,907	721,433
TOTAL OTHER OPERATING INCOME	4,920,384	7,442,566	9,183,284	4,930,662	7,351,648	9,110,460
TOTAL OPERATING INCOME	59,775,488	57,360,052	52,079,268	58,003,537	55,541,708	50,328,109
PROVISION FOR IMPAIRMENT, CREDIT AND OTHER LOSSES (Note 16)						
	3,868,111	5,923,054	7,198,117	3,782,256	5,700,264	7,305,653
IMPAIRMENT IN VALUE OF GOODWILL (Note 14)	–	1,036,567	–	–	1,036,567	–
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 25, 28 and 33)	10,668,601	10,464,071	9,762,776	9,902,026	9,709,419	9,012,641
Taxes and licenses (Note 30)	5,230,401	4,852,190	5,225,595	5,186,919	4,778,102	5,120,690
Depreciation and amortization (Note 11)	3,659,014	3,976,069	4,225,746	3,548,348	3,720,234	3,909,420
Occupancy and equipment-related costs (Note 29)	1,117,892	916,735	1,099,876	973,739	797,259	952,932
Miscellaneous (Note 27)	8,953,772	8,218,171	8,051,942	8,677,415	7,948,947	7,810,430
TOTAL OPERATING EXPENSES	29,629,680	28,427,236	28,365,935	28,288,447	26,953,961	26,806,113
INCOME BEFORE INCOME TAX	26,277,697	21,973,195	16,515,216	25,932,834	21,850,916	16,216,343
PROVISION FOR INCOME TAX (Note 30)	5,099,732	4,007,375	4,931,228	4,896,173	3,847,968	4,684,025
NET INCOME	₱21,177,965	₱17,965,820	₱11,583,988	₱21,036,661	₱18,002,948	₱11,532,318
ATTRIBUTABLE TO:						
Equity Holders of the Parent Company (Note 31)	₱21,052,896	₱17,979,257	₱11,532,318			
Non-controlling Interests	125,069	(13,437)	51,670			
	₱21,177,965	₱17,965,820	₱11,583,988			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)						
	₱13.80	₱11.78	₱7.56	₱13.79	₱11.80	₱7.56

See accompanying Notes to Financial Statements.



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2024	2023	2022	2024	2023	2022
NET INCOME	₱21,177,965	₱17,965,820	₱11,583,988	₱21,036,661	₱18,002,948	₱11,532,318
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that recycle to profit or loss in subsequent periods:						
Net change in unrealized gains (losses) on debt securities at FVOCI, net of tax (Note 9)	1,479,784	2,505,660	(4,764,711)	1,479,801	2,485,994	(4,754,670)
Share in changes in net unrealized gains (losses) on financial assets at FVOCI of subsidiaries and an associate (Notes 9 and 12)	(49,895)	362,392	(885,481)	(35,694)	382,058	(902,788)
	1,429,889	2,868,052	(5,650,192)	1,444,107	2,868,052	(5,657,458)
Accumulated translation adjustment	514,591	(341,822)	1,102,022	(44,871)	(109,124)	421,609
Share in changes in accumulated translation adjustment of subsidiaries and an associate (Note 12)	—	—	—	403,047	(205,655)	389,442
	1,944,480	2,526,230	(4,548,170)	1,802,283	2,553,273	(4,846,407)
Items that do not recycle to profit or loss in subsequent periods:						
Net change in unrealized gains on equity securities at FVOCI (Note 9)	1,336,767	1,368,570	394,654	1,322,549	1,368,570	401,920
Remeasurement gains (losses) on retirement plan (Note 28)	84,068	(493,906)	495,353	83,262	(512,517)	489,953
Share in changes in aggregate reserves (losses) on life insurance policies (Note 12)	(3,037)	(111,850)	762,490	(3,037)	(111,850)	762,490
Share in changes in remeasurement gains (losses) of subsidiaries and an associate (Note 12)	3,417	(8,275)	7,708	(9,938)	6,920	12,169
	1,421,215	754,539	1,660,205	1,392,836	751,123	1,666,532
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	3,365,695	3,280,769	(2,887,965)	3,195,119	3,304,396	(3,179,875)
TOTAL COMPREHENSIVE INCOME	₱24,543,660	₱21,246,589	₱8,696,023	₱24,231,780	₱21,307,344	₱8,352,443
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	₱24,266,891	₱21,283,653	₱8,352,443			
Non-controlling interests	276,769	(37,064)	343,580			
	₱24,543,660	₱21,246,589	₱8,696,023			

See accompanying Notes to Financial Statements.



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

(In Thousands)

Consolidated

	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Notes 10, 25 and 32)	Surplus (Note 25)	Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Notes 9 and 33)	Remeasurement Losses on Retirement Plan (Note 28)	Accumulated Translation Adjustment (Note 25)	Other Equity Reserves (Notes 12 and 25)	Share in Aggregate Reserves (Losses) on Life Insurance Policies (Note 12)	Other Equity Adjustment	Total	Non- controlling Interests (Note 12)	Total Equity
Balance at January 1, 2024	₱61,030,594	₱32,116,560	₱4,677,930	₱91,979,317	(₱1,722,653)	(₱2,728,542)	₱1,999,668	₱248,830	₱24,246	₱13,959	₱187,639,909	₱3,508,745	₱191,148,654
Total comprehensive income (loss) for the year	—	—	—	21,052,896	2,766,656	92,200	358,176	—	(3,037)	—	24,266,891	276,769	24,543,660
Share swap transaction (Notes 9 and 25)	—	—	—	894,900	(894,900)	—	—	940,173	—	—	940,173	—	940,173
Transfer to surplus reserves (Notes 10, 25 and 32)	—	—	289,107	(289,107)	—	—	—	—	—	—	—	—	—
Transfer of remeasurement gains on retirement plan of a subsidiary	—	—	—	18,876	—	(18,876)	—	—	—	—	—	—	—
Sale of FVOCI equity securities	—	—	—	6,969	(6,969)	—	—	—	—	—	—	—	—
Declaration of dividends by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(3,546)	(3,546)
Balance at December 31, 2024	₱61,030,594	₱32,116,560	₱4,967,037	₱113,663,851	₱142,134	(₱2,655,218)	₱2,357,844	₱1,189,003	₱21,209	₱13,959	₱212,846,973	₱3,781,968	₱216,628,941
Balance at January 1, 2023	₱61,030,594	₱32,116,560	₱4,929,242	₱73,748,748	(₱5,959,275)	(₱2,222,945)	₱2,314,447	₱248,830	₱136,096	₱13,959	₱166,356,256	₱3,549,378	₱169,905,634
Total comprehensive income (loss) for the year	—	—	—	17,979,257	4,236,622	(505,597)	(314,779)	—	(111,850)	—	21,283,653	(37,064)	21,246,589
Transfer to surplus reserves (Notes 10, 25 and 32)	—	—	(251,312)	251,312	—	—	—	—	—	—	—	—	—
Declaration of dividends by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(3,569)	(3,569)
Balance at December 31, 2023	₱61,030,594	₱32,116,560	₱4,677,930	₱91,979,317	(₱1,722,653)	(₱2,728,542)	₱1,999,668	₱248,830	₱24,246	₱13,959	₱187,639,909	₱3,508,745	₱191,148,654
Balance at January 1, 2022	₱61,030,594	₱32,116,560	₱5,147,440	₱61,998,232	(₱703,737)	(₱2,725,067)	₱1,503,396	₱248,830	(₱626,394)	₱13,959	₱158,003,813	₱3,219,143	₱161,222,956
Total comprehensive income (loss) for the year	—	—	—	11,532,318	(5,255,538)	502,122	811,051	—	762,490	—	8,352,443	343,580	8,696,023
Transfer to surplus reserves (Notes 10, 25 and 32)	—	—	(218,198)	218,198	—	—	—	—	—	—	—	—	—
Declaration of dividends by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(13,345)	(13,345)
Balance at December 31, 2022	₱61,030,594	₱32,116,560	₱4,929,242	₱73,748,748	(₱5,959,275)	(₱2,222,945)	₱2,314,447	₱248,830	₱136,096	₱13,959	₱166,356,256	₱3,549,378	₱169,905,634



Parent Company

	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Notes 10, 25 and 32)	Surplus (Note 25)	Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Notes 9 and 33)	Remeasurement Losses on Retirement Plan (Note 28)	Accumulated Translation Adjustment (Note 25)	Other Equity Reserves (Notes 12 and 25)	Share in Aggregate Reserves (Losses) on Life Insurance Policies (Note 12)	Total Equity
Balance at January 1, 2024	₱61,030,594	₱32,106,560	₱4,677,930	₱92,174,169	(₱1,722,653)	(₱2,728,542)	₱1,999,668	₱390,517	₱24,246	₱187,952,489
Total comprehensive income (loss) for the year	—	—	—	21,036,661	2,766,656	73,324	358,176	—	(3,037)	24,231,780
Share swap transaction (Notes 9 and 25)	—	—	—	894,900	(894,900)	—	—	940,173	—	940,173
Transfer to surplus reserves (Notes 10, 25 and 32)	—	—	289,107	(289,107)	—	—	—	—	—	—
Sale of FVOCI equity securities	—	—	—	6,969	(6,969)	—	—	—	—	—
Balance at December 31, 2024	₱61,030,594	₱32,106,560	₱4,967,037	₱113,823,592	₱142,134	(₱2,655,218)	₱2,357,844	₱1,330,690	₱21,209	₱213,124,442
Balance at January 1, 2023	₱61,030,594	₱32,106,560	₱4,929,242	₱73,919,909	(₱5,959,275)	(₱2,222,945)	₱2,314,447	₱390,517	₱136,096	₱166,645,145
Total comprehensive income (loss) for the year	—	—	—	18,002,948	4,236,622	(505,597)	(314,779)	—	(111,850)	21,307,344
Transfer to surplus reserves (Notes 10, 25 and 32)	—	—	(251,312)	251,312	—	—	—	—	—	—
Balance at December 31, 2023	₱61,030,594	₱32,106,560	₱4,677,930	₱92,174,169	(₱1,722,653)	(₱2,728,542)	₱1,999,668	₱390,517	₱24,246	₱187,952,489
Balance at January 1, 2022	₱61,030,594	₱32,106,560	₱5,147,440	₱62,169,393	(₱703,737)	(₱2,725,067)	₱1,503,396	₱390,517	(₱626,394)	₱158,292,702
Total comprehensive income (loss) for the year	—	—	—	11,532,318	(5,255,538)	502,122	811,051	—	762,490	8,352,443
Transfer to surplus reserves (Notes 10, 25 and 32)	—	—	(218,198)	218,198	—	—	—	—	—	—
Balance at December 31, 2022	₱61,030,594	₱32,106,560	₱4,929,242	₱73,919,909	(₱5,959,275)	(₱2,222,945)	₱2,314,447	₱390,517	₱136,096	₱166,645,145

See accompanying Notes to Financial Statements.



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2024	2023	2022	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	₱26,277,697	₱21,973,195	₱16,515,216	₱25,932,834	₱21,850,916	₱16,216,343
Adjustments for:						
Provision for impairment, credit and other losses (Note 16)	3,868,111	5,923,054	7,198,117	3,782,256	5,700,264	7,305,653
Net gains on sale or exchange of assets (Note 26)	(1,995,042)	(4,541,567)	(7,775,154)	(1,991,310)	(4,621,894)	(7,770,001)
Depreciation and amortization (Note 11)	3,659,014	3,976,069	4,225,746	3,548,348	3,720,234	3,909,420
Amortization of discount on investment securities	(4,084,207)	(2,888,201)	(935,770)	(4,078,854)	(2,891,341)	(936,131)
Impairment in value of goodwill (Note 14)	—	1,036,567	—	—	1,036,567	—
Unrealized foreign exchange losses (gains) on bonds, bills and acceptances payable	1,520,650	(209,842)	6,502,018	1,520,650	(209,842)	6,491,373
Net losses (gains) on financial assets at FVTPL (Note 9)	(647,529)	(399,339)	211,235	(646,118)	(400,113)	208,211
Equity in net losses (earnings) of subsidiaries and an associate (Note 12)	(419,505)	(268,093)	56,060	(831,256)	(560,393)	(747,341)
Amortization of transaction costs on borrowings (Notes 17 and 21)	55,568	90,011	105,480	55,568	90,011	105,480
Net losses (gains) on financial assets at FVOCI and investment securities at amortized cost (Note 9)	(51)	5,236	1,069,548	—	5,358	1,069,548
Accretion to interest income of loss on loan modifications	—	—	(369,152)	—	—	(369,152)
Changes in operating assets and liabilities:						
Decrease (increase) in amounts of:						
Interbank loan receivable (Note 8)	1,753,121	1,828,975	(4,854,939)	1,767,496	2,407,631	(4,656,651)
Financial assets at FVTPL	(6,756,591)	(2,770,324)	3,609,221	(6,760,765)	(2,767,461)	3,606,381
Loans and receivables	(25,952,926)	(32,170,920)	4,448,687	(25,991,600)	(32,262,933)	4,995,515
Other assets	(3,692,159)	(2,608,270)	(243,158)	(4,350,333)	(2,505,688)	(1,340,408)
Increase (decrease) in amounts of:						
Financial liabilities at FVTPL	368,241	(483,965)	148,245	365,882	(483,965)	148,430
Deposit liabilities	51,906,002	56,719,665	(23,726,210)	52,667,865	56,128,172	(32,924,438)
Accrued taxes, interest and other expenses	(1,484,782)	1,435,027	1,518,737	(1,323,623)	1,623,234	1,139,793
Other liabilities	3,424,027	(1,584,110)	616,446	3,572,811	(1,053,706)	1,084,236
Net cash generated from (used in) operations	47,799,639	45,063,168	8,320,373	47,239,851	44,805,051	(2,463,739)
Income taxes paid	(4,143,625)	(3,919,287)	(2,050,109)	(3,989,317)	(3,826,112)	(1,802,246)
Net cash provided by (used in) operating activities	43,656,014	41,143,881	6,270,264	43,250,534	40,978,939	(4,265,985)
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from:						
Disposal/maturities of financial assets at FVOCI	766,333,935	562,251,372	643,902,197	765,428,317	561,071,652	643,888,779
Maturities/early redemptions of investment securities at amortized cost	33,710,884	64,078,361	141,160,199	33,622,909	61,007,188	141,171,532
Disposal of investment properties	1,902,551	5,113,184	6,844,641	1,896,842	4,874,843	6,842,374
Disposal of property and equipment	166,638	1,295,493	108,253	147,322	1,022,920	32,546
Cash dividends from a subsidiary (Note 12)	—	—	—	—	448,900	1,092,000
Return of investment (Note 12)	122,500	—	—	122,500	—	7,500,000
Acquisitions of:						
Financial assets at FVOCI	(804,940,569)	(562,081,002)	(638,254,305)	(804,003,310)	(561,446,524)	(637,154,487)
Investment securities at amortized cost	(23,674,291)	(76,625,183)	(162,392,791)	(23,674,291)	(73,223,330)	(162,392,791)
Software cost (Note 14)	(946,940)	(598,969)	(881,572)	(943,546)	(597,165)	(848,426)
Property and equipment (Note 11)	(445,446)	(419,859)	(547,083)	(435,986)	(407,645)	(535,981)
Additional investments in an associate (Note 12)	—	—	(392,000)	—	—	(392,000)
Net cash used in investing activities	(27,770,738)	(6,986,603)	(10,452,461)	(27,839,243)	(7,249,161)	(796,454)

(Forward)



	Consolidated			Parent Company		
	Years Ended December 31					
	2024	2023	2022	2024	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES						
Settlement of bills and acceptances payable	(P209,254,316)	(P136,027,137)	(P277,002,294)	(P209,254,316)	(P134,014,712)	(P274,908,050)
Proceeds from issuances of bills and acceptances payable	209,632,516	140,964,503	237,506,670	209,632,516	140,044,415	236,171,512
Payment of principal portion of lease liabilities (Note 29)	(1,127,583)	(1,314,516)	(1,113,225)	(1,052,523)	(1,232,928)	(1,068,038)
Settlement of LTNCD (Note 17)	(8,220,000)	—	—	(8,220,000)	—	—
Proceeds from issuance of bonds payable (Note 21)	17,303,959	—	—	17,303,959	—	—
Settlement of bonds payable (Note 21)	(43,383,750)	(16,560,000)	—	(43,383,750)	(16,560,000)	—
Net cash used in financing activities	(35,049,174)	(12,937,150)	(40,608,849)	(34,974,114)	(11,763,225)	(39,804,576)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS						
	(19,163,898)	21,220,128	(44,791,046)	(19,562,823)	21,966,553	(44,867,015)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	21,151,391	22,217,915	27,552,773	21,052,526	22,103,095	27,454,459
Due from Bangko Sentral ng Pilipinas	95,410,350	94,701,360	161,001,912	95,410,350	94,701,360	161,001,912
Due from other banks	21,243,856	26,010,183	27,222,083	13,626,624	17,599,374	19,324,000
Interbank loans receivable (Note 8)	30,955,766	9,782,452	30,453,378	29,934,920	8,824,713	29,042,376
Securities held under agreements to resell	69,694,538	64,523,863	15,796,673	69,694,538	64,523,863	15,796,673
	238,455,901	217,235,773	262,026,819	229,718,958	207,752,405	252,619,420
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	20,638,033	21,151,391	22,217,915	20,522,258	21,052,526	22,103,095
Due from Bangko Sentral ng Pilipinas	55,128,316	95,410,350	94,701,360	55,128,316	95,410,350	94,701,360
Due from other banks	20,183,894	21,243,856	26,010,183	11,478,178	13,626,624	17,599,374
Interbank loans receivable (Note 8)	19,861,641	30,955,766	9,782,452	19,547,264	29,934,920	8,824,713
Securities held under agreements to resell	103,480,119	69,694,538	64,523,863	103,480,119	69,694,538	64,523,863
	P219,292,003	P238,455,901	P217,235,773	P210,156,135	P229,718,958	P207,752,405
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest paid	P18,168,830	P13,298,198	P7,312,461	P18,120,709	P13,269,068	P7,256,130
Interest received	62,770,452	55,438,281	43,082,036	61,559,767	54,445,224	42,297,774
Dividends received	—	—	—	—	448,900	1,092,000

See accompanying Notes to Financial Statements.



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

(Amounts in Thousand Pesos except When Otherwise Indicated)

1. Corporate Information

Philippine National Bank (PNB or the Parent Company) is a universal bank established in the Philippines in 1916. On June 21, 1989, PNB's shares were listed with the Philippine Stock Exchange (PSE). As of December 31, 2024 and 2023, the shares of PNB are held by the following:

	2024	2023
LT Group, Inc. (LTG) (indirect ownership through its various holding companies)	59.83%	59.83%
PCD Nominee Corporation*	14.35%	14.44%
Other stockholders owning less than 10% each	25.82%	25.73%
	100.00%	100.00%

* Acts as a trustee-nominee for PNB shares lodged under the PCD system

PNB's immediate parent company, LTG, and ultimate parent company, Tangent Holdings Corporation, are also incorporated in the Philippines.

The Parent Company provides a full range of banking and other financial services, which include deposit-taking, lending, bills discounting, trade finance, foreign exchange dealings, treasury operations, wealth management, fund transfers, remittance and trust services. The Parent Company operates through its 631 domestic branches as of December 31, 2024 and 2023, as it continues to streamline its physical branch network through consolidation and expand customer reach via its digital channels. As of the same dates, the Parent Company has 71 overseas branches, representative offices, remittance centers and subsidiaries in 17 locations in Asia, North America and Europe.

The subsidiaries of the Parent Company are engaged in a number of diversified financial and related businesses such as remittance, banking, investment banking, leasing, stock brokerage and/or related services. The Parent Company and the subsidiaries are collectively referred hereinto as the Group.

The principal place of business of the Parent Company is at PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City, Metro Manila, Philippines.

2. Summary of Material Accounting Policies

2.1 Basis of Preparation of the Financial Statements

The Group prepared the accompanying financial statements on a historical cost basis, except for the following accounts which are measured at fair value:

- financial assets and liabilities at fair value through profit or loss (FVTPL); and
- financial assets at fair value through other comprehensive income (FVOCI).

The financial statements of the Parent Company which include its Head Office in Pasay City, Philippines, and all of its domestic and foreign branches, reflect the accounts maintained in its Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of RBU and FCDU is Philippine pesos (₱ or PHP) and United States Dollar (USD), respectively. The individual financial statements of these units are combined and any inter-unit accounts and transactions are eliminated. The presentation currency is the PHP.



The Group presents the amounts in the financial statements to the nearest thousand pesos (P000), unless otherwise stated.

2.2 Statement of Compliance

The Group prepared these financial statements in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. PFRS Accounting Standards include all applicable PFRS Accounting Standards, Philippine Accounting Standards (PAS) and interpretations as approved by the Financial Reporting Standards Council (FRSC) and adopted by the Philippine Securities and Exchange Commission (SEC).

2.3 Presentation of the Financial Statements

The Group presents the statements of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 24.

The Group generally presents financial assets and financial liabilities at their gross amounts in the statement of financial position, unless the offsetting criteria under PFRS Accounting Standards are met. The Group does not also set off items of income and expenses, unless offsetting is required or permitted by PFRS Accounting Standards, or is specifically disclosed in the Group's accounting policies.

The Group presents its consolidated financial statements and parent company financial statements side-by-side to comply with the requirements of the Bangko Sentral ng Pilipinas (BSP).

2.4 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. The financial statements of the subsidiaries are prepared on the same reporting period as the Parent Company using consistent accounting policies. In the consolidation, the Group eliminates in full all significant intra-group balances, transactions, and results of intra-group transactions.

The Group consolidates its subsidiaries from the date on which the Group obtains control over the subsidiary (see definition of 'control' in 2.12 *Investments in Subsidiaries, Associates and Joint Ventures*). For partially-owned subsidiaries, the Group attributes the subsidiary's income, expenses and components of other comprehensive income (OCI) to the equity holders of the Parent Company and to the non-controlling interests (NCI), even if this results in deficit balances of the NCI. NCI represents the portion of profit or loss and the net assets not held by the Group, which are presented separately in the consolidated financial statements. NCI consists of the amount attributed to such interest from the date of business combination and its share in any changes in equity of the subsidiary.

When the Group's ownership interest in a subsidiary changes but does not result in a loss of control, the Group adjusts the carrying amounts of the controlling interests and the NCI to their new relative interests in the subsidiary. The Group recognizes any difference between the amount by which the NCI is adjusted and the fair value of the consideration paid or received directly in equity as 'Other equity reserves', which is attributed to the owners of the Parent Company.



Consolidation of a subsidiary ceases when the Group loses control over the subsidiary. In such circumstances, the Group derecognizes the assets (including goodwill), liabilities, NCI, and other components of equity of the subsidiary, and recognizes the consideration received and any investment retained at their fair values. The Group records any resulting difference in the statement of income as ‘Gain on loss of control of subsidiaries - net’.

2.5 Foreign Currency Translation

For financial reporting purposes, the Group translates all accounts in the FCDU books and foreign currency-denominated accounts in the RBU books into their equivalents in Philippine pesos. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements are measured using that functional currency.

2.5.1 Transactions and Balances

As at reporting date, the Group translates the following foreign currency-denominated accounts in the RBU in Philippine peso using:

Financial statement accounts in RBU	Exchange rate
Monetary assets and liabilities	Bankers Association of the Philippines (BAP) closing rate at end of year
Income and expenses	Rate prevailing at transaction date
Non-monetary items measured at historical cost in a foreign currency	Rate at the date of initial transaction
Non-monetary items measured at fair value in a foreign currency	Rate at the date when fair value is determined

The Group recognizes in the statement of income any foreign exchange differences arising from revaluation of monetary assets and liabilities. For non-monetary items measured at fair values, the Group recognizes any foreign exchange differences arising from revaluation in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

2.5.2 FCDU and Overseas Branches and Subsidiaries

As at the reporting date, the Group translates the assets and liabilities of the FCDU and overseas branches and subsidiaries in Philippine peso at the BAP closing rate prevailing at the reporting date, and their income and expenses at the average exchange rate for the year. Foreign exchange differences arising on translation are taken directly to OCI under ‘Accumulated translation adjustment’. Upon disposal of a foreign entity or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in OCI relating to the particular foreign operation is recognized in the statement of income.

2.6 Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new pronouncements effective as at January 1, 2024. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements.



- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
The amendments clarify:
 - That only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current;
 - That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
 - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.
- Amendments to PAS 7, *Statement of Cash Flows*, and PFRS 7, *Financial Instruments: Disclosures – Supplier Finance Arrangements*
The amendments clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right-of-use retained.

2.7 Business Combinations

The Group accounts for business combinations using the acquisition method. Under this method, the Group measures the acquisition cost as the aggregate of the acquisition-date fair value of the consideration transferred and any amount of NCI in the acquiree. The Group then allocates that cost to the acquired identifiable assets and liabilities based on their respective fair values. Any excess acquisition cost over the fair value of the net assets acquired is allocated to goodwill (see related accounting policy under 2.13.3 *Intangible Assets*). If the fair value of the net assets acquired exceeds the acquisition cost, the gain is recognized in the statement of income. The Group recognizes any acquisition-related costs as administrative expenses as they are incurred. The Group also recognizes any contingent consideration to be transferred by the acquirer at its fair value at the acquisition date.

In business combinations involving entities under common control, the Group determines whether or not the business combination has commercial substance. When there is commercial substance, the Group accounts for the transaction using the acquisition method as discussed above. Otherwise, the Group accounts for the transaction similar to a pooling of interests (i.e., the assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values, and any resulting difference with the fair value of the consideration given is accounted for as an equity transaction).

2.8 Fair Value Measurement

Fair value is the price that the Group would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). The fair value measurement is based on the presumption that these transactions take place either:

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



The principal or the most advantageous market must be accessible to the Group. The Group measures the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. If an asset or a liability measured at fair value has both bid and ask prices, the Group uses the price within the bid-ask spread, which is the most representative of fair value in the circumstances.

For nonfinancial assets, the Group measures their fair value considering a market participant's ability to generate economic benefits by using an asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described in Note 5, based on the lowest level input that is significant to the fair value measurement as a whole.

2.9 'Day 1' Difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statement of income, except when transactions involve parties under common control. In cases where the transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount. 'Day 1' difference arising from transactions involving parties under common control are accounted for as equity transactions.

2.10 Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items (COCI), amounts due from BSP and other banks, interbank loans receivable and securities held under agreements to resell that are convertible to known amounts of cash, with original maturities of three months or less from dates of placements and that are subject to an insignificant risk of changes in fair value. Due from BSP includes statutory reserves required by the BSP, which the Group considers as cash equivalents wherein drawings can be made to meet cash requirements.

2.11 Financial Instruments

2.11.1 Initial Recognition of Financial Instruments

The Group recognizes purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace on settlement date (i.e., the date that an asset is delivered to or by the Group), while derivatives are recognized on trade date (i.e., the date that the Group commits to purchase or sell). The Group recognizes deposits, amounts due to banks and customers and loans when cash is received by the Group or advanced to the borrowers.



All financial instruments are initially recognized at fair value. Except for financial instruments at FVTPL, the initial measurement of financial instruments includes transaction costs.

2.11.2 Classification and Subsequent Measurement of Financial Instruments

The Group classifies and measures financial assets at FVTPL unless these are measured at FVOCI or at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing those financial assets.

The Group first assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test ('solely payments of principal and interest' or SPPI test). For the purpose of the SPPI test, principal is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium or discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. In contrast, contractual terms that introduce a more than insignificant exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI. In such cases, the financial asset is required to be measured at FVTPL. Only financial assets that pass the SPPI test are eligible to be measured at FVOCI or at amortized cost.

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

For financial liabilities, the Group classifies them as either financial liabilities at FVTPL or financial liabilities at amortized cost.

Financial assets at FVTPL

Financial assets at FVTPL include the following:

- Financial assets held for trading – those acquired for the purpose of selling or repurchasing in the near term;
- Derivative instruments – contracts entered into by the Group (such as currency forwards, currency swaps, interest rate swaps and warrants) as a service to customers and as a means of reducing or managing their respective financial risk exposures, as well as for trading purposes;
- Financial assets that are not SPPI, irrespective of the business model; or
- Debt financial assets designated upon initial recognition at FVTPL – those assets where the Group applied the fair value option at initial recognition if doing so eliminates or significantly reduces an accounting mismatch

The Group carries financial assets at FVTPL in the statement of financial position at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Group recognizes any gains or losses arising from changes in fair values of financial assets at FVTPL directly in the statement of income under 'Trading and investment securities gains (losses) - net', except for currency forwards and currency swaps, where fair value changes are included under 'Foreign exchange gains - net'.



Financial assets at FVOCI

Financial assets at FVOCI include debt and equity securities, which are subsequently measured at fair value. The Group recognizes the unrealized gains and losses arising from the fair valuation of financial assets at FVOCI, net of tax, in the statement of comprehensive income as 'Net change in unrealized gain (loss) on financial assets at FVOCI'.

Debt securities at FVOCI are those that meet both of the following conditions:

- the asset is held within a business model whose objective is to hold the financial asset in order to both collect contractual cash flows and sell the financial asset; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount.

The Group reports the effective yield component of debt securities at FVOCI, as well as the impact of restatement on foreign currency-denominated debt securities at FVOCI, in the statement of income. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in OCI is recognized as 'Trading and investment securities gain (loss) - net' in the statement of income. The Group recognizes the expected credit losses (ECL) arising from impairment of such financial assets in OCI with a corresponding charge to 'Provision for impairment, credit and other losses' in the statement of income (see related accounting policy under *2.11.5 Impairment of Financial Assets*).

Equity securities designated at FVOCI are those that the Group made an irrevocable election at initial recognition to present in OCI the subsequent changes in fair value. The Group recognizes the dividends earned on holding the equity securities at FVOCI in the statement of income when the right to payment has been established. Gains and losses on disposal of these equity securities at FVOCI are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the OCI is reclassified to 'Surplus' or any other appropriate equity account upon disposal. The Group does not subject equity securities at FVOCI to impairment assessment.

Financial assets at amortized cost

Financial assets at amortized cost are debt financial assets that meet both of the following conditions:

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

This accounting policy relates to the statement of financial position captions 'Due from Bangko Sentral ng Pilipinas', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', 'Investment securities at amortized cost', and 'Loans and receivables'.

The Group subsequently measures financial assets at amortized cost using the effective interest method of amortization, less allowance for credit losses. The Group includes the amortization in 'Interest income', and the ECL arising from impairment of such financial assets in 'Provision for impairment, credit and other losses' in the statement of income (see related accounting policy under *2.11.5 Impairment of Financial Assets*).



Financial liabilities at FVTPL

These are recorded in the statements of financial position at fair value with changes in fair value recognized in 'Trading and securities gain/(loss) - net', with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Group's own credit risk. Such changes in fair value are recorded in OCI and do not get recycled to the statement of income. Interest incurred is accrued in 'Interest expense' using the EIR, taking into account any discount/premium and qualifying transaction costs being an integral part of the instrument.

Financial liabilities at amortized cost

The Group classifies issued financial instruments or their components which are not designated at FVTPL, as financial liabilities at amortized cost under 'Deposit liabilities', 'Bills and acceptances payable', 'Bonds payable' or other appropriate financial liability accounts. The substance of the contractual arrangement for these instruments results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

The Group capitalizes the costs incurred in connection with the issuance of debt securities (other than those designated at FVTPL) and amortizes over the terms of the instruments using the effective interest method. The Group includes any unamortized debt issuance costs in the carrying value of the related debt instruments in the statement of financial position.

The Group subsequently measures financial liabilities at amortized cost using the effective interest method of amortization.

Repurchase and reverse repurchase agreements

The Group does not derecognize from the statement of financial position securities sold under agreements to repurchase at a specified future date ('repos'). Instead, the Group recognizes the corresponding cash received, including accrued interest, as a loan to the Group, reflecting the economic substance of such transaction.

Conversely, the Group does not recognize securities purchased under agreements to resell at a specified future date ('reverse repos'). The Group is not permitted to sell or repledge the securities in the absence of default by the owner of the collateral. The Group recognizes the corresponding cash paid, including accrued interest, as a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest method.

2.11.3 Reclassification of Financial Instruments

Subsequent to initial recognition, the Group may reclassify its financial assets only when there is a change in the business models for managing these financial assets. Reclassification of financial liabilities is not allowed.



2.11.4 Derecognition of Financial Instruments

Financial Assets

The Group derecognizes a financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred control over the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the Group recognizes the asset only to the extent of its continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing recovery. If a write-off is later recovered, any amounts formerly charged are credited to 'Recoveries' under 'Miscellaneous Income' in the statements of income.

Financial liabilities

The Group derecognizes a financial liability when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the Group treats such an exchange or modification as a derecognition of the original liability and recognition of a new liability, and Group recognizes the difference in the respective carrying amounts in the statement of income.

2.11.5 Impairment of Financial Assets

ECL methodology

The Group's loss impairment method on financial instruments applies a forward-looking ECL approach, which covers all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. The ECL allowance is based on the credit losses expected to arise on a 12-month duration if there has been no significant increase in credit risk (SICR) of the financial instrument since origination (12-month ECL). Otherwise, if an SICR is observed, then the Group extends its ECL estimation until the end of the life of the financial instrument (Lifetime ECL). Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.



Staging assessment

The Group categorizes financial instruments subject to the ECL methodology into three stages:

- Stage 1 – comprised of all non-impaired financial instruments which have not experienced an SICR since initial recognition. The Group recognizes 12-month ECL for Stage 1 financial instruments.
- Stage 2 – comprised of all non-impaired financial instruments which have experienced an SICR since initial recognition. The Group recognizes Lifetime ECL for Stage 2 financial instruments.
- Stage 3 – comprised of financial instruments which have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on their estimated future cash flows. The Group recognizes Lifetime ECL for Stage 3 (credit-impaired) financial instruments.

Definition of “default” and “cure”

The Group considers default to have occurred when:

- the obligor is past due for more than 90 days on any material credit obligation to the Group; or
- the obligor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing collateral, as applicable.

The Group no longer considers an instrument to be in default when it no longer meets any of the default criteria and has exhibited satisfactory and acceptable track record for six consecutive payment periods, subject to applicable rules and regulations of the BSP.

Determining SICR

At each reporting date, the Group assesses whether the credit risk on a loan or credit exposure has increased significantly since initial recognition. The Group’s assessment of SICR involves looking at both the qualitative and quantitative elements, as well as if the loan or credit exposure is unpaid for at least 30 days (“backstop”).

The Group assesses SICR on loans or credit exposures having potential credit weaknesses based on current and/or forward-looking information that warrant management’s close attention. Such weaknesses, if left uncorrected, may affect the repayment of these exposures. The loan or credit exposure also exhibits SICR if there are adverse or foreseen adverse economic or market conditions that may affect the counterparty’s ability to meet the scheduled repayments in the future.

The Group looks at the quantitative element through statistical models or credit ratings process or scoring process that captures certain information, which the Group considers as relevant in assessing changes in credit risk. The Group also looks at the number of notches downgrade of credit risk rating (CRR) or certain thresholds for the probabilities of default being generated from statistical models to determine whether SICR has occurred subsequent to initial recognition date.

Transfer between stages

The Group transfers credit exposures from Stage 1 to Stage 2 if there is an SICR from initial recognition date. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer an SICR since initial recognition, then the Group reverts them to Stage 1.

The Group transfers credit exposures from Stage 3 (non-performing) to Stage 1 (performing) when there is sufficient evidence to support their full collection. Such exposures should exhibit both of the following indicators:

- quantitative – characterized by payments made within an observation period; and
- qualitative – pertain to the results of assessment of the borrower’s financial capacity.



Generally, the Group considers that full collection is probable when payments of interest and/or principal are received for at least six months.

Modified or restructured loans and other credit exposures

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

If modifications are considered by the Group as substantial based on qualitative factors, the loan is derecognized as discussed under 2.11.4 *Derecognition of Financial Instruments*.

If a loan or credit exposure has been renegotiated or modified without resulting in derecognition, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded, based on the change in cash flows discounted at the loan's original effective interest rate (EIR). The Group also assesses whether there has been a SICR by comparing the risk of default at reporting date based on modified terms, and the risk of default at initial recognition date based on original terms. Derecognition decisions and classification between Stages 2 and 3 are determined on a case-by-case basis.

Purchased or originated credit-impaired loans

The Group considers a loan as credit-impaired on purchase or origination if there is evidence of impairment at the time of initial recognition (i.e., acquired/purchased at a deep discounted price). The Group recognizes the cumulative changes in Lifetime ECL since initial recognition as a loss allowance for purchased or originated credit-impaired loan.

Measurement of ECL

ECLs are generally measured based on the risk of default over one of two different time horizons, depending on whether there has been SICR since initial recognition. ECL calculations are based on the following components:

- Probability of default (PD) – an estimate of the likelihood that a borrower will default on its obligations over the next 12 months for Stage 1 or over the remaining life of the credit exposure for Stages 2 and 3.
- Loss-given-default (LGD) – an estimate of the loss arising in case where default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from any collateral.
- Exposure-at-default (EAD) – an estimate of the exposure at a future/default date taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, expected drawdown on committed facilities and accrued interest from missed payments.
- Discount rate – represents the rate to be used to discount an expected loss to present value at the reporting date using the original EIR determined at initial recognition.

In measuring ECL, the Group considers forward-looking information depending on the credit exposure. The Group applies experienced credit judgment, which is essential in assessing the soundness of forward-looking information and in ensuring that these are adequately supported. Forward-looking macroeconomic information and scenarios consider:

- factors that may affect the general economic or market conditions in which the Group operates, such as gross domestic product growth rates, foreign exchange rates, inflation rate, among others;
- changes in government policies, rules and regulations, such as adjustments to policy rates;



- other factors pertinent to the Group, including the proper identification and mitigation of risks such as incidences of loan defaults or losses.

The Group also measures ECL by evaluating a range of possible outcomes and using reasonable and supportable pieces of information that are available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2.11.6 Financial Guarantees and Undrawn Loan Commitments

The Group gives loan commitments and financial guarantees consisting of letters of credit, letters of guarantees, and acceptances.

Financial guarantees are contracts that require the Group as issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. The Group initially recognizes financial guarantees on trade receivables at fair value under 'Bills and acceptances payable' or 'Other liabilities' in the statement of financial position. Subsequent to initial recognition, the Group measures these financial guarantees at the higher of:

- the initial fair value less any cumulative amount of income or amortization recognized in the statement of income; and
- the ECL determined under PFRS 9.

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer.

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

The Group estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and loan commitments without outstanding drawn amounts is recognized in 'Allowance for credit losses' under 'Loans and receivables'.

2.12 Investments in Subsidiaries, Associates and Joint Ventures

The Group's subsidiaries pertain to investees where the Group demonstrates control. The Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., those existing rights that give the Group the current ability to direct the relevant activities of the investee);
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, such as contractual arrangements with other voting shareholders of the investee, rights arising from other contractual arrangements, or any potential voting rights of the Group.

The Group's associate pertains to the investee over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's joint venture pertains to joint arrangements



whereby the Group and other parties have joint control of the arrangement and have rights to the net assets of the arrangement.

The Group accounts for its investments in subsidiaries, associates and joint venture under the equity method of accounting. Under this method, the Group carries the investment in the statement of financial position at cost plus post-acquisition changes in the share in the net assets of the investee less accumulated impairment losses, if any (see related accounting policy under 2.13.5 *Impairment of Nonfinancial Assets*). The Group reflects its share in the results of operations of the investee and any impairment losses in the statement of income. When there has been a change recognized in the investee's OCI, the Group recognizes its share in any changes and discloses this in the statement of comprehensive income. The Group eliminates any profits or losses arising from transactions between the Group and the investee to the extent of the interest of the Group in the investee. Once the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee.

When a change in ownership interest in a subsidiary occurs which results in a loss of control over the subsidiary, the Parent Company:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the related OCI recorded in equity and recycles the same to statement of income or 'Surplus';
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in the statement of income; and
- Reclassifies the Parent Company's share of components' gains (losses) previously recognized in OCI to profit or loss or surplus, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Upon loss of control over a subsidiary or significant influence over an associate, the Group measures and recognizes any retained investment at its fair value. Any resulting difference between the aggregate of the investee's carrying amount upon disposal and the fair value of the retained investment, and proceeds from disposal is recognized in the statement of income.

For transactions where ownership interest in a subsidiary, associate or joint venture that did not result in a loss of control or significant influence, as applicable, the Parent Company recognizes the gain or loss in the profit and loss representing the difference between the proceeds from sale and the carrying value of the investment.

2.13 Other Nonfinancial Assets

2.13.1 Property and Equipment

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use (see related accounting policy under 2.16.5 *Expenditures on Nonfinancial Assets*).

The Group carries its land at cost less any impairment in value, and its depreciable properties such as buildings, right-of-use assets, furniture, fixtures and equipment, long-term leasehold land, and leasehold improvements at cost less accumulated depreciation and amortization and any impairment in value (see related accounting policy under 2.13.5 *Impairment of Nonfinancial Assets*).



For right-of-use assets included under 'Property and equipment', see related accounting policy under *2.18.1 Group as a Lessee Under Lease Contracts*.

2.13.2 Investment Properties and Chattel Mortgage Properties

The Group initially measures investment properties and chattel mortgage properties initially at cost, including transaction costs (see related accounting policy under *2.16.5 Expenditures on Nonfinancial Assets*). When the investment property or chattel mortgage property is acquired through an exchange transaction, the Group measures the asset at its fair value, unless the fair value of such an asset cannot be reliably measured in which case the asset acquired is measured at the carrying amount of asset given up. The Group recognizes any gain or loss on exchange in the statement of income under 'Net gains (losses) on sale or exchange of assets'.

Foreclosed properties are classified under 'Investment properties' upon:

- entry of judgment in case of judicial foreclosure;
- execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
- notarization of the Deed of Dacion in case of payment in kind (dacion en pago).

Subsequent to initial recognition, the Group carries the investment properties and chattel mortgage properties at cost less accumulated depreciation (for depreciable properties) and any impairment in value (see related accounting policy under *2.13.5 Impairment of Nonfinancial Assets*).

The Group transfers assets to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Conversely, the Group transfers out of investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

2.13.3 Intangible Assets

The Group initially measures separately acquired intangible assets at cost, and the intangible assets acquired in a business combination at their fair values at the date of acquisition. The Group does not capitalize internally generated intangibles, excluding capitalized development costs, and reflects in profit or loss the related expenditures in the period in which the expenditure is incurred.

Intangibles with finite lives

The Group capitalizes software costs, included in 'Intangible assets', on the basis of the cost incurred to acquire and bring to use the specific software (see related accounting policy under *2.16.5 Expenditures on Nonfinancial Assets*).

Customer relationship intangibles (CRI) and core deposits intangibles (CDI) are the intangible assets acquired by the Group through business combination. The Group initially measures these intangible assets at their fair values at the date of acquisition. The fair value of these intangible assets reflects expectations about the probability that the expected future economic benefits embodied in the asset will flow to the Group.

Following initial recognition, intangibles with finite lives are measured at cost less accumulated amortization and any accumulated impairment losses (see related accounting policy under *2.13.5 Impairment of Nonfinancial Assets*).



Goodwill

The Group initially measures goodwill acquired in a business combination at cost. With respect to investments in an associate, the Group includes goodwill in the carrying amount of the investments. Goodwill is not amortized, but is tested for impairment annually or more frequently if events or changes in circumstances that the carrying value may be impaired (see related accounting policy under *2.13.5 Impairment of Nonfinancial Assets*).

2.13.4 Derecognition of Nonfinancial Assets

The Group derecognizes a nonfinancial asset when it has either been disposed of or when the asset is permanently withdrawn from use and no future benefit is expected from its disposal. The Group recognizes any gains or losses on the disposal of a nonfinancial asset in the statement of income under 'Net gains (losses) on sale or exchange of assets' in the period the asset is derecognized.

2.13.5 Impairment of Nonfinancial Assets

Property and equipment, investment properties, intangible assets with finite lives, chattel mortgage properties, and investments in subsidiaries and an associate

At each reporting date, the Group assesses whether there is any indication that its property and equipment, investment properties, intangible assets with finite lives, chattel mortgage properties, and investments in subsidiaries and an associate may be impaired. When an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use (VIU) and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit (CGU) to which it belongs.

When the carrying amount of an asset exceeds its recoverable amount, the Group considers the asset as impaired and writes the asset down to its recoverable amount. In assessing VIU, the Group discounts the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Group charges the impairment loss against current operations. At each reporting date, the Group assesses whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the recoverable amount and reverses a previously recognized impairment loss only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal recognized in the statement of income cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. After such reversal, the Group adjusts the depreciation and amortization in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill

The Group performs its annual impairment test of goodwill every fourth quarter, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

The Group determines impairment for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated (or to the aggregate carrying amount of a group of CGUs to which the goodwill relates but cannot be allocated), the Group recognizes an impairment loss immediately in the statement of



income under 'Impairment in value of goodwill'. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

2.14 Equity

2.14.1 Capital Stock

The Group measures capital stock at par value for all shares issued and outstanding. When the shares are sold at a premium, the Group credits the difference between the proceeds and the par value to 'Capital paid in excess of par value'. 'Surplus' represents accumulated earnings (losses) of the Group less dividends declared.

2.14.2 Reserves Recorded in Equity

The reserves recorded in equity in the statement of financial position include:

- Remeasurement losses on retirement plan – pertains to the remeasurement comprising actuarial gains or losses on the present value of the defined benefit obligation, net of return on plan assets (see related accounting policy under *2.17.1 Retirement Under Defined Benefit Plan*).
- Accumulated translation adjustment – used to record exchange differences arising from the translation of the FCDU accounts and foreign operations (i.e., overseas branches and subsidiaries) to Philippine peso (see related accounting policy under *2.5.2 FCDU and Overseas Branches and Subsidiaries*).
- Net unrealized gains (losses) on financial assets at FVOCI – comprises changes in fair value of financial assets at FVOCI (see related accounting policy under *2.11.2 Classification and Subsequent Measurement of Financial Instruments*).

2.14.3 Dividends

The Group recognizes dividends on common shares as a liability and deduction against 'Surplus' when approved by the Board of Directors (BOD) of the Parent Company. The Group measures the liability to distribute dividends at the carrying amount of the dividends, except for distributions of non-cash assets where the Group measures the liability at the fair value of the assets to be distributed. At the end of each reporting period and at the date of settlement, the Group reviews and adjusts the carrying amount of the non-cash assets declared as dividends, with any changes in the carrying amount of the non-cash dividends recognized in equity as adjustments to the amount of distribution.

For dividends that are approved after the reporting date, the Group discloses them in the financial statements as an event after the reporting date.

2.14.4 Share Issuance Costs

For underwriting, share registration, and other share issuance costs and taxes incurred in connection with the issuance of equity securities, the Group accounts for these costs as reduction of equity against 'Capital paid in excess of par value'. If the 'Capital paid in excess of par value' is not sufficient, the share issuance costs are charged against the 'Surplus'. For transaction costs that relate jointly to the offering and listing of the shares, the Group allocates the costs to those transactions (i.e., reduction against equity for those allocated to offering of shares, and expensed for those allocated to listing of shares) using a basis of allocation that is rational and consistent with similar transactions.



2.15 Revenue Recognition

Revenue is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements except for brokerage transactions.

2.15.1 Interest Income

Interest on interest-bearing financial assets at FVTPL and held-for-trading investments is recognized based on contractual rate. Interest on financial instruments measured at amortized cost and FVOCI are recognized based on effective interest method of accounting to calculate the amortized cost of a financial asset or a financial liability and allocate the interest income or interest expense.

The Group records interest income using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. In calculating EIR, the Group considers all contractual terms of the financial instrument (for example, prepayment options), and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The Group adjusts the carrying amount of the financial instrument through 'Interest income' in the statement of income based on the original EIR.

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3, the Group calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

The Group defers the commitment fees for loans that are likely to be drawn down (together with any incremental costs) and includes them as part of the EIR of the loan. These are amortized using EIR and recognized as 'Interest income' over the expected life of the loan.

The Group recognizes income on direct financing leases and receivables financed using the effective interest method and any unearned discounts are shown as deduction against 'Loans and receivables'. Unearned discounts are amortized over the term of the note or lease using the effective interest method and consist of:

- transaction and finance fees on finance leases and loans and receivables financed with long-term maturities; and
- excess of the aggregate lease rentals plus the estimated residual value of the leased equipment over its cost.

2.15.2 Service Fees and Commission Income

The Group earns fee and commission income from diverse range of services it provides to its customers:

Fees from services that are provided over a certain period of time

The Group accrues fees earned for the provision of services over a period of time. These fees include investment fund fees, custodian fees, fiduciary fees, credit-related fees, trust fees, portfolio and other management fees, and advisory fees.



Bancassurance fees

The Group recognizes non-refundable access fees on a straight-line basis over the term of the period of the provision of the access. Milestone fees or variable and fixed earn-out fees are recognized in reference to the stage of achievement of the milestones.

Fee income from providing transaction services

The Group recognizes the fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, only upon completion of the underlying transaction. For fees or components of fees that are linked to a certain performance, the Group recognizes revenue after fulfilling the corresponding criteria. These fees include underwriting fees, corporate finance fees, remittance fees, brokerage fees, commissions, deposit-related and other credit-related fees.

The Group recognizes loan syndication fees as revenue when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same EIR as the other participants.

2.15.3 Credit Card Fees

Interchange fees and revenue from rewards redeemed

The Group takes up as income the interchange fees under 'Service fees and commission income' upon receipt from member establishments of charges arising from credit availments by the Group's cardholders. These discounts are computed based on certain agreed rates and are deducted from amounts remitted to the member establishments.

The Group operates a loyalty points program which allows customers to accumulate points when they purchase from member establishments using the issued card of the Group. The points can then be redeemed for free products subject to a minimum number of points being redeemed.

The Group allocates a portion of the consideration received from discounts earned and interchange fees from credit cards to the reward points based on the estimated stand-alone selling prices. The Group defers the amount allocated to the loyalty program and recognizes revenue only when the loyalty points are redeemed or the likelihood of the credit cardholder redeeming the loyalty points becomes remote. The Group includes the deferred balance under 'Other liabilities' in the statement of financial position.

Commissions on credit cards

The Group recognizes commissions earned as revenue upon receipt from member establishments of charges arising from credit availments by credit cardholders. These commissions are computed based on certain agreed rates and are deducted from amounts remittable to member establishments.

Commissions on installment credit sales

The Group records the purchases by the credit cardholders, collectible on installment basis, at the cost of the items purchased plus certain percentage of cost. The Group recognizes the excess over cost as 'Unearned and other deferred income', which is shown as a deduction from 'Loans and receivables' in the statement of financial position. The Group amortizes and recognizes as 'Interest income' the unearned and other deferred income over the installment terms using the effective interest method.



2.15.4 Trading and Investment Securities Gains - Net

The Group recognizes in 'Trading and investment securities gains - net' the results arising from trading activities, all gains and losses from changes in fair value of financial assets and financial liabilities at FVTPL, and gains and losses from disposal of debt securities at FVOCI.

2.15.5 Gain on Sale or Exchange of Assets

The Group recognizes gain on sale or exchange of assets upon completion of the earning process upon transfer of control and when the collectability of the sales price is reasonably assured.

2.15.6 Other Income

Rental income

The Group accounts for rental income arising on leased properties on a straight-line basis over the lease terms, which is recorded in the statement of income under 'Miscellaneous income' (see related accounting policy under 2.18.2 *Group as a Lessor Under Lease Contracts*).

Dividend income

The Group recognizes dividend income when the Group's right to receive payment is established.

2.16 Expenditures

2.16.1 Borrowing Costs

The Group recognizes borrowing costs as 'Interest expense' in the year in which these costs are incurred. Borrowing costs consist of interest expense calculated using the effective interest method that the Group incurs in connection with deposit-taking activities and borrowing of funds.

2.16.2 Operating Expenses

This encompasses those expenses that arise in the course of the ordinary activities of the Group, as well as any losses incurred. These are recognized in the statement of income as they are incurred.

2.16.3 Taxes and Licenses

This includes all other taxes, local and national, including gross receipts taxes, documentary stamp taxes, real estate taxes, licenses and permit fees that are recognized when incurred.



2.16.4 Depreciation and Amortization

The Group computes for depreciation and amortization of depreciable assets using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives of the depreciable assets follow:

	Years
Property and equipment:	
Buildings	25 - 50
Right-of-use assets	1 - 25 or the lease term, whichever is shorter (provided that lease term is more than one year)
Furniture, fixtures and equipment	5
Long-term leasehold land	46 - 50
Leasehold improvements	10 or the lease term, whichever is shorter
Investment properties	10 - 25
Chattel mortgage properties	5
Intangible assets with finite lives:	
Software costs	5
CDI	10
CRI	3

The Group reviews periodically the useful life and the depreciation and amortization method to ensure that these are consistent with the expected pattern of economic benefits from the depreciable assets. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the depreciation and amortization period or method, as appropriate, and are treated as changes in accounting estimates.

2.16.5 Expenditures on Nonfinancial Assets

The Group charges against current operations the expenditures incurred after the nonfinancial assets (i.e., property and equipment, investment properties, software costs, and chattel mortgage properties) have been put into operation, such as repairs and maintenance. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of these nonfinancial assets beyond their originally assessed standard of performance, the Group capitalizes such expenditures as additional cost.

2.17 Employee Benefits

2.17.1 Retirement Under Defined Benefit Plan

At the end of the reporting period, the Group determines its net defined benefit liability (or asset) as the difference between the present value of the defined benefit obligation and the fair value of plan assets, adjusted for any effect of asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.



Defined benefit costs recognized in the statement of income consist of the following:

- service costs – include current service costs, past service costs (recognized when plan amendment or curtailment occurs) and gains or losses on non-routine settlements; and
- net interest on the net defined benefit liability or asset – pertains to the change during the period in the net defined benefit liability (or asset) that arises from the passage of time, which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Changes in the net defined benefit liability (or asset) also include remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling, excluding net interest on defined benefit liability (or asset). The Group recognizes these remeasurements immediately in OCI in the period in which they arise. The Group does not reclassify these remeasurements to profit or loss in subsequent periods.

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

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

2.17.2 Employee Leave Entitlement

The Group recognizes entitlements of employees to annual leave as a liability when they are accrued to the employees. The Group recognizes the undiscounted liability for leave expected to be settled wholly before 12 months after the end of the reporting period for services rendered by employees up to the end of the reporting period. For leave entitlements expected to be settled for more than 12 months after the reporting date, the Group engages an actuary to estimate the long-term liability, which is reported in 'Accrued taxes, interest and other expenses' in the statement of financial position.

2.18 Leases

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

2.18.1 Group as a Lessee Under Lease Contracts

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

- Right-of-use assets
At the commencement date of the lease (i.e, the date the underlying asset is available for use), the Group recognizes right-of-use assets measured at cost. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made



at or before the commencement date less any lease incentives received. Subsequent to initial recognition, the Group measures the right-of-use assets at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The Group presents the right-of-use assets in 'Property and equipment' and subjects it to impairment in line with the Group's policy on impairment of nonfinancial assets (see related accounting policy under 2.13.5 *Impairment of Nonfinancial Assets*).

- Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term discounted using the Group's incremental borrowing rate, which is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The lease payments include fixed payments, any variable lease payments that depend on an index or a rate, and any amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

After the commencement date of the lease, the Group measures the lease liabilities by increasing the carrying amount to reflect interest on the lease liabilities (recorded in 'Interest expense on bills payable and other borrowings'), reducing the carrying amount to reflect the lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

- Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option, and the leases of low-value assets recognition exemption to its leases of ATM offsite locations and other equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense under 'Occupancy and equipment-related costs' on a straight-line basis over the lease term.

2.18.2 Group as a Lessor Under Lease Contracts

For finance leases where the Group transfers substantially all the risks and rewards incidental to ownership of the leased item, the Group recognizes a lease receivable in the statement of financial position at an amount equivalent to the net investment (asset cost) in the lease. The Group includes all income resulting from the receivable in 'Interest income on loans and receivables' in the statement of income.

The residual value of leased assets, which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the sale of the leased asset at the end of the lease term. At the end of the lease term, the residual value of the leased asset is generally applied against the guaranty deposit of the lessee when the lessee decides to buy the leased asset.

In operating leases where the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset, the Group recognizes rental income on a straight-line basis over the lease terms. The Group adds back the initial direct costs incurred in negotiating and arranging an operating lease to the carrying amount of the leased asset and recognizes them as rental income over the lease



term on the same basis. The Group recognizes contingent rents as revenue in the period in which they are earned.

2.19 Provisions

The Group recognizes provisions when:

- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

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

If the effect of the time value of money is material, the Group determines provisions by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the Group recognizes the increase in the provision due to the passage as 'Interest expense on bills payable and other borrowings'.

2.20 Contingencies

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

2.21 Income Taxes

Income tax on profit and loss for the year comprises current and deferred tax. Income tax is determined in accordance with tax laws and is recognized in the statement of income, except to the extent that it relates to items directly recognized in OCI.

2.21.1 Current Tax

The Group measures current tax assets and liabilities for the current periods at the amount expected to be recovered from or paid to the taxation authorities using the tax rates and tax laws that are enacted or substantively enacted at the reporting date.

2.21.2 Deferred Tax

The Group provides for deferred tax using the balance sheet method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The Group recognizes deferred tax liabilities for all taxable temporary differences, including asset revaluations. The Group recognizes deferred tax assets for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the



extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized.

The Group, however, does not recognize deferred tax on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income. The Group does not also provide deferred tax liabilities on non-taxable temporary differences associated with investments in domestic subsidiaries and an associate. With respect to investments in foreign subsidiaries, the Group does not recognize deferred tax liabilities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces the recognized amount to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax asset to be utilized. The Group reassesses unrecognized deferred tax assets at each reporting date and recognizes amounts to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

The Group measures deferred tax assets and liabilities at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

For current and deferred tax relating to items recognized directly in OCI, the Group recognizes them also in OCI and not in the statement of income.

In the consolidated financial statements, the Group offsets deferred tax assets and liabilities if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes related to the same taxable entity and the same taxation authority.

When tax treatments involve uncertainty, the Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. If the Group concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, the Group reflects the effect of the uncertainty for each uncertain tax treatment using the method the Group expects to better predict the resolution of the uncertainty.

2.22 Earnings Per Share

The Group computes for the basic earnings per share (EPS) by dividing net income for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period, after giving retroactive effect to any bonus issue, share split or reverse share split during the period.

The Group computes for the diluted EPS by dividing the aggregate of net income for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period, adjusted for the effects of any dilutive shares.



2.23 Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group's related parties include:

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members;
- significant investors and their subsidiaries and associates called affiliates;
- subsidiaries, joint ventures and associates and their respective subsidiaries; and
- post-employment benefit plans for the benefit of the Group's employees.

2.24 Events After the Reporting Date

The Group reflects in the financial statements any post-year-end event that provides additional information about the Group's position at the reporting date (adjusting event). The Group discloses post-year-end events that are not adjusting events, if any, when material to the financial statements.

2.25 Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Refer to Note 6 for the detailed disclosure on segment information.

2.26 Fiduciary Activities

The Group excludes from these financial statements the assets and income arising from fiduciary activities, together with related undertakings to return such assets to customers, where the Group acts in a fiduciary capacity such as nominee, trustee or agent.

2.27 Changes in Accounting Standards

Listed below are accounting standards and interpretations issued but not yet effective up to the date of issuance of the Group's financial statements. 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 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.



On December 15, 2021, the Philippine Financial and Sustainability Reporting Standards Council (FSRSC) amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the International Accounting Standards Board (IASB).

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
 - a) 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.
 - b) 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

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

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 FSRSC postponed the original effective date of January 1, 2016 of the said amendments until the IASB has completed 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.



3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS Accounting Standards requires the Group to make judgments and estimates that affect the reported amounts and disclosures. The Group continually evaluates judgments and estimates and uses as basis its historical experience and other factors, including expectations of future events. The Group reflects the effects of any changes in estimates in the financial statements as they become reasonably determinable.

3.1 Judgments

3.1.1 Assessment of Control Over a Subsidiary

The Group demonstrates control over an investee when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, the following elements must all be present to exercise control over an investee:

- Power over the investee
 - Exposure, or rights, to variable returns from its involvement with the investee
 - The ability to use its power over the investee to affect the amount of the investor's returns
- The Group considers all facts and circumstances when assessing whether it controls an investee.

In making this assessment, the Group considers the following factors:

- The purpose and design of the investee
- What the relevant activities are and how decisions about those activities are made
- Whether the rights of the Group give it the current ability to direct the relevant activities
- Whether the Group is exposed, or has rights, to variable returns from its involvement with the investee
- Whether the Group has the ability to use its power over the investee to affect the amount of the investor's returns

The assessment of the Group on its control over a subsidiary is further discussed in Note 12.

3.1.2 Assessment of Significant Influence Over an Associate

The Group generally accounts for an investment as an associate when the Group holds 20% or more of the voting power of the investee company held directly or indirectly through subsidiaries, unless it can be clearly demonstrated that this is not the case.

In assessing whether the Group exercises significant influence over an investee company, the Group considers the following factors:

- Representation in the BOD or equivalent governing body of the investee company
- Participation in policy-making processes, including participation in decisions about dividends and other distributions
- Material transactions between the Group and the investee company
- Interchange of management personnel
- Provision of essential technical performance

The assessment of the Group on its significant influence over an investee company is further discussed in Note 12.



3.1.3 Classification of Financial Assets

The Group classifies its financial assets depending on the results of the SPPI test and on the business model used for managing those financial assets.

When performing the SPPI test, the Group applies judgment and evaluates relevant factors and characteristics such as the behavior and nature of contractual cash flows, its original currency denomination, the timing and frequency of interest rate repricing, contingent events that would alter the amount and/or timing of cash flows, leverage features, prepayment or extension options and other features that may modify the consideration for the time value of money.

As a second step, the Group performs business model assessment to reflect how financial assets are managed in order to generate net cash inflows based on the following factors:

- business objectives and strategies for holding the financial assets;
- performance measures and benchmarks being used to evaluate the Group's key management personnel accountable to the financial assets;
- risks associated to the financial assets and the tools applied in managing those risks;
- compensation structure of business units, including whether based on fair value changes of the investments managed or on the generated cash flows from transactions; and
- frequency and timing of disposals.

In applying judgment, the Group also considers the circumstances surrounding the transaction as well as the prudential requirements of the BSP.

3.1.4 Fair Valuation of Financial Instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, the Group uses valuation techniques and mathematical models. The Group derives the inputs to these models from observable markets where possible, otherwise, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer-dated derivatives. For the valuation of nonmarketable unquoted equity securities, the Group considers a discount for lack of marketability, which is applied to the values determined by an independent valuation company (refer to Note 5 for the fair values of financial instruments).

3.1.5 Contingencies

The Group is currently involved in legal proceedings. The estimate of the probable cost for the resolution of claims has been developed in consultation with the aid of the outside legal counsels handling the Group's defense in these matters and is based upon an analysis of potential results. Management does not believe that the outcome of these matters will affect the results of operations. It is probable, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to the proceedings (refer to Note 34).



3.2 Accounting Estimates

3.2.1 Credit Losses on Financial Assets

The Group's ECL calculations are mainly derived from outputs of complex statistical models and expert judgment, with a number of underlying assumptions regarding the choice of variable inputs as well as their independencies. The Group considers the following elements of the ECL models, among others, as significant accounting judgments and estimates:

- segmentation of the portfolio, where the appropriate ECL approach and/or model is used, including whether assessments should be done individually or collectively;
- quantitative and qualitative criteria for determining whether there has been SICR as at a given reporting date and the corresponding transfers between stages;
- determination of expected life of the financial asset and expected recoveries from defaulted accounts;
- development of ECL models, including the various formulas and the choice of inputs;
- determination of correlations and interdependencies between risk factors, macroeconomic scenarios and economic inputs, such as inflation, policy rates and collateral values, and the resulting impact to PDs, LGDs and EADs; and
- selection of forward-looking information and determination of probability-weightings to derive the ECL.

While the interest and inflation rates have already stabilized, other 'black swan' events (such as geopolitical tensions and extreme El Niño phenomenon and other climate conditions) may still potentially occur. In response to such potential risk, the Group reviews on a monthly basis its loan portfolio, particularly for accounts that have shown or are beginning to show increases in credit risk. The Group performs comprehensive review of the default profile of its accounts to determine if there are factors or indicators not captured in the risk rating model. If there are noted weaknesses in the model, where possible, the Group recalibrates the parameter estimates to the ECL models to incorporate internal default experience, as well as most recent available external data affecting each segment of the Group's loan portfolio.

The Group revisits the segmentation of its portfolio based on industry vulnerability and resiliency assessment. The Group also reassesses the framework for macroeconomic overlay, incorporating stress scenarios to ensure that changes in economic conditions are captured in the ECL calculations.

Refer to Note 16 for the details of the carrying values of financial assets subject to ECL and for the details of the ECL.

3.2.2 Recognition of Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the availability of future taxable income in reference to financial forecast and tax strategies. The Group takes into consideration the loan portfolio and deposit growth rates in assessing its taxable income forecast.

The Group reassesses its business plan, as well as tax strategies, in the next three to five years, considering various economic scenarios including recovery outlook and effects on specific industries of the rising interest rates, inflation, and other 'black swan' events (see further discussion of these events under 3.2.1 *Credit Losses on Financial Assets*).



Refer to Note 30.3 for the carrying amount of recognized and unrecognized deferred tax assets.

3.2.3 Impairment of Goodwill

The Group conducts an annual review for any impairment in the value of goodwill. Goodwill is written down for impairment where the recoverable amount is insufficient to support its carrying value. The recoverable amount of the CGU is determined based on a VIU calculation, which considers the present value of cash flow projections from financial budgets approved by senior management and BOD of the Parent Company covering a three-year period. The assumptions used in the calculation of VIU are sensitive to estimates of future cash flows from business, interest margins, discount rates, projected long-term growth rates (derived based on the forecast local gross domestic product) used to extrapolate cash flows beyond the budget period.

Estimating future earnings involves judgment which takes into account past and actual performance and expected developments in the respective markets and in the overall macro-economic environment. Similar with its considerations discussed under 3.2.2 *Recognition of Deferred Tax Assets*, the Group revisits its business plan and applies judgment to reassess the projections of future cash flows as of December 31, 2024, considering various economic scenarios and recovery outlook.

The carrying values of the Group's goodwill, accumulated impairment losses, and key assumptions used in determining VIU are disclosed in Note 14.3.

4. Financial Risk Management Objectives and Policies

The Parent Company's BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. As delegated by the BOD, the Risk Oversight Committee (ROC) is mandated to set risk appetite, approve frameworks, policies and processes for managing risk, and accept risks beyond the approval discretion provided to management. The ROC advises on the overall current and future risk appetite and strategy and assists in overseeing the implementation of those strategies and business plans by senior management. Details of the Parent Company's risk framework are discussed under the Risk Management Disclosure Section of the Parent Company's annual report.

The Group's activities are principally related to the development, delivery, servicing and use of lending and financial instruments. Risk is inherent in these activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability.

The Group defines material risks (at group level) as those risks from any business activity large enough to significantly threaten the Bank's capital position to drop below its desired level; resulting in either an increase in risk-weighted assets or a reduction in earnings and/or qualifying capital which translate into a reduction in CAR by 20 basis points (bps).

On the other hand, risks not significant enough to impact to the CAR by less than 20 bps will also be considered "material" by the Group if these fall under the following:

- Pillar 1 risks, i.e., Credit, Market, and Operational Risks;
- Other risks under BSP Cir. No. 510, i.e., Interest Rate Risk in the Banking Book (IRRBB), Liquidity Risk, Reputational Risk and Strategic Business Risk;
- Information Technology Risk (BSP Cir. No. 808);



- Information Security / Cyber Security Risk (BSP Cir. No. 982) and
- Further risks identified as “material” by the Board and Management Committees are included in the list being monitored such as Data Privacy Risk and Human Resource Risk.

Resulting from the assessments based on the premise identified above, the Bank agrees on and reviews on a regular basis the material risks that need focus using the three lines model. For the assessment period 2024-2026, these are based on the following eleven (11) material risks which are grouped under Pillar 1 and Pillar 2 risks covered in the Bank’s Internal Capital Adequacy Assessment Process (ICAAP) Document submission to BSP, and required for monitoring.

Types and definition of each of these risks are discussed hereunder:

Pillar 1 Risks:

1. Credit Risk (includes Counterparty and Country Risks)
2. Market Risk
3. Operational Risk

Pillar 2 Risks:

4. Credit Concentration Risk
5. Interest Rate Risk in the Banking Book (IRRBB)
6. Liquidity Risk
7. Reputational Risk
8. Strategic Business Risk
9. Information Security / Cyber Security / Data Privacy Risk
10. Information Technology
11. Human Resource Risk

The Enterprise Risk Management Group (ERMG) provides support for the ROC in its role of formulating the risk management strategy, the development and maintenance of the internal risk management framework, and the definition of the governing risk management principles. The ERMG provides assistance to the Asset/Liability Committee (ALCO) on capital management and the Board Strategy and Policy Committee (BSPC) on the management of regulatory capital.

The mandate of the ERMG involves:

- Implementing the risk management framework of identifying, measuring, controlling and monitoring the various risk-taking activities of the Group, inherent in all financial institutions;
- Providing services to the risk-taking units and personnel in the implementation of risk mitigation strategies; and
- Establishing recommended limits based on the results of its analysis of exposures.

4.2 Credit Risk

Credit risk is the non-recovery of credit exposures (on-and-off balance sheet exposures). Managing credit risk also involves monitoring of migration risk, concentration risk, country risk and settlement risk. The Group manages its credit risk at various levels (i.e., strategic level, portfolio level down to individual transaction).

The credit risk management of the entire loan portfolio is under the direct oversight of the ROC and Executive Committee. Credit risk assessment of individual borrower is performed by the business sector, remedial management group and credit management group. Risk management is embedded in the entire credit process, i.e., from credit origination to remedial management, as applicable.



Among the tools used by the Group in identifying, assessing and managing credit risk include:

- Documented credit policies and procedures: sound credit granting process, risk asset acceptance criteria, target market and approving authorities;
- System for administration and monitoring of exposure;
- Post approval review of implemented loans;
- Work out system for managing problem credits;
- Regular review of the sufficiency of valuation reserves;
- Monitoring of adequacy of capital for credit risk via the Capital Adequacy Ratio (CAR) report;
- Monitoring of breaches in regulatory and internal limits;
- Credit risk management monitoring and reporting;
- Diversification;
- Internal risk rating system for corporate accounts;
- Credit scoring for retail accounts; and
- Active loan portfolio management undertaken to determine the quality of the loan portfolio and identify: portfolio growth, movement of loan portfolio, adequacy of loan loss reserves, trend of nonperforming loans (NPLs), and concentration risk (per classified account, per industry, clean exposure, large exposure, contingent exposure, currency, security, facility, demographic, etc.)

The Group follows the BOD-approved policy on the generic classification of loans based on the type of borrowers and the purpose of the loan. The loan portfolio is grouped based on the underlying risk characteristics that are expected to respond in a similar manner to macroeconomic factors and forward-looking conditions.

4.2.1 Credit-Related Commitments

The exposures represent guarantees, standby letters of credit (LCs) issued by the Parent Company and documentary/commercial LCs which are written undertakings by the Parent Company. To mitigate this risk, the Parent Company requires hard collaterals for standby LC lines while commercial LCs are collateralized by the underlying shipments of goods to which they relate.

4.2.2 Derivative Financial Instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

4.2.3 Collateral and Other Credit Enhancements

As a general rule, character is the single most important consideration in granting loans. However, collaterals are requested to mitigate risk. The loan value and type of collateral required depend on the assessment of the credit risk of the borrower or counterparty. The Group follows guidelines on the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For corporate accounts - deposit hold-outs, guarantees, securities, physical collaterals (e.g., real estate, chattels, inventory, etc.); generally, commercial, industrial and residential lots are preferred
- For retail lending - mortgages on residential properties and vehicles financed
- For securities lending and reverse repurchase transactions - cash or securities

The disposal of the foreclosed properties is handled by the Acquired Assets Management Group which adheres to the general policy of disposing assets at the highest possible market value.

Management regularly monitors the market value of the collateral and requests additional collateral in accordance with the underlying agreement. The existing market value of the collateral is considered during the review of the adequacy of the allowance for credit losses. Generally, collateral is not held



over loans and advances to banks except for reverse repurchase agreements. The Group is not permitted to sell or repledge the collateral held over loans and advances to counterparty banks and BSP in the absence of default by the owner of the collateral.

4.2.4 Maximum Exposure to Credit Risk After Collateral Held or Other Credit Enhancements

An analysis of the maximum exposure to credit risk after taking into account any collateral held or other credit enhancements for the Group and the Parent Company is shown below:

	Consolidated			
	2024			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱103,480,119	₱104,909,516	₱—	₱103,480,119
Loans and receivables:				
Receivables from customers:				
Corporates	567,369,203	168,917,808	474,138,853	93,230,350
Local government units (LGU)	1,656,292	—	1,656,292	—
Credit Cards	16,524,978	—	16,524,978	—
Retail small and medium enterprises (SME)	4,441,602	2,412,899	2,763,520	1,678,082
Housing Loans	22,988,322	27,775,258	8,020,645	14,967,677
Auto Loans	5,579,760	8,985,903	1,286,153	4,293,607
Others	7,515,747	4,815,580	4,322,668	3,193,079
Other receivables	10,743,721	—	10,743,721	—
	₱740,299,744	₱317,816,964	₱519,456,830	₱220,842,914

	Consolidated			
	2023			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱69,694,538	₱57,785,321	₱11,909,217	₱57,785,321
Loans and receivables:				
Receivables from customers*				
Corporates	543,916,216	273,902,143	449,262,028	94,654,188
Local government units (LGU)	2,196,034	—	2,196,034	—
Credit Cards	13,917,733	—	13,917,733	—
Retail small and medium enterprises (SME)	4,378,793	2,397,801	2,795,942	1,582,851
Housing Loans	23,772,977	22,519,180	12,306,138	11,466,839
Auto Loans	5,397,484	11,004,455	1,265,709	4,131,775
Others	10,660,220	5,751,145	6,683,514	3,976,706
Other receivables	12,465,631	—	12,465,631	—
	₱686,399,626	₱373,360,045	₱512,801,946	₱173,597,680

*Receivables from customers exclude residual value of the leased asset (Note 10)

	Parent Company			
	2024			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱103,480,119	₱104,909,516	₱—	₱103,480,119
Loans and receivables:				
Receivables from customers:				
Corporates	554,283,497	146,521,191	472,932,651	81,350,846
LGU	1,656,292	—	1,656,292	—
Credit Cards	16,524,978	—	16,524,978	—
Retail SME	4,441,602	2,412,899	2,763,520	1,678,082
Housing Loans	22,226,195	26,475,861	8,082,178	14,144,017
Auto Loans	5,579,760	8,985,903	1,286,153	4,293,607
Others	7,316,826	4,609,807	4,209,400	3,107,426
Other receivables	10,363,020	—	10,363,020	—
	₱725,872,289	₱293,915,177	₱517,818,192	₱208,054,097



	Parent Company			
	2023			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱69,694,538	₱57,785,321	₱11,909,217	₱57,785,321
Loans and receivables:				
Receivables from customers:				
Corporates	530,880,927	253,218,981	448,830,738	82,050,189
LGU	2,196,034	—	2,196,034	—
Credit Cards	13,917,733	—	13,917,733	—
Retail SME	4,379,081	2,395,958	2,795,941	1,583,140
Housing Loans	23,013,792	21,089,659	12,306,138	10,707,654
Auto Loans	5,397,484	11,004,455	1,265,709	4,131,775
Others	10,572,322	5,535,712	6,683,515	3,888,807
Other receivables	11,801,390	—	11,801,390	—
	₱671,853,301	₱351,030,086	₱511,706,415	₱160,146,886

The maximum credit risk, without taking into account the fair value of any collateral and netting agreements, is limited to the amounts on the statement of financial position plus commitments to customers such as unused commercial letters of credit, outstanding guarantees and others.

4.2.5 Credit Risk Concentrations

Credit risk concentrations can arise whenever a significant number of borrowers have similar characteristics. The Group analyzes the credit risk concentration to an individual borrower, related group of accounts, industry, geographic, internal rating buckets, currency, term and security. For risk concentration monitoring purposes, the financial assets are broadly categorized into (1) loans and receivables and (2) trading and investment securities. To mitigate risk concentration, the Group constantly checks for breaches in regulatory and internal limits. Clear escalation process and override procedures are in place, whereby any excess in limits are covered by appropriate approving authority to regularize and monitor breaches in limits.

Limit per client or counterparty

For each CRR, the Parent Company sets limits per client or counterparty based on the regulatory Single Borrowers Limit. For trading and investment securities, the Group limits investments to government issues and securities issued by entities with high-quality investment ratings.

Geographic concentration

The table below shows the credit risk exposures, before taking into account any collateral held or other credit enhancements, categorized by geographic location:

	Consolidated				
	2024				
	Loans and receivables		Trading and investment securities	Other financial assets*	Total
	Amount	%			
Philippines	₱590,193,321	92.68	₱327,197,919	₱126,003,788	₱1,043,395,028
Asia (excluding the Philippines)	27,502,193	4.32	5,543,839	43,064,412	76,110,444
USA and Canada	17,024,502	2.67	1,342,723	6,943,463	25,310,688
Other European Union Countries	1,780,062	0.28	4,731,069	3,184,968	9,696,099
Oceania	168,739	0.03	—	56,660	225,399
Middle East	52,795	0.07	3,106,304	7,902	3,167,001
United Kingdom	98,013	0.01	164,296	22,765,803	23,028,112
	₱636,819,625	100.00	₱342,086,150	₱202,026,996	₱1,180,932,771

* Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)



Consolidated					
2023					
	Loans and receivables*		Trading and investment securities	Other financial assets**	Total
	Amount	%			
Philippines	₱591,914,148	95.98	₱265,175,918	₱126,073,582	₱983,163,648
Asia (excluding the Philippines)	15,018,425	2.44	17,836,070	88,779,062	121,633,557
USA and Canada	6,846,096	1.11	2,869,744	6,479,262	16,195,102
Other European Union Countries	1,937,498	0.31	7,155,246	11,070	9,103,814
Middle East	58,267	0.01	3,877,003	3,132	3,938,402
United Kingdom	447,750	0.07	1,334,802	1,036,563	2,819,115
Oceania	482,904	0.08	—	2,770	485,674
	₱616,705,088	100.00	₱298,248,783	₱222,385,441	₱1,137,339,312

*Loans and receivables exclude residual value of the leased asset. (Note 10)

** Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)

Parent Company					
2024					
	Loans and receivables		Trading and investment securities	Other financial assets*	Total
	Amount	%			
Philippines	₱589,617,070	94.73	₱326,739,735	₱126,130,132	₱1,042,486,937
Asia (excluding the Philippines)	13,736,617	2.21	5,543,027	33,984,841	53,264,485
USA and Canada	16,993,941	2.73	960,736	6,657,226	24,611,903
Other European Union Countries	1,780,062	0.29	4,731,069	3,173,875	9,685,006
Oceania	168,738	0.03	—	53,766	222,504
Middle East	52,795	0.01	3,106,304	7,230	3,166,329
United Kingdom	42,947	0.01	—	21,788,860	21,831,807
	₱622,392,170	100.00	₱341,080,871	₱191,795,930	₱1,155,268,971

*Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)

Parent Company					
2023					
	Loans and receivables		Trading and investment securities	Other financial assets*	Total
	Amount	%			
Philippines	₱591,118,755	98.17	₱264,793,162	₱127,884,433	₱983,796,350
Asia (excluding the Philippines)	1,411,033	0.23	17,831,085	80,102,024	99,344,142
USA and Canada	6,804,220	1.13	2,399,782	4,563,214	13,767,216
Other European Union Countries	1,887,267	0.31	7,155,246	—	9,042,513
Middle East	58,267	0.01	3,877,003	2,478	3,937,748
United Kingdom	396,318	0.07	1,174,417	29	1,570,764
Oceania	482,903	0.08	—	—	482,903
	₱602,158,763	100.00	₱297,230,695	₱212,552,178	₱1,111,941,636

*Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)



Concentration by industry

The tables below show the industry sector analysis of financial assets at amounts before taking into account the fair value of the loan collateral held or other credit enhancements.

	Consolidated				
	2024				
	Loans and receivables		Trading and investment securities	Other financial assets**	Total
	Amount	%			
Primary target industry:					
Financial intermediaries	₱95,402,771	14.98	₱1,697,498	₱143,572,258	₱240,672,527
Wholesale and retail	110,724,538	17.39	16,309,984	—	127,034,522
Electricity, gas and water	100,473,295	15.78	8,251,366	—	108,724,661
Manufacturing	62,254,787	9.78	70,453	—	62,325,240
Transport, storage and communication	34,460,783	5.41	—	73	34,460,856
Agriculture, hunting and forestry	5,424,089	0.85	—	—	5,424,089
Public administration and defense	1,554,338	0.24	—	—	1,554,338
Secondary target industry:					
Government	1,656,292	0.26	281,476,704	58,013,102	341,146,098
Real estate, renting and business activities	105,531,826	16.57	235,681	13,588	105,781,095
Construction	37,948,520	5.96	—	—	37,948,520
Others*	81,388,386	12.78	34,044,464	427,975	115,860,825
	₱636,819,625	100.00	₱342,086,150	₱202,026,996	₱1,180,932,771

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

**Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)

	Consolidated				
	2023				
	Loans and receivables*		Trading and investment securities	Other financial assets***	Total
	Amount	%			
Primary target industry:					
Financial intermediaries	₱91,681,525	14.87	₱10,488,016	₱123,166,842	₱225,336,383
Wholesale and retail	115,293,880	18.70	—	—	115,293,880
Electricity, gas and water	83,771,939	13.58	16,561,739	—	100,333,678
Manufacturing	58,057,181	9.41	1,831	—	58,059,012
Transport, storage and communication	44,878,471	7.28	—	56	44,878,527
Agriculture, hunting and forestry	5,016,667	0.81	—	—	5,016,667
Public administration and defense	1,532,772	0.25	—	—	1,532,772
Secondary target industry:					
Government	2,182,895	0.35	229,288,990	99,168,727	330,640,612
Real estate, renting and business activities	106,896,515	17.33	9,226,998	13,866	116,137,379
Construction	31,039,992	5.03	—	—	31,039,992
Others**	76,353,251	12.38	32,681,209	35,950	109,070,410
	₱616,705,088	100.00	₱298,248,783	₱222,385,441	₱1,137,339,312

*Loans and receivables exclude residual value of the leased asset (Note 10)

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

***Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)



Parent Company 2024					
	Loans and receivables		Trading and investment securities	Other financial assets**	Total
	Amount	%			
Primary target industry:					
Financial intermediaries	₱94,979,255	15.26	₱1,695,695	₱133,355,678	₱230,030,628
Wholesale and retail	104,940,102	16.86	16,309,984	—	121,250,086
Electricity, gas and water	100,473,295	16.14	8,162,809	—	108,636,104
Manufacturing	60,256,428	9.86	68,577	—	60,325,005
Transport, storage and communication	33,939,953	5.45	—	—	33,939,953
Agriculture, hunting and forestry	5,269,973	0.85	—	—	5,269,973
Public administration and defense	1,554,338	0.25	—	—	1,554,338
Secondary target industry:					
Government	1,656,292	0.27	280,799,512	58,013,102	340,468,906
Real estate, renting and business activities	102,434,092	16.46	—	—	102,434,092
Construction	37,948,520	6.10	—	—	37,948,520
Others*	78,939,922	12.68	34,044,294	427,150	113,411,366
	₱622,392,170	100.00	₱341,080,871	₱191,795,930	₱1,155,268,971

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

**Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15).

Parent Company 2023					
	Loans and receivables		Trading and investment securities	Other financial assets**	Total
	Amount	%			
Primary target industry:					
Financial intermediaries	₱91,212,592	15.15	₱10,482,090	₱113,347,506	₱215,042,188
Wholesale and retail	109,258,099	18.14	—	—	109,258,099
Electricity, gas and water	83,771,939	13.91	16,561,739	—	100,333,678
Manufacturing	56,032,844	9.31	—	—	56,032,844
Transport, storage and communication	44,465,431	7.38	—	—	44,465,431
Agriculture, hunting and forestry	4,863,360	0.81	—	—	4,863,360
Public administration and defense	1,532,772	0.25	—	—	1,532,772
Secondary target industry:					
Government	2,182,895	0.36	228,528,393	99,168,727	329,880,015
Real estate, renting and business activities	103,358,190	17.16	8,977,434	—	112,335,624
Construction	30,981,430	5.15	—	—	30,981,430
Others*	74,499,211	12.37	32,681,039	35,945	107,216,195
	₱602,158,763	100.00	₱297,230,695	₱212,552,178	₱1,111,941,636

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

**Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15).

The internal limit of the Parent Company based on the Philippine Standard Industry Classification sub-industry is 12.00% for primary industry, 8.00% for regular industry, 30.00% for power industry and 25.00% for activities of holding companies versus total loan portfolio.

The latest internal industry limits structure of the Parent Company calculates the capital required for the exposure under each industry and industry clusters and expressing these as percentage to total qualifying capital. The internal limits model also considers projected bookings and paydowns.



4.2.6 Credit Quality Per Class of Financial Assets

Loans and receivables

The segmentation of the Group's loan portfolio is based on the underlying risk characteristics that are expected to respond in a similar manner to macroeconomic factors and forward-looking conditions.

Generally, the Group's exposures can be categorized as either of the following:

- Non-Retail Portfolio – consists of debt obligations of sovereigns, financial institutions, corporations, partnerships, or proprietorships. In particular, the Group's Non-Retail Portfolio segments are as follows: Sovereigns, Financial Institutions, Specialized Lending (e.g., Project Finance), Large Corporates, Middle Market and Commercial SME, government-owned and controlled corporations and LGUs.
- Retail Portfolio – consists of exposures to individual person/s or to a small business, and are not usually managed on an individual basis but as groups of exposures with similar credit risk characteristics. This includes Credit Cards, Consumer Loans and Retail SME, among others.

The credit quality of the Non-Retail Portfolio is evaluated and monitored using external ratings and internal credit risk rating system. The Parent Company maintains a two-dimensional risk rating structure: that is, there is a borrower risk rating (BRR) and a facility risk rating (FRR).

The Group developed specific borrower rating models to capture specific and unique risk characteristics of each of the Non-Retail Portfolio segments. The BRR is measured based on financial condition of the borrower combined with an assessment of non-financial factors such as management, industry outlook and market competition. The BRR models captures overlays and early warning signals as well. The Group uses a single scale with 26 risk grades for all its BRR models.

The 26-risk grade internal default masterscale is a representation of a common measure of relative default risk associated with the obligors/counterparties. The internal default masterscale is mapped to a global rating scale.

FRR, on the other hand, assesses potential loss of the Group in case of default, which considers collateral type and level of collateralization of the facility. The FRR has 9 grades, i.e. FRR A to FRR I.

The CRR or final credit risk rating shall be expressed in alphanumeric terms, e.g. CRR 1A which is a combination of the general creditworthiness of the borrower (BRR 1) and the potential loss of the Group in the event of the borrower's default (FRR A).

The credit quality and corresponding BRRs of the Group's receivables from customers are defined below:

Credit quality	26-Grade BRR system
High S&P Equivalent Global Rating: AAA to BBB-	<i>BRR 1 Excellent</i> Borrower has an exceptionally strong capacity to meet its financial commitments. No existing disruptions or future disruptions are highly unlikely. Probability of going into default in the coming year is very minimal/low. <i>BRR 2 Very Strong</i> Borrower has a very strong capacity to meet its financial commitments. No existing disruptions or future disruptions are unlikely. It differs from BRR 1 borrowers only to a small degree. Probability of going into default in the coming year is very minimal/low. <i>BRR 3 Strong</i> Borrower has a strong capacity to meet its financial commitments. No existing disruptions or future disruptions are unlikely. However, adverse economic conditions or changing circumstances could lead to somewhat lesser capacity to meet financial obligations than in higher-rated borrowers. Probability of going into default in the coming year is very minimal/low.



Credit quality	26-Grade BRR system
	<i>BRR 4-6 Good</i> Borrower has an adequate capacity to meet its financial commitments in the normal course of its business. With identified disruptions from external factors but company has or will likely overcome. Default possibility is minimal/low. <i>BRR 7-9 Satisfactory</i> Borrower under this rating scale basically possesses the characteristics of borrowers rated as BRR 4 to BRR 6 with slightly lesser quality. Default possibility is minimal/low. <i>BRR 10-12 Adequate</i> Borrower has an adequate capacity to meet its financial commitments under the normal course of business. However, adverse economic conditions and changing circumstances are more likely to weaken the borrower's capacity to meet its financial commitments. Default possibility is minimal/low.
Standard S&P Equivalent Global Rating: BB+ to BB-	<i>BRR 13-15 Average</i> Borrower still has the capacity to meet its financial commitments and withstand normal business cycles, however, any prolonged unfavorable economic and/or market conditions would create an immediate deterioration beyond acceptable levels. With identified disruptions from external forces, impact on the borrower is uncertain. Default is a possibility. <i>BRR 16-18 Acceptable</i> Borrower under this rating scale basically possesses the characteristics of borrowers rated as BRR 13 to BRR 15 with slightly lesser quality. Default is a possibility. <i>BRR 19-20 Vulnerable</i> Borrower is less vulnerable in the near term than other low-rated borrowers. However, it faces major ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the borrower's inadequate capacity to meet its financial commitment. Default is a possibility
Substandard S&P Equivalent Global Rating: B+ to CCC-	<i>BRR 21-22 Weak</i> Borrower is more vulnerable than the borrowers rated BRR 19 and BRR 20 but the borrower currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the borrower's capacity or willingness to meet its financial commitments. Default is more than a possibility. <i>BRR 23-25 Watchlist</i> Borrower is currently vulnerable and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments. Borrower may already be experiencing losses and impaired capital in the case of BRR 25.
Impaired S&P Equivalent Global Rating:	<i>BRR 26 Default</i> Default will be a general default. Borrower will fail to pay all or substantially all of its obligations as they come due.

For the Retail Portfolio, such as Retail SME, Credit Cards, Housing and Auto Loans, credit scoring is being used in evaluating the creditworthiness of the borrower.

The table below shows the credit quality of the Group's and the Parent Company's receivables from customers, gross of allowance for credit losses and unearned and other deferred income, but net of residual values of leased assets, as of December 31, 2024 and 2023:

	Consolidated			
	2024			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail – Corporate				
High	₱241,339,078	₱743,741	₱–	₱242,082,819
Standard	251,875,284	4,763,028	–	256,638,312
Substandard	36,969,593	19,858,092	–	56,827,685
Impaired	–	–	33,775,933	33,775,933
	530,183,955	25,364,861	33,775,933	589,324,749
Subject to Scoring and Unrated				
Non-Retail	9,287,762	136,615	934,239	10,358,616
Corporate	7,640,893	113,281	876,195	8,630,369
LGU	1,646,870	23,334	58,044	1,728,247

(Forward)



Consolidated				
2024				
	Stage 1	Stage 2	Stage 3	Total
Retail	₱47,567,948	₱956,133	₱8,040,719	₱56,564,799
Auto Loans	5,382,399	35,654	807,414	6,225,467
Housing Loans	21,169,482	317,380	5,297,651	26,784,513
Retail SME	4,370,985	123,985	995,964	5,490,934
Credit Card	16,645,082	479,114	939,689	18,063,885
Others	6,901,421	343,569	1,589,410	8,834,400
	63,757,131	1,436,316	10,564,367	75,757,815
	₱593,941,086	₱26,801,177	₱44,340,301	₱665,082,564

Consolidated				
2023				
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail – Corporate				
High	₱220,424,136	₱7,449	₱–	₱220,431,585
Standard	240,184,925	6,625,961	–	246,810,886
Substandard	46,358,670	20,816,814	–	67,175,484
Impaired	–	–	32,477,009	32,477,009
	506,967,731	27,450,224	32,477,009	566,894,964
Subject to Scoring and Unrated				
Non-Retail	7,232,740	39,071	561,123	7,832,934
Corporate	5,049,454	10,066	497,906	5,557,426
LGU	2,183,286	29,005	63,217	2,275,508
Retail	43,676,730	863,802	10,876,864	55,417,396
Auto Loans	5,215,073	22,973	1,263,450	6,501,496
Housing Loans	20,089,818	248,682	7,962,437	28,300,937
Retail SME	4,163,286	151,785	1,067,047	5,382,118
Credit Card	14,208,553	440,362	583,930	15,232,845
Others	8,572,845	2,087,517	1,667,140	12,327,502
	59,482,315	2,990,390	13,105,127	75,577,832
	₱566,450,046	₱30,440,614	₱45,582,136	₱642,472,796

Parent Company				
2024				
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail - Corporate				
High	₱234,976,619	₱–	₱–	₱234,976,619
Standard	246,214,981	4,763,028	–	250,978,009
Substandard	36,851,794	19,858,092	–	56,709,886
Impaired	–	–	33,775,932	33,775,932
	518,043,393	24,621,121	33,775,932	576,440,446
Subject to Scoring and Unrated				
Non-Retail	9,287,762	136,615	934,239	10,358,616
Corporate	7,640,893	113,281	876,195	8,630,369
LGU	1,646,870	23,334	58,044	1,728,247
Retail	46,801,777	950,986	7,987,260	55,740,023
Auto Loans	5,382,399	35,654	807,414	6,225,467
Housing Loans	20,403,311	312,234	5,244,192	25,959,737
Retail SME	4,370,985	123,985	995,964	5,490,934
Credit Card	16,645,082	479,114	939,689	18,063,885
Others	6,819,797	343,569	1,589,410	8,752,776
	62,909,336	1,431,170	10,510,909	74,851,415
	₱580,952,730	₱26,052,291	₱44,286,840	₱651,291,861



	Parent Company			
	2023			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail - Corporate				
High	₱212,827,838	₱—	₱—	₱212,827,838
Standard	235,059,187	6,625,961	—	241,685,148
Substandard	46,331,524	20,816,814	—	67,148,338
Impaired	—	—	32,450,434	32,450,434
	494,218,549	27,442,775	32,450,434	554,111,758
Subject to Scoring and Unrated				
Non-Retail	7,255,065	39,071	561,123	7,855,259
Corporate	5,071,779	10,066	497,906	5,579,751
LGU	2,183,286	29,005	63,217	2,275,508
Retail	42,940,643	863,802	10,830,680	54,635,125
Auto Loans	5,215,073	22,973	1,263,450	6,501,496
Housing Loans	19,353,830	248,682	7,921,406	27,523,918
Retail SME	4,163,187	151,785	1,061,894	5,376,866
Credit Card	14,208,553	440,362	583,930	15,232,845
Others	8,484,938	2,087,517	1,667,139	12,239,594
	58,680,646	2,990,390	13,058,942	74,729,978
	₱552,899,195	₱30,433,165	₱45,509,376	₱628,841,736

The analysis of past due status of receivables from customers that are subject to scoring and unrated follows:

	Consolidated				
	2024				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Housing Loans	₱252,972	₱127,239	₱119,802	₱5,095,857	₱5,595,870
Auto Loans	19,684	28,772	35,676	758,937	843,068
Retail SME	34,626	5,563	8,886	949,477	998,552
Credit Card	682,120	405,750	342,506	683,022	2,113,397
LGU	7,523	—	—	50,521	58,044
Others	264,959	76,299	20,592	1,430,469	1,792,319
Total	₱1,261,884	₱643,623	₱527,462	₱8,968,283	₱11,401,250

	Consolidated				
	2023				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Housing Loans	₱165,082	₱198,072	₱229,491	₱7,628,653	₱8,221,298
Auto Loans	15,179	19,465	15,345	1,236,458	1,286,447
Retail SME	33,596	15,968	12,582	1,627,173	1,689,319
Credit Card	635,084	367,041	309,380	552,928	1,864,433
LGU	12,696	—	—	50,521	63,217
Others	27,096	35,749	203,642	1,599,257	1,865,744
Total	₱888,733	₱636,295	₱770,440	₱12,694,990	₱14,990,458

	Parent Company				
	2024				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Housing Loans	₱252,854	₱127,239	₱119,802	₱5,042,398	₱5,542,294
Auto Loans	19,684	28,772	35,676	758,937	843,068
Retail SME	34,626	5,563	8,886	949,477	998,552
Credit Card	682,120	405,750	342,506	683,022	2,113,397
LGU	7,523	—	—	50,521	58,044
Others	263,503	75,385	20,592	1,430,469	1,789,949
Total	₱1,260,310	₱642,709	₱527,462	₱8,914,824	₱11,345,304



Parent Company					
2023					
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Housing Loans	₱164,017	₱197,248	₱229,491	₱7,576,116	₱8,166,872
Auto Loans	15,179	19,465	15,345	1,236,458	1,286,447
Retail SME	33,596	4,985	12,287	1,042,248	1,093,116
Credit Card	635,084	367,041	309,380	552,928	1,864,433
LGU	12,696	—	—	50,521	63,217
Others	24,945	34,264	107,904	1,508,203	1,675,316
Total	₱885,517	₱623,003	₱674,407	₱11,966,474	₱14,149,401

Trading and investment securities and other financial assets

In ensuring quality investment portfolio, the Group uses the credit risk rating based on the external ratings of eligible external credit rating institutions (i.e. Moody's Investors Service) as follows:

- Aaa to Aa3 - fixed income are judged to be of high quality and are subject to very low credit risk, but their susceptibility to long-term risks appears somewhat greater.
- A1 to A3 - fixed income obligations are considered upper-medium grade and are subject to low credit risk, but have elements present that suggest a susceptibility to impairment over the long term.
- Baa1 and below - represents those investments which fall under any of the following grade:
 - Baa1, Baa2, Baa3 - fixed income obligations are subject to moderate credit risk. They are considered medium grade and as such protective elements may be lacking or may be characteristically unreliable.
 - Ba1, Ba2, Ba3 - obligations are judged to have speculative elements and are subject to substantial credit risk.
 - B1, B2, B3 - obligations are considered speculative and are subject to high credit risk.
 - Caa1, Caa2, Caa3 - are judged to be of poor standing and are subject to very high credit risk.
 - Ca - are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
 - C - are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

Below are the financial assets of the Group and the Parent Company, gross of allowance for credit losses, excluding receivables from customers, which are monitored using external ratings.

Consolidated						
2024						
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP ^{1/}	₱—	₱—	₱—	₱—	₱55,128,316	₱55,128,316
Due from other banks	4,915,242	11,127,337	1,037,804	17,080,383	3,108,255	20,188,638
Interbank loans receivables	3,240,924	17,814,043	—	21,054,967	1,738,365	22,793,332
Securities held under agreements to resell	—	12,581,872	12,355,747	24,937,619	78,588,740	103,526,359
Financial assets at FVOCI						
Government securities	1,640,210	2,933,248	135,510,598	140,084,056	27,740,717	167,824,773
Private debt securities	949,491	202,950	291,643	1,444,084	14,134,116	15,578,200
Quoted equity securities	88,557	—	170	88,727	2,742,550	2,831,277
Unquoted equity securities	—	—	—	—	25,508,533	25,508,533
Investment securities at amortized cost						
Government securities	437,694	805,453	81,099,109	82,342,256	14,475,124	96,817,380
Private debt securities	753,184	523,078	713,605	1,989,867	13,762,605	15,752,472
Financial assets at amortized cost						
Loans and receivables - Others ^{2/}	—	—	—	—	14,791,311	14,791,311

^{1/} 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.

^{2/} Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).



Consolidated						
2023						
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP ^{1/}	P=	P=	P=	P=	P95,410,350	P95,410,350
Due from other banks	3,421,092	13,010,926	4,012,095	20,444,113	809,641	21,253,754
Interbank loans receivables	8,816,134	22,454,811	—	31,270,945	4,371,540	35,642,485
Securities held under agreements to resell	21,931,098	22,580,867	25,196,725	69,708,690	—	69,708,690
Financial assets at FVOCI						
Government securities	1,526,582	3,542,452	119,142,990	124,212,024	160,386	124,372,410
Private debt securities	—	3,633,167	10,547,385	14,180,552	—	14,180,552
Quoted equity securities	—	—	170	170	1,049,025	1,049,195
Unquoted equity securities	—	—	—	—	24,929,335	24,929,335
Investment securities at amortized cost						
Government securities	476,340	7,029,234	96,971,058	104,476,632	56,750	104,533,382
Private debt securities	—	12,300,109	6,522,771	18,822,880	—	18,822,880
Financial assets at amortized cost						
Loans and receivables - Others ^{2/}	—	—	—	—	17,485,597	17,485,597

^{1/} 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.

^{2/} Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

Parent Company						
2024						
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP ^{1/}	P=	P=	P=	P=	P55,128,316	P55,128,316
Due from other banks	331,819	7,775,537	285,567	8,392,923	3,090,030	11,482,953
Interbank loans receivables	1,735,350	17,814,043	—	19,549,393	1,738,365	21,287,758
Securities held under agreements to resell	—	12,581,872	12,355,747	24,937,619	78,588,740	103,526,359
Financial assets at FVOCI						
Government securities	1,336,741	2,933,248	135,683,158	139,953,147	27,576,421	167,529,568
Private debt securities	949,491	199,434	291,643	1,440,568	14,134,116	15,574,684
Quoted equity securities	—	—	—	—	2,657,550	2,657,550
Unquoted equity securities	—	—	—	—	25,508,532	25,508,532
Investment securities at amortized cost						
Government securities	55,707	805,453	81,099,109	81,960,269	14,475,124	96,435,393
Private securities	753,184	523,078	713,605	1,989,867	13,762,605	15,752,472
Financial assets at amortized cost						
Loans and receivables - Others ^{2/}	—	—	—	—	14,084,022	14,084,022

^{1/} 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.

^{2/} Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

Parent Company						
2023						
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP ^{1/}	P=	P=	P=	P=	P95,410,350	P95,410,350
Due from other banks	1,228,363	10,349,227	1,268,254	12,845,844	790,653	13,636,497
Interbank loans receivables	6,619,013	22,454,811	—	29,073,824	4,371,540	33,445,364
Securities held under agreements to resell	21,931,098	22,580,867	25,196,725	69,708,690	—	69,708,690
Financial assets at FVOCI						
Government securities	1,223,772	3,542,452	119,315,550	124,081,774	—	124,081,774
Private debt securities	—	3,604,452	10,547,385	14,151,837	—	14,151,837
Quoted equity securities	—	—	—	—	974,025	974,025
Unquoted equity securities	—	—	—	—	24,929,335	24,929,335
Investment securities at amortized cost						
Government securities	6,379	7,029,234	96,971,058	104,006,671	56,749	104,063,420
Private securities	—	12,300,109	6,522,771	18,822,880	—	18,822,880
Financial assets at amortized cost						
Loans and receivables - Others ^{2/}	—	—	—	—	16,547,558	16,547,558

^{1/} 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.

^{2/} Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

4.3 Liquidity Risk and Funding Management

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Group's inability to meet its obligations when they come due without incurring unacceptable losses or costs.



The Group's liquidity management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the Group's business operations or unanticipated events created by customer behavior or capital market conditions. The Parent Company seeks to ensure liquidity through a combination of active management of liabilities, a liquid asset portfolio composed substantially of deposits in primary and secondary reserves, and the securing of money market lines and the maintenance of repurchase facilities to address any unexpected liquidity situations.

Liquidity risk is monitored and controlled primarily by a gap analysis of maturities of relevant assets and liabilities reflected in the maximum cumulative outflow (MCO) report, as well as an analysis of available liquid assets. The MCO focuses on a 12-month period wherein the 12-month cumulative outflow is compared to the acceptable MCO limit set by the BOD. Furthermore, an internal liquidity ratio has been set to determine sufficiency of liquid assets over deposit liabilities.

Liquidity is monitored by the Parent Company on a daily basis through the Global Markets Group. Likewise, the ERMG monitors the static liquidity via the MCO under normal and stressed scenarios.

The table below shows the liquidity information of financial assets and financial liabilities which includes coupon cash flows categorized based on the expected date on which the asset will be realized and the liability will be settled. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date the assets will be realized.

	Consolidated 2024					Total
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	
Financial Assets						
COCI	₱20,638,033	₱—	₱—	₱—	₱—	₱20,638,033
Due from BSP and other banks	79,665,312	—	—	—	—	79,665,312
Interbank loans receivable	14,391,519	8,269,891	—	237,736	—	22,899,146
Securities held under agreements to resell	86,336,489	17,442,188	45,606	—	—	103,824,283
Financial assets at FVTPL:						
Government securities	6,019,858	37,152	327,922	3,428,645	10,851,259	20,664,836
Private debt securities	1,963	501,293	161,953	76	2,500	667,785
Equity securities	2,866	—	—	—	—	2,866
Derivative assets:						
Gross contractual receivable	63,016,118	17,487,420	4,695,516	1,177,732	718,884	87,095,670
Gross contractual payable	(62,348,904)	(17,225,028)	(4,630,933)	(1,148,725)	(657,203)	(86,010,793)
Financial assets at FVOCI:						
Government securities	45,163,800	23,772,893	3,594,679	27,001,776	96,698,783	196,231,931
Private debt securities	102,545	1,612,398	338,704	2,077,196	14,916,954	19,047,797
Equity securities	—	—	—	—	28,339,810	28,339,810
Investment securities at amortized cost						
Government securities	1,783,091	3,145,770	4,701,366	3,260,697	121,298,519	134,189,443
Private debt securities	5,935,265	159,585	640,783	4,501,535	7,708,861	18,946,029
Financial assets at amortized cost:						
Receivables from customers	129,354,666	112,113,503	39,252,192	36,802,831	485,624,853	803,148,045
Other receivables	12,220,461	1,254,881	432,752	65,212	818,003	14,791,309
Other assets	427,311	—	—	—	20,162	447,473
Total financial assets	₱402,710,393	₱168,571,946	₱49,560,540	₱77,404,711	₱766,341,385	₱1,464,588,975
Financial Liabilities						
Deposit liabilities:						
Demand	₱244,799,109	₱—	₱—	₱—	₱—	₱244,799,109
Savings *	392,374,872	—	—	—	—	392,374,872
Time and LTNCDs *	184,634,425	119,952,066	22,108,662	9,754,371	5,045,284	341,494,808
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	30,063,432	17,447,332	12,617,891	1,356,393	—	61,485,048
Gross contractual receivable	(29,925,130)	(17,133,537)	(12,163,154)	(1,339,194)	—	(60,561,015)
Bills and acceptances payable	974,286	2,537,017	3,611,405	8,057,956	14,566	15,195,230
Bonds payable	—	—	—	—	21,573,430	21,573,430
Accrued interest payable and accrued other expenses payable	3,735,521	20,240	160,435	45,689	350	3,962,235
Other liabilities	11,510,963	—	—	—	1,626,812	13,137,775
Total financial liabilities	₱838,167,478	₱122,823,118	₱26,335,239	₱17,875,215	₱28,260,442	₱1,033,461,492

* High-yield savings accounts are included under time deposits



	Consolidated					Total
	2023					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	
Financial Assets						
COCI	₱21,151,391	₱–	₱–	₱–	₱–	₱21,151,391
Due from BSP and other banks	120,467,205	–	–	–	–	120,467,205
Interbank loans receivable	28,531,370	5,489,107	967,360	1,023,160	–	36,010,997
Securities held under agreements to resell	69,812,071	–	–	–	–	69,812,071
Financial assets at FVTPL:						
Government securities	4,293,988	534,211	39,479	91,568	3,586,581	8,545,827
Private debt securities	–	29,925	18,982	994,562	662,057	1,705,526
Equity securities	2,771	–	–	–	–	2,771
Derivative assets:						
Gross contractual receivable	87,949,838	17,614,366	2,099,656	445,073	30,329	108,139,262
Gross contractual payable	(87,391,376)	(17,458,363)	(2,070,466)	(441,124)	(29,191)	(107,390,520)
Financial assets at FVOCI:						
Government securities	33,489,750	46,204,757	1,285,139	2,180,240	47,001,705	130,161,591
Private debt securities	938,132	1,112,484	1,987,338	2,370,435	9,479,822	15,888,211
Equity securities	1,411,318	–	–	–	24,567,213	25,978,531
Investment securities at amortized cost						
Government securities	6,209,327	4,081,976	5,719,142	4,000,317	124,961,338	144,972,100
Private debt securities	1,347,263	3,824,893	1,334,269	1,704,803	27,484,727	35,695,955
Financial assets at amortized cost:						
Receivables from customers	149,406,393	61,186,611	28,126,108	23,386,574	510,204,415	772,310,101
Other receivables	14,812,784	665,550	387,899	242,420	1,376,947	17,485,600
Other assets	383,478	–	–	–	18,779	402,257
Total financial assets	₱452,815,703	₱123,285,517	₱39,894,906	₱35,998,028	₱749,344,722	₱1,401,338,876
Financial Liabilities						
Deposit liabilities:						
Demand	₱229,771,379	₱–	₱–	₱–	₱–	₱229,771,379
Savings *	367,397,521	–	–	–	–	367,397,521
Time and LTNCDs *	190,633,688	98,114,877	16,667,382	19,935,772	14,354,806	339,706,525
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	53,574,196	7,507,070	3,406,282	673,361	–	65,160,909
Gross contractual receivable	(53,334,823)	(7,274,163)	(3,340,990)	(657,783)	–	(64,607,759)
Bills and acceptances payable	6,019,964	10,282,130	2,290,375	503,601	1,139,259	20,235,329
Bonds payable	–	15,134	–	42,762,166	–	42,777,300
Accrued interest payable and accrued other expenses payable	4,683,312	54,751	217,492	113,428	479,288	5,548,271
Other liabilities	8,054,665	2,755	–	76,930	1,215,351	9,349,701
Total financial liabilities	₱806,799,902	₱108,702,554	₱19,240,541	₱63,407,475	₱17,188,704	₱1,015,339,176

* High-yield savings accounts are included under time deposits

	Parent Company					Total
	2024					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	
Financial Assets						
COCI	₱20,522,258	₱–	₱–	₱–	₱–	₱20,522,258
Due from BSP and other banks	68,407,714	–	–	–	–	68,407,714
Interbank loans receivable	13,799,929	7,577,478	–	–	–	21,377,407
Securities held under agreements to resell	86,350,640	17,442,188	–	–	–	103,792,828
Financial assets at FVTPL:						
Government securities	6,019,858	37,152	327,922	3,428,645	10,851,259	20,664,836
Private debt securities	1,963	499,831	12,266	76	2,500	516,636
Equity securities	–	–	–	–	–	–
Derivative assets:						
Gross contractual receivable	63,016,045	17,487,373	4,694,825	1,177,732	718,884	87,094,859
Gross contractual payable	(62,348,904)	(17,225,028)	(4,630,933)	(1,148,725)	(657,203)	(86,010,793)
Financial assets at FVOCI:						
Government securities	45,163,800	23,766,870	3,429,917	26,993,976	96,344,183	195,698,746
Private debt securities	102,545	1,612,346	338,651	2,077,081	14,912,826	19,043,449
Equity securities	–	–	–	–	28,166,082	28,166,082
Investment securities at amortized cost:						
Government securities	1,783,091	3,145,770	4,673,697	3,260,697	120,933,945	133,797,200
Private debt securities	5,935,265	159,585	640,783	4,501,535	7,708,861	18,946,029

(Forward)



Parent Company						
2024						
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial assets at amortized cost:						
Receivables from customers	₱125,410,180	₱108,111,242	₱37,907,583	₱35,037,355	₱482,137,644	₱788,604,004
Other receivables	11,618,507	1,212,223	423,072	16,772	813,447	14,084,021
Other assets	426,650	—	—	—	500	427,150
Total financial assets	₱386,209,541	₱163,827,030	₱47,817,783	₱75,345,144	₱761,932,928	₱1,435,132,426
Financial Liabilities						
Deposit liabilities:						
Demand	₱244,265,623	₱—	₱—	₱—	₱—	₱244,265,623
Savings *	391,145,423	—	—	—	—	391,145,423
Time and LTNCDS *	183,443,376	117,002,007	18,847,934	9,272,776	4,988,759	333,554,852
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual receivable	30,062,057	17,446,351	12,617,887	1,356,393	—	61,482,688
Gross contractual payable	(29,925,130)	(17,133,537)	(12,163,154)	(1,339,176)	—	(60,560,997)
Bills and acceptances payable	974,286	2,537,017	3,611,405	8,057,956	14,565	15,195,229
Bonds payable	—	—	—	—	21,573,430	21,573,430
Accrued interest payable and accrued other expenses payable	3,741,442	11,470	160,435	—	—	3,913,347
Other liabilities	10,854,712	—	—	—	1,626,812	12,481,524
Total financial liabilities	₱834,561,789	₱119,863,308	₱23,074,507	₱17,347,949	₱28,203,566	₱1,023,051,119

* High-yield savings accounts are included under time deposits

Parent Company						
2023						
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets						
COCI	₱21,052,526	₱—	₱—	₱—	₱—	₱21,052,526
Due from BSP and other banks	109,049,601	—	—	—	—	109,049,601
Interbank loans receivable	27,292,838	4,711,253	733,840	1,023,160	—	33,761,091
Securities held under agreements to resell	69,812,071	—	—	—	—	69,812,071
Financial assets at FVTPL:						
Government securities	4,293,988	534,211	39,479	91,568	3,586,581	8,545,827
Private debt securities	—	28,463	17,295	991,188	509,839	1,546,785
Equity securities	—	—	—	—	—	—
Derivative assets:						
Gross contractual receivable	87,949,731	17,611,825	2,097,320	445,073	30,329	108,134,278
Gross contractual payable	(87,391,376)	(17,458,363)	(2,070,466)	(441,124)	(29,191)	(107,390,520)
Financial assets at FVOCI:						
Government securities	33,489,750	46,204,757	1,195,094	2,094,355	46,631,505	129,615,461
Private debt securities	938,132	1,112,051	1,986,905	2,369,485	9,443,984	15,850,557
Equity securities	1,336,148	—	—	—	24,567,213	25,903,361
Investment securities at amortized cost:						
Government securities	6,172,842	4,010,826	5,708,076	3,972,550	124,620,081	144,484,375
Private debt securities	1,347,262	3,824,893	1,334,269	1,704,803	27,484,727	35,695,954
Financial assets at amortized cost:						
Receivables from customers	145,196,835	57,624,975	27,195,621	21,636,212	506,344,765	757,998,408
Other receivables	14,282,566	649,818	2,968	240,464	1,371,742	16,547,558
Other assets	382,847	—	—	—	500	383,347
Total financial assets	₱435,205,761	₱118,854,709	₱38,240,401	₱34,127,734	₱744,562,075	₱1,370,990,680
Financial Liabilities						
Deposit liabilities:						
Demand	₱229,138,969	₱—	₱—	₱—	₱—	₱229,138,969
Savings *	366,321,763	—	—	—	—	366,321,763
Time and LTNCDS *	190,347,584	94,660,837	13,823,464	19,360,573	14,335,168	332,527,626

(Forward)



	Parent Company					Total
	2023					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual receivable	₱53,574,196	₱7,507,070	₱3,406,282	₱673,361	₱–	₱65,160,909
Gross contractual payable	(53,334,823)	(7,274,163)	(3,340,990)	(657,765)	–	(64,607,741)
Bills and acceptances payable	6,019,964	10,282,130	2,290,375	503,601	1,139,258	20,235,328
Bonds payable	–	15,134	–	42,762,166	–	42,777,300
Accrued interest payable and accrued other expenses payable	4,689,505	21,230	46,193	44,728	478,314	5,279,970
Other liabilities	7,366,066	2,756	–	76,930	1,215,351	8,661,103
Total financial liabilities	₱804,123,224	₱105,214,994	₱16,225,324	₱62,763,594	₱17,168,091	₱1,005,495,227

* High-yield savings accounts are included under time deposits

4.3.1 BSP Reporting for Liquidity Positions and Leverage

To promote short-term resilience of banks' liquidity risk profile, BSP requires banks and other regulated entities to maintain:

- over a 30-calendar day horizon, an adequate level of unencumbered high-quality liquid assets (HQLA) that consist of cash or assets that can be converted into cash to offset the net cash outflows they could encounter under a liquidity stress scenario; and
- a stable funding profile in relation to the composition of their assets and off-balance sheet activities.

To monitor the liquidity levels, the Group computes for its Liquidity Coverage Ratio (LCR), which is the ratio of HQLA to the total net cash outflows. As of December 31, 2024 and 2023, LCR reported to the BSP with certain adjustments is shown in the table below:

	Consolidated		Parent Company	
	2024	2023	2024	2023
LCR	254.46%	271.54%	244.55%	295.74%

The Group also computes for its Net Stable Funding Ratio (NSFR), which is the ratio of the available stable funding to the required stable funding. Both LCR and NSFR should be maintained no lower than 100.00% on a daily basis under normal situations. As of December 31, 2024 and 2023, NSFR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	Consolidated		Parent Company	
	2024	2023	2024	2023
Available stable funding	₱955,109	₱894,199	₱943,044	₱884,747
Required stable funding	598,326	595,019	600,847	597,380
NSFR	159.63%	150.28%	156.95%	148.10%

4.4 Market Risk

Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of instruments, products, and transactions in an institutions' overall portfolio. Market risk arises from market making, dealing, and position taking in interest rate, foreign exchange and equity markets. The succeeding sections provide discussion on the impact of market risk on the Parent Company's trading and structural portfolios.



4.4.1 Trading Market Risk

Trading market risk exists in the Parent Company as the values of its trading positions are sensitive to changes in market rates such as interest rates, foreign exchange rates and equity prices. The Parent Company is exposed to trading market risk in the course of market making as well as from taking advantage of market opportunities. For internal monitoring of the risks in the trading portfolio, the Parent Company uses the Value at Risk (VaR) as a primary risk measurement tool. It adopts both the Parametric VaR methodology and Historical Simulation Methodology (with 99.00% confidence level) to measure the Parent Company's trading market risk. Both the Parametric models and Historical Simulation models were validated. Volatilities used in the parametric are updated on a daily basis and are based on historical data for a rolling 400-day period while yields and prices in the historical VaR approach are also updated daily. The ERMG reports the VaR utilization and breaches to limits to the risk taking personnel on a daily basis and to the ALCO and ROC on a monthly basis. All risk reports discussed in the ROC meeting are noted by the BOD. The VaR figures are back tested to validate the robustness of the VaR model. Results of backtesting on a rolling one year period are reported also to the ROC.

The parametric VaR models are designed to measure market risk in a normal market environment. The models assume that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. The use of VaR has limitations because it is based on historical volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market movements may be under-estimated if changes in risk factors fail to align with historical movements. VaR may also be under- or over- estimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99.00% confidence level.

VaR estimates the potential loss on the current portfolio assuming a specified time horizon and level of confidence at 99.00%. The use of a 99.00% confidence level means that, within a one day horizon, losses exceeding the VaR figure should occur, on average, not more than once every one hundred days.

The validity of the assumptions underlying the Parent Company's VaR models can only be checked by appropriate backtesting procedures. Backtesting is a formal statistical framework that consists of verifying that actual losses are within the projected VaR approximations. The Parent Company adopts both the clean backtesting and dirty backtesting approaches approach in backtesting. Clean backtesting, consists of comparing the VaR estimates with some hypothetical profit or loss (P&L) values of the portfolio, having kept its composition unchanged. In this case, the same portfolio is repriced or marked-to-market at the end of the time interval and the hypothetical P&L is then compared with the VaR. The other method, called dirty backtesting, consists of comparing the VaR estimates with the actual P&L values at the end of the time horizon. This method, however, may pose a problem if the portfolio has changed drastically because of trading activities between the beginning and the end of the time horizon since VaR models assume that the portfolio is "frozen" over the horizon. The Parent Company uses the regulatory 3-zone (green, yellow and red) boundaries in evaluating the backtesting results.

The VaR models undergo close monitoring and regular review of the model's parameters and assumptions to determine model quality.



To complement the VaR approximations, the Parent Company conducts stress testing on a quarterly basis, the results of which are being reported to the BOD. Scenarios used in the conduct of stress test are event driven and represent the worst one-off event of a specific risk factor. Results of stress testing are analyzed in terms of the impact to earnings and capital.

Since VaR is an integral part of the Parent Company's market risk management, VaR limits have been established annually for all financial trading activities and exposures. Calculated VaR compared against the VaR limits are monitored. Limits are based on the tolerable risk appetite of the Parent Company.

The tables below show the trading VaR (in millions):

Trading Portfolio	Foreign Exchange*	Interest Rate	Equities Price	Total VaR**
December 29, 2024	₱15.74	₱239.88	₱—	₱255.63
Average Daily	8.45	171.61	—	180.06
Highest	24.10	425.89	—	443.69
Lowest	1.31	70.83	—	73.49

* *FX VaR is the bankwide foreign exchange risk*

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

Trading Portfolio	Foreign Exchange*	Interest Rate	Equities Price	Total VaR**
December 29, 2023	₱3.99	₱86.63	₱—	₱90.62
Average Daily	9.26	133.08	—	142.34
Highest	33.27	313.88	—	320.92
Lowest	1.78	62.67	—	67.76

* *FX VaR is the bankwide foreign exchange risk*

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

4.4.2 Non-Trading Market Risk

Interest rate risk

The Group seeks to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. Interest margins may increase as a result of such changes but may be reduced or may create losses in the event that unexpected movements arise.

Repricing mismatches will expose the Group to interest rate risk. The Group measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of a “repricing gap” analysis using the repricing characteristics of its financial instrument positions tempered with approved assumptions. To evaluate earnings exposure, interest rate sensitive liabilities in each time band are subtracted from the corresponding interest rate assets to produce a “repricing gap” for that time band. The difference in the amount of assets and liabilities maturing or being repriced over a one year period would then give the Group an indication of the extent to which it is exposed to the risk of potential changes in net interest income. A negative gap occurs when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. Vice versa, 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, a company with a positive gap is better positioned because the company's assets are refinanced at increasingly higher interest rates increasing the net interest margin of the company over time. During a period of falling interest rates, a company with a positive gap would show assets repricing at a faster rate than one with a negative gap, which may restrain the growth of its net income or result in a decline in net interest income.

For risk management purposes, the loan accounts are assessed based on next repricing date, thus as an example, if a loan account is scheduled to reprice three years from year-end report date, slotting of the account will be based on the date of interest repricing. Deposits with no specific maturity dates are excluded in the one-year repricing gap except for the portion of volatile regular savings deposits which are assumed to be withdrawn during the one year period and assumed to be replaced by a higher deposit rate.

The Group uses the Earnings at Risk (EaR) methodology to measure the likely interest margin compression in case of adverse change in interest rates given the Group's repricing gap. The repricing gap covering the one-year period is multiplied by an assumed change in interest rates to yield an approximation of the change in net interest income that would result from such an interest rate movement. The Parent Company's BOD sets a limit on the level of EaR exposure tolerable to the Group. EaR exposure and compliance to the EaR limit is monitored every two weeks and reported monthly by the ERMG and subject to a quarterly stress test.

The following table sets forth the repricing gap position of the Group and the Parent Company:

	Consolidated					
	2024					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱38,455,828	₱7,681,906	₱3,454,493	₱4,415,792	₱21,304,191	₱75,312,210
Interbank loans receivable and securities held under agreements to resell	108,224,491	17,800,638	—	242,184	—	126,267,313
Receivables from customers and other receivables - gross**	157,138,553	68,585,452	21,366,921	61,472,690	104,245,092	412,808,708
Total financial assets	₱303,818,872	₱94,067,996	₱24,821,414	₱66,130,666	₱125,549,283	₱614,388,231
Financial Liabilities*						
Deposit liabilities:						
Savings	₱158,681,470	₱72,692,839	₱27,724,999	₱51,339,044	₱264,897,175	₱575,335,527
Time***	82,979,912	40,903,297	6,699,749	5,023,468	11,762,306	147,368,732
Bonds payable	—	—	—	—	17,304,421	17,304,421
Bills and acceptances payable	7,869,449	2,324,009	2,295,405	7,719,588	—	20,208,451
Total financial liabilities	₱249,530,831	₱115,920,145	₱36,720,153	₱64,082,100	₱293,963,902	₱760,217,131
Repricing gap	₱54,288,041	(₱21,852,149)	(₱11,898,739)	₱2,048,566	(₱168,414,619)	(₱145,828,900)
Cumulative gap	54,288,041	32,435,892	20,537,153	22,585,719	(145,828,900)	

* Financial instruments that are not subject to repricing/rollforward were excluded

** Receivables from customers excludes residual value of leased assets (Note 10)

***Excludes LTNCD



	Consolidated					
	2023					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱58,150,792	₱9,072,894	₱3,369,531	₱8,901,479	₱37,159,510	₱116,654,206
Interbank loans receivable and securities held under agreements to resell	98,092,798	5,439,375	733,899	1,062,906	—	105,328,978
Receivables from customers and other receivables - gross**	161,955,806	49,845,326	28,901,960	39,616,354	104,403,594	384,723,040
Total financial assets	₱318,199,396	₱64,357,595	₱33,005,390	₱49,580,739	₱141,563,104	₱606,706,224
Financial Liabilities*						
Deposit liabilities:						
Savings	₱158,675,307	₱56,242,019	₱27,795,826	₱49,149,862	₱249,146,435	₱541,009,449
Time***	81,037,001	40,011,529	6,280,461	5,894,523	12,528,547	145,752,061
Bonds payable	—	—	—	41,490,871	—	41,490,871
Bills and acceptances payable	10,303,062	5,296,850	1,746,803	185,016	2,630,872	20,162,603
Total financial liabilities	₱250,015,370	₱101,550,398	₱35,823,090	₱96,720,272	₱264,305,854	₱748,414,984
Repricing gap	₱68,184,026	(₱37,192,803)	(₱2,817,700)	(₱47,139,533)	(₱122,742,750)	(₱141,708,760)
Cumulative gap	68,184,026	30,991,223	28,173,523	(18,966,010)	(141,708,760)	

* Financial instruments that are not subject to repricing/rollforward were excluded

** Receivables from customers excludes residual value of leased assets (Note 10)

***Excludes LTNCD

	Parent Company					
	2024					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱33,464,849	₱5,593,770	₱1,899,764	₱4,386,159	₱21,261,952	₱66,606,494
Interbank loans receivable and securities held under repurchase agreement	107,900,848	16,861,438	—	—	—	124,762,286
Receivable from customers and other receivables - gross**	157,138,553	68,585,452	21,366,921	61,472,689	104,245,092	412,808,708
Total financial assets	₱298,504,250	₱91,040,660	₱23,266,685	₱65,858,848	₱125,507,044	₱604,177,487
Financial Liabilities*						
Deposit liabilities:						
Savings	₱158,530,209	₱72,580,213	₱27,612,373	₱51,165,635	₱264,350,130	₱574,238,560
Time***	87,650,002	40,764,217	6,585,830	4,955,855	4,186,727	144,142,631
Bonds payable	—	—	—	—	17,304,421	17,304,421
Bills and acceptances payable	7,869,449	2,324,009	2,295,405	7,719,588	—	20,208,451
Total financial liabilities	₱254,049,660	₱115,668,439	₱36,493,608	₱63,841,077	₱285,841,278	₱755,894,062
Repricing gap	₱44,454,590	(₱24,627,779)	(₱13,226,923)	(₱2,017,771)	(₱160,334,234)	(₱151,716,575)
Cumulative gap	44,454,590	19,826,811	6,599,888	8,617,659	(151,716,575)	

* Financial instruments that are not subject to repricing/rollforward were excluded.

** Receivable from customers excludes residual value of leased assets (Note 10).

***Excludes LTNCD.



	Parent Company					
	2023					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱53,163,321	₱8,466,394	₱3,186,263	₱7,166,464	₱37,054,532	₱109,036,974
Interbank loans receivable and securities held under repurchase agreement	96,853,751	4,713,657	733,899	830,550	—	103,131,857
Receivable from customers and other receivables - gross**	161,955,806	49,845,326	28,901,960	39,616,354	104,403,594	384,723,040
Total financial assets	₱311,972,878	₱63,025,377	₱32,822,122	₱47,613,368	₱141,458,126	₱596,891,871
Financial Liabilities*						
Deposit liabilities:						
Savings	₱158,566,530	₱56,141,908	₱27,695,715	₱48,995,714	₱248,663,704	₱540,063,571
Time***	85,305,839	39,796,870	6,226,047	5,871,308	4,570,860	141,770,924
Bonds payable	—	—	—	41,490,871	—	41,490,871
Bills and acceptances payable	10,109,071	5,266,998	1,738,607	—	3,047,927	20,162,603
Total financial liabilities	₱253,981,440	₱101,205,776	₱35,660,369	₱96,357,893	₱256,282,491	₱743,487,969
Repricing gap	₱57,991,438	(₱38,180,399)	(₱2,838,247)	(₱48,744,525)	(₱114,824,365)	(₱146,596,098)
Cumulative gap	57,991,438	19,811,039	16,972,792	(31,771,733)	(146,596,098)	

* Financial instruments that are not subject to repricing/rollforward were excluded

** Receivables from customers excludes residual value of leased assets (Note 10)

***Excludes LTNCD

The following table sets forth, for the year indicated, the impact of changes in interest rates on the Group's and the Parent Company's repricing gap for the years ended December 31, 2024 and 2023:

	Consolidated			
	2024		2023	
	Statement of Income	Equity	Statement of Income	Equity
+50bps	₱135,755	₱135,755	₱119,977	₱119,977
-50bps	(135,755)	(135,755)	(119,977)	(119,977)
+100bps	271,509	271,509	239,954	239,954
-100bps	(271,509)	(271,509)	(239,954)	(239,954)

	Parent Company			
	2024		2023	
	Statement of Income	Equity	Statement of Income	Equity
+50bps	₱73,918	₱73,918	₱66,058	₱66,058
-50bps	(73,918)	(73,918)	(66,058)	(66,058)
+100bps	147,837	147,837	132,116	132,116
-100bps	(147,837)	(147,837)	(132,116)	(132,116)

In addition to EaR, the Parent Company also employs economic value-based measures that assess the present value of the expected net cash flows of assets and liabilities, particularly those that are interest-bearing, discounted to reflect market rates. At the same time that fluctuations in interest rates will affect the Parent Company's earnings, these will also have an impact on its net worth or capital position. In coming up with present values, the relevant risk-free rate shall be used to formulate discount factors. Resulting weighted net positions across tenors are aggregated to determine the Economic Value of Equity (EVE) per book and per major currency under different shock scenarios.

Delta EVE is the difference between the total net present value of expected asset and liability cash flows when discounted at prevailing market rates and when discounted against shocked interest rates. Delta EVE is computed based on several interest rate shock scenarios (e.g. parallel up, parallel down, short rates up, short rates down, steepening rates, flattening rates). The scenario with the most



negative Delta EVE, pertaining to the highest decline in net present value, is compared to the medium to long-term Delta EVE trigger, which corresponds to a percentage of the Parent Company's Common Equity Tier 1 (CET1) capital.

The maximum negative Delta EVE capital coming from the steepening rates scenario is at ₱10.5 billion or 7.85% of CET1 and ₱6.2 billion or 5.43% of CET1, as of December 31, 2024 and December 31, 2023, respectively.

As of December 31, 2024, the maximum negative Delta EVE is at ₱10.5 billion or 7.85% of CET1 capital coming from the parallel up rates scenario.

Foreign currency risk

Foreign exchange is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financials and cash flows.

Foreign currency liabilities generally consist of foreign currency deposits in the Parent Company's FCDU books, accounts made in the Philippines or which are generated from remittances to the Philippines by Filipino expatriates and overseas Filipino workers who retain for their own benefit or for the benefit of a third party, foreign currency deposit accounts with the Parent Company and foreign currency-denominated borrowings appearing in the regular books of the Parent Company.

Foreign currency deposits are generally used to fund the Parent Company's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency liabilities with the foreign currency assets held through FCDUs. In addition, the BSP requires a 30.00% liquidity eligible reserve on all foreign currency liabilities held through FCDUs. Outside the FCDU, the Parent Company has additional foreign currency assets and liabilities in its foreign branch network.

The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for a financial institution engaged in the type of business in which the Group is involved.

The table below summarizes the exposure to foreign exchange rate risk excluding those under the FCDU, categorized by currency (amounts in Philippine peso equivalent).

	Consolidated					
	2024			2023		
	USD	Others*	Total	USD	Others*	Total
Assets						
COCI and due from BSP	₱116,927	₱823,342	₱940,269	₱119,469	₱425,096	₱544,565
Due from other banks	11,386,859	4,193,010	15,579,869	11,638,822	3,863,354	15,502,176
Interbank loans receivable and securities held under agreements to resell	1,993,708	3,683,161	5,676,869	15,134,491	4,827,144	19,961,635
Loans and receivables	18,941,355	11,721,952	30,663,307	26,835,528	11,551,544	38,387,072
Financial assets at FVTPL	812	—	812	5,029	—	5,029
Financial assets at FVOCI	975,132	1,579,942	2,555,074	866,362	732,743	1,599,105
Investment securities at amortized cost	381,987	621,679	1,003,666	476,337	624,203	1,100,540
Other assets	13,371,776	963,598	14,335,374	11,779,548	1,030,816	12,810,364
Total assets	47,168,556	23,586,684	70,755,240	66,855,586	23,054,900	89,910,486
Liabilities						
Deposit liabilities	₱8,740,905	₱8,643,238	₱17,384,143	₱8,849,451	₱8,963,600	₱17,813,051
Derivative liabilities	2,413	—	2,413	1	—	1
Bills and acceptances payable	8,221,706	79,267	8,300,973	10,510,491	—	10,510,491
Accrued interest payable	41,372	1,580	42,952	86,808	21,671	108,479
Other liabilities	7,719,166	2,301,882	10,021,048	9,378,454	2,494,000	11,872,454
Total liabilities	24,725,562	11,025,967	35,751,529	28,825,205	11,479,271	40,304,476
Net Exposure	₱22,442,994	₱12,560,717	₱35,003,711	₱38,030,381	₱11,575,629	₱49,606,010

*Other currencies pertain to third currencies



	Parent Company					
	2024			2023		
	USD	Others*	Total	USD	Others*	Total
Assets						
COCI and due from BSP	₱52,070	₱246,546	₱298,616	₱51,226	₱167,776	₱219,002
Due from other banks	5,738,354	923,894	6,662,248	6,136,432	1,144,815	7,281,247
Interbank loans receivable and securities held under agreements to resell	1,594,955	2,573,865	4,168,820	14,362,997	3,348,733	17,711,730
Loans and receivables	16,779,768	22,100	16,801,868	24,700,030	24,636	24,724,666
Financial assets at FVTPL	—	—	—	44	—	44
Financial assets at FVOCI	975,132	1,415,646	2,390,778	866,362	572,357	1,438,719
Investment securities at amortized cost	—	621,679	621,679	6,376	624,203	630,579
Other assets	13,364,004	—	13,364,004	11,745,510	—	11,745,510
Total assets	38,504,283	5,803,730	44,308,013	57,868,977	5,882,520	63,751,497
Liabilities						
Deposit liabilities	2,404,861	5,314,275	7,719,136	2,275,877	5,538,066	7,813,943
Derivative liabilities	53	—	53	1	—	1
Bills and acceptances payable	8,221,706	79,267	8,300,973	10,510,491	—	10,510,491
Accrued interest payable	41,372	1,580	42,952	54,986	1,499	56,485
Other liabilities	7,309,695	1,877,022	9,186,717	9,036,932	1,996,722	11,033,654
Total liabilities	17,977,687	7,272,144	25,249,831	21,878,287	7,536,287	29,414,574
Net Exposure	₱20,526,596	(₱1,468,414)	₱19,058,182	₱35,990,690	(₱1,653,767)	₱34,336,923

* Other currencies pertain to third currencies

The exchange rates used to convert the Group and the Parent Company's US dollar-denominated assets and liabilities into Philippine peso were ₱57.85 to USD1.00 as of December 31, 2024 and ₱55.37 to USD1.00 as of December 31, 2023. The following tables set forth the impact of the range of reasonably possible changes in the USD:PHP exchange rate on the Group and the Parent Company's income before income tax and equity which includes the impact on the income (due to the revaluation of monetary assets and liabilities) for the years ended December 31, 2024 and 2023:

	2024			
	Consolidated		Parent Company	
	Statement of Income	Equity	Statement of Income	Equity
+1.00%	₱215,387	(₱225,138)	₱195,515	(₱205,266)
-1.00%	(215,387)	225,138	(195,515)	205,266

	2023			
	Consolidated		Parent Company	
	Statement of Income	Equity	Statement of Income	Equity
+1.00%	₱371,640	(₱380,304)	₱351,243	(₱359,907)
-1.00%	(371,640)	380,304	(351,243)	359,907

The Group and the Parent Company do not expect the impact of the volatility on other currencies to be material.



5. Fair Value Measurement

The Group uses the following methods and assumptions in estimating the fair value of its assets and liabilities:

Assets and Liabilities	Fair value methodologies
Cash equivalents	At carrying amounts due to their relatively short-term maturity
Derivatives	Based on either: • quoted market prices; • prices provided by independent parties; or • prices derived using acceptable valuation models
Debt securities	For quoted securities – based on market prices from debt exchanges For unquoted securities ¹ – estimated using either: • quoted market prices of comparable investments; or • discounted cash flow methodology
Equity securities	For quoted securities – based on market prices from stock exchanges For unquoted securities – estimated using either: • quoted market prices of comparable investments ²; or • adjusted net asset value method ³ and applying a discount for lack of marketability
Loans and receivables	For loans with fixed interest rates – estimated using the discounted cash flow methodology ⁴ For loans with floating interest rates – at their carrying amounts
Investment properties	Appraisal by independent external and in-house appraisers based on highest and best use of the property (i.e., current use of the properties) ⁵ using either: • market data approach ⁶; or • replacement cost approach ⁷
Short-term financial liabilities	At carrying amounts due to their relatively short-term maturity
Long-term financial liabilities	For quoted debt issuances – based on market prices from debt exchanges For unquoted debt issuances – estimated using the discounted cash flow methodology ⁸

Notes:

¹ using interpolated PHP BVAL rates provided by the Philippine Dealing and Exchange Corporation (for government securities) and PHP BVAL rates plus additional credit spread (for corporate/private securities)

² using the most relevant multiples (e.g., earnings, book value)

³ measures the company's value by adjusting the carrying value of its assets to their fair values, and then subtracting the fair value of its liabilities

⁴ using the current incremental lending rates for similar loans

⁵ considering other factors such as size, shape and location of the properties, price per square meter, reproduction costs new, time element, discount, among others

⁶ using recent sales of similar properties within the same vicinity and considering the economic conditions prevailing at the time of the valuations and comparability of similar properties sold

⁷ estimating the investment required to duplicate the property in its present condition

⁸ using the current incremental borrowing rates for similar borrowings



Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities:

- Level 1 - Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level of input that is significant to their fair value measurement is unobservable

The Group and the Parent Company held the following assets and liabilities measured at fair value, and at cost but for which fair values are disclosed:

	Consolidated				
	2024				
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	₱16,181,821	₱9,280,986	₱6,900,835	₱—	₱16,181,821
Private debt securities	649,191	646,996	2,195	—	649,191
Derivative assets	1,087,107	—	1,087,107	—	1,087,107
Equity securities	2,866	2,866	—	—	2,866
Financial assets at FVOCI:					
Government securities	167,824,773	84,332,614	83,492,159	—	167,824,773
Equity securities	28,339,810	2,390,053	671,154	25,278,603	28,339,810
Private debt securities	15,578,200	8,144,021	7,434,179	—	15,578,200
	₱229,663,768	₱104,797,536	₱99,587,629	₱25,278,603	₱229,663,768
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱924,053	₱—	₱924,053	₱—	₱924,053
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	₱112,422,382	₱44,626,557	₱67,159,150	₱—	₱111,785,707
Receivables from customers**	626,089,235	—	—	657,189,212	657,189,212
	₱738,511,617	₱44,626,557	₱67,159,150	₱657,189,212	₱768,974,919
Nonfinancial Assets					
Investment property:					
Land***	₱12,656,948	₱—	₱—	₱30,731,999	₱30,731,999
Buildings and improvements***	3,307,319	—	—	5,820,255	5,820,255
	₱15,964,267	₱—	₱—	₱36,552,254	₱36,552,254
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	₱147,368,732	₱—	₱—	₱147,177,687	₱147,177,687
LTNCDs	4,598,770	—	4,541,491	—	4,541,491
Bonds payable	17,304,421	—	17,001,745	—	17,001,745
Bills payable	14,152,442	—	—	14,152,442	14,152,442
	₱183,424,365	₱—	₱21,543,236	₱161,330,129	₱182,873,365

* Net of expected credit losses (Note 9)

** Net of expected credit losses and unearned and other deferred income (Note 10)

*** Net of impairment losses (Note 13)



Consolidated 2023					
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	₱8,174,405	₱2,633,602	₱5,540,803	₱—	₱8,174,405
Private debt securities	1,590,489	914,210	676,279	—	1,590,489
Derivative assets	749,199	—	749,199	—	749,199
Equity securities	2,771	2,771	—	—	2,771
Financial assets at FVOCI:					
Government securities	124,372,410	46,682,566	77,689,844	—	124,372,410
Equity securities	25,978,530	200,709	1,014,081	24,763,740	25,978,530
Private debt securities	14,180,552	6,944,140	7,236,412	—	14,180,552
	₱175,048,356	₱57,377,998	₱92,906,618	₱24,763,740	₱175,048,356
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱555,811	₱—	₱555,811	₱—	₱555,811
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	₱123,200,427	₱24,840,676	₱98,730,596	₱—	₱123,571,272
Receivables from customers**	604,188,788	—	—	623,817,129	623,817,129
	₱727,389,215	₱24,840,676	₱98,730,596	₱623,817,129	₱747,388,401
Nonfinancial Assets					
Investment property:					
Land***	₱12,359,795	₱—	₱—	₱26,228,453	₱26,228,453
Buildings and improvements***	2,219,763	—	—	7,975,404	7,975,404
	₱14,579,558	₱—	₱—	₱34,203,857	₱34,203,857
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	₱145,752,061	₱—	₱—	₱145,538,240	₱145,538,240
LTNCDs	12,803,543	—	12,586,489	—	12,586,489
Bonds payable	41,490,871	—	40,625,938	—	40,625,938
Bills payable	10,607,626	—	—	10,559,411	10,559,411
	₱210,654,101	₱—	₱53,212,427	₱156,097,651	₱209,310,078

* Net of expected credit losses (Note 9)

** Net of expected credit losses and unearned and other deferred income (Note 10)

*** Net of impairment losses (Note 13)

Parent Company 2024					
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	₱16,181,821	₱9,280,986	₱6,900,835	₱—	₱16,181,821
Private debt securities	502,026	499,831	2,195	—	502,026
Derivative assets	1,086,295	—	1,086,295	—	1,086,295
Financial assets at FVOCI:					
Government securities	167,529,568	83,864,849	83,664,719	—	167,529,568
Equity securities	28,166,082	2,389,883	497,596	25,278,603	28,166,082
Private debt securities	15,574,684	8,144,021	7,430,663	—	15,574,684
	₱229,040,476	₱104,179,570	₱99,582,303	₱25,278,603	₱229,040,476
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱921,693	₱—	₱921,693	₱—	₱921,693

(Forward)



Parent Company					
2024					
	Carrying Value	Level 1	Level 2	Level 3	Total
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost					
Investment securities at amortized cost*	₱112,040,395	₱44,244,571	₱67,159,150	₱—	₱111,403,721
Receivables from customers**	612,043,695	—	—	643,143,671	643,143,671
	₱724,084,090	₱44,244,571	₱67,159,150	₱643,143,671	₱754,547,392
Nonfinancial Assets					
Investment property:					
Land***	₱12,089,552	₱—	₱—	₱30,395,861	₱30,395,861
Buildings and improvements***	3,455,365	—	—	5,755,096	5,755,096
	15,544,917	₱—	₱—	36,150,957	36,150,957
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	₱144,142,631	₱—	₱—	₱143,951,586	₱143,951,586
LTNCDs	4,598,770	—	4,541,491	—	4,541,491
Bonds payable	17,304,421	—	17,001,745	—	17,001,745
Bills payable	14,152,442	—	—	14,152,442	14,152,442
	₱180,198,264	₱—	₱21,543,236	₱158,104,028	₱179,647,264

* Net of expected credit losses (Note 9)

** Net of expected credit losses and unearned and other deferred income (Note 10)

*** Net of impairment losses (Note 13)

Parent Company					
2023					
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	₱8,174,405	₱2,633,602	₱5,540,803	₱—	₱8,174,405
Private debt securities	1,444,641	768,361	676,280	—	1,444,641
Derivative assets	744,213	—	744,213	—	744,213
Financial assets at FVOCI:					
Government securities	124,081,774	46,219,370	77,862,404	—	124,081,774
Equity securities	25,903,360	200,539	939,081	24,763,740	25,903,360
Private debt securities	14,151,837	6,915,425	7,236,412	—	14,151,837
	₱174,500,230	₱56,737,297	₱92,999,193	₱24,763,740	₱174,500,230
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱555,811	₱—	₱555,811	₱—	₱555,811
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost					
Investment securities at amortized cost*	₱122,730,465	₱24,370,714	₱98,730,596	₱—	₱123,101,310
Receivables from customers**	590,301,047	—	—	609,930,601	609,930,601
	₱713,031,512	₱24,370,714	₱98,730,596	₱609,930,601	₱733,031,911
Nonfinancial Assets					
Investment property:					
Land***	₱11,807,630	₱—	₱—	₱25,628,608	₱25,628,608
Buildings and improvements***	2,303,976	—	—	7,806,117	7,806,117
	₱14,111,606	₱—	₱—	₱33,434,725	₱33,434,725
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	₱141,770,924	₱—	₱—	₱141,557,103	₱141,557,103
LTNCDs	12,803,543	—	12,586,489	—	12,586,489
Bonds payable	41,490,871	—	40,625,938	—	40,625,938
Bills payable	10,607,626	—	—	10,559,411	10,559,411
	₱206,672,964	₱—	₱53,212,427	₱152,116,514	₱205,328,941

* Net of expected credit losses (Note 9)

** Net of expected credit losses and unearned and other deferred income (Note 10)

*** Net of impairment losses (Note 13)



As of December 31, 2024 and 2023, there were no transfers between Level 1 and Level 2 fair value measurements.

The following table summarizes the significant unobservable inputs used to calculate the fair value of Level 3 financial assets at FVOCI of the Group and the Parent Company as of December 31, 2024 and 2023 and the range of values indicating the highest and lowest level input used in the valuation techniques.

	Significant Unobservable Input	2024 -2%	+2%	2023 -2%	+2%
Equity securities	Discount for lack of marketability	₱601,974	(₱601,974)	₱588,436	(₱588,436)

For certain unquoted equity securities, the Group imputes a discount for lack of marketability which is a valuation consideration often based on observed data and empirical evidence. Certain valuation studies suggest that private companies typically sell at lower transaction pricing multiples than similar public companies.

6. Segment Information

6.1 Business Segments

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

- Retail Banking - principally handling individual customer's deposits, and providing consumer type loans, credit card facilities and fund transfer facilities;
- Corporate Banking - principally handling loans and other credit facilities and deposit accounts for corporate and institutional customers;
- Treasury - principally providing money market, trading and treasury services, as well as the management of the Group's funding operations by use of Treasury bills, government securities and placements and acceptances with other banks, through treasury and wholesale banking; and
- Other Segments - include, but not limited to, trust, leasing, remittances and other support services. Other support services of the Group comprise of operations and finance.

Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is credited to or charged against business segments based on pool rate which approximates the marginal cost of funds.

For management purposes, business segment report is done on a quarterly basis. Business segment information provided to the BOD, the chief operating decision maker (CODM), is based on the reportorial requirements under the Regulatory Accounting Principles (RAP) of the BSP, which differ from PFRS due to the manner of provisioning for impairment and credit losses, measurement of investment properties, and the fair value measurement of financial instruments. The report submitted to CODM represents only the results of operation for each of the reportable segment.



Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment revenues pertain to the net interest margin and other operating income earned by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

The Group has no significant customer which contributes 10.00% or more of the consolidated revenue.

Business segment information of the Group follows:

	2024					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	(P2,452,001)	P30,293,075	P21,578,661	P	(P79,265)	P49,340,470
Inter-segment	31,620,138	(18,404,659)	(13,215,479)	—	—	—
Net interest margin after inter-segment transactions	29,168,137	11,888,416	8,363,182	—	(79,265)	49,340,470
Other income	5,327,067	2,906,587	1,635,190	1,647,580	365,830	11,882,254
Segment revenue	34,495,204	14,795,003	9,998,372	1,647,580	286,565	61,222,724
Other expenses	14,742,420	7,046,665	1,357,644	1,079,763	286,565	24,513,057
Segment result	P19,752,784	P7,748,338	P8,640,728	P567,817	P—	36,709,667
Unallocated expenses						10,431,970
Income before income tax						26,277,697
Income tax						5,099,732
Net income						21,177,965
Non-controlling interests						125,069
Net income for the year attributable to equity holders of the Parent Company						P21,052,896
Other segment information:						
Capital expenditures	P215,994	P78,006	P15,021	P6,951	P—	P315,972
Unallocated capital expenditures						1,076,413
Total capital expenditures						P1,392,386
Depreciation and amortization	P1,053,740	P670,686	P22,533	P146,894	P—	P1,893,854
Unallocated depreciation and amortization						1,765,162
Total depreciation and amortization						P3,659,014
Provision for impairment, credit and other losses	P318,822	P3,450,344	P53,875	P45,071	P—	P3,868,111

* The adjustments and eliminations column mainly represent the RAP to PFRS Accounting Standards adjustments



2023						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	(P717,463)	P28,943,234	P16,370,415	P91,085	(P94,428)	P44,592,843
Inter-segment	28,959,163	(16,642,135)	(12,317,028)	—	—	—
Net interest margin after inter-segment transactions	28,241,700	12,301,099	4,053,387	91,085	(94,428)	44,592,843
Other income	5,053,691	6,180,122	1,433,814	1,580,429	(214,234)	14,033,822
Segment revenue	33,295,391	18,481,221	5,487,201	1,671,514	(308,662)	58,626,665
Other expenses	13,242,125	9,270,074	1,133,976	1,844,253	(308,662)	25,181,766
Segment result	P20,053,266	P9,211,147	P4,353,225	(P172,739)	P—	33,444,899
Unallocated expenses						11,471,704
Income before income tax						21,973,195
Income tax						4,007,375
Net income						17,965,820
Non-controlling interests						(13,437)
Net income for the year attributable to equity holders of the Parent Company						P17,979,257
Other segment information:						
Capital expenditures	P348,679	P147,739	P5,350	P141,085	P—	P642,853
Unallocated capital expenditures						375,975
Total capital expenditures						P1,018,828
Depreciation and amortization	P1,182,493	P424,316	P19,483	P293,714	P—	P1,920,006
Unallocated depreciation and amortization						2,056,063
Total depreciation and amortization						P3,976,069
Provision for impairment, credit and other losses	P160,141	P5,804,991	(P69,600)	P27,522	P—	P5,923,054

* The adjustments and eliminations column mainly represent the RAP to PFRS adjustments

2022						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	P1,067,003	P27,860,354	P8,535,524	P20,517	(P155,828)	P37,327,570
Inter-segment	20,436,564	(13,698,864)	(6,737,700)	—	—	—
Net interest margin after inter-segment transactions	21,503,567	14,161,490	1,797,824	20,517	(155,828)	37,327,570
Other income	5,008,794	8,159,543	(128,555)	3,629,778	(488,667)	16,180,893
Segment revenue	26,512,361	22,321,033	1,669,269	3,650,295	(644,495)	53,508,463
Other expenses	13,047,668	9,261,629	628,690	2,069,057	(644,495)	24,362,549
Segment result	P13,464,693	P13,059,404	P1,040,579	P1,581,238	P—	29,145,914
Unallocated expenses						12,630,698
Income before income tax						16,515,216
Income tax						4,931,228
Net income						11,583,988
Non-controlling interests						51,670
Net income for the year attributable to equity holders of the Parent Company						P11,532,318
Other segment information:						
Capital expenditures	P166,520	P26,621	P19,998	P9,628	P—	P222,767
Unallocated capital expenditures						1,205,888
Total capital expenditures						P1,428,655
Depreciation and amortization	P1,308,317	P399,629	P45,770	P351,829	P—	P2,105,545
Unallocated depreciation and amortization						2,120,201
Total depreciation and amortization						P4,225,746
Provision for (reversal of) impairment, credit and other losses	P840,755	P5,281,808	(P8,104)	P1,083,658	P—	P7,198,117

* The adjustments and eliminations column mainly represent the RAP to PFRS adjustments



As of December 31, 2024						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Segment assets	₱720,134,571	₱355,055,573	₱85,145,453	₱114,961,848	(₱17,686,592)	₱1,257,610,853
Segment liabilities	₱696,116,123	₱294,672,764	₱46,098,678	₱23,847,015	(₱19,752,668)	₱1,040,981,912

* The adjustments and eliminations column mainly represent the RAP to PFRS adjustments

As of December 31, 2023						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Segment assets	₱681,077,435	₱296,973,331	₱162,833,376	₱91,208,829	(₱21,543,571)	₱1,210,549,400
Segment liabilities	₱655,716,486	₱277,504,592	₱73,979,402	₱34,548,168	(₱22,347,902)	₱1,019,400,746

* The adjustments and eliminations column mainly represent the RAP to PFRS adjustments

6.2 Geographical Segments

Although the Group's businesses are managed on a worldwide basis, the Group operates in four principal geographical areas of the world. The distribution of assets, liabilities, credit commitments, capital expenditures, and revenues by geographic region of the Group follows:

	Non-current Assets*		Liabilities		Credit Commitments	
	2024	2023	2024	2023	2024	2023
Philippines	₱512,659,841	₱483,441,271	₱1,004,841,665	₱981,819,485	₱53,614,874	₱46,642,445
Asia (excluding Philippines)	14,987,916	15,782,479	32,134,134	31,573,388	—	—
USA and Canada	2,705,244	2,486,207	3,879,385	5,895,426	—	—
United Kingdom	645	328	126,728	112,447	—	—
	₱530,353,646	₱501,710,285	₱1,040,981,912	₱1,019,400,746	₱53,614,874	₱46,642,445

* Gross of allowance for impairment and credit losses (Note 16) and unearned and other deferred income (Note 10)

	Capital Expenditures			Revenues		
	2024	2023	2022	2024	2023	2022
Philippines	₱1,369,057	₱1,015,634	₱1,394,685	₱75,345,161	₱69,828,059	₱59,259,052
Asia (excluding Philippines)	818	2,173	33,178	2,956,452	2,639,017	1,221,488
USA and Canada	2,227	1,021	792	913,107	1,042,962	839,476
United Kingdom	6,570	—	—	126,124	118,313	105,279
	₱1,378,672	₱1,018,828	₱1,428,655	₱79,340,844	₱73,628,351	₱61,425,295

The Philippines is the home country of the Parent Company, which is also the main operating company. The Group offers a wide range of financial services as discussed in Note 1. Additionally, most of the remittance services are managed and conducted in Asia, Canada, USA and United Kingdom. The areas of operations include all the primary business segments.

7. Due from Bangko Sentral ng Pilipinas

This account consists of:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Demand deposit (Note 17)	₱44,628,316	₱78,372,794	₱44,628,316	₱78,372,794
Overnight deposit facility (ODF)	10,500,000	15,000,000	10,500,000	15,000,000
Term deposit facility (TDF)	—	2,037,556	—	2,037,556
	₱55,128,316	₱95,410,350	₱55,128,316	₱95,410,350



In 2024, 2023 and 2022, the combined interest income on ODF and TDF of the Group and the Parent Company amounted to ₱1.0 billion, ₱1.8 billion and ₱1.2 billion, respectively, with interest rates ranging from:

	2024	2023	2022
ODF	5.25% - 6.00%	5.00% - 6.00%	1.50% - 5.00%
TDF	6.00% - 6.65%	6.28% - 6.75%	1.66% - 6.43%

8. Interbank Loans Receivable and Securities Held Under Agreements to Resell

8.1 Interbank Loans Receivables

Interbank loans receivables of the Group and the Parent Company bear interest ranging from:

	2024	2023	2022
Peso-denominated	5.9% - 6.6%	5.5% - 6.4%	1.5% - 6.4%
Foreign currency-denominated	0.0% - 5.6%	0.9% - 6.1%	0.4% - 5.3%

The amount of the Group's and the Parent Company's interbank loans receivable considered as cash and cash equivalents follow:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Interbank loans receivable	₱22,793,332	₱35,642,485	₱21,287,758	₱33,445,364
Less: Allowance for credit losses (Note 16)	6,138	8,045	5,591	8,045
	22,787,194	35,634,440	21,282,167	33,437,319
Less: Interbank loans receivable not considered as cash and cash equivalents	2,925,553	4,678,674	1,734,903	3,502,399
	₱19,861,641	₱30,955,766	₱19,547,264	₱29,934,920

8.2 Securities Held Under Agreements to Resell

Securities held under agreements to resell bear interest ranging from 4.42% to 6.85% in 2024, from 4.20% to 7.00% in 2023, and from 2.00% to 5.50% in 2022. As of December 31, 2024 and 2023, allowance for credit losses on securities held under agreements to resell amounted to ₱46.2 million and ₱14.2 million, respectively (refer to Note 16.2).

The fair value of the treasury bills pledged under these agreements as of December 31, 2024 and 2023 amounted to ₱104.9 billion and ₱57.8 billion for the Group and the Parent Company (refer to Note 35).

8.3 Interest Income on Interbank Loans Receivable and Securities Held Under Agreements to Resell

In 2024, 2023 and 2022, interest income on interbank loans receivable and securities held under agreements to resell amounted to ₱4.6 billion, ₱3.4 billion, and ₱954.6 million, respectively, for the Group and ₱4.6 billion, ₱3.4 billion, and ₱896.7 million, respectively, for the Parent Company.



9. Trading and Investment Securities

This account consists of:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Financial assets at FVTPL	₱17,920,985	₱10,516,864	₱17,770,142	₱10,363,259
Financial assets at FVOCI	211,742,783	164,531,492	211,270,334	164,136,971
Investment securities at amortized cost	112,422,382	123,200,427	112,040,395	122,730,465
	₱342,086,150	₱298,248,783	₱341,080,871	₱297,230,695

9.1 Financial Assets at FVTPL

This account consists of:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Government securities	₱16,181,821	₱8,174,405	₱16,181,821	₱8,174,405
Private debt securities	649,191	1,590,489	502,026	1,444,641
Derivative assets (Notes 23 and 35)	1,087,107	749,199	1,086,295	744,213
Equity securities	2,866	2,771	—	—
	₱17,920,985	₱10,516,864	₱17,770,142	₱10,363,259

The nominal interest rates of debt securities at FVTPL of the Group and the Parent Company range from:

	2024	2023	2022
Government securities	0.6% - 8.6%	1.4% - 8.6%	1.4% - 8.0%
Private debt securities	4.9% - 6.9%	2.8% - 8.8%	4.9% - 6.9%

9.2 Financial Assets at FVOCI

This account consists of:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Government securities (Note 19)	₱167,824,773	₱124,372,410	₱167,529,568	₱124,081,774
Private debt securities (Note 19)	15,578,200	14,180,552	15,574,684	14,151,837
Equity securities				
Quoted	2,831,277	1,049,195	2,657,550	974,025
Unquoted (Note 33)	25,508,533	24,929,335	25,508,532	24,929,335
	₱211,742,783	₱164,531,492	₱211,270,334	₱164,136,971

Unquoted equity securities include the Parent Company's retained 49.00% interest in PNB Holdings Corporation (PNB Holdings) amounting to ₱25.1 billion and ₱24.6 billion as of December 31, 2024 and 2023, respectively (refer to Note 12.4). The fair value was determined using the adjusted net asset value method as discussed in Note 5. Further, the Parent Company applied 16.50% discount, being a non-listed company, by referring to a number of recent initial public offerings of comparative entities.



In April 2024, the Bank and PAL Holdings, Inc. completed a share swap transaction wherein the Bank exchanged the 19.86 million PAL shares held to 309.15 million PAL Holdings, Inc. shares. The share swap transaction resulted in the recycling of OCI to Surplus in the amount of ₱894.90 million and recognition of Other Equity Reserves amounting to ₱940.17 million. PAL Holdings, Inc. shares are recognized in the books as FVOCI amounting ₱1.53 billion as of December 31, 2024.

The effective interest rates of debt securities at FVOCI of the Group and the Parent Company range from:

	2024	2023	2022
Government securities	0.6% - 14.9%	0.2% - 19.1%	0.2% - 26.2%
Private debt securities	0.5% - 6.9%	0.5% - 6.4%	0.5% - 6.4%

As of December 31, 2024 and 2023, the fair value of FVOCI in the form of government bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreement transactions amounted to ₱12.0 billion and ₱6.5 billion, respectively (refer to Note 19.1). The counterparties have an obligation to return the securities to the Parent Company once the obligations have been settled. In case of default, the counterparties have the right to hold the securities and sell them as settlement of the repurchase agreement.

The movements in 'Net unrealized gains (losses) on financial assets at FVOCI' of the Group and the Parent Company are as follows:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Balance at the beginning of the year	(₱1,722,653)	(₱5,959,275)	(₱1,722,653)	(₱5,959,275)
Changes in fair values:				
Debt securities	1,455,450	2,581,505	1,457,367	2,558,481
Equity securities	1,336,767	1,368,570	1,322,549	1,368,570
Share swap transaction	(894,900)	—	(894,900)	—
Share in net unrealized gains (losses) of subsidiaries and an associate (Note 12)	(49,895)	362,392	(35,694)	382,058
Provisions for (reversals of) credit losses (Note 16)	23,250	(75,912)	21,401	(72,676)
Sale of equity securities	(6,969)	—	(6,969)	—
Realized losses (gains) on sale of debt securities	51	(122)	—	—
	141,101	(1,722,842)	141,101	(1,722,842)
Income tax effect (Note 30)	1,033	189	1,033	189
	₱142,134	(₱1,722,653)	₱142,134	(₱1,722,653)

As of December 31, 2024 and 2023, the allowance for credit losses on debt securities at FVOCI (included in 'Net unrealized losses on financial assets at FVOCI') amounted to ₱68.1 million and ₱45.7 million, respectively, for the Group, and ₱68.1 million and ₱46.8 million, respectively, for the Parent Company (refer to Note 16.2). Movements in ECL on debt securities at FVOCI are mostly driven by movements in the corresponding gross figures.



9.3 Investment Securities at Amortized Cost

This account consists of:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Government securities (Notes 19 and 32)	₱96,817,380	₱104,533,382	₱96,435,393	₱104,063,420
Private debt securities	15,752,472	18,822,880	15,752,472	18,822,880
	112,569,852	123,356,262	112,187,865	122,886,300
Less allowance for credit losses (Note 16)	147,470	155,835	147,470	155,835
	₱112,422,382	₱123,200,427	₱112,040,395	₱122,730,465

The effective interest rates of investment securities at amortized cost of the Group and the Parent Company range from:

	2024	2023	2022
Government securities	0.8% - 7.5%	0.8% - 7.5%	0.8% - 7.5%
Private debt securities	1.0% - 8.3%	1.0% - 8.3%	0.8% - 8.3%

In 2024 and 2023, movements in allowance for expected credit losses on investment securities at amortized cost are mostly driven by newly originated assets which mostly remained in Stage 1.

As of December 31, 2024 and 2023, the fair value of investment securities at amortized cost in the form of government bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreements transactions amounted to ₱2.4 billion and ₱5.5 billion, respectively, with corresponding carrying value of the same amount (refer to Note 19.1). As of December 31, 2024 and 2023, government securities with carrying values of ₱1.9 billion and ₱1.8 billion, respectively, are deposited with the BSP in compliance with trust regulations (refer to Note 32).

As of December 31, 2024 and 2023, the Group set aside government securities booked under 'Investment securities at amortized cost' with total carrying value of ₱363.4 million and ₱363.3 million, respectively, as liquidity cover for 50.0% of the outstanding balances of electronic money (e-money) products in compliance with BSP Circular 1166, *Amendments to the Regulations on Electronic Money and the Operations of Electronic Money Issuers in the Philippines*. This is on top of the fund held in trust to cover for the other 50.0% of the outstanding e-money balances (refer to Note 15).

9.4 Interest Income on Investment Securities at Amortized Cost and FVOCI

This account consists of:

	Consolidated			Parent Company		
	2024	2023	2022	2024	2023	2022
Financial assets at FVOCI	₱10,407,888	₱5,509,001	₱4,442,846	₱10,375,649	₱5,468,097	₱4,432,605
Investment securities at amortized cost	6,369,819	7,099,169	3,712,076	6,357,707	7,092,433	3,710,487
	₱16,777,707	₱12,608,170	₱8,154,922	₱16,733,356	₱12,560,530	₱8,143,092



9.5 Trading and Investment Securities Gains (Losses) - net

This account consists of:

	Consolidated			Parent Company		
	2024	2023	2022	2024	2023	2022
Financial assets at FVTPL						
Government securities	₱619,254	₱411,828	(₱146,580)	₱619,254	₱411,828	(₱146,580)
Private debt securities	29,295	(12,928)	(64,458)	27,979	(12,280)	(61,631)
Equity securities	95	(170)	(197)	—	(44)	—
Derivatives (Note 23)	(1,115)	609	—	(1,115)	609	—
Financial assets at FVOCI						
Private debt securities	51	122	(1,058,318)	—	—	(1,058,318)
Government securities	—	—	—	—	—	—
Investment securities at amortized cost	—	(5,358)	(11,230)	—	(5,358)	(11,230)
	₱647,580	₱394,103	(₱1,280,783)	₱646,118	₱394,755	(₱1,277,759)

Trading losses on investment securities at amortized cost pertain to investments which were redeemed by the respective issuers prior to their contractual maturity.

10. Loans and Receivables

10.1 Breakdown of Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Receivables from customers:				
Loans and discounts	₱627,885,539	₱607,065,797	₱614,772,869	₱593,955,389
Credit card receivables	18,063,885	15,232,845	18,063,885	15,232,845
Customers' liabilities on acceptances (Note 19)	6,126,005	9,533,137	6,012,626	9,533,137
Customers' liabilities on letters of credit and trust receipts	9,177,471	8,688,649	9,177,471	8,559,900
Bills purchased (Note 22)	3,829,665	1,949,627	3,265,010	1,560,465
Lease contracts receivable (Note 29)	—	8,399	—	—
	665,082,565	642,478,454	651,291,861	628,841,736
Other receivables:				
Accrued interest receivable	8,783,078	8,179,147	8,625,740	8,007,891
Accounts receivable	3,964,379	5,180,198	3,451,030	4,468,991
Sales contract receivables	1,589,298	3,760,162	1,565,601	3,722,879
Miscellaneous	454,556	366,090	441,651	347,797
	14,791,311	17,485,597	14,084,022	16,547,558
	679,873,876	659,964,051	665,375,883	645,389,294
Less: Unearned and other deferred income	845,862	681,399	828,479	663,303
Allowance for credit losses (Note 16)	42,208,389	42,571,906	42,155,234	42,567,228
	₱636,819,625	₱616,710,746	₱622,392,170	₱602,158,763

Included in 'Surplus reserves' is the amount of ₱4.2 billion and ₱3.9 billion as of December 31, 2024 and 2023, respectively, which pertains to the excess of 1.00% general loan loss provisions over the computed ECL for Stage 1 accounts as prescribed by BSP Circular 1011, *Guidelines on the Adoption of PFRS 9* (refer to Note 25.3).



Below is the reconciliation of loans and receivables as to classes:

	Consolidated							
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables
Receivables from customers:								
Loans and discounts	₱581,108,848	₱1,728,247	₱-	₱5,337,167	₱26,744,123	₱6,225,467	₱6,741,687	₱-
Credit card receivables	-	-	18,063,885	-	-	-	-	-
Customers' liabilities on letters of credit and trust receipts	8,949,225	-	-	134,477	-	-	93,769	-
Customers' liabilities on acceptances (Note 19)	6,126,005	-	-	-	-	-	-	-
Bills purchased (Note 22)	1,694,021	-	-	19,290	-	-	2,116,354	-
	597,878,099	1,728,247	18,063,885	5,490,934	26,744,123	6,225,467	8,951,810	-
Other receivables:								
Accrued interest receivable	-	-	-	-	-	-	-	8,783,078
Accounts receivable	-	-	-	-	-	-	-	3,964,379
Sales contract receivables (Note 33)	-	-	-	-	-	-	-	1,589,298
Miscellaneous	-	-	-	-	-	-	-	454,556
	597,878,099	1,728,247	18,063,885	5,490,934	26,744,123	6,225,467	8,951,810	14,791,311
Less: Unearned and other deferred income	541,796	8,246	-	14,873	(362)	(95,094)	389,733	(13,330)
Allowance for credit losses (Note 16)	29,967,100	63,709	1,538,907	1,034,459	3,756,163	740,801	1,046,330	4,060,920
	₱567,369,203	₱1,656,292	₱16,524,978	₱4,441,602	₱22,988,322	₱5,579,760	₱7,515,747	₱10,743,721
								₱636,819,625

	Consolidated							
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables
Receivables from customers:								
Loans and discounts	₱553,835,945	₱2,275,508	₱-	₱5,313,357	₱28,300,937	₱6,501,496	₱10,838,554	₱-
Credit card receivables	-	-	15,232,845	-	-	-	-	-
Customers' liabilities on acceptances (Note 19)	9,533,137	-	-	-	-	-	-	-
Customers' liabilities on letters of credit and trust receipts	8,531,369	-	-	63,517	-	-	93,763	-
Bills purchased (Note 22)	551,939	-	-	2,503	-	-	1,395,185	-
Lease contracts receivable (Note 29)	-	-	-	8,399	-	-	-	-
	572,452,390	2,275,508	15,232,845	5,387,776	28,300,937	6,501,496	12,327,502	-
Other receivables:								
Accrued interest receivable	-	-	-	-	-	-	-	8,179,147
Accounts receivable	-	-	-	-	-	-	-	5,180,198
Sales contract receivables (Note 33)	-	-	-	-	-	-	-	3,760,162
Miscellaneous	-	-	-	-	-	-	-	366,090
	572,452,390	2,275,508	15,232,845	5,387,776	28,300,937	6,501,496	12,327,502	17,485,597
Less: Unearned and other deferred income	254,664	9,183	-	15,728	(354)	(1,287)	402,252	1,213
Allowance for credit losses (Note 16)	28,281,510	70,291	1,315,112	987,597	4,528,314	1,105,299	1,265,030	5,018,753
	₱543,916,216	₱2,196,034	₱13,917,733	₱4,384,451	₱23,772,977	₱5,397,484	₱10,660,220	₱12,465,631
								₱616,710,746

	Parent Company							
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables
Receivables from customers:								
Loans and discounts	₱568,979,597	₱1,728,247	₱-	₱5,337,167	₱25,959,737	₱6,225,467	₱6,542,654	₱-
Credit card receivables	-	-	18,063,885	-	-	-	-	-
Customers' liabilities on acceptances (Note 19)	6,012,626	-	-	-	-	-	-	-
Customers' liabilities on letters of credit and trust receipts	8,949,225	-	-	134,477	-	-	93,769	-
Bills purchased (Note 22)	1,129,366	-	-	19,290	-	-	2,116,354	-
	585,070,814	1,728,247	18,063,885	5,490,934	25,959,737	6,225,467	8,752,777	-
Other receivables:								
Accrued interest receivable	-	-	-	-	-	-	-	8,625,740
Accounts receivable	-	-	-	-	-	-	-	3,451,030
Sales contract receivables	-	-	-	-	-	-	-	1,565,601
Miscellaneous	-	-	-	-	-	-	-	441,651
	585,070,814	1,728,247	18,063,885	5,490,934	25,959,737	6,225,467	8,752,777	14,084,022
Less: Unearned and other deferred income	524,413	8,246	-	14,873	(362)	(95,094)	389,733	(13,330)
Allowance for credit losses (Note 16)	30,262,904	63,709	1,538,907	1,034,459	3,733,904	740,801	1,046,218	3,734,332
	₱554,283,497	₱1,656,292	₱16,524,978	₱4,441,602	₱22,226,195	₱5,579,760	₱7,316,826	₱10,363,020
								₱622,392,170



	Parent Company								Total
	2023								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	
Receivables from customers:									
Loans and discounts	P541,592,975	P2,275,508	P-	P5,310,846	P27,523,918	P6,501,496	P10,750,646	P-	P593,955,389
Credit card receivables	-	-	15,232,845	-	-	-	-	-	15,232,845
Customers' liabilities on acceptances (Note 19)	9,533,137	-	-	-	-	-	-	-	9,533,137
Customers' liabilities on letters of credit and trust receipts	8,402,620	-	-	63,517	-	-	93,763	-	8,559,900
Bills purchased (Note 22)	162,777	-	-	2,503	-	-	1,395,185	-	1,560,465
	559,691,509	2,275,508	15,232,845	5,376,866	27,523,918	6,501,496	12,239,594	-	628,841,736
Other receivables:									
Accrued interest receivable	-	-	-	-	-	-	-	8,007,891	8,007,891
Accounts receivable	-	-	-	-	-	-	-	4,468,991	4,468,991
Sales contract receivables	-	-	-	-	-	-	-	3,722,879	3,722,879
Miscellaneous	-	-	-	-	-	-	-	347,797	347,797
	559,691,509	2,275,508	15,232,845	5,376,866	27,523,918	6,501,496	12,239,594	16,547,558	645,389,294
Less: Unearned and other deferred income	237,284	9,183	-	15,019	(361)	(1,287)	402,252	1,213	663,303
Allowance for credit losses (Note 16)	28,573,298	70,291	1,315,112	982,766	4,510,487	1,105,299	1,265,020	4,744,955	42,567,228
	P530,880,927	P2,196,034	P13,917,733	P4,379,081	P23,013,792	P5,397,484	P10,572,322	P11,801,390	P602,158,763

10.2 Lease Contract Receivables

An analysis of the Group's lease contract receivables as of December 31, 2023 follows:

	2023
Minimum lease payments	
Due within one year	P7
Due beyond one year but not over five years	2,734
	2,741
Residual value of leased equipment	
Due within one year	5,658
Due beyond one year but not over five years	-
	5,658
Gross investment in lease contract receivables (Note 29)	P8,399

As of December 31, 2024, the Group's lease contract receivables are already reduced to nil as these were part of PMLFC and PMERC portfolio which are now in the process of winding down and liquidation (refer to Note 12.3).

10.3 Interest Income on Loans and Receivables

As of December 31, 2024 and 2023, 72.6% and 69.6%, respectively, of the total receivables from customers of the Group were subject to interest repricing. As of December 31, 2024 and 2023, 72.7% and 70.6%, respectively, of the total receivables from customers of the Parent Company were subject to interest repricing. Remaining receivables carry annual fixed interest rates ranging from 1.1% to 9.0% in 2024, 2023 and 2022 for foreign currency-denominated receivables, and from 1.1% to 31.5% in 2024, 2023 and 2022 for peso-denominated receivables.

Sales contract receivables bear fixed interest rates per annum ranging from 5.0% to 12.0% in 2024, 5.0% to 20.2% in 2023 and from 4.2% to 20.2% in 2022.



11. Property and Equipment

11.1 Details of Property and Equipment

The composition of and movements in property and equipment follow:

	Consolidated							
	2024							
	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction in-Progress	Leasehold Improvements	Right-of- Use Asset – Bank Premises (Note 33)	Total
Cost								
Balance at beginning of year	₱4,932,017	₱3,577,231	₱7,782,684	₱593,532	₱315,619	₱1,879,925	₱5,945,050	₱25,026,058
Additions	–	44,446	336,944	–	23,622	40,434	950,548	1,395,994
Disposals	(3,735)	(16,589)	(324,250)	–	–	(17)	–	(344,591)
Transfers/others	(14,779)	789	(150,776)	14,198	(20,999)	7,181	(790,224)	(954,610)
Balance at end of year	4,913,503	3,605,877	7,644,602	607,730	318,242	1,927,523	6,105,374	25,122,851
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	2,393,257	6,679,411	84,691	–	1,467,076	2,514,313	13,138,748
Depreciation and amortization	–	157,730	494,427	6,214	–	80,602	1,126,875	1,865,848
Disposals	–	(9,028)	(307,710)	–	–	(17)	–	(316,755)
Transfers/others	–	3,884	(121,800)	7,127	–	5,539	(780,058)	(885,308)
Balance at end of year	–	2,545,843	6,744,328	98,032	–	1,553,200	2,861,130	13,802,533
Allowance for Impairment Losses (Note 16)	539,725	585,054	–	–	–	–	–	1,124,779
Net Book Value at End of Year	₱4,373,778	₱474,980	₱900,274	₱509,698	₱318,242	₱374,323	₱3,244,244	₱10,195,539

	Consolidated							
	2023							
	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction in-Progress	Leasehold Improvements	Right-of- Use Asset – Bank Premises (Note 33)	Total
Cost								
Balance at beginning of year	₱5,141,182	₱3,687,368	₱8,401,453	₱596,131	₱318,387	₱1,910,242	₱5,827,262	₱25,882,025
Additions	–	30,186	347,062	–	–	42,611	1,425,032	1,844,891
Disposals	(133,753)	(134,384)	(943,887)	–	–	(12,296)	–	(1,224,320)
Transfers/others	(75,412)	(5,939)	(21,944)	(2,599)	(2,768)	(60,632)	(1,307,244)	(1,476,538)
Balance at end of year	4,932,017	3,577,231	7,782,684	593,532	315,619	1,879,925	5,945,050	25,026,058
Accumulated Depreciation and Amortization								
Balance at beginning of year	–	2,253,174	6,031,338	79,837	–	1,899,884	2,475,358	12,739,591
Depreciation and amortization	–	179,089	759,545	6,039	–	108,134	1,311,843	2,364,650
Disposals	–	(38,760)	(590,285)	–	–	(12,296)	–	(641,341)
Transfers/others	–	(246)	478,814	(1,185)	–	(528,646)	(1,272,888)	(1,324,152)
Balance at end of year	–	2,393,257	6,679,411	84,691	–	1,467,076	2,514,313	13,138,748
Allowance for Impairment Losses (Note 16)	539,725	593,567	–	–	–	–	–	1,133,292
Net Book Value at End of Year	₱4,392,292	₱590,407	₱1,103,273	₱508,841	₱315,619	₱412,849	₱3,430,737	₱10,754,018

Parent Company 2024							
	Land	Building	Furniture, Fixtures and Equipment	Construction in-Progress	Leasehold Improvements	Right-of- Use Asset – Bank Premises (Note 33)	Total
Cost							
Balance at beginning of year	P4,932,018	P3,500,371	P6,724,154	P315,619	P1,781,197	P6,252,240	P23,505,599
Additions	–	44,446	330,196	23,622	37,722	936,169	1,372,155
Disposals	(3,735)	(16,589)	(279,942)	–	–	–	(300,266)
Transfers/others	(14,780)	(1,254)	(10,027)	(20,999)	569	(785,053)	(831,544)
Balance at end of year	4,913,503	3,526,974	6,764,381	318,242	1,819,488	6,403,356	23,745,944
Accumulated Depreciation and Amortization							
Balance at beginning of year	–	2,377,063	5,827,361	–	1,377,400	2,928,264	12,510,088
Depreciation and amortization	–	156,526	475,784	–	77,348	1,079,792	1,789,450
Disposals	–	(9,028)	(279,165)	–	–	–	(288,193)
Transfers/others	–	2,738	(2,805)	–	1,421	(764,429)	(763,074)
Balance at end of year	–	2,527,299	6,021,175	–	1,456,169	3,243,627	13,248,270
Allowance for Impairment Losses (Note 16)	539,725	585,054	–	–	–	–	1,124,779
Net Book Value at End of Year	P4,373,778	P414,621	P743,206	P318,242	P363,319	P3,159,729	P9,372,895



Parent Company							
2023							
	Land	Building	Furniture, Fixtures and Equipment	Construction in-Progress	Leasehold Improvements	Right-of- Use Asset – Bank Premises (Note 33)	Total
Cost							
Balance at beginning of year	₱5,141,182	₱3,610,134	₱6,533,522	₱318,387	₱1,801,393	₱6,262,643	₱23,667,261
Additions	–	30,186	335,769	–	41,690	1,292,130	1,699,775
Disposals	(133,753)	(134,384)	(121,735)	–	–	–	(389,872)
Transfers/others	(75,411)	(5,565)	(23,402)	(2,768)	(61,886)	(1,302,533)	(1,471,565)
Balance at end of year	4,932,018	3,500,371	6,724,154	315,619	1,781,197	6,252,240	23,505,599
Accumulated Depreciation and Amortization							
Balance at beginning of year	–	2,237,967	4,898,086	–	1,800,558	2,942,730	11,879,341
Depreciation and amortization	–	177,908	619,994	–	105,509	1,263,995	2,167,406
Disposals	–	(38,760)	(121,262)	–	–	–	(160,022)
Transfers/others	–	(52)	430,543	–	(528,667)	(1,278,461)	(1,376,637)
Balance at end of year	–	2,377,063	5,827,361	–	1,377,400	2,928,264	12,510,088
Allowance for Impairment Losses (Note 16)	539,725	593,567	–	–	–	–	1,133,292
Net Book Value at End of Year	₱4,392,293	₱529,741	₱896,793	₱315,619	₱403,797	₱3,323,976	₱9,862,219

The total recoverable value of certain property and equipment of the Group and the Parent Company for which impairment loss has been recognized amounted to ₱1.5 billion as of December 31, 2024 and 2023, the carrying value of which amounted to ₱2.5 billion as of December 31, 2024 and 2023.

Certain property and equipment of the Parent Company with carrying amount of ₱79.9 million and ₱90.0 million are temporarily idle as of December 31, 2024 and 2023, respectively. As of December 31, 2024 and 2023, property and equipment of the Parent Company with gross carrying amount of ₱16.4 billion and ₱14.3 billion are fully depreciated but are still being used.

Gain on disposal of property and equipment in 2024, 2023 and 2022 amounted to ₱138.8 million, ₱712.5 million, and ₱34.9 million, respectively, for the Group and ₱135.2 million, ₱793.1 million and ₱32.0 million, respectively, for the Parent Company (refer to Note 26.2).

11.2 Depreciation and Amortization

This account consists of:

	Consolidated			Parent Company		
	2024	2023	2022	2024	2023	2022
Depreciation						
Property and equipment (Note 33)	₱1,865,848	₱2,364,650	₱2,436,663	₱1,789,450	₱2,167,406	₱2,174,918
Investment properties (Note 13)	215,569	191,153	152,917	195,518	167,339	128,095
Chattel mortgage properties	417,005	296,105	242,260	417,145	285,610	235,884
Amortization of intangible assets (Note 14)	1,160,592	1,124,161	1,393,906	1,146,235	1,099,879	1,370,523
	₱3,659,014	₱3,976,069	₱4,225,746	₱3,548,348	₱3,720,234	₱3,909,420



12. Investments in Subsidiaries and an Associate

The consolidated financial statements of the Group include:

	Industry	Principal Place of Business/Country of Incorporation	Functional Currency	Percentage of Ownership	
				Direct	Indirect
Subsidiaries					
Allied Integrated Holdings, Inc. (AIHI) ^(a)	Holding Company	Philippines	PHP	100.00	—
PNB Capital and Investment Corporation (PNB Capital)	Investment	- do -	PHP	100.00	—
PNB Securities, Inc. (PNB Securities)	Securities Brokerage	- do -	PHP	100.00	—
PNB Corporation – Guam ^(b)	Remittance	USA	USD	100.00	—
PNB International Investments Corporation (PNB IIC)	Investment	- do -	USD	100.00	—
PNB Remittance Centers, Inc. (PNB RCI) ^(c)	Remittance	- do -	USD	—	100.00
PNB RCI Holding Co. Ltd. (PNB RHCL) ^(d)	Holding Company	- do -	USD	—	100.00
PNB Remittance Co. (Canada) ^(e)	Remittance	Canada	CAD	—	100.00
PNB Europe PLC (PNB Europe)	Banking	United Kingdom	GBP	100.00	—
Allied Commercial Bank (ACB)	Banking	China	CNY	99.04	—
PNB-Mizuho Leasing and Finance Corporation (PMLFC) ^(f)	Leasing/Financing	Philippines	PHP	75.00	—
PNB-Mizuho Equipment Rentals Corporation (PMERC) ^(g)	Rental	- do -	PHP	—	75.00
PNB Global Remittance & Financial Co. (HK) Ltd. (PNB GRF)	Remittance	Hong Kong	HKD	100.00	—
Allied Banking Corporation (Hong Kong) Limited (ABCHKL)	Banking	- do -	HKD	51.00	—
ACR Nominees Limited ^(h)	Service	- do -	HKD	—	51.00
Oceanic Holding (BVI) Ltd. (OHBVI) ⁽ⁱ⁾	Holding Company	British Virgin Islands	USD	27.78	—
Associate					
Allianz-PNB Life Insurance, Inc. (APLII)	Insurance	Philippines	PHP	44.00	—

^(a) In the process of winding down and liquidation after shortening of corporate life until December 31, 2022

^(b) Ceased operations on June 30, 2012 and license status became dormant thereafter

^(c) Owned through PNB IIC

^(d) Owned through PNB RCI

^(e) Owned through PNB RHCL

^(f) In the process of winding down and liquidation after shortening of corporate life until March 31, 2024

^(g) Owned through PMLFC; In the process of winding down and liquidation after shortening of corporate life until December 31, 2024

^(h) Owned through ABCHKL

⁽ⁱ⁾ Controlled through the Parent Company's combined voting rights of 70.56% which arises from its direct ownership of 27.78%, and voting rights of 42.78% assigned by certain stockholders of OHBVI to the Parent Company through a voting trust agreement

The details of this account follow:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Investment in Subsidiaries				
ACB	P=	P=	P6,087,520	P6,087,520
AIHI	—	—	3,435,041	3,435,041
PNB IIC	—	—	2,028,202	2,028,202
PNB Europe PLC	—	—	1,327,393	1,327,393
ABCHKL	—	—	947,586	947,586
PNB Capital	—	—	850,000	850,000
PNB GRF	—	—	753,061	753,061
PMLFC	—	—	481,943	481,943
OHBVI	—	—	291,841	291,841
PNB Securities	—	—	62,351	62,351
PNB Corporation – Guam	—	—	7,672	7,672
	—	—	16,272,610	16,272,610
Investment in an Associate – APLII	3,242,589	3,365,089	3,242,589	3,365,089
Accumulated equity in net earnings (losses) of subsidiaries and an associate:				
Balance at beginning of year	426,972	158,879	(170,449)	(281,942)
Equity in net earnings (losses) for the year	419,505	268,093	831,256	560,393
Cash dividends declared by a subsidiary	—	—	—	(448,900)
	846,477	426,972	660,807	(170,449)
Accumulated share in:				
Aggregate reserves on life insurance policies	21,209	24,246	21,209	24,246
Net unrealized losses on financial assets at FVOCI (Note 9)	(666,910)	(617,015)	(622,589)	(586,895)
Accumulated translation adjustments	—	—	1,968,140	1,565,092
Remeasurement gains (losses) on retirement plan	3,248	(168)	87,439	97,377
	(642,453)	(592,937)	1,454,199	1,099,820
	P3,446,613	P3,199,124	P21,630,204	P20,567,070



The Parent Company underwent a quasi-reorganization which was approved by the SEC on November 7, 2002. As of December 31, 2024 and 2023, the acquisition cost of the investments in the Parent Company's separate financial statements includes the balance of ₱2.1 billion consisting of the translation adjustment and accumulated equity in net earnings of investee companies, net of dividends subsequently received from the quasi-reorganization date, that were offset against capital deficit on restructuring date and are not available for dividend declaration.

12.1 Investment in AIHI

On February 10, 2022, the SEC approved the decrease of AIHI's authorized capital stock from ₱15.0 billion divided into 149,975,000 common shares with par value of ₱100 each and the 25,000 preferred shares with par value of ₱100 each to ₱3.0 billion divided into 30,000,000 common shares with par value of ₱100 each. Consequently, on February 18, 2022, out of the ₱10.5 billion subscribed and paid-up capital of the Parent Company in AIHI, the latter returned ₱7.5 billion to the Parent Company.

AIHI's corporate term ended on December 31, 2022 but, as provided by law, it will continue to exist as a body corporate for another three years to generally wind up its affairs, including the disposal of its properties and distribution of its assets.

12.2 Investment in PNB Capital

On October 27, 2023 and December 16, 2022, the BOD of PNB Capital approved the declaration of cash dividends amounting to ₱448.9 million and ₱792.0 million, respectively, which were subsequently paid to the Parent Company on December 27, 2023 and December 22, 2022, respectively.

12.3 Investment in PMLFC

On June 24, 2022, the BOD of the Parent Company approved the amendment to the Articles of Incorporation of PMLFC, shortening its corporate term to March 31, 2024. On December 23, 2022 the SEC approved the above amendment. The Parent Company and its joint venture partner, Mizuho Leasing Co. Ltd., mutually agreed to wind up the operations of PMLFC due to the impact of the COVID-19 pandemic to the operations of the joint venture company and the domestic leasing industry. On the other hand, on November 22, 2023, the SEC approved the amendment to the Articles of Incorporation of PMERC, the wholly-owned subsidiary of PMLFC, to shorten its corporate term to December 31, 2024. To date, the winding-up process for both PMLFC and PMERC is ongoing.

In 2023 and 2022, PMLFC transferred to the Parent Company certain receivables via direct purchase or assignment. The Parent Company also accepted in 2023 certain properties of PMLFC and PMERC as partial settlement of their outstanding loans with the Parent Company. The remaining loans were eventually written off as of December 31, 2023 (refer to Note 33.1).

As of December 31, 2024 and 2023, the carrying value of the Parent Company's equity investment in PMLFC is already reduced to nil. However, by virtue of the Parent Company's commitment to provide further funding in PMLFC, the Parent Company recognized additional losses amounting to ₱18.6 million and ₱144.2 million in 2024 and 2023, respectively, representing its share in the accumulated net losses of PMLFC.



12.4 Investment in PNB Holdings

As of December 31, 2020, PNB owns all of the 2,551,000 shares issued by PNB Holdings, with par value of ₱100 per share. On January 13, 2021, the SEC approved the increase in the authorized capital stock of PNB Holdings from ₱500.0 million divided into 5,000,000 shares with par value of ₱100 per share, to ₱50.5 billion divided into 505,000,000 shares with the same par value. On the same date, the Parent Company proceeded with the subscription of additional 466,770,000 shares of PNB Holdings shares in exchange for certain real estate properties with fair values of ₱46.7 billion.

On April 23, 2021, the Parent Company's BOD approved the property dividend declaration of up to 239,353,710 common shares of PNB Holdings, representing 51.00% ownership, with a par value of ₱100 per share, to all stockholders of record as of May 18, 2021, or ₱23.9 billion.

On December 24, 2021, the SEC approved the property dividend declaration. On the same date, the Parent Company assessed that it has lost control over PNB Holdings, and accordingly classified its retained interest of 49.00% in PNB Holdings as financial asset at FVOCI with no recycling to profit or loss, in accordance with PFRS 9. Such investment was remeasured from its carrying amount of ₱6.6 billion to its fair value as of December 24, 2021 of ₱23.0 billion, resulting in a gain on remeasurement of ₱16.5 billion and ₱16.4 billion in the 2021 consolidated and parent company financial statements, respectively (refer to Note 33).

Further, the Group and the Parent Company recognized gain on loss of control over PNB Holdings of ₱17.0 billion and ₱17.1 billion in the 2021 consolidated and parent company financial statements, respectively. On December 21, 2021, the Parent Company was able to secure ruling from the Bureau of Internal Revenue (BIR) that the transfer of properties to PNB Holdings is not subject to tax, except for documentary stamps tax (DST). Further, on March 10, 2022, the Parent Company was able to secure another ruling from the BIR that the property dividends distribution is exempt from tax, except for DST.

The Parent Company was able to demonstrate loss of control over PNB Holdings because of the following:

- Declaration of 51.00% ownership in PNB Holdings as property dividends;
- Execution of proxy in favor of LTG for the remaining 49.00% held by the Group;
- Appointment of key management personnel by the BOD of PNB Holdings, resulting in the Group having no officers and staff participating in the day-to-day operations of PNB Holdings; and
- Approval of the SEC of the property dividend declaration and distribution to all stockholders as of May 18, 2021.

The foregoing corporate actions were taken by PNB and LTG to allow PNB to focus on its core banking business. These demonstrate that the Group no longer exercises control over PNB Holdings as certain elements of control under PFRS 10, *Consolidated Financial Statements*, are no longer demonstrated.

Further, the Group no longer has a significant influence over PNB Holdings by virtue of the execution of a proxy in favor of LTG to vote all shares registered in the name of PNB on any and all matters in the Annual Stockholders' Meeting of PNB Holdings and the fact that LTG controls both PNB and PNB Holdings.



12.5 Investment in PNB General Insurers Co., Inc. (PNB Gen)

On December 29, 2020, the Parent Company and PNB Holdings entered into a Sale and Purchase Agreement (SPA) for the sale of all their respective shareholdings in PNB Gen to Alliedbankers Insurance Corporation (ABIC), an affiliate, for a total purchase price of ₱1.5 billion, which was paid as follows:

- PNB Holdings Purchase Price (₱521.8 million) – fully paid on December 28, 2020; and
- PNB Purchase Price (₱1.0 billion) – paid in four tranches until April 30, 2021, earning interest at 6.00% per annum.

The SPA also provides for a grant of an exclusive bancassurance arrangement with ABIC with a minimum guaranteed term of 15 years for an additional consideration of ₱50.0 million to the Parent Company, on top of the total purchase price.

On December 29, 2020, the Insurance Commission approved the above transaction. As of December 31, 2020, only the sale of PNB Holdings of its shares in PNB Gen met all the closing conditions for the sale. Accordingly, PNB Holdings closed and completed the sale of its 34.25% shareholdings in PNB Gen, with the excess of the purchase price over the carrying value of the proportionate interest of ₱344.7 million treated as an equity transaction in the consolidated financial statements of the Group as ‘Other equity reserves’.

In 2021, the Parent Company completed the sale of its shares in PNB Gen, recognizing loss on sale amounting to ₱149.5 million and ₱134.9 million for the Group and the Parent Company, respectively, which was recorded under ‘Gain on loss of control of subsidiaries - net’. Also in 2021, the Parent Company received interest income of ₱14.1 million from ABIC for this transaction.

12.6 Material Non-Controlling Interests

Proportion of equity interest held by material NCI follows:

	Principal Activities	Equity interest of NCI		Accumulated balances of material NCI		Profit allocated to material NCI	
		2024	2023	2024	2023	2024	2023
ABCHKL	Banking	49.00%	49.00%	₱2,430,334	₱2,230,261	₱98,054	₱71,784
OHBVI	Holding Company	72.22%	72.22%	1,165,390	1,095,965	19,968	24,332

The following table presents financial information of ABCHKL (unaudited) as of December 31, 2024 and 2023:

	2024	2023
Statement of Financial Position		
Current assets	₱11,075,821	₱10,285,643
Non-current assets	1,718,803	2,043,382
Current liabilities	7,232,400	7,177,792
Non-current liabilities	670,967	668,288
Statement of Comprehensive Income		
Revenues	₱546,924	₱477,646
Expenses	346,815	331,148
Net income	200,109	146,498
Total comprehensive income	414,956	110,472

(Forward)



	2024	2023
Statement of Cash Flows		
Net cash provided used in operating activities	(P87,328)	(P804,162)
Net cash provided by investing activities	35,753	35,392

The following table presents financial information of OHBVI (unaudited) as of December 31, 2024 and 2023:

	2024	2023
Statement of Financial Position		
Current assets	P1,613,622	P1,517,493
Statement of Comprehensive Income		
Revenues/Net income/Total comprehensive income	P27,649	P33,692
Statement of Cash Flows		
Net cash provided by operating activities	P96,129	P23,442

12.7 Investment in APLII

On June 6, 2016, the Parent Company entered into agreements with Allianz SE (Allianz), a German company engaged in insurance and asset management, for the sale of the 51.00% interest in PNB Life Insurance, Inc. (PNB Life) for a total consideration of USD66.0 million to form a new joint venture company named “Allianz-PNB Life Insurance, Inc.”; and a 15-year exclusive distribution access to the branch network of the Parent Company (Exclusive Distribution Rights or EDR).

The purchase consideration of USD66.0 million was allocated between the sale of the 51.00% interest in PNB Life and the EDR amounting to USD44.9 million (P2.1 billion) and USD21.1 million (P1.0 billion), respectively. The consideration allocated to the EDR was recognized as ‘Deferred revenue - Bancassurance’ (Note 22) and is amortized to income over 15 years from date of sale. The Parent Company also receives variable annual and fixed bonus earn-out payments based on milestones achieved over the 15-year term of the distribution agreement.

After receiving approvals from the BSP on December 6, 2022 and June 14, 2021, the Parent Company recorded additional investments in APLII amounting to P392.0 million and P245.0 million, respectively. On June 27, 2024, the Parent Company recorded return of investment amounting to P122.5 million.

Summarized financial information of APLII (unaudited) as of December 31, 2024 and 2023 follows:

	2024	2023
Current assets	P3,045,524	P2,181,489
Noncurrent assets	135,662,332	113,166,291
Total assets	138,707,856	115,347,780
Current liabilities	2,136,824	1,404,749
Noncurrent liabilities	132,365,045	110,327,928
Total liabilities	134,501,869	111,732,677
Net assets	4,205,987	3,615,103
Percentage of ownership of the Group	44%	44%
Share in the net assets of the associate	P1,850,634	P1,590,645



The difference between the share in the net assets of APLII and the carrying value of the investments represents premium on acquisition/retained interest.

Summarized statement of comprehensive income of APLII (unaudited) in 2024 and 2023 follows:

	2024	2023
Revenues	₱7,900,955	₱6,867,294
Costs and expenses	6,919,372	6,257,991
Net income (loss)	981,583	609,303
Other comprehensive loss	(470,126)	(357,591)
Total comprehensive income (loss)	₱511,457	₱251,712
Group's share in comprehensive income (loss)	₱225,041	₱110,753

12.8 Significant Restrictions

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the regulatory supervisory frameworks within which insurance and banking subsidiaries operate.

13. Investment Properties

This account consists of real properties as follows:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Foreclosed or acquired in settlement of loans	₱15,784,863	₱14,399,995	₱15,365,513	₱13,932,044
Held for lease	179,404	179,563	179,404	179,563
Total	₱15,964,267	₱14,579,558	₱15,544,917	₱14,111,607

The composition of and movements in this account follow:

	Consolidated		
	2024		
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱14,262,534	₱4,465,437	₱18,727,971
Additions	998,131	1,270,489	2,268,620
Disposals	(288,870)	(107,707)	(396,577)
Transfers/others	3,989	(41,807)	(37,818)
Balance at end of year	14,975,784	5,586,412	20,562,196
Accumulated Depreciation			
Balance at beginning of year	—	1,829,513	1,829,513
Depreciation (Note 11)	—	215,569	215,569
Disposals	—	(65,592)	(65,592)
Transfers/others	—	(1,658)	(1,658)
Balance at end of year	—	1,977,832	1,977,832
Allowance for Impairment Losses (Note 16)	2,318,836	301,261	2,620,097
Net Book Value at End of Year	₱12,656,948	₱3,307,319	₱15,964,267



Consolidated 2023			
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱14,471,137	₱3,337,560	₱17,808,697
Additions	1,475,118	1,498,014	2,973,132
Disposals	(1,689,521)	(336,100)	(2,025,621)
Transfers/others	5,800	(34,037)	(28,237)
Balance at end of year	14,262,534	4,465,437	18,727,971
Accumulated Depreciation			
Balance at beginning of year	–	1,838,042	1,838,042
Depreciation (Note 11)	–	191,153	191,153
Disposals	–	(199,165)	(199,165)
Transfers/others	–	(517)	(517)
Balance at end of year	–	1,829,513	1,829,513
Allowance for Impairment Losses (Note 16)	1,902,739	416,161	2,318,900
Net Book Value at End of Year	₱12,359,795	₱2,219,763	₱14,579,558

Parent Company 2024			
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱13,709,658	₱4,352,211	₱18,061,869
Additions	998,131	1,270,489	2,268,620
Disposals	(288,870)	(96,711)	(385,581)
Transfers/others	(11,243)	(3,922)	(15,165)
Balance at end of year	14,407,676	5,522,067	19,929,743
Accumulated Depreciation			
Balance at beginning of year	–	1,656,063	1,656,063
Depreciation (Note 11)	–	195,518	195,518
Disposals	–	(60,305)	(60,305)
Transfers/others	–	(1,845)	(1,845)
Balance at end of year	–	1,789,431	1,789,431
Allowance for Impairment Losses (Note 16)	2,318,124	277,271	2,595,395
Net Book Value at End of Year	₱12,089,552	₱3,455,365	₱15,544,917

Parent Company 2023			
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱13,915,473	₱3,188,687	₱17,104,160
Additions	1,475,118	1,498,014	2,973,132
Disposals	(1,689,521)	(336,100)	(2,025,621)
Transfers/others	8,588	1,610	10,198
Balance at end of year	13,709,658	4,352,211	18,061,869
Accumulated Depreciation			
Balance at beginning of year	–	1,688,372	1,688,372
Depreciation (Note 11)	–	167,339	167,339
Disposals	–	(199,165)	(199,165)
Transfers/others	–	(483)	(483)
Balance at end of year	–	1,656,063	1,656,063
Allowance for Impairment Losses (Note 16)	1,902,027	392,172	2,294,199
Net Book Value at End of Year	₱11,807,631	₱2,303,976	₱14,111,607

Foreclosed properties of the Parent Company still subject to redemption period by the borrowers amounted to ₱2.2 billion and ₱581.7 million, as of December 31, 2024 and 2023, respectively.



The total recoverable value of investment properties of the Group and the Parent Company that were impaired amounted to ₱13.4 billion and ₱9.6 billion as of December 31, 2024 and 2023, respectively. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made.

For the Group and the Parent Company, direct operating expenses on investment properties that generated rental income during the year (other than depreciation and amortization), included under 'Litigation and assets acquired expenses', amounted to ₱16.8 million, ₱33.0 million and ₱29.2 million in 2024, 2023, and 2022, respectively. Direct operating expenses on investment properties that did not generate rental income included under 'Litigation and assets acquired expenses', amounted to ₱231.7 million, ₱397.6 million and ₱208.3 million in 2024, 2023, and 2022, respectively (refer to Note 27.2).

14. Goodwill and Intangible Assets

These accounts consist of:

	Consolidated				Parent Company			
	2024		2023		2024		2023	
	Software Cost	Goodwill	Software Cost	Goodwill	Software Cost	Goodwill	Software Cost	Goodwill
Cost								
Balance at beginning of year	₱6,039,747	₱10,184,843	₱5,480,963	₱11,221,410	₱6,983,715	₱10,325,201	₱6,423,046	₱11,361,768
Additions	946,940	—	598,969	—	943,546	—	597,165	—
Impairment in value	—	—	—	(1,036,567)	—	—	—	(1,036,567)
Others	(26,534)	—	(40,185)	—	(31,743)	—	(36,496)	—
	6,960,153	10,184,843	6,039,747	10,184,843	7,895,518	10,325,201	6,983,715	10,325,201
Accumulated amortization								
Balance at beginning of year	4,738,021	—	3,637,073	—	5,768,825	—	4,689,462	—
Amortization (Note 11)	1,160,592	—	1,104,129	—	1,146,235	—	1,079,847	—
Others	(23,415)	—	(3,181)	—	(27,002)	—	(484)	—
	5,875,198	—	4,738,021	—	6,888,058	—	5,768,825	—
Net Book Value at End of Year	₱1,084,955	₱10,184,843	₱1,301,726	₱10,184,843	₱1,007,460	₱10,325,201	₱1,214,890	₱10,325,201

14.1 Software Cost

Software cost as of December 31, 2024 and 2023 includes capitalized development costs amounting to ₱2.0 billion, related to the Parent Company's core banking system.

14.2 Goodwill

The Parent Company accounted for the business combination with ABC under the acquisition method of PFRS 3. The Group has elected to measure the NCI in the acquiree at proportionate share of identifiable assets and liabilities. The business combination resulted in the recognition of goodwill amounting to ₱13.4 billion, allocated to the three CGUs which are also reportable segments.

Goodwill is reviewed for impairment annually in the fourth quarter of the reporting period, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The impairment test is done by comparing the recoverable amount of each CGU with its carrying amount. The carrying amount of a CGU is derived based on its net assets plus the amount of goodwill allocated to the CGU. The recoverable amount is the higher of a CGU's fair value less costs to sell and its VIU.



In 2023 and 2021, the goodwill impairment test performed by the Parent Company resulted in an impairment in value of ₱1.0 billion in the Treasury CGU and ₱2.2 billion in the Corporate Banking CGU, respectively, with the recoverable amounts being lower than their carrying amounts.

As of December 31, 2024 and 2023, goodwill for each CGU amounted to:

	Gross carrying amount	Accumulated impairment in value	Net carrying amount
Retail Banking	₱6,110,312	₱—	₱6,110,312
Corporate Banking	4,190,365	2,153,997	2,036,368
Treasury	3,074,730	1,036,567	2,038,163
	₱13,375,407	₱3,190,564	₱10,184,843

As of December 31, 2024 and 2023, management believes that the carrying value of the goodwill will not materially exceed its recoverable value after consideration of all reasonably possible changes in the key assumptions discussed below.

The recoverable amounts of the CGUs have been determined on the basis of the VIU calculation using the discounted cash flows (DCF) model. The DCF model uses earnings projections based on financial budgets approved by senior management and the BOD of the Parent Company covering a three-year period and are discounted to their present value. Estimating future earning involves judgment which takes into account past and actual performance and expected developments in the respective markets and in the overall macro-economic environment.

The following rates were applied to the cash flow projections:

	2024			2023		
	Retail Banking	Corporate Banking	Treasury	Retail Banking	Corporate Banking	Treasury
Pre-tax discount rate	11.43%	11.43%	11.43%	11.92%	11.92%	10.06%
Projected growth rate	5.73%	5.73%	5.73%	5.30%	5.30%	5.30%

The calculation of VIU is most sensitive to estimates of future cash flows from the business, interest margin, discount rates, projected long-term growth rates (derived based on the forecast local gross domestic product) used to extrapolate cash flows beyond the budget period.

The discount rate applied has been determined based on cost of equity for the Retail, Corporate Banking and Treasury CGUs. The cost of equity is derived using the capital asset pricing model which is comprised of a market risk premium, risk-free interest rate and the beta factor, all of which were obtained from external sources of information.

15. Other Assets

This account consists of:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Financial				
Fund for electronic money products	₱400,000	₱350,000	₱400,000	₱350,000
Returned checks and other cash items	25,003	28,298	25,003	28,298
Security deposits (Note 33)	19,662	18,279	—	—
Miscellaneous	2,808	5,680	2,147	5,049
	447,473	402,257	427,150	383,347

(Forward)



	Consolidated		Parent Company	
	2024	2023	2024	2023
Nonfinancial				
Deferred charges (Note 33)	₱3,969,199	₱2,065,324	₱3,965,120	₱2,060,909
Creditable withholding taxes	1,467,670	1,309,256	1,253,129	1,098,777
Real estate inventories held under development (Note 33)	521,114	519,448	521,114	519,448
Prepaid expenses	474,397	362,254	391,743	305,023
Documentary stamps on hand	406,790	471,092	406,703	470,537
Retirement asset (Note 28)	302,797	17,283	302,797	—
Stationeries and supplies	81,937	99,536	81,767	99,283
Chattel mortgage properties - net of depreciation	75,432	304,817	75,432	304,817
Other investments	26,842	26,335	22,970	22,609
Miscellaneous	1,427,061	912,319	1,135,727	523,505
	8,753,239	6,087,664	8,156,502	5,404,908
	9,200,712	6,489,921	8,583,652	5,788,255
Less allowance for credit and impairment losses (Note 16)	1,050,083	1,035,620	1,050,033	1,035,570
	₱8,150,629	₱5,454,301	₱7,533,619	₱4,752,685

‘Fund for electronic money products’ represents the fund set up held in trust by the Parent Company’s Trust Banking Group (TBG) for the specific purpose of liquidation of balances of e-money products of the Group in compliance with BSP Circular 1166. Such amount held in the trust account shall not fall below the required minimum balance of at least 50.0% of the outstanding e-money balances. The remaining 50.0% are covered by government securities booked under ‘Investment securities at amortized cost’ amounting to ₱364.0 million and ₱364.3 million as of December 31, 2024 and 2023, respectively (refer to Note 9.3).

‘Deferred charges’ include the share of the Group in the cost of transportation equipment acquired under the Group’s car plan, rental payment made on bank premises, and expense prepayments expected to benefit the Bank for a future period exceeding one (1) year which are amortized monthly over five years.

‘Real estate inventories held under development’ represent parcels of land contributed by the Parent Company under joint arrangements with real estate developers to be developed as residential condominium units and subdivision lots.

‘Chattel mortgage properties’ pertain to motor vehicles, equipment and assets other than real estate properties, which were acquired by the Group in settlement of loans. As of December 31, 2024 and 2023, accumulated depreciation on the chattel mortgage properties amounted to ₱511.5 million and ₱337.6 million, respectively, for the Group and ₱511.5 million and ₱337.6 million, respectively, for the Parent Company. As of December 31, 2024 and 2023, the total recoverable value of certain chattel mortgage properties of the Group and the Parent Company that were impaired is at ₱396.5 million and ₱264.3 million, respectively.

‘Miscellaneous financial assets’ include revolving fund, petty cash fund and miscellaneous cash and other cash items. ‘Miscellaneous nonfinancial assets’ include postages, refundable deposits, notes taken for interest and sundry debits.



16. Impairment, Credit and Other Losses

16.1 Provision for Impairment, Credit and Other Losses

This account consists of:

	Consolidated			Parent Company		
	2024	2023	2022	2024	2023	2022
Provision for credit losses	₱3,772,753	₱5,613,112	₱7,159,781	₱3,725,453	₱5,390,322	₱7,171,812
Provision for impairment and other losses	95,358	309,942	38,336	56,803	309,942	133,841
	₱3,868,111	₱5,923,054	₱7,198,117	₱3,782,256	₱5,700,264	₱7,305,653

16.2 Allowance for Impairment and Credit Losses

Changes in the allowance for credit losses on financial assets follow:

	Consolidated 2024					
	Securities Held Under Agreements to Resell	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Total
Balance at beginning of year	₱14,152	₱9,898	₱8,045	₱45,673	₱155,835	₱233,603
Provisions (reversals)	32,088	(5,154)	(1,907)	23,250	(8,365)	39,912
Balance at end of year	₱46,240	₱4,744	₱6,138	₱68,923	₱147,470	₱273,515

	Consolidated 2023					
	Securities Held Under Agreements to Resell	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Total
Balance at beginning of year	₱2,188	₱9,898	₱1,369	₱121,585	₱3,847,850	₱3,982,890
Provisions (reversals)	11,964	—	6,676	(75,912)	(15,770)	(73,042)
Accounts charged-off	—	—	—	—	(3,676,245)	(3,676,245)
Balance at end of year	₱14,152	₱9,898	₱8,045	₱45,673	₱155,835	₱233,603

	Parent Company 2024					
	Securities Held Under Agreements to Resell	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Total
Balance at beginning of year	₱14,152	₱9,873	₱8,045	₱46,776	₱155,835	₱234,681
Provisions (reversals)	32,088	(5,099)	-2,454	21,401	(8,365)	37,571
Balance at end of year	₱46,240	₱4,774	₱5,591	₱68,177	₱147,470	₱272,252

	Parent Company 2023					
	Securities Held Under Agreements to Resell	Due from Other Banks	Interbank Loans Receivable	Financial Assets at FVOCI	Investment Securities at Amortized Cost	Total
Balance at beginning of year	₱2,188	₱9,873	₱1,369	₱119,452	₱3,847,850	₱3,980,732
Provisions (reversals)	11,964	—	6,676	(72,676)	(15,770)	(69,806)
Accounts charged-off	—	—	—	—	(3,676,245)	(3,676,245)
Balance at end of year	₱14,152	₱9,873	₱8,045	₱46,776	₱155,835	₱234,681

Movements in the allowance for impairment and other losses on non-financial assets follow:



	Consolidated							
	2024				2023			
	Property and Equipment	Investment Properties	Other Assets	Total	Property and Equipment	Investment Properties	Other Assets	Total
Balance at beginning of year	₱1,133,292	₱2,318,900	₱1,035,620	₱4,487,812	₱1,168,887	₱2,175,669	₱1,041,840	₱4,386,396
Provisions (reversals)		199,452	(104,093)	95,359	(38)	166,099	143,881	309,942
Disposals	(8,513)	(17,078)	(26,745)	(52,336)	(35,557)	(27,151)	(248)	(62,956)
Transfers and others	–	118,823	145,301	264,124	–	4,283	(149,853)	(145,570)
Balance at end of year	₱1,124,779	₱2,620,097	₱1,050,083	₱4,794,959	₱1,133,292	₱2,318,900	₱1,035,620	₱4,487,812

	Parent Company							
	2024				2023			
	Property and Equipment	Investment Properties	Other Assets	Total	Property and Equipment	Investment Properties	Other Assets	Total
Balance at beginning of year	₱1,133,292	₱2,294,199	₱1,035,570	₱4,463,061	₱1,168,887	₱2,150,968	₱1,025,047	₱4,344,902
Provisions (reversals)	–	162,755	(105,952)	56,803	(38)	166,099	143,881	309,942
Disposals	(8,513)	(17,078)	(26,745)	(52,336)	(35,557)	(27,151)	(248)	(62,956)
Transfers and others	–	155,520	147,160	302,680	–	4,283	(133,110)	(128,827)
Balance at end of year	₱1,124,779	₱2,595,396	₱1,050,033	₱4,770,208	₱1,133,292	₱2,294,199	₱1,035,570	₱4,463,061

The reconciliation of allowance for loans and receivables are shown below:

	Consolidated							
	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	₱1,774,187	₱2,895,028	₱23,612,295	₱28,281,510	1,455,038	5,954,356	17,270,216	24,679,610
Newly originated assets which remained in Stage 1 at yearend	807,286	–	–	807,286	825,411	–	–	825,411
Newly originated assets which moved to Stages 2 and 3 at yearend	–	704,905	397,431	1,102,336	–	1,498,636	6,158,611	7,657,247
Transfers to Stage 1	25,920	(25,799)	(121)	–	22,816	(22,816)	–	–
Transfers to Stage 2	(70,148)	839,542	(769,394)	–	(572,482)	647,566	(75,084)	–
Transfers to Stage 3	(280,840)	(346,220)	627,060	–	(331,606)	(3,394,552)	3,726,158	–
Accounts charged off	–	–	(686,290)	(686,290)	–	–	(27,654)	(27,654)
Effect of collections, foreclosures, and provision	(10,376)	(907,908)	1,380,542	462,258	375,010	(1,788,162)	(3,439,952)	(4,853,104)
Ending Balance	2,246,029	3,159,548	24,561,523	29,967,100	1,774,187	2,895,028	23,612,295	28,281,510
LGU								
Beginning Balance	391	6,684	63,216	70,291	472	8,471	65,694	74,637
Effect of collections, foreclosures, and provision	(104)	(1,306)	(5,172)	(6,582)	(81)	(1,787)	(2,478)	(4,346)
Ending Balance	287	5,378	58,044	63,709	391	6,684	63,216	70,291
Credit Cards								
Beginning Balance	508,446	109,883	696,783	1,315,112	491,509	83,742	712,977	1,288,228
Newly originated assets which remained in Stage 1 at yearend	78,851	–	–	78,851	57,305	–	–	57,305
Newly originated assets which moved to Stages 2 and 3 at yearend	–	11,526	17,272	28,798	–	6,813	9,999	16,812
Transfers to Stage 1	49,370	(37,696)	(11,674)	–	22,578	(16,917)	(5,661)	–
Transfers to Stage 2	(16,596)	18,469	(1,873)	–	(17,425)	17,465	(40)	–
Transfers to Stage 3	(33,449)	(19,173)	52,622	–	(25,370)	(12,031)	37,401	–
Accounts charged off	–	–	(799,638)	(799,638)	–	–	(892,571)	(892,571)
Effect of collections, foreclosures, and provision	3,026	25,255	887,503	915,784	(20,151)	30,811	834,678	845,338
Ending Balance	589,648	108,264	840,995	1,538,907	508,446	109,883	696,783	1,315,112
Retail SMEs								
Beginning Balance	188,665	10,116	788,816	987,597	200,621	26,631	1,337,812	1,565,064
Newly originated assets which remained in Stage 1 at yearend	114,737	–	–	114,737	180,263	–	–	180,263
Newly originated assets which moved to Stages 2 and 3 at yearend	–	13,621	12,785	26,406	–	5,923	63,619	69,542
Transfers to Stage 1	946	(946)	–	–	110	–	(110)	–
Transfers to Stage 2	(115)	430	(315)	–	(1,051)	2,229	(1,178)	–
Transfers to Stage 3	(26,339)	(6,257)	32,596	–	–	(80,052)	80,052	–
Accounts charged off	–	–	(115,370)	(115,370)	–	–	(400,532)	(400,532)
Effect of collections, foreclosures, and provision	1,071	3,095	16,923	21,089	(191,278)	55,385	(290,847)	(426,740)
Ending Balance	278,965	20,059	735,435	1,034,459	188,665	10,116	788,816	987,597

(Forward)

Housing Loans



	Consolidated							
	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Beginning Balance	₱525,896	₱47,197	₱3,955,221	₱4,528,314	₱447,670	₱115,108	₱3,785,067	₱4,347,845
Newly originated assets which remained in Stage 1 at yearend	50,745	—	—	50,745	49,994	—	—	49,994
Newly originated assets which moved to Stages 2 and 3 at yearend	—	2,016	13,444	15,460	—	2,099	14,561	16,660
Transfers to Stage 1	50,769	(3,234)	(47,535)	—	43,356	(6,424)	(36,932)	—
Transfers to Stage 2	(39,521)	53,677	(14,156)	—	(30,074)	43,180	(13,106)	—
Transfers to Stage 3	(60,880)	(25,729)	86,609	—	(260,638)	(124,595)	385,233	—
Effect of collections, foreclosures, and provision	(430,615)	(15,134)	(392,607)	(838,356)	275,588	17,829	(179,602)	113,815
Ending Balance	96,394	58,793	3,600,976	3,756,163	525,896	47,197	3,955,221	4,528,314
Auto Loans								
Beginning Balance	25,693	686	1,078,920	1,105,299	20,844	2,253	1,497,222	1,520,319
Newly originated assets which remained in Stage 1 at yearend	5,154	—	—	5,154	6,218	—	—	6,218
Newly originated assets which moved to Stages 2 and 3 at yearend	—	695	2,708	3,403	—	125	450	575
Transfers to Stage 1	188	(20)	(168)	—	600	(131)	(469)	—
Transfers to Stage 2	(459)	479	(20)	—	(476)	525	(49)	—
Transfers to Stage 3	(8,167)	(2,091)	10,258	—	(21,039)	(10,155)	31,194	—
Accounts charged off	—	—	(32,938)	(32,938)	—	—	(47,526)	(47,526)
Effect of collections, foreclosures, and provision	138	1,429	(341,684)	(340,117)	19,546	8,069	(401,902)	(374,287)
Ending Balance	22,547	1,178	717,076	740,801	25,693	686	1,078,920	1,105,299
Other Loans								
Beginning Balance	71,794	264,708	928,528	1,265,030	15,780	78,197	1,168,060	1,262,037
Newly originated assets which remained in Stage 1 at yearend	4,194	—	—	4,194	42,043	—	—	42,043
Newly originated assets which moved to Stages 2 and 3 at yearend	—	—	23	23	—	45,824	24,687	70,511
Transfers to Stage 1	3,029	(85)	(2,944)	—	1,364	(244)	(1,120)	—
Transfers to Stage 2	(1,894)	5,594	(3,700)	—	(148,740)	216,224	(67,484)	—
Transfers to Stage 3	(2,523)	(44,240)	46,763	—	(42,076)	(6,097)	48,173	—
Accounts charged off	—	—	(19,654)	(19,654)	—	—	—	—
Effect of collections, foreclosures, and provision	(42,742)	(121,731)	(38,790)	(203,263)	203,423	(69,196)	(243,788)	(109,561)
Ending Balance	31,858	104,246	910,226	1,046,330	71,794	264,708	928,528	1,265,030
Other Receivables								
Beginning Balance	131,275	37,316	4,850,162	5,018,753	87,993	148,230	3,970,848	4,207,071
Newly originated assets which remained in Stage 1 at yearend	4,970	—	—	4,970	3,310	—	—	3,310
Newly originated assets which moved to Stages 2 and 3 at yearend	—	2,971	5,511	8,482	—	7,901	117,793	125,694
Transfers to Stage 1	320	(268)	(52)	—	162	(138)	(24)	—
Transfers to Stage 2	(346)	2,209	(1,863)	—	(4,115)	4,177	(62)	—
Transfers to Stage 3	3,426	(3,615)	189	—	(3,463)	(421,743)	425,206	—
Accounts charged off	—	—	(1,271,421)	(1,271,421)	—	—	(48,607)	(48,607)
Effect of collections, foreclosures, and provision	40,969	550	258,617	300,136	47,388	298,889	385,008	731,285
Ending Balance	180,614	39,163	3,841,143	4,060,920	131,275	37,316	4,850,162	5,018,753
Total Loans and Receivables								
Beginning Balance	3,226,347	3,371,618	35,973,941	42,571,906	2,719,927	6,416,988	29,807,896	38,944,811
Newly originated assets which remained in Stage 1 at yearend	1,065,937	—	—	1,065,937	1,164,544	—	—	1,164,544
Newly originated assets which moved to Stages 2 and 3 at yearend	—	735,734	449,174	1,184,908	—	1,567,321	6,389,720	7,957,041
Transfers to Stage 1	130,542	(68,048)	(62,494)	—	90,986	(46,670)	(44,316)	—
Transfers to Stage 2	(129,079)	920,400	(791,321)	—	(774,363)	931,366	(157,003)	—
Transfers to Stage 3	(408,772)	(447,325)	856,097	—	(684,192)	(4,049,225)	4,733,417	—
Accounts charged off	—	—	(2,925,311)	(2,925,311)	—	—	(1,416,890)	(1,416,890)
Effect of collections, foreclosures, and provision	(438,633)	(1,015,750)	1,765,332	310,949	709,445	(1,448,162)	(3,338,883)	(4,077,600)
Ending Balance	₱3,446,342	₱3,496,629	₱35,265,418	₱42,208,389	₱3,226,347	₱3,371,618	₱35,973,941	₱42,571,906



	Parent Company							
	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	₱1,648,613	₱2,895,028	₱24,029,657	₱28,573,298	1,671,731	5,954,139	18,336,117	25,961,987
Newly originated assets which remained in Stage 1 at yearend	807,286	—	—	807,286	825,411	—	—	825,411
Newly originated assets which moved to Stages 2 and 3 at yearend	—	704,905	397,431	1,102,336	—	1,498,636	6,158,611	7,657,247
Transfers to Stage 1	25,920	(25,799)	(121)	—	22,816	(22,816)	—	—
Transfers to Stage 2	(70,148)	839,542	(769,394)	—	(572,482)	647,566	(75,084)	—
Transfers to Stage 3	(280,840)	(346,220)	627,060	—	(331,606)	(3,394,552)	3,726,158	—
Accounts charged off	—	—	(686,290)	(686,290)	—	—	(27,654)	(27,654)
Loan settlement through dacion and assignment (Note 33)	—	—	—	—	—	—	(1,404,582)	(1,404,582)
Effect of collections, foreclosures, and provision	(403,414)	(907,908)	1,777,596	466,274	32,743	(1,787,945)	(2,683,909)	(4,439,111)
Ending Balance	1,727,417	3,159,548	25,375,939	30,262,904	1,648,613	2,895,028	24,029,657	28,573,298
LGU								
Beginning Balance	391	6,684	63,216	70,291	472	8,471	65,694	74,637
Effect of collections, foreclosures, and provision	(104)	(1,306)	(5,172)	(6,582)	(81)	(1,787)	(2,478)	(4,346)
Ending Balance	287	5,378	58,044	63,709	391	6,684	63,216	70,291
Credit Cards								
Beginning Balance	508,446	109,883	696,783	1,315,112	491,509	83,742	712,977	1,288,228
Newly originated assets which remained in Stage 1 at yearend	78,851	—	—	78,851	57,305	—	—	57,305
Newly originated assets which moved to Stages 2 and 3 at yearend	—	11,526	17,272	28,798	—	6,813	9,999	16,812
Transfers to Stage 1	49,370	(37,696)	(11,674)	—	22,578	(16,917)	(5,661)	—
Transfers to Stage 2	(16,596)	18,469	(1,873)	—	(17,425)	17,465	(40)	—
Transfers to Stage 3	(33,449)	(19,173)	52,622	—	(25,370)	(12,031)	37,401	—
Accounts charged off	—	—	(799,638)	(799,638)	—	—	(892,571)	(892,571)
Effect of collections, foreclosures, and provision	3,026	25,255	887,503	915,784	(20,151)	30,811	834,678	845,338
Ending Balance	589,648	108,264	840,995	1,538,907	508,446	109,883	696,783	1,315,112
Retail SMEs								
Beginning Balance	188,665	10,105	783,996	982,766	182,003	23,329	798,798	1,004,130
Newly originated assets which remained in Stage 1 at yearend	114,737	—	—	114,737	180,263	—	—	180,263
Newly originated assets which moved to Stages 2 and 3 at yearend	—	13,621	12,785	26,406	—	5,923	63,619	69,542
Transfers to Stage 1	946	(946)	—	—	110	—	(110)	—
Transfers to Stage 2	(115)	430	(315)	—	(1,051)	2,229	(1,178)	—
Transfers to Stage 3	(26,339)	(6,257)	32,596	—	—	(80,052)	80,052	—
Accounts charged off	—	—	(115,370)	(115,370)	—	—	(401,774)	(401,774)
Effect of collections, foreclosures, and provision	1,071	3,106	21,743	25,920	(172,660)	58,676	244,589	130,605
Ending Balance	278,965	20,059	735,435	1,034,459	188,665	10,105	783,996	982,766
Housing Loans								
Beginning Balance	524,616	47,197	3,938,674	4,510,487	445,982	114,780	3,776,024	4,336,786
Newly originated assets which remained in Stage 1 at yearend	50,745	—	—	50,745	49,994	—	—	49,994
Newly originated assets which moved to Stages 2 and 3 at yearend	—	2,016	13,444	15,460	—	2,099	14,561	16,660
Transfers to Stage 1	50,769	(3,234)	(47,535)	—	43,356	(6,424)	(36,932)	—
Transfers to Stage 2	(39,521)	53,677	(14,156)	—	(30,074)	43,180	(13,106)	—
Transfers to Stage 3	(60,880)	(25,729)	86,609	—	(260,638)	(124,595)	385,233	—
Effect of collections, foreclosures, and provision	(28,829)	(15,180)	(798,779)	(842,788)	275,996	18,157	(187,106)	107,047
Ending Balance	496,900	58,747	3,178,257	3,733,904	524,616	47,197	3,938,674	4,510,487
Auto Loans								
Beginning Balance	25,693	686	1,078,920	1,105,299	20,844	2,253	1,497,222	1,520,319
Newly originated assets which remained in Stage 1 at yearend	5,154	—	—	5,154	6,218	—	—	6,218
Newly originated assets which moved to Stages 2 and 3 at yearend	—	695	2,708	3,403	—	125	450	575
Transfers to Stage 1	188	(20)	(168)	—	600	(131)	(469)	—
Transfers to Stage 2	(459)	479	(20)	—	(476)	525	(49)	—
Transfers to Stage 3	(8,167)	(2,091)	10,258	—	(21,039)	(10,155)	31,194	—
Accounts charged off	—	—	(32,938)	(32,938)	—	—	(47,526)	(47,526)
Effect of collections, foreclosures, and provision	138	1,429	(341,684)	(340,117)	19,546	8,069	(401,902)	(374,287)
Ending Balance	22,547	1,178	717,076	740,801	25,693	686	1,078,920	1,105,299

(Forward)



	Parent Company							
	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Other Loans								
Beginning Balance	₱71,784	₱264,708	₱928,528	₱1,265,020	₱15,739	₱64,561	₱1,181,666	₱1,261,966
Newly originated assets which remained in Stage 1 at yearend	4,194	—	—	4,194	42,043	—	—	42,043
Newly originated assets which moved to Stages 2 and 3 at yearend	—	—	23	23	—	45,824	24,687	70,511
Transfers to Stage 1	3,029	(85)	(2,944)	—	1,364	(244)	(1,120)	—
Transfers to Stage 2	(1,894)	5,594	(3,700)	—	(148,740)	216,224	(67,484)	—
Transfers to Stage 3	(2,523)	(44,240)	46,763	—	(42,076)	(6,097)	48,173	—
Accounts charged off	—	—	(19,654)	(19,654)	—	—	—	—
Effect of collections, foreclosures, and provision	(42,758)	(121,731)	(38,876)	(203,365)	203,454	(55,560)	(257,394)	(109,500)
Ending Balance	31,832	104,246	910,140	1,046,218	71,784	264,708	928,528	1,265,020
Other Receivables								
Beginning Balance	22,665	32,893	4,689,397	4,744,955	34,342	37,308	3,926,135	3,997,785
Newly originated assets which remained in Stage 1 at yearend	4,970	—	—	4,970	3,310	—	—	3,310
Newly originated assets which moved to Stages 2 and 3 at yearend	—	2,971	5,511	8,482	—	7,901	117,793	125,694
Transfers to Stage 1	320	(268)	(52)	—	162	(138)	(24)	—
Transfers to Stage 2	(346)	2,209	(1,863)	—	(4,115)	4,177	(62)	—
Transfers to Stage 3	3,426	(3,615)	189	—	(3,463)	(421,743)	425,206	—
Accounts charged off	—	—	(1,269,650)	(1,269,650)	—	—	(49,305)	(49,305)
Effect of collections, foreclosures, and provision	35,247	550	209,778	245,575	(7,571)	405,388	269,654	667,471
Ending Balance	66,282	34,740	3,633,310	3,734,332	22,665	32,893	4,689,397	4,744,955
Total Loans and Receivables								
Beginning Balance	2,990,873	3,367,184	36,209,171	42,567,228	2,862,622	6,288,583	30,294,633	39,445,838
Newly originated assets which remained in Stage 1 at yearend	1,065,937	—	—	1,065,937	1,164,544	—	—	1,164,544
Newly originated assets which moved to Stages 2 and 3 as at year-end	—	735,734	449,174	1,184,908	—	1,567,321	6,389,720	7,957,041
Transfers to Stage 1	130,542	(68,048)	(62,494)	—	90,986	(46,670)	(44,316)	—
Transfers to Stage 2	(129,079)	920,975	(791,896)	—	(774,363)	931,366	(157,003)	—
Transfers to Stage 3	(408,772)	(447,325)	856,097	—	(684,192)	(4,049,225)	4,733,417	—
Accounts charged off	—	—	(2,923,540)	(2,923,540)	—	—	(1,418,830)	(1,418,830)
Loan settlement through dacion and assignment (Note 33)	—	—	—	—	—	—	(1,404,582)	(1,404,582)
Effect of collections, foreclosures, and provision	(435,623)	(1,016,360)	1,712,684	260,701	331,276	(1,324,191)	(2,183,868)	(3,176,783)
Ending Balance	₱3,213,878	₱3,492,160	₱35,449,196	₱42,155,234	₱2,990,873	₱3,367,184	₱36,209,171	₱42,567,228

16.3 Gross Carrying Amounts of Loans and Receivables

Movements of the gross carrying amounts of loans and receivables are shown below:

	Consolidated							
	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	₱511,739,263	₱27,482,301	₱32,976,162	₱572,197,726	₱439,476,954	₱73,633,834	₱27,884,820	₱540,995,608
Newly originated assets which remained in Stage 1 at yearend	313,540,235	—	—	313,540,235	256,828,762	—	—	256,828,762
Newly originated assets which moved to Stages 2 and 3 at yearend	—	14,542,849	6,213,419	20,756,268	—	12,486,650	7,244,151	19,730,801
Transfers to Stage 1	1,626,834	(1,538,339)	(88,495)	—	20,808,870	(20,808,870)	—	—
Transfers to Stage 2	(1,709,484)	3,688,218	(1,978,734)	—	(2,438,133)	2,776,640	(338,507)	—
Transfers to Stage 3	(496,633)	(1,087,075)	1,583,708	—	(851,326)	(5,941,406)	6,792,732	—
Accounts charged off	—	—	(686,290)	(686,290)	—	—	(27,654)	(27,654)
Collections and other movements	(287,030,529)	(18,416,515)	(3,024,592)	(308,471,636)	(202,085,864)	(34,664,547)	(8,579,380)	(245,329,791)
Ending Balance	537,669,686	24,671,439	34,995,178	597,336,303	511,739,263	27,482,301	32,976,162	572,197,726
LGU								
Beginning Balance	2,183,286	28,139	54,900	2,266,325	2,753,214	35,320	56,658	2,845,192
Collections and other movements	(536,416)	(5,529)	(4,379)	(546,324)	(569,928)	(7,181)	(1,758)	(578,867)
Ending Balance	1,646,870	22,610	50,521	1,720,001	2,183,286	28,139	54,900	2,266,325

(Forward)



	Consolidated							
	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Credit Cards								
Beginning Balance	₱14,208,553	₱440,362	₱583,930	₱15,232,845	₱13,157,391	₱315,914	₱909,376	₱14,382,681
Newly originated assets which remained in Stage 1 at yearend	1,980,502	—	—	1,980,502	1,165,134	—	—	1,165,134
Newly originated assets which moved to Stages 2 and 3 at yearend	—	52,126	31,425	83,551	—	29,616	18,927	48,543
Transfers to Stage 1	149,502	(125,603)	(23,899)	—	69,818	(62,026)	(7,792)	—
Transfers to Stage 2	(319,966)	323,698	(3,732)	—	(325,428)	325,528	(100)	—
Transfers to Stage 3	(547,031)	(87,958)	634,989	—	(424,262)	(52,755)	477,017	—
Accounts charged off	—	—	(799,638)	(799,638)	—	—	(892,571)	(892,571)
Collections and other movements	1,685,900	(112,752)	(6,523)	1,566,625	565,900	(115,915)	79,073	529,058
Ending Balance	17,157,460	489,873	416,552	18,063,885	14,208,553	440,362	583,930	15,232,845
Retail SMEs								
Beginning Balance	4,153,369	151,456	1,067,223	5,372,048	3,995,703	342,969	1,961,582	6,300,254
Newly originated assets which remained in Stage 1 at yearend	3,539,950	—	—	3,539,950	3,924,066	—	—	3,924,066
Newly originated assets which moved to Stages 2 and 3 at yearend	—	114,725	50,153	164,878	—	112,457	72,686	185,143
Transfers to Stage 1	7,659	(7,659)	—	—	4,227	—	(4,227)	—
Transfers to Stage 2	(810)	2,953	(2,143)	—	(21,867)	31,237	(9,370)	—
Transfers to Stage 3	(71,839)	(7,659)	79,498	—	—	(119,106)	119,106	—
Accounts charged off	—	—	(115,370)	(115,370)	—	—	(401,774)	(401,774)
Collections and other movements	(3,267,400)	(129,967)	(88,078)	(3,485,445)	(3,748,760)	(216,101)	(670,780)	(4,635,641)
Ending Balance	4,360,929	123,849	991,283	5,476,061	4,153,369	151,456	1,067,223	5,372,048
Housing Loans								
Beginning Balance	20,130,870	248,682	7,921,739	28,301,291	18,886,113	673,099	9,029,811	28,589,023
Newly originated assets which remained in Stage 1 as at yearend	3,162,128	—	—	3,162,128	3,153,824	—	—	3,153,824
Newly originated assets which moved to Stages 2 and 3 at yearend	—	17,757	44,110	61,867	—	14,017	48,035	62,052
Transfers to Stage 1	1,577,780	(105,411)	(1,472,369)	—	1,234,984	(167,456)	(1,067,528)	—
Transfers to Stage 2	(209,603)	281,574	(71,971)	—	(160,577)	225,036	(64,459)	—
Transfers to Stage 3	(204,135)	(105,411)	309,546	—	(819,808)	(407,824)	1,227,632	—
Collections and other movements	(3,287,196)	(19,811)	(1,473,794)	(4,780,801)	(2,163,666)	(88,190)	(1,251,752)	(3,503,608)
Ending Balance	21,169,844	317,380	5,257,261	26,744,485	20,130,870	248,682	7,921,739	28,301,291
Auto Loans								
Beginning Balance	5,216,360	22,973	1,263,450	6,502,783	5,017,858	102,192	1,970,284	7,090,334
Newly originated assets which remained in Stage 1 at yearend	2,515,108	—	—	2,515,108	2,513,456	—	—	2,513,456
Newly originated assets which moved to Stages 2 and 3 at yearend	—	18,900	24,820	43,720	—	4,842	4,158	9,000
Transfers to Stage 1	32,064	(3,394)	(28,670)	—	78,374	(17,998)	(60,376)	—
Transfers to Stage 2	(15,561)	16,513	(952)	—	(15,461)	16,928	(1,467)	—
Transfers to Stage 3	(40,217)	(3,394)	43,611	—	(83,541)	(33,541)	117,082	—
Accounts charged off	—	—	(32,938)	(32,938)	—	—	(47,526)	(47,526)
Collections and other movements	(2,230,304)	(15,944)	(461,864)	(2,708,112)	(2,294,326)	(49,450)	(718,705)	(3,062,481)
Ending Balance	5,477,450	35,654	807,457	6,320,561	5,216,360	22,973	1,263,450	6,502,783
Other Loans								
Beginning Balance	8,187,643	2,087,478	1,650,129	11,925,250	9,131,926	1,546,924	1,976,100	12,654,950
Newly originated assets which remained in Stage 1 at yearend	5,119,859	—	—	5,119,859	6,201,837	—	—	6,201,837
Newly originated assets which moved to Stages 2 and 3 at yearend	—	—	31	31	—	1,244,295	39,581	1,283,876
Transfers to Stage 1	47,303	(3,435)	(43,868)	—	38,851	(7,370)	(31,481)	—
Transfers to Stage 2	(7,521)	22,220	(14,699)	—	(619,725)	836,675	(216,950)	—
Transfers to Stage 3	(11,694)	(3,435)	15,129	—	(141,647)	(20,036)	161,683	—
Accounts charged off	—	—	(19,654)	(19,654)	—	—	—	—
Collections and other movements	(6,441,872)	(1,755,234)	(266,303)	(8,463,409)	(6,423,599)	(1,513,010)	(278,804)	(8,215,413)
Ending Balance	6,893,718	347,594	1,320,765	8,562,077	8,187,643	2,087,478	1,650,129	11,925,250
Other Receivables								
Beginning Balance	11,130,475	270,041	6,083,868	17,484,384	15,069,109	289,229	3,828,316	19,186,654
Newly originated assets which remained in Stage 1 at yearend	1,312,023	—	—	1,312,023	1,334,540	—	—	1,334,540
Newly originated assets which moved to Stages 2 and 3 at yearend	—	64,105	40,349	104,454	—	49,057	126,499	175,556
Transfers to Stage 1	23,996	(13,905)	(10,091)	—	123,622	(118,182)	(5,440)	—
Transfers to Stage 2	(6,040)	17,059	(11,019)	—	(23,562)	24,591	(1,029)	—
Transfers to Stage 3	(6,464)	(8,587)	15,051	—	(9,949)	(925,493)	935,442	—
Accounts charged off	—	—	(1,271,421)	(1,271,421)	—	—	(49,305)	(49,305)
Collections and other movements	(3,667,397)	(154,373)	996,971	(2,824,799)	(5,363,285)	950,839	1,249,385	(3,163,061)
Ending Balance	8,786,593	174,340	5,843,708	14,804,641	11,130,475	270,041	6,083,868	17,484,384

(Forward)



	Consolidated							
	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Total Loans and Receivables								
Beginning Balance	₱576,949,819	₱307,731,432	₱51,601,401	₱659,282,652	₱507,488,268	₱76,939,481	₱47,616,947	₱632,044,696
Newly originated assets which remained in Stage 1 at yearend	331,169,805	—	—	331,169,805	275,121,619	—	—	275,121,619
Newly originated assets which moved to Stages 2 and 3 at yearend	—	14,810,462	6,404,307	21,214,769	—	13,940,934	7,554,037	21,494,971
Transfers to Stage 1	3,465,138	(1,797,746)	(1,667,392)	—	22,358,746	(21,181,902)	(1,176,844)	—
Transfers to Stage 2	(2,268,985)	4,352,235	(2,083,250)	—	(3,604,753)	4,236,635	(631,882)	—
Transfers to Stage 3	(1,378,013)	(1,303,519)	2,681,532	—	(2,330,533)	(7,500,161)	9,830,694	—
Accounts charged off	—	—	(2,925,311)	(2,925,311)	—	—	(1,418,830)	(1,418,830)
Collections and other movements	(304,775,214)	(20,610,125)	(4,328,562)	(329,713,901)	(222,083,528)	(35,703,555)	(10,172,721)	(267,959,804)
Ending Balance	₱603,162,550	₱26,182,739	₱49,682,725	₱679,028,014	₱576,949,819	₱30,731,432	₱51,601,401	₱659,282,652
	Parent Company							
	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate Loans								
Beginning Balance	₱499,062,930	₱27,447,702	₱32,943,593	₱559,454,225	₱427,520,330	₱73,589,787	₱28,922,622	₱530,032,739
Newly originated assets which remained in Stage 1 at yearend	311,255,404	—	—	311,255,404	249,130,331	—	—	249,130,331
Newly originated assets which moved to Stages 2 and 3 at yearend	—	14,542,849	5,601,615	20,144,464	—	12,486,650	7,244,151	19,730,801
Transfers to Stage 1	1,626,834	(1,538,339)	(88,495)	—	20,808,870	(20,808,870)	—	—
Transfers to Stage 2	(1,709,484)	3,688,218	(1,978,734)	—	(2,438,133)	2,776,640	(338,507)	—
Transfers to Stage 3	(496,633)	(1,087,075)	1,583,708	—	(851,326)	(5,941,406)	6,792,732	—
Accounts charged off	—	—	(686,290)	(686,290)	—	—	(27,654)	(27,654)
Loan settlement through dacion and assignment (Note 33)	—	—	—	—	—	—	(1,404,582)	(1,404,582)
Collections and other movements	(284,347,175)	(18,416,515)	(2,857,712)	(305,621,402)	(195,107,142)	(34,655,099)	(8,245,169)	(238,007,410)
Ending Balance	525,391,876	24,636,840	34,517,685	584,546,401	499,062,930	27,447,702	32,943,593	559,454,225
LGU								
Beginning Balance	2,183,286	28,139	54,900	2,266,325	2,753,214	35,320	56,658	2,845,192
Collections and other movements	(536,416)	(5,529)	(4,379)	(546,324)	(569,928)	(7,181)	(1,758)	(578,867)
Ending Balance	1,646,870	22,610	50,521	1,720,001	2,183,286	28,139	54,900	2,266,325
Credit Cards								
Beginning Balance	14,208,553	440,362	583,930	15,232,845	13,157,391	315,914	909,376	14,382,681
Newly originated assets which remained in Stage 1 at yearend	1,980,502	—	—	1,980,502	1,165,134	—	—	1,165,134
Newly originated assets which moved to Stages 2 and 3 at yearend	—	52,126	31,425	83,551	—	29,616	18,927	48,543
Transfers to Stage 1	149,502	(125,603)	(23,899)	—	69,818	(62,026)	(7,792)	—
Transfers to Stage 2	(319,966)	323,698	(3,732)	—	(325,428)	325,528	(100)	—
Transfers to Stage 3	(547,031)	(87,958)	634,989	—	(424,262)	(52,755)	477,017	—
Accounts charged off	—	—	(799,638)	(799,638)	—	—	(892,571)	(892,571)
Collections and other movements	1,685,900	(112,752)	(6,523)	1,566,625	565,900	(115,915)	79,073	529,058
Ending Balance	17,157,460	489,873	416,552	18,063,885	14,208,553	440,362	583,930	15,232,845
Retail SMEs								
Beginning Balance	4,153,253	151,473	1,057,121	5,361,847	3,544,176	317,549	1,078,655	4,940,380
Newly originated assets which remained in Stage 1 at yearend	3,539,950	—	—	3,539,950	3,924,066	—	—	3,924,066
Newly originated assets which moved to Stages 2 and 3 at yearend	—	114,725	50,153	164,878	—	112,457	72,686	185,143
Transfers to Stage 1	7,659	(7,659)	—	—	4,227	—	(4,227)	—
Transfers to Stage 2	(810)	2,953	(2,143)	—	(21,867)	31,237	(9,370)	—
Transfers to Stage 3	(71,839)	(7,659)	79,498	—	—	(119,106)	119,106	—
Accounts charged off	—	—	(115,370)	(115,370)	—	—	(401,774)	(401,774)
Collections and other movements	(3,267,284)	(129,984)	(77,976)	(3,475,244)	(3,297,349)	(190,664)	202,045	(3,285,968)
Ending Balance	4,360,929	123,849	991,283	5,476,061	4,153,253	151,473	1,057,121	5,361,847
Housing Loans								
Beginning Balance	19,354,191	248,682	7,921,406	27,524,279	18,020,708	640,238	9,002,446	27,663,392
Newly originated assets which remained in Stage 1 at yearend	3,162,128	—	—	3,162,128	3,046,281	—	—	3,046,281
Newly originated assets which moved to Stages 2 and 3 at yearend	—	17,757	44,110	61,867	—	14,017	48,035	62,052
Transfers to Stage 1	1,577,780	(105,411)	(1,472,369)	—	1,234,984	(167,456)	(1,067,528)	—
Transfers to Stage 2	(204,457)	276,428	(71,971)	—	(160,577)	225,036	(64,459)	—
Transfers to Stage 3	(193,797)	(105,411)	299,208	—	(819,808)	(378,350)	1,198,158	—
Collections and other movements	(3,292,172)	(19,811)	(1,476,192)	(4,788,175)	(1,967,397)	(84,803)	(1,195,246)	(3,247,446)
Ending Balance	20,403,673	312,234	5,244,192	25,960,099	19,354,191	248,682	7,921,406	27,524,279

(Forward)



	Parent Company							
	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Auto Loans								
Beginning Balance	₱5,216,360	₱22,973	₱1,263,450	₱6,502,783	₱5,017,858	₱102,192	₱1,970,284	₱7,090,334
Newly originated assets which remained in Stage 1 at yearend	2,515,108	—	—	2,515,108	2,513,456	—	—	2,513,456
Newly originated assets which moved to Stages 2 and 3 at yearend	—	18,900	24,820	43,720	—	4,842	4,158	9,000
Transfers to Stage 1	32,064	(3,394)	(28,670)	—	78,374	(17,998)	(60,376)	—
Transfers to Stage 2	(15,561)	16,513	(952)	—	(15,461)	16,928	(1,467)	—
Transfers to Stage 3	(40,217)	(3,394)	43,611	—	(83,541)	(33,541)	117,082	—
Accounts charged off	—	—	(32,938)	(32,938)	—	—	(47,526)	(47,526)
Collections and other movements	(2,230,304)	(15,944)	(461,864)	(2,708,112)	(2,294,326)	(49,450)	(718,705)	(3,062,481)
Ending Balance	5,477,450	35,654	807,457	6,320,561	5,216,360	22,973	1,263,450	6,502,783
Other Loans								
Beginning Balance	8,099,735	2,087,478	1,650,129	11,837,342	9,039,529	1,546,924	1,976,100	12,562,553
Newly originated assets which remained in Stage 1 at yearend	5,119,859	—	—	5,119,859	6,201,837	—	—	6,201,837
Newly originated assets which moved to Stages 2 and 3 at yearend	—	—	31	31	—	1,244,295	39,581	1,283,876
Transfers to Stage 1	47,303	(3,435)	(43,868)	—	38,851	(7,370)	(31,481)	—
Transfers to Stage 2	(3,492)	18,191	(14,699)	—	(616,273)	833,223	(216,950)	—
Transfers to Stage 3	(11,694)	(3,435)	15,129	—	(141,647)	(20,036)	161,683	—
Accounts charged off	—	—	(19,654)	(19,654)	—	—	(49,305)	(49,305)
Collections and other movements	(6,439,617)	(1,755,234)	(379,683)	(8,574,534)	(6,422,562)	(1,509,558)	(278,804)	(8,210,924)
Ending Balance	6,812,094	343,565	1,207,385	8,363,044	8,099,735	2,087,478	1,650,129	11,837,342
Other Receivables								
Beginning Balance	10,449,820	266,357	5,830,168	16,546,345	13,979,637	279,963	3,663,985	17,923,585
Newly originated assets which remained in Stage 1 at yearend	1,312,023	—	—	1,312,023	1,334,540	—	—	1,334,540
Newly originated assets which moved to Stages 2 and 3 as at year-end	—	64,105	40,350	104,455	—	49,057	126,499	175,556
Transfers to Stage 1	23,996	(13,905)	(10,091)	—	123,622	(118,182)	(5,440)	—
Transfers to Stage 2	(6,040)	17,059	(11,019)	—	(23,562)	24,591	(1,029)	—
Transfers to Stage 3	(6,463)	(8,587)	15,050	—	(9,949)	(925,493)	935,442	—
Accounts charged off	—	—	(1,269,650)	(1,269,650)	—	—	(49,305)	(49,305)
Collections and other movements	(3,404,203)	(154,373)	962,755	(2,595,821)	(4,954,468)	956,421	1,160,016	(2,838,031)
Ending Balance	8,369,133	170,656	5,557,563	14,097,352	10,449,820	266,357	5,830,168	16,546,345
Total Loans and Receivables								
Beginning Balance	562,728,128	30,693,166	51,304,697	644,725,991	493,032,843	76,827,887	47,580,126	617,440,856
Newly originated assets which remained in Stage 1 at yearend	328,884,974	—	—	328,884,974	267,315,645	—	—	267,315,645
Newly originated assets which moved to Stages 2 and 3 as at year-end	—	14,810,462	5,792,473	20,602,935	—	13,940,934	7,554,037	21,494,971
Transfers to Stage 1	3,465,138	(1,797,746)	(1,667,392)	—	22,358,746	(21,181,902)	(1,176,844)	—
Transfers to Stage 2	(2,259,810)	4,343,060	(2,083,250)	—	(3,601,301)	4,233,183	(631,882)	—
Transfers to Stage 3	(1,367,674)	(1,303,519)	2,671,193	—	(2,330,533)	(7,470,687)	9,801,220	—
Accounts charged off	—	—	(2,923,540)	(2,923,540)	—	—	(1,418,830)	(1,418,830)
Loan settlement through dacion and assignment (Note 33)	—	—	—	—	—	—	(1,404,582)	(1,404,582)
Collections and other movements	(301,831,271)	(20,610,142)	(4,301,574)	(326,742,987)	(214,047,272)	(35,656,249)	(8,998,548)	(258,702,069)
Ending Balance	₱589,619,485	₱26,135,281	₱48,792,607	₱664,547,373	₱562,728,128	₱30,693,166	₱51,304,697	₱644,725,991

17. Deposit Liabilities

17.1 Regulatory Reserve Requirements

As of December 31, 2024 and 2023, peso deposit liabilities are subject to reserves equivalent to 9.5%, while peso-denominated LTNCDs are subject to reserves equivalent to 4.0%.

Available reserves booked under ‘Due from BSP’ amounted to ₱44.6 billion and ₱78.4 billion as of December 31, 2024 and 2023, respectively (refer to Note 7).



17.2 LTNCDs

LTNCDs issued by the Parent Company consist of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value	
					2024	2023
October 11, 2019	April 11, 2025	₱4,600,000	4.38%	Quarterly	₱4,598,770	₱4,591,288
February 27, 2019	August 27, 2024	8,220,000	5.75%	Quarterly	–	8,212,255
					₱4,598,770	₱12,803,543

17.3 Interest Expense on Deposit Liabilities

This account consists of:

	Consolidated			Parent Company		
	2024	2023	2022	2024	2023	2022
Savings	₱9,560,100	₱6,989,245	₱1,589,891	₱9,553,020	₱6,984,663	₱1,605,241
Time	6,130,302	5,036,686	2,437,557	6,111,730	5,010,322	2,434,206
LTNCDs	526,326	776,034	1,140,954	526,326	776,034	1,140,954
Demand	212,807	203,681	203,265	209,875	200,798	202,752
	₱16,429,535	₱13,005,646	₱5,371,667	₱16,400,951	₱12,971,817	₱5,383,153

As of December 31, 2024 and 2023, noninterest-bearing deposit liabilities amounted to ₱26.8 billion and ₱27.1 billion, respectively, for the Group, and ₱27.0 billion and ₱27.7 billion, respectively, for the Parent Company.

The remaining deposit liabilities of the Group and the Parent Company generally earn annual fixed interest rates ranging from:

	Consolidated			Parent Company		
	2024	2023	2022	2024	2023	2022
Peso-denominated	0.10% - 6.1%	0.10% - 7.50%	0.10% - 6.12%	0.10% - 6.1%	0.10% - 7.50%	0.10% - 6.12%
Foreign currency-denominated	0.03% - 5.5%	0.10% - 6.10%	0.00% - 5.50%	0.03% - 5.5%	0.10% - 6.10%	0.00% - 5.50%

In 2024, 2023 and 2022, interest expense on LTNCDs for both the Group and the Parent Company includes amortization of transaction costs amounting to ₱15.2 million, ₱23.5 million and ₱29.6 million, respectively. Unamortized transaction costs of the LTNCDs amounted to ₱1.3 million and ₱16.5 million as of December 31, 2024 and 2023, respectively.

18. Financial Liabilities at Fair Value Through Profit or Loss

As of December 31, 2024 and 2023, this account consists of currency forwards and spots with negative fair values amounting to ₱0.9 billion and ₱0.6 billion, respectively, for the Group and Parent Company (refer to Notes 23 and 35).



19. Bills and Acceptances Payable

19.1 Information on Bills and Acceptances Payable

This account consists of:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Bills payable to:				
Foreign banks	₱11,828,038	₱10,607,231	₱11,828,038	₱10,607,231
BSP and local banks	2,324,404	395	2,324,404	395
	14,152,442	10,607,626	14,152,442	10,607,626
Acceptances outstanding (Note 10)	6,056,009	9,554,977	6,056,009	9,554,977
	₱20,208,451	₱20,162,603	₱20,208,451	₱20,162,603

The following are the carrying values and fair values of government debt securities pledged and transferred under Bills payable transactions of the Group and the Parent Company:

	2024		2023	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets at FVOCI (Note 9.2)	₱11,859,179	₱11,859,179	₱6,464,743	₱6,464,743
Investment securities at amortized cost (Note 9.3)	2,392,401	2,397,775	5,472,805	5,478,115
	₱14,251,580	₱14,256,954	₱11,937,548	₱11,942,858

19.2 Interest Expense on Bills Payable and Other Borrowings

This account consists of:

	Consolidated			Parent Company		
	2024	2023	2022	2024	2023	2022
Lease liabilities (Note 29)	₱175,831	₱171,570	₱171,885	₱172,824	₱168,285	₱170,692
Bills payable	191,541	129,031	229,600	192,131	118,534	163,385
Others	83,566	35,246	32,488	82,152	32,769	29,467
	₱450,938	₱335,847	₱433,973	₱447,107	₱319,588	₱363,544

Bills payable of the Group and the Parent Company earn annual fixed interest rates ranging from:

	2024	2023	2022
Peso-denominated	5.8% - 6.6%	6.0% - 6.8%	1.9% - 5.5%
Foreign currency-denominated	0.0% - 5.6%	0.0% - 5.4%	0.3% - 4.3%

20. Accrued Taxes, Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Accrued taxes and other expenses	₱6,652,716	₱8,037,426	₱6,456,764	₱7,660,923
Accrued interest (Note 33)	2,145,837	2,427,947	2,125,330	2,388,727
	₱8,798,553	₱10,465,373	₱8,582,094	₱10,049,650



Accrued taxes and other expenses consist of:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Financial liabilities:				
Promotional expenses	₱1,100,694	₱1,708,628	₱1,100,500	₱1,531,463
Rent and utilities payable	414,424	339,271	410,792	332,363
Information technology-related expenses	145,090	617,853	145,090	617,853
Repairs and maintenance	105,759	171,579	105,759	171,579
Professional fees	50,431	282,993	25,877	237,985
	1,816,398	3,120,324	1,788,018	2,891,243
Nonfinancial liabilities:				
Monetary value of leave credits	1,813,772	1,846,704	1,784,289	1,805,054
PDIC insurance premiums	1,093,893	1,055,331	1,078,415	1,039,853
Other taxes and licenses	775,776	889,776	757,116	878,562
Employee benefits	103,099	206,970	95,198	177,333
Other expenses	1,049,778	918,321	953,728	868,878
	4,836,318	4,917,102	4,668,746	4,769,680
	₱6,652,716	₱8,037,426	₱6,456,764	₱7,660,923

‘Other expenses’ include janitorial, representation and entertainment, communication and other operating expenses.

21. Bonds Payable

This account consists of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value	
					2024	2023
October 23, 2024	October 23, 2029	USD 300,000	4.85%	Semi-annually	₱17,304,421	₱–
June 27, 2019	September 27, 2024	750,000	3.28%	Semi-annually	–	41,490,871
		USD1,050,000			₱17,304,421	₱41,490,871

On October 14, 2024, The Parent Company issued US\$300 million benchmark-sized Sustainability Regulation S offering of 5-year senior notes (the “Notes”) under its US\$2 billion Euro Medium Term Note programme (the “Programme”). The 5-year bond was priced at T+102 basis points, with a fixed coupon rate of 4.85%.

The Parent Company’s issued bonds are fixed-rate medium-term senior notes, which are drawdowns from its Medium Term Note Programme (the MTN Programme) established on April 13, 2018 with an initial nominal size of US\$1.0 billion. On June 14, 2019, the Parent Company increased the size of its MTN Programme to US\$2.0 billion. Both issuances are listed in the Singapore Exchange Securities Trading Limited.

As of December 31, 2024 and 2023, the unamortized transaction costs of bonds payable amounted to ₱49.1 million and ₱26.3 million, respectively. In 2024 and 2023, amortization of transaction costs amounting to ₱38.7 million and ₱66.5 million, respectively, were charged to ‘Interest expense on bonds payable’ in the statements of income.



22. Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Financial				
Accounts payable	₱3,714,056	₱2,988,517	₱3,379,103	₱2,661,756
Bills purchased - contra (Note 10)	3,196,612	1,362,515	3,196,612	1,362,515
Due to other banks (Note 33)	2,038,261	744,625	1,861,960	509,915
Dormant credits	1,700,209	1,280,886	1,625,299	1,215,351
Manager's checks and demand drafts outstanding	1,383,750	1,296,191	1,383,750	1,296,191
Accounts payable - electronic money	759,059	628,449	759,059	628,449
Payment order payable	180,883	221,340	180,883	221,340
Deposits on lease contracts	72,975	76,028	72,975	76,028
Transmission liability	48,612	49,101	—	—
Margin deposits and cash letters of credit	27,719	686,130	6,244	673,639
Deposit for keys on safety deposit boxes	15,639	15,919	15,639	15,919
	13,137,775	9,349,701	12,481,524	8,661,103
Nonfinancial				
Due to Treasurer of the Philippines	1,431,240	1,444,009	1,431,240	1,444,009
Provisions (Notes 12 and 34)	878,874	1,068,215	848,300	992,950
Deferred revenue - Credit card-related	598,593	672,373	598,593	672,373
Withholding tax payable	473,641	374,139	470,812	370,340
Deferred revenue - Bancassurance (Note 12)	322,031	395,231	322,031	395,231
Deferred tax liabilities (Note 30)	167,524	166,091	—	—
SSS, Philhealth, Employer's compensation premiums and Pag-IBIG contributions payable	65,404	54,638	65,301	54,617
Retirement benefit liability (Note 28)	9,455	281,585	—	269,390
Miscellaneous	1,021,519	935,940	853,788	693,850
	4,968,281	5,392,221	4,590,065	4,892,760
	₱18,106,056	₱14,741,922	₱17,071,589	₱13,553,863

'Deferred revenue - Bancassurance' pertains to the allocated portion of the consideration received for the disposal of APLII related to the EDR and the exclusive bancassurance arrangement for the non-life insurance business with ABIC (refer to Note 12.7). In 2024 and 2023, amortization of other deferred revenue amounting to ₱73.2 million were recognized under 'Service fees and commission income' (refer to Note 26.1).

'Miscellaneous' include interoffice floats, remittance-related payables, overages, advance rentals and sundry credits.

23. Derivative Financial Instruments

The tables below show the fair values of the derivative financial instruments entered into by the Group and the Parent Company, recorded as 'Financial assets at FVTPL' (refer to Note 9.1) or 'Financial liabilities at FVTPL' (refer to Note 18), together with the notional amounts.

The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding as of December 31, 2024 and 2023 and are not indicative of either market risk or credit risk (amounts in thousands, except average forward rate).



Consolidated				
2024				
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱296,412	₱251,056	USD1.00	3,957,296
SGD	2,230	—	0.74	70
EUR	—	140,877	1.04	32,133
JPY	—	7,510	0.01	1,613,534
CNY	—	48	0.14	6,300
GBP	—	31	1.25	815
SELL:				
USD	706,649	518,175	1.00	1,199,419
EUR	75,962	340	1.04	36,133
SGD	1,895	20	0.74	3,107
CAD	1,121	—	0.69	1,000
GBP	924	22	1.25	1,795
JPY	826	—	0.01	53,344
NZD	682	—	0.56	500
HKD	406	1,213	0.13	2,953,553
PHP	—	4,749	0.02	3,186,225
AUD	—	12	0.62	500
	₱1,087,107	₱924,053		

*The notional amounts pertain to original currencies.

Consolidated				
2023				
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
JPY	₱90,263	₱190,651	USD0.01	17,322,000
USD	40,763	351,871	1.00	1,344,799
SGD	456	—	0.76	11
SELL:				
USD	615,180	7,147	1.00	1,661,278
HKD	2,493	1	0.13	345,477
GBP	44	395	1.27	1,970
SGD	—	2,840	0.76	863
EUR	—	2,006	1.11	3,300
CAD	—	405	0.76	800
PHP	—	300	0.02	830,850
NZD	—	195	0.63	400
	₱749,199	₱555,811		

*The notional amounts pertain to original currencies.



Parent Company				
2024				
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱296,006	₱249,876	USD1.00	1,006,743
SGD	2,230	—	0.74	70
EUR	—	140,876	1.04	32,133
JPY	—	7,510	0.01	1,613,534
CNY	—	48	0.14	6,300
GBP	—	31	1.25	815
SELL:				
USD	706,649	518,175	1.00	1,199,419
EUR	75,962	340	1.04	36,133
SGD	1,895	20	0.74	3,107
CAD	1,121	—	0.69	1,000
GBP	924	22	1.25	1,795
JPY	826	—	0.01	53,344
NZD	682	—	0.56	500
PHP	—	4,749	0.13	3,186,225
HKD	—	33	0.02	3,000
AUD	—	13	0.62	500
	₱1,086,295	₱921,693		

*The notional amounts pertain to original currencies.

Parent Company				
2023				
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Currency forwards and spots:				
BUY:				
USD	₱38,270	₱351,871	USD1.00	1,300,926
JPY	90,263	190,651	0.01	17,322,000
SGD	456	—	0.76	11
SELL:				
USD	615,180	7,147	0.02	1,661,278
SGD	—	2,840	0.76	863
EUR	—	2,006	1.11	3,300
CAD	—	405	0.76	800
GBP	44	395	1.27	1,970
PHP	—	300	0.02	830,850
NZD	—	195	0.63	400
HKD	—	1	0.13	2,700
	₱744,213	₱555,811		

*The notional amounts pertain to original currencies.



The rollforward analysis of net derivative assets in 2024 and 2023 follows:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Balance at the beginning of the year:				
Derivative assets	₱749,199	₱1,361,951	₱744,213	₱1,359,828
Derivative liabilities	555,811	1,039,776	555,811	1,039,776
	193,388	322,175	188,402	320,052
Changes in fair value				
Currency forwards and spots*	(74,512)	(135,968)	(79,497)	(136,672)
Interest rate swaps and warrants**	(1,115)	609	(1,115)	609
	(75,627)	(135,359)	(80,612)	(136,063)
Net availments (settlements)	45,293	6,572	56,812	4,413
Balance at end of year:				
Derivative assets	1,087,107	749,199	1,086,295	744,213
Derivative liabilities	924,053	555,811	921,693	555,811
	₱163,054	₱193,388	₱164,602	₱188,402

* Presented as part of 'Foreign exchange gains - net'

** Recorded under 'Trading and investment securities gains - net' (refer to Note 9.5)

24. Maturity Analysis of Assets and Liabilities

The following tables show an analysis of assets (gross of allowance for impairment and credit losses) and liabilities of the Group and Parent Company analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from reporting date:

	Consolidated					
	2024			2023		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and other cash items	₱20,638,033	₱—	₱20,638,033	₱21,151,391	₱—	₱21,151,391
Due from BSP	55,128,316	—	55,128,316	95,410,350	—	95,410,350
Due from other banks	20,188,638	—	20,188,638	21,253,754	—	21,253,754
Interbank loans receivable (Note 8)	22,793,332	—	22,793,332	35,642,485	—	35,642,485
Securities held under agreements to resell (Note 8)	103,526,359	—	103,526,359	69,708,690	—	69,708,690
Financial assets at FVTPL (Note 9)	17,920,985	—	17,920,985	10,516,864	—	10,516,864
Financial assets at FVOCI (Note 9)	125,158,359	86,584,424	211,742,783	112,174,065	52,357,427	164,531,492
Investment securities at amortized cost (Note 9)	17,873,615	94,696,237	112,569,852	21,997,197	101,359,065	123,356,262
Loans and receivables (Note 10)	330,821,051	349,052,823	679,873,874	311,983,380	347,975,013	659,958,393
Other assets (Note 15)	427,311	20,162	447,473	383,478	18,779	402,257
	714,475,999	530,353,646	1,244,829,645	700,221,654	501,710,284	1,201,931,938
Nonfinancial Assets						
Property and equipment (Note 11)	—	25,122,850	25,122,850	—	25,026,058	25,026,058
Investment in an associate (Note 12)	—	3,446,613	3,446,613	—	3,199,124	3,199,124
Investment properties (Note 13)	—	20,562,196	20,562,196	—	18,727,971	18,727,971
Deferred tax assets (Note 30)	—	7,460,676	7,460,676	—	6,981,726	6,981,726
Goodwill (Note 14)	—	10,184,843	10,184,843	—	10,184,843	10,184,843
Intangible assets (Note 14)	—	10,004,004	10,004,004	—	8,329,479	8,329,479
Residual value of leased assets (Note 10)	—	—	—	5,658	—	5,658
Other assets (Note 15)	6,942,022	1,811,217	8,753,239	4,517,656	1,570,008	6,087,664
	6,942,022	78,592,399	85,534,421	4,523,314	74,019,209	78,542,523

(Forward)



Consolidated						
	2024			2023		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Less: Allowance for impairment and credit losses (Note 16)			₱47,207,940			₱47,247,648
Unearned and other deferred income (Note 10)			845,859			681,399
Accumulated depreciation and amortization (Notes 11, 13 and 14)			24,699,414			21,996,014
			₱1,257,610,853			₱1,210,549,400
Financial Liabilities						
Deposit liabilities (Note 17)	₱966,381,587	₱5,290,561	₱971,672,148	₱917,137,058	₱10,833,860	₱927,970,918
Financial liabilities at FVTPL (Note 18)	924,053	—	924,053	555,811	—	555,811
Bills and acceptances payable (Note 19)	20,208,451	—	20,208,451	19,047,156	1,115,447	20,162,603
Accrued interest payable (Note 20)	2,145,487	350	2,145,837	2,426,973	974	2,427,947
Accrued other expenses payable (Note 20)	1,816,398	—	1,816,398	3,120,324	—	3,120,324
Bonds payable (Note 21)	—	17,304,421	17,304,421	41,490,871	—	41,490,871
Other liabilities (Note 22)	11,510,963	1,626,812	13,137,775	8,134,350	1,215,351	9,349,701
	1,002,986,939	24,222,144	1,027,209,083	991,912,543	13,165,632	1,005,078,175
Nonfinancial Liabilities						
Lease liabilities (Note 29)	997,127	2,811,870	3,808,997	815,279	3,017,605	3,832,884
Accrued taxes and other expenses (Note 20)	3,204,301	1,632,017	4,836,318	3,529,374	1,387,728	4,917,102
Income tax payable	159,233	—	159,233	180,364	—	180,364
Other liabilities (Note 22)	2,294,638	2,673,643	4,968,281	2,188,421	3,203,800	5,392,221
	6,655,299	7,117,530	13,772,829	6,713,438	7,609,133	14,322,571
	₱1,009,642,238	₱31,339,674	₱1,040,981,912	₱998,625,981	₱20,774,765	₱1,019,400,746
Parent Company						
	2024			2023		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and other cash items	₱20,522,258	₱—	₱20,522,258	₱21,052,526	₱—	₱21,052,526
Due from BSP	55,128,316	—	55,128,316	95,410,350	—	95,410,350
Due from other banks	11,482,953	—	11,482,953	13,636,497	—	13,636,497
Interbank loans receivable (Note 8)	21,287,758	—	21,287,758	33,445,364	—	33,445,364
Securities held under agreements to resell (Note 8)	103,526,359	—	103,526,359	69,708,690	—	69,708,690
Financial assets at FVTPL (Note 9)	17,770,142	—	17,770,142	10,363,259	—	10,363,259
Financial assets at FVOCI (Note 9)	125,166,623	86,103,711	211,270,334	112,186,240	51,950,731	164,136,971
Investment securities at amortized cost (Note 9)	17,845,947	94,341,918	112,187,865	21,859,529	101,026,771	122,886,300
Loans and receivables (Note 10)	319,396,422	345,979,459	665,375,881	301,689,657	343,699,637	645,389,294
Other assets (Note 15)	426,650	500	427,150	382,847	500	383,347
	692,553,428	526,425,588	1,218,979,016	679,734,959	496,677,639	1,176,412,598
Nonfinancial Assets						
Property and equipment (Note 11)	—	23,745,945	23,745,945	—	23,505,599	23,505,599
Investment in subsidiaries and an associate (Note 12)	—	21,630,204	21,630,204	—	20,567,070	20,567,070
Investment properties (Note 13)	—	19,929,744	19,929,744	—	18,061,869	18,061,869
Deferred tax assets (Note 30)	—	7,478,726	7,478,726	—	6,929,669	6,929,669
Goodwill (Note 14)	—	10,325,201	10,325,201	—	10,325,201	10,325,201
Intangible assets (Note 14)	—	9,747,958	9,747,958	—	8,836,155	8,836,155
Other assets (Note 15)	6,349,157	1,807,345	8,156,502	3,839,071	1,565,837	5,404,908
	6,349,157	94,665,123	101,014,280	3,839,071	89,791,400	93,630,471
Less: Allowance for impairment and credit losses (Note 16)			47,129,515			47,218,194
Unearned and other deferred income (Note 10)			828,479			663,302
Accumulated amortization and depreciation (Notes 11, 13 and 14)			23,778,201			21,787,417
			₱1,248,257,101			₱1,200,374,156

(Forward)



	Parent Company					
	2024			2023		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Financial Liabilities						
Deposit liabilities (Note 17)	₱962,448,890	₱4,796,286	₱967,245,176	₱912,423,822	₱10,358,261	₱922,782,083
Financial liabilities at FVTPL (Note 18)	921,693	—	921,693	555,811	—	555,811
Bills and acceptances payable (Note 19)	20,208,451	—	20,208,451	19,047,156	1,115,447	20,162,603
Accrued interest payable (Note 20)	2,125,330	—	2,125,330	2,388,727	—	2,388,727
Accrued other expenses payable (Note 20)	1,788,018	—	1,788,018	2,891,243	—	2,891,243
Bonds payable (Note 21)	—	17,304,421	17,304,421	41,490,871	—	41,490,871
Other liabilities (Note 22)	10,854,712	1,626,812	12,481,524	7,445,752	1,215,351	8,661,103
	998,347,094	23,727,519	1,022,074,613	986,243,382	12,689,059	998,932,441
Nonfinancial Liabilities						
Lease liabilities (Note 29)	928,850	2,793,869	3,722,719	770,705	2,952,611	3,723,316
Accrued taxes and other expenses (Note 20)	3,048,642	1,620,104	4,668,746	3,381,952	1,387,728	4,769,680
Income tax payable	76,516	—	76,516	103,470	—	103,470
Other liabilities (Note 22)	1,956,451	2,633,614	4,590,065	1,759,137	3,133,623	4,892,760
	6,010,459	7,047,587	13,058,046	6,015,264	7,473,962	13,489,226
	₱1,004,357,553	₱30,775,106	₱1,035,132,659	₱992,258,646	₱20,163,021	₱1,012,421,667

25. Equity

25.1 Capital Stock

This account consists of (amounts in thousands, except for par value and number of shares):

	Shares	Amount
Common - ₱40 par value		
Authorized	1,750,000,001	₱70,000,000
Issued and outstanding		
Balance at the beginning and end of the year	1,525,764,850	₱61,030,594

The history of share issuances of the Parent Company since its initial public offering follows:

Date	Type of issuance	Number of common shares	Par value	Offer price
July 2019	Stock rights	276,625,172	₱40.00	₱43.38
February 2014	Stock rights	162,931,262	40.00	71.00
February 2013	Share-for-share swap with ABC common and preferred shares	423,962,500	40.00	97.90
September 2000	Pre-emptive stock rights	71,850,215	100.00	60.00
September 1999	Stock rights	68,740,086	100.00	137.80
December 1995	Third public offering	7,200,000	100.00	260.00
April 1992	Second public offering	8,033,140	100.00	265.00
June 1989	Initial public offering	10,800,000	100.00	100.00

In January 2013, the SEC approved the conversion of the Parent Company's 195,175,444 authorized preferred shares into common shares, thereby increasing its authorized common shares to 1,250,000,001. Further, in July 2014, the SEC approved the Parent Company's Articles of Incorporation for the increase in authorized capital by 500,000,000 common shares to 1,750,000,001.

The Parent Company's shares are listed in the PSE. As of December 31, 2024 and 2023, the Parent Company had 35,918 and 36,081 stockholders, respectively.



On July 22, 2019, the Parent Company successfully completed its Stock Rights Offering (SRO) of 276,625,172 common shares with a par value of ₱40.0 per share at a price of ₱43.38 each, raising gross proceeds of ₱12.0 billion. Out of the total transaction costs from the SRO, underwriting fees amounting to ₱10.0 million paid to PNB Capital, being one of the joint lead managers, was eliminated against 'Capital paid in excess of par value' in the consolidated financial statements.

25.2 Surplus

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11-2008 differs to a certain extent from the computation following BSP guidelines.

As of December 31, 2024 and 2023, surplus amounting to ₱9.6 billion, representing the balances of the following equity items that have been applied to eliminate the Parent Company's deficit through quasi-reorganizations in 2002 and 2000 (refer to Note 12), is not available for dividend declaration without prior approval from the SEC and the BSP:

Revaluation increment on land and buildings	₱7,691,808
Accumulated translation adjustment	1,315,685
Accumulated equity in net earnings of investees	563,048
	₱9,570,541

25.3 Surplus Reserves

This account consists of:

	2024	2023
Reserves under BSP Circular 1011 (Note 10)	₱4,187,284	₱3,912,672
Reserves for trust business (Note 32)	674,753	660,258
Reserves for self-insurance	105,000	105,000
	₱4,967,037	₱4,677,930

'Reserves under BSP Circular 1011' represents the appropriation for the excess of 1% general loan loss provisions over the computed ECL for Stage 1 accounts in accordance with BSP Circular 1011.

'Reserves for self-insurance' represents the amount set aside to cover losses due to fire or defalcation by, and other unlawful acts, of the Parent Company's personnel or third parties.

25.4 Accumulated Translation Adjustment

As part of the Group's rehabilitation program in 2002, the SEC approved on November 7, 2002 the application of the accumulated translation adjustment of ₱1.6 billion to eliminate the Parent Company's remaining deficit of ₱1.3 billion, including ₱0.6 billion accumulated equity in net earnings as of December 31, 2001, after applying the total reduction in par value amounting to ₱7.6 billion.

The SEC approval is subject to the following conditions:

- remaining translation adjustment of ₱310.7 million as of December 31, 2001 (shown as part of 'Capital paid in excess of par value' in the statement of financial position) will not be used to wipe out losses that may be incurred in the future without prior approval of SEC;
- for purposes of dividend declaration, any future surplus account of the Parent Company shall be restricted to the extent of the deficit wiped out by the translation adjustment.



25.5 Other Equity Reserves

On August 26, 2016, the Parent Company's BOD approved the grant of centennial bonus to its employees, officers and directors on record as of July 22, 2016, in the form of the Parent Company's shares of stock. The acquisition and distribution of the estimated 3.0 million shares were over a period of five years, were subject to service conditions. The grant is accounted for as equity-settled share-based payments. Grant date was April 27, 2017 when the fair value of the centennial bonus shares was at ₱65.20. In 2021, the Parent Company awarded 306 thousand centennial bonus shares and applied the settlement of the awards against 'Other equity reserves' amounting to ₱29.0 million.

As discussed in Note 9.2, the Bank and PAL Holdings, Inc. completed a share swap transaction in April 2024 wherein the Bank exchanged the 19.86 million PAL shares held to 309.15 million PAL Holdings, Inc. shares. The share swap transaction resulted in the recycling of OCI to Surplus in the amount of ₱894.90 million and recognition of Other Equity Reserves amounting to ₱940.17 million. PAL Holdings, Inc. shares are recognized in the books as FVOCI amounting P1.53 billion as of December 31, 2024.

25.6 Capital Management

The primary objectives of the Group's capital management are to ensure that it complies with externally imposed capital requirements and it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Parent Company and its financial allied subsidiaries are subject to the regulatory requirements of the BSP. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Parent Company may adjust the amount of dividend payment to shareholders, return capital structure, or issue capital securities. No changes were made in the objectives, policies and processes from the previous periods. The Group has complied with all externally imposed capital requirements throughout the year.

25.6.1 BSP Reporting for Capital Management

Under existing BSP regulations, the determination of the Group's compliance with regulatory requirements and ratios is based on the amount of the Group's unimpaired capital (regulatory net worth) reported to the BSP, which is determined based on RAP, which differ from PFRS Accounting Standards in some respects. In addition, the risk-based capital ratio of a bank or Capital Adequacy Ratio (CAR), expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% at all times for both solo basis (head office and branches) and consolidated basis (Parent Company and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Qualifying capital and risk-weighted assets are computed based on RAP. Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the MB of the BSP.

On May 16, 2002, the BSP approved the booking of additional appraisal increment on properties of ₱431.8 million and recognition of the same in determining the CAR, and booking of translation adjustment of ₱1.6 billion representing the increase in peso value of the investment in foreign subsidiaries for purposes of the quasi-reorganization and rehabilitation of the Parent Company, provided that the same shall be excluded for dividend purposes.



As of December 31, 2024 and 2023, CAR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

Consolidated	2024		2023	
	Actual	Required	Actual	Required
CET1 Capital (Gross)	₱207,245		₱182,490	
Less: Regulatory Adjustments to CET1	48,157		47,253	
CET1 Capital (Net) / Tier 1 Capital	159,088		135,237	
Add: Tier 2 Capital	7,345		6,822	
Total qualifying capital	₱166,433	₱82,815	₱142,059	₱80,251
Total risk-weighted assets	₱828,154		₱802,506	
CET1 / Tier 1 capital ratio	19.21%		16.85%	
Total capital ratio	20.10%		17.70%	

Parent Company	2024		2023	
	Actual	Required	Actual	Required
CET1 Capital (Gross)	₱202,695		₱178,004	
Less: Regulatory Adjustments to CET1	66,225		64,326	
CET1 Capital (Net) / Tier 1 Capital	136,470		113,678	
Add: Tier 2 Capital	7,130		6,602	
Total qualifying capital	₱ 143,600	₱80,179	₱120,280	₱77,514
Total risk-weighted assets	₱801,791		₱775,138	
CET1 / Tier 1 capital ratio	17.02%		14.67%	
Total capital ratio	17.91%		15.52%	

BSP regulations set out a minimum CET1 ratio of 6.0% and Tier 1 capital ratio of 7.5%; capital conservation buffer of 2.5% comprised of CET1 capital; and total CAR of 10.0%.

In line with its ICAAP document, the Parent Company maintains a capital level that not only meets the BSP's CAR requirement, but also covers all material risks that it may encounter in the course of its business. The ICAAP process highlights close integration of capital planning and strategic management with risk management. The Parent Company has in place a risk management framework that involves a collaborative process for assessing and managing identified Pillar 1 and Pillar 2 risks. The Parent Company complies with the required annual submission of updated ICAAP.

25.6.2 BSP Reporting for Basel III Leverage Ratio

BSP also requires the Basel III Leverage Ratio (BLR), which is designed to act as a supplementary measure to the risk-based capital requirements. BLR intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes, which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based "backstop" measure. BLR is computed as the capital measure (Tier 1 capital) divided by the total exposure measure and should not be less than 5.00%.

As of December 31, 2024 and 2023, BLR reported to the BSP with certain adjustments is shown in the table below (amounts, except ratios, are expressed in millions):

	Consolidated		Parent Company	
	2024	2023	2024	2023
Tier 1 capital	₱157,434	₱135,237	₱136,471	₱113,678
Total exposure measure	1,295,205	1,242,728	1,267,623	1,213,940
BLR	12.16%	10.88%	10.77%	9.36%

BLR is computed based on RAP.



26. Other Operating Income

26.1 Service Fees and Commission Income

This account consists of:

	Consolidated			Parent Company		
	2024	2023	2022	2024	2023	2022
Deposit-related	₱1,888,995	₱1,773,546	₱1,585,441	₱1,888,997	₱1,773,546	₱1,585,441
Loan-related	1,167,087	1,098,218	1,122,258	1,153,321	1,086,777	1,114,379
Credit card-related	1,141,819	816,028	669,862	1,141,819	816,028	669,862
Remittance (Note 33)	677,432	674,873	680,875	358,390	353,722	357,161
Interchange fees	591,637	647,084	458,456	591,637	647,084	458,456
Bancassurance (Note 22)	469,038	476,056	873,039	469,038	476,056	873,039
Underwriting fees	321,111	433,172	1,032,640	—	—	—
Trust fees (Note 32)	379,959	373,721	317,782	379,959	373,721	317,782
Miscellaneous	324,792	298,558	257,256	255,227	227,949	187,249
	₱6,961,870	₱6,591,256	₱6,997,609	₱6,238,388	₱5,754,883	₱5,563,369

‘Credit card-related fees’ and ‘Interchange fees’ were generated from the credit card business of the Parent Company.

‘Miscellaneous’ includes income from securities brokering activities and other fees and commission.

26.2 Net Gains on Sale or Exchange of Assets

This account consists of:

	Consolidated			Parent Company		
	2024	2023	2022	2024	2023	2022
Net gains from foreclosure and repossession of investment properties	₱1,002,157	₱238,112	₱1,751,739	₱1,002,157	₱238,112	₱1,751,739
Net gains from sale of investment properties	569,409	3,277,077	5,703,909	569,409	3,276,848	5,701,642
Net gains from sale of other assets	284,675	313,864	241,807	284,496	313,864	241,807
Net gains from sale of property and equipment (Note 11)	138,801	712,514	34,913	135,248	793,070	32,027
Net gains from sale of receivables	—	—	42,786	—	—	42,786
	₱1,995,042	₱4,541,567	₱7,775,154	₱1,991,310	₱4,621,894	₱7,770,001

27. Miscellaneous Income and Expenses

27.1 Miscellaneous Income

This account consists of:

	Consolidated			Parent Company		
	2024	2023	2022	2024	2023	2022
Recoveries	₱169,156	₱215,834	₱303,435	₱168,903	₱215,178	₱221,253
Income from assets acquired	148,891	74,074	95,736	148,891	74,074	95,736
Rental income (Notes 29 and 33)	116,604	257,758	275,865	74,020	133,392	47,345
Dividends	25,093	50,833	51,211	23,196	11,189	11,139
Others	229,227	272,895	410,445	85,019	191,074	345,960
	₱688,971	₱871,394	₱1,136,692	₱500,029	₱624,907	₱721,433



‘Others’ consist of income from wire transfers, tellers’ overages, and loan-related penalty payments received by the Group, and other income relating to loans, credit card and trade transactions.

27.2 Miscellaneous Expenses

This account consists of:

	Consolidated			Parent Company		
	2024	2023	2022	2024	2023	2022
Secretarial, janitorial and messengerial	₱2,150,609	₱1,939,219	₱1,790,422	₱2,141,634	₱1,929,196	₱1,779,543
Insurance	1,957,262	2,000,871	1,778,214	1,941,535	1,985,502	1,763,300
Marketing expenses	1,487,066	794,060	1,070,147	1,479,877	787,800	1,063,239
Information technology	887,861	1,001,111	1,193,975	852,990	968,654	1,165,865
Litigation and assets acquired expenses (Note 13)	492,334	662,610	373,740	492,315	661,214	373,549
Travelling	454,731	331,658	339,868	448,431	325,628	333,898
Stationery and supplies	286,864	217,194	269,669	277,570	208,160	260,333
Management and other professional fees	250,228	274,788	279,363	200,311	225,202	220,880
Common use service area (CUSA) charges (Note 33)	219,235	220,143	188,770	219,235	220,143	188,772
Entertainment, amusement and recreation (EAR) (Note 30)	168,122	30,031	154,987	151,706	16,778	145,423
Postage, telephone and cable	156,991	153,964	156,800	123,335	124,527	127,895
Value-added tax on leases	138,676	187,479	141,988	138,676	187,479	141,988
Freight	50,455	45,676	41,599	50,450	45,666	41,547
Repairs and maintenance	45,777	49,585	79,303	45,777	49,585	79,303
Fuel and lubricants	12,185	14,620	16,301	10,083	11,232	13,751
Others (Note 33)	195,376	295,162	176,796	103,490	202,181	111,144
	₱8,953,772	₱8,218,171	₱8,051,942	₱8,677,415	₱7,948,947	₱7,810,430

‘Others’ include stationery and supplies used, donation, fines, penalties, periodicals, magazines and other charges.

28. Retirement Plan

The Parent Company and certain subsidiaries of the Group have separate funded, noncontributory defined benefit retirement plans covering substantially all its officers and regular employees. Under these retirement plans, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements.

The amounts of net defined benefit asset/(liability) in the statements of financial position follow:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Net plan assets (included in ‘Other assets – miscellaneous’) (Note 15)	₱302,797	₱17,283	₱302,797	₱–
Retirement benefit liability (included in ‘Other liabilities’) (Note 22)	9,455	281,585	–	269,390
	₱293,342	(₱264,302)	₱302,797	(₱269,390)



The Parent Company also provides certain post-employee benefit through a guarantee of a specified return on contributions in one of its employee investment plans (EIP).

The latest actuarial valuations for these retirement plans were made as of December 31, 2024.

The following table shows the actuarial assumptions as of December 31, 2024 and 2023 used in determining the retirement benefit obligation of the Group:

	Consolidated		Parent Company			
			Regular Plans		EIP	
	2024	2023	2024	2023	2024	2023
Discount rate	6.10% - 6.12%	6.03% - 7.15%	6.12%	6.03%	6.12%	6.03%
Salary rate increase	5.00% - 10.00%	5.00% - 10.00%	5.00%	5.00%	—	—

The Group and the Parent Company employ asset-liability matching strategies to maximize investment returns at the least risk to reduce contribution requirements while maintaining a stable retirement plan. Retirement plans are invested to ensure that liquid funds are available when benefits become due, to minimize losses due to investment pre-terminations and maximize opportunities for higher potential returns at the least risk.

The current plan assets of the Group and the Parent Company are allocated to cover benefit payments in the order of their proximity to the present time. Expected benefit payments are projected and classified into short-term or long-term liabilities. Investment instruments that would match the liabilities are identified. This strategy minimizes the possibility of the asset-liability match being distorted due to the Group's and the Parent Company's failure to contribute in accordance with its general funding strategy.



The changes in the fair value of plan assets and present value obligation and are as follows:

Consolidated													
2024													
	Net benefit costs *						Remeasurements in other comprehensive income						
	January 1, 2024	Current service cost	Past service cost	Net interest	Settlement loss	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	December 31, 2024
Fair value of plan assets	₱8,553,223	₱–	₱–	₱514,478	(₱21,594)	₱492,884	(₱895,037)	₱92,270	₱–	₱–	₱92,270	₱1,038,037	₱9,281,377
Present value of pension obligation	8,817,525	529,998	1,793	528,971	(7,588)	1,053,174	(895,037)	–	(45,106)	57,479	12,373	–	8,988,035
	(₱264,302)	(529,998)	(₱1,793)	(₱14,493)	(14,006)	(₱560,290)	₱–	₱92,270	₱45,106	(₱57,479)	₱79,897	₱1,038,037	₱293,342

*Net benefit costs are included in 'Compensation and fringe benefits' in the statements of income

In 2024, PNB Capital and PNB Securities amended certain provisions of its defined benefit retirement plan and EIP, resulting in the recognition of past service costs amounting to ₱1.8 million.

Consolidated													
2023													
	Net benefit costs *						Remeasurements in other comprehensive income						
	January 1, 2023	Current service cost	Past service cost	Net interest	Settlement loss	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	December 31, 2023
Fair value of plan assets	₱7,883,698	₱–	₱–	₱545,884	₱–	₱545,884	(₱909,969)	(₱123,225)	₱–	₱–	(₱123,225)	₱1,156,835	₱8,553,223
Present value of pension obligation	8,262,548	518,273	–	569,815	508	1,088,596	(909,969)	–	398,325	(21,975)	376,350	–	8,817,525
	(₱378,850)	(₱518,273)	₱–	(₱23,931)	(₱508)	(₱542,712)	₱–	(₱123,225)	(₱398,325)	₱21,975	(₱499,575)	₱1,156,835	(₱264,302)

*Net benefit costs are included in 'Compensation and fringe benefits' in the statements of income

In 2023, as part of the winding down of PMLFC, it has settled its obligations to all plan members under its defined benefit retirement plan, recognizing settlement loss amounting to ₱0.5 million.



Parent Company											
2024											
	Net benefit costs *					Remeasurements in other comprehensive income					
	January 1, 2024	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer
Fair value of plan assets	₱8,496,808	₱—	₱—	₱512,358	₱512,358	(₱893,922)	₱92,314	₱—	₱—	₱92,314	₱1,036,922
Present value of pension obligation	8,766,198	524,106	—	526,310	1,050,416	(893,922)	—	64,010	(45,019)	18,991	—
	(₱269,390)	(₱524,106)	₱—	(₱13,952)	(₱538,058)	₱—	₱92,314	(₱64,010)	₱45,019	₱73,323	₱1,036,922
											₱9,244,480
											8,941,683
											₱302,797

*Net benefit costs are included in 'Compensation and fringe benefits' in the statements of income

Parent Company											
2023											
	Net benefit costs *					Remeasurements in other comprehensive income					
	January 1, 2023	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer
Fair value of plan assets	₱7,823,268	₱—	₱—	₱542,152	₱542,152	(₱899,272)	(₱120,898)	₱—	₱—	(₱120,898)	₱1,151,558
Present value of pension obligation	8,205,719	508,794	—	566,258	1,075,052	(899,272)	—	407,223	(22,524)	384,699	—
	(₱382,451)	(₱508,794)	₱—	(₱24,106)	(₱532,900)	₱—	(₱120,898)	(₱407,223)	₱22,524	(₱505,597)	₱1,151,558
											₱8,496,808
											8,766,198
											(₱269,390)

*Net benefit costs are included in 'Compensation and fringe benefits' in the statements of income



The Group and the Parent Company expect to contribute ₱49.8 million and ₱34.2 million, respectively, to the defined benefit plans in 2025. The average duration of the retirement liability of the Group and the Parent Company as of December 31, 2024 is 14 years.

Shown below is the maturity analysis of the undiscounted benefit payments:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Less than one year	₱2,087,036	₱2,006,787	₱2,086,609	₱2,006,149
More than one year to five years	5,591,080	5,561,003	5,567,348	5,536,660
More than five years to 10 years	4,327,867	4,216,312	4,299,336	4,181,267
More than 10 years to 15 years	4,073,951	3,796,315	4,054,070	3,776,079
More than 15 years	8,396,828	7,756,720	8,059,770	7,387,120

The fair values of plan assets by each class as at the end of the reporting periods are as follows:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Cash and cash equivalents (Note 33)	₱1,278,835	₱2,704,983	₱1,272,878	₱2,692,996
Equity investments				
Electricity, gas and water	1,167,625	1,023,715	1,167,625	1,023,715
Real estate, renting and business activities	1,095,950	377,728	1,092,132	376,478
Manufacturing	569,242	549,340	569,242	549,340
Financial institutions (Note 33)	217,952	157,649	216,170	152,059
Others	47,810	50,946	44,302	42,631
Debt investment				
Government securities	2,720,023	2,296,273	2,706,530	2,283,209
Private debt securities	457,976	218,317	451,613	212,419
Investment in UITFs (Note 33)	956,607	566,714	954,822	556,626
Loans and receivables	668,250	561,330	668,250	561,330
Interest and other receivables	102,890	48,797	102,647	48,493
	9,283,160	8,555,792	9,246,211	8,499,296
Accrued expenses	(1,783)	(2,569)	(1,731)	(2,488)
	₱9,281,377	₱8,553,223	₱9,244,480	₱8,496,808

All equity and debt investments held have quoted prices in active markets. Fair value of investments in UITFs is based on their published net asset value per share. The remaining plan assets do not have quoted market prices in an active market, thus, their fair value is determined using the discounted cash flow methodology, using the Group's current incremental lending rates for similar types of loans and receivables.

The fair value of the plan assets as of December 31, 2024 and 2023 for the Group includes investments in the Parent Company shares of stock with fair value amounting to ₱227.7 million and ₱152.1 million, respectively (refer to Note 33.3).

The plan assets have diverse investments and do not have any concentration risk.



The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	2024			
	Consolidated		Parent Company	
	Possible fluctuations	Increase (decrease)	Possible fluctuations	Increase (decrease)
Discount rate	+1.00%	(P477,127)	+1.00%	(P472,397)
	-1.00%	531,118	-1.00%	525,378
Salary increase rate	+1.00%	497,980	+1.00%	492,376
	-1.00%	(472,301)	-1.00%	(467,537)
Employee turnover rate	+10.00%	58,540	+10.00%	58,074
	-10.00%	(58,540)	-10.00%	(58,074)

	2023			
	Consolidated		Parent Company	
	Possible fluctuations	Increase (decrease)	Possible fluctuations	Increase (decrease)
Discount rate	+1.00%	(P476,282)	+1.00%	(P470,919)
	-1.00%	531,114	-1.00%	524,667
Salary increase rate	+1.00%	491,712	+1.00%	485,411
	-1.00%	(460,915)	-1.00%	(455,512)
Employee turnover rate	+10.00%	61,646	+10.00%	61,050
	-10.00%	(61,646)	-10.00%	(61,050)

Full actuarial valuations were performed to test the sensitivity of the defined benefit obligation to a 1.00% increment in salary increase rate and a 1.00% decrement in the discount rate. The results also provide a good estimate of the sensitivity of the defined benefit obligation to a 1.00% decrement in salary increase rate and a 1.00% increment in the discount rate.

29. Leases

29.1 Group as Lessee

The Group has entered into commercial leases for its branch sites, ATM offsite location and other equipment. These non-cancellable leases have lease terms of 1 to 25 years. Most of these lease contracts include escalation clauses, an annual rent increase of 2.00% to 10.00%. The Group's right-of-use assets pertain to its corporate, branch sites and subsidiaries' offices under lease arrangements.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Rent expense charged against current operations (included in 'Occupancy and equipment-related costs' in the statements of income) amounted to P395.6 million, P264.1 million and P270.2 million in 2024, 2023 and 2022, respectively, for the Group, of which P291.7 million, P187.0 million and P201.6 million in 2024, 2023, and 2022, respectively, pertain to the Parent Company. Rent expenses in 2024, 2023 and 2022 pertain to expenses from short-term leases and leases of low-value assets.

As of December 31, 2024 and 2023, the Group has no contingent rent payable.



As of December 31, 2024 and 2023, the carrying amounts of 'Lease liabilities' are as follows:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Balance at beginning of year	₱3,832,884	₱3,636,391	₱3,723,316	₱3,604,077
Additions	956,755	1,340,509	907,278	1,185,129
Payments	(1,127,583)	(1,314,516)	(1,052,523)	(1,232,928)
Interest expense (Note 19)	175,831	171,570	172,824	168,285
Transfers	(28,890)	(1,070)	(28,176)	(1,247)
	₱3,808,997	₱3,832,884	₱3,722,719	₱3,723,316

The Parent Company has lease contracts with its affiliates (Note 33).

Future minimum rentals payable under non-cancelable leases follow:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Within one year	₱1,119,742	₱1,072,255	₱1,064,269	₱987,562
Beyond one year but not more than five years	3,138,644	3,171,247	3,048,968	3,057,198
More than five years	265,883	388,583	152,045	292,988
	₱4,524,269	₱4,632,085	₱4,265,282	₱4,337,748

29.2 Group as Lessor Under Operating Leases

The Parent Company has entered into commercial property leases on its investment properties. These non-cancelable leases have lease terms of one to five years. Some leases include escalation clauses (such as 5.00% per year). In 2024, 2023 and 2022, total rent income (included under 'Miscellaneous income') amounted to ₱116.6 million, ₱257.8 million and ₱275.9 million, respectively, for the Group and ₱74.0 million, ₱133.4 million and ₱47.3 million, respectively, for the Parent Company (refer to Note 27.1).

Future minimum rentals receivable of the Group under non-cancelable operating leases follow:

	2024	2023
Within one year	₱35,891	₱246,175
Beyond one year but not more than five years	42,254	77,745
	₱78,145	₱323,920

29.3 Group as Lessor Under Finance Leases

Leases where the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased asset are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease (effective interest method). Lease payments relating to the period are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

The future minimum lease receivables under finance leases are disclosed under 'Loans and Receivables' in Note 10.2.



30. Income and Other Taxes

30.1 Philippine Tax Landscape and Regulations

Under Philippine tax laws, the Parent Company and certain subsidiaries are subject to percentage and other taxes (presented as ‘Taxes and licenses’ in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp tax.

Income taxes include the corporate income tax, discussed below, and final taxes paid which represents final withholding tax on gross interest income from government securities and other deposit substitutes and income from the FCDU transactions. These income taxes, as well as the deferred tax benefits and provisions, are presented as ‘Provision for income tax’ in the statements of income.

On March 26, 2021, Republic Act No. 11534, otherwise known as Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law. CREATE reduced the RCIT rate from 30.00% to 25.00% depending on the criteria set by the law effective July 1, 2020. With the implementation of CREATE, interest expense allowed as a deductible expense shall be reduced by 20.00% of the interest income subjected to final tax, compared to the 33.00% reduction prior to the CREATE.

The regulations also provide for MCIT of 2.00% (prior to CREATE) and 1.00% from (July 1, 2020 to June 30, 2023 before reverting to 2.00%) on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against the Group’s and the Parent Company’s income tax liability and taxable income, respectively, over a three-year period from the year of inception. For the taxable years 2021 and 2020, the NOLCO incurred can be carried over as a deduction for the next five (5) consecutive taxable years, pursuant to Revenue Regulations (RR) No. 25-2020.

Current tax regulations also provide for the ceiling on the amount of EAR expense that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Parent Company and some of its subsidiaries is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue. EAR charged against current operations (included in ‘Miscellaneous expenses’ in the statements of income) amounted to ₱168.1 million in 2024, ₱30.0 million in 2023, and ₱155.0 million in 2022 for the Group, and ₱151.7 million in 2024, ₱16.8 million in 2023, and ₱145.4 million in 2022 for the Parent Company (refer to Note 27.2).

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is subject to 10.00% income tax. In addition, interest income on deposit placements with other FCDUs and offshore banking units (OBUs) is taxed at 15.00%. Income derived by the FCDU from foreign currency-denominated transactions with non-residents, OBUs, local commercial banks including branches of foreign banks, is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.



30.2 Provision for Income Tax

This account consists of:

	Consolidated			Parent Company		
	2024	2023	2022	2024	2023	2022
Current						
Regular	₱1,589,423	₱1,404,428	₱3,463,008	₱1,460,234	₱1,327,057	₱3,238,970
Final	4,011,481	2,914,558	1,807,104	3,980,539	2,877,681	1,784,869
	5,600,904	4,318,986	5,270,112	5,440,773	4,204,738	5,023,839
Deferred	(501,172)	(311,611)	(338,884)	(544,600)	(356,770)	(339,814)
	₱5,099,732	₱4,007,375	₱4,931,228	₱4,896,173	₱3,847,968	₱4,684,025

30.3 Deferred Taxes

The amounts of net deferred tax assets in the statements of financial position follow:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Deferred tax assets	₱7,460,676	₱6,981,726	₱7,478,726	₱6,929,669
Deferred tax liabilities (Note 22)	167,524	166,091	—	—
	₱7,293,152	₱6,815,635	₱7,478,726	₱6,929,669

The components of net deferred tax assets reported in the statements of financial position follow:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Deferred tax assets on:				
Allowance for impairment, credit and other losses	₱9,700,391	₱9,281,393	₱9,776,691	₱9,331,283
Accumulated depreciation on properties	546,490	512,469	546,490	512,469
Accrued expenses	444,217	493,210	442,771	451,264
Unrealized trading losses on financial assets	230,423	—	230,423	—
Deferred revenues	114,373	185,317	114,373	185,317
Retirement liability	50,842	50,428	—	—
Unrealized losses on financial assets at FVTPL and FVOCI	17,332	—	17,300	—
Others	6,587	10,202	—	—
	11,110,655	10,533,019	11,128,048	10,480,333
Deferred tax liabilities on:				
Fair value adjustments on asset foreclosures and dacion transactions	1,917,719	1,590,559	1,769,381	1,442,221
Revaluation increment on land and buildings	898,676	1,516,383	898,676	1,516,383
Unrealized foreign exchange gains	538,754	186,371	538,754	186,339
Gain on remeasurement of previously held interest	246,651	246,651	246,651	246,651
Fair value adjustments due to business combination	119,659	155,541	119,659	155,541
Retirement assets	75,699	—	75,699	—
Unrealized gains on financial assets at FVTPL and FVOCI	502	3,571	502	3,529
Others	19,843	18,308	—	—
	3,817,503	3,717,384	3,649,322	3,550,664
	₱7,293,152	₱6,815,635	₱7,478,726	₱6,929,669



As of December 31, 2024 and 2023, the Group's net deferred tax liabilities as disclosed in 'Other liabilities' (refer to Note 22) include deferred tax liabilities on fair value adjustments due to business combination amounting to ₱148.3 million.

Benefit from deferred tax charged to OCI pertains to deferred tax on remeasurement gains on retirement plan amounting to ₱0.8 million and nil in 2024 and 2023, respectively, for the Group.

Provision for deferred tax charged directly to OCI pertains to deferred tax on net unrealized losses on financial assets at FVOCI amounting to ₱1.0 million for the Group and the Parent Company in 2024, and ₱0.2 million for the Group and the Parent Company in 2023.

Unrecognized deferred tax assets

The Parent Company and certain subsidiaries did not recognize deferred tax assets on the following unused tax credit and losses and temporary differences since they believe that the related tax benefits will not be realized in the future:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Allowance for impairment and credit losses	₱4,459,922	₱8,262,820	₱4,459,922	₱8,262,820
Unamortized past service cost	2,099,740	1,576,711	2,099,740	1,576,711
NOLCO	972,676	959,254	—	—
Lease liability	564,752	402,146	562,990	399,340
Derivative liabilities	—	555,811	—	555,811
Unrealized losses on financial assets	—	147,661	—	147,661
Unrealized foreign exchange loss	—	95,747	—	95,747
Retirement liability	—	269,391	—	269,391
	₱8,097,090	₱12,269,541	₱7,122,652	₱11,307,481

Details of the Group's NOLCO follow:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2020	₱89,960	₱—	₱89,960	2025
2021	50,841	—	50,841	2026
2022	830,749	—	830,749	2025
2023	1,126	—	1,126	2026
	₱972,676	₱—	₱972,676	

Unrecognized deferred tax liabilities

As of December 31, 2024 and 2023, there was a deferred tax liability of ₱986 million and ₱895.9 million for temporary differences of ₱3.9 billion and ₱3.6 billion related to investment in certain subsidiaries, respectively. However, this liability was not recognized because the Parent Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.



30.4 Statutory Income Tax Reconciliation

The reconciliation between the statutory income tax rate to effective income tax rate follows:

	Consolidated			Parent Company		
	2024	2023	2022	2024	2023	2022
Statutory income tax rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Tax effects of:						
Net unrecognized deferred tax assets	(7.03)	(11.20)	(6.04)	(7.13)	(11.74)	(6.36)
Non-deductible expenses	5.62	12.28	14.69	5.20	12.16	13.73
Tax-paid income	(3.12)	(2.76)	(2.01)	(3.14)	(2.82)	(2.05)
FCDU loss (income) before tax	(0.75)	(0.61)	1.49	(0.76)	(0.61)	1.52
Tax-exempt income	(0.29)	(4.36)	(2.91)	(0.29)	(4.38)	(2.96)
Optional standard deduction	(0.02)	(0.11)	(0.36)	—	—	—
Effective income tax rate	19.41%	18.24%	29.86%	18.88%	17.61%	28.88%

31. Earnings Per Share

Earnings per share attributable to equity holders of the Parent Company is computed as follows:

	Consolidated			Parent Company		
	2024	2023	2022	2024	2023	2022
a) Net income attributable to equity holders of the Parent Company	₱21,052,896	₱17,979,257	₱11,532,318	₱21,036,661	₱18,002,948	₱11,532,318
b) Weighted average number of common shares for basic earnings per share (Note 25)	1,525,765	1,525,765	1,525,765	1,525,765	1,525,765	1,525,765
c) Basic/Diluted earnings per share (a/b)	₱13.80	₱11.78	₱7.56	₱13.79	₱11.80	₱7.56

In 2024, 2023 and 2022, there are no potential common shares with dilutive effect on the basic earnings per share.

32. Trust Operations

Securities and other properties held by the Parent Company through its TBG in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of the Parent Company. Such assets held in trust were carried at a value of ₱190.6 billion and ₱168.0 billion as of December 31, 2024 and 2023, respectively. In connection with the trust functions of the Parent Company, government securities amounting to ₱1.9 billion and ₱1.8 billion (included under 'Investment securities at amortized cost') as of December 31, 2024 and 2023, respectively, are deposited with the BSP in compliance with trust regulations (refer to Note 9.3).

Trust fee income in 2024, 2023 and 2022 amounting to ₱380.0 million, ₱373.7 million and ₱317.8 million, respectively, is included under 'Service fees and commission income' (refer to Note 26.1).

In compliance with existing banking regulations, the Parent Company transferred from surplus to surplus reserves the amounts of ₱14.5 million, ₱29.9 million and ₱24.7 million in 2024, 2023 and 2022, respectively, which correspond to 10.00% of the net income realized in the preceding years from its trust, investment management and other fiduciary business until such related surplus reserve constitutes 20.00% of its regulatory capital (refer to Note 25.3).



33. Related Party Transactions

33.1 Summary of Significant Related Party Transactions

Details on significant related party transactions of the Group and the Parent Company follow (transactions with subsidiaries have been eliminated in the consolidated financial statements). Transactions reported under subsidiaries represent companies where the Parent Company has control, while those under related parties represent companies which are under common control.

Category	2024		
	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Significant Investors			
Deposit liabilities		₱3,054,420	Peso and foreign currency deposits with annual rates ranging from 0.00% to 6.25%
Net deposits	₱777,494		Net deposits during the period
Interest expense	123,710		Interest expense on deposits
Accrued interest payable		8,729	Accrued interest on deposit liabilities
Subsidiaries			
Credit facilities		11,293,839	Includes omnibus line and revocable revolving credit lines, domestic bills purchase lines and letters of credit/ trust receipt lines; also includes irrevocable standby letters of credit;
Interbank loans receivable		3,015	Foreign currency-denominated interbank term loans with interest rates ranging from 2.95% to 5.05% with ACB, including foreign exchange revaluations
Availments	162,078		
Settlements and other movements	211,743		
Due from other banks		197,801	Foreign currency-denominated demand deposits
Accrued interest receivable		2	Interest accrual on receivables from customers and interbank loans receivable
Accounts receivable		36,152	Related to remittance transactions and amounts which are subject to clearing
Deposit liabilities		4,230,583	Peso and foreign currency-denominated deposits with annual fixed interest rates ranging from 0.0% to 5.70% and maturities up to 4 years
Net deposits	1,075,214		Net withdrawals during the period
Bills payable		–	Foreign currency-denominated bills payable with ACB with interest rate of 4.0%
Availments	28,300		
Settlements	28,300		
Due to other banks		13,880	Foreign currency-denominated clearing accounts used for funding and settlement of remittances
Accrued interest payable		30,733	Accrued interest on deposit liabilities and bills payable
Interest income	1,549		Interest income on receivables from customers, due from other banks and interbank loans receivable
Interest expense	213,269		Interest expense on deposit liabilities and bills payable
Miscellaneous other income	3,271		Management and other professional fees; includes share of subsidiaries in maintenance costs of the HR system
Securities transactions			
Purchases	5,026,632		Outright purchase of securities
Sales	1,621,332		Outright sale of securities
Trading loss	431		Loss from sale of investment securities

(Forward)



2024			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Other Related Parties			
Receivables from customers		₱43,455,926	Partly secured by real estate, vehicles, deposits, government securities, among others; with interest rates ranging from 2.75% to 12.00% with remaining maturity terms ranging from 2 days to over 24 years and payment terms ranging from monthly to quarterly payments; with aggregate allowance for credit losses of ₱87.8 million including foreign exchange revaluations.
Loan releases	₱195,397,876		
Loan collections and other movements	207,240,908		
Credit facilities		92,058,444	Includes omnibus line and revocable revolving credit lines and domestic bills purchase lines; also includes irrevocable standby letters of credit which are partly secured by either cash or government securities
Sales contract receivable		734	Receivable from sale of property paid in installments; with interest rate of 6.0% and maturing in July 2027
Financial assets at FVOCI		26,687,751	Majority represents the retained 49.00% interest in PNB Holdings, with unrealized gain of ₱2.1 billion recorded in OCI (refer to Note 12.4 for further discussion)
Accrued interest receivable		175,958	Accrued interest on receivables from customers
Security deposit		175,513	Amount given to fulfill the terms of the lease contract
Accounts Receivable		116,760	Receivable from conveyance of real estate inventories held under development
Right-of-use assets		2,959,837	Lease of office space with terms up to 10 years and the corresponding accumulated amortization
Accumulated depreciation of right-of-use assets		1,236,440	
Deposit liabilities		49,367,453	Peso-denominated and foreign currency-denominated demand, savings and time deposits with maturity terms ranging from 7 days to over 5 years and with interest rates ranging from 0.0% to 6.88%
Net deposits	3,033,990		Net deposits during the period
Accrued interest payable		162,221	Accrued interest payable from various deposits
Lease liabilities		1,920,896	Lease of office space with terms ranging from 20 months to 10 years
Accrued other expenses		655,134	Accruals in relation to promotional and utilities expenses
Deferred revenue		37,778	Unamortized portion of income related to the bancassurance agreement with ABIC
Accrued other expenses		655,134	Accruals in relation to promotional and utilities expenses
Deferred revenue		37,778	Unamortized portion of income related to the bancassurance agreement with ABIC
Service fees and commission income	3,333		Amortization of fees under the bancassurance agreement with ABIC
Interest income	1,621,730		Interest income on receivables from customers
Interest expense	1,678,513		Interest expense on deposit liabilities, bonds payable, bills payable and lease liabilities
Depreciation expense	463,922		Depreciation of right-of-use asset relating to leases of office spaces
Occupancy and equipment-related costs	109,984		Rentals from short-term leases
Miscellaneous expenses	691,214		Includes CUSA charges for the Parent Company's share in common areas on premises owned by PNB Holdings; promotional expenses for Mabuhay Miles redemption; includes management fees paid to Eton Properties Philippines, Inc.; and other expenses

(Forward)



2024			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Securities transactions			
Purchases	₱16,557,303		Outright purchase of securities
Sales	12,200,349		Outright sale of securities
Trading gain	4,671		Gain from sale of securities
Associate			
Credit facilities		₱120,000	Pre-settlement risk line
Deposit liabilities		881,014	Peso and foreign currency-denominated deposits with annual interest rates ranging from 0.01% to 5%
Net deposits	752,849		
Accrued interest payable		2	Accrued interest on deposit liabilities
Rental deposits		27	Advance rental and security deposits received for three months
Deferred revenue		322,031	Unamortized portion of income related to the sale of APLII
Service fees and commission income	73,199		Bancassurance fees earned based on successful referrals and income related to the sale of APLII
Interest expense	1,036		Interest expense on deposit liabilities
Key Management Personnel			
Loans to officers		162,370	Housing loans to senior officers with interest rates ranging from 3% to 17.55%; Secured and unimpaired
Loan releases	₱204,885		
Loan collections	43,586		
Accrued interest receivable		399	Accrued interest on loans
Interest income	9,811		Interest income on housing loans
Deposit liabilities		910,771	Peso and foreign currency-denominated deposits with interest rates ranging from 0.0% to 4.75%
Net deposits	42,921		Net deposits during the period
Interest expense	10,368		Interest expense on deposits
Accrued interest payable		1,227	Accrued interest on deposit liabilities
Sales Contract Receivable		1,359	Receivable from personnel with interest rate of 5%, and maturing from Dec 2025 to Aug 2027
2023			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Significant Investors			
Deposit liabilities		₱2,276,926	Peso and foreign currency deposits with annual rates ranging from 0.00% to 6.25%
Net deposits	₱953,917		Net deposits during the period
Interest expense	65,774		Interest expense on deposits
Accrued interest payable		2,188	Accrued interest on deposit liabilities
Subsidiaries			
Receivables from customers		—	Peso loans with terms ranging from 31 days to 354 days with annual rate of 9.00%; with reversal of provisions amounting to ₱165.6 million; written off in December 2023 (see discussion below)
Loan releases	465,142		
Loan collections	165,560		
Loan settlement through dacion and assignment	1,404,582		
Credit facilities		10,638,270	Includes omnibus line and revocable revolving credit lines, domestic bills purchase lines and letters of credit/ trust receipt lines; also includes irrevocable standby letters of credit;

(Forward)



2023			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Interbank loans receivable		₱52,680	Foreign currency-denominated interbank term loans with interest rates ranging from 3.92% to 3.94% with ACB
Availments	₱83,579		
Settlements	46,606		
Due from other banks		288,020	Foreign currency-denominated demand deposits
Accrued interest receivable		1,076	Interest accrual on receivables from customers and interbank loans receivable
Accounts receivable		17,276	Related to remittance transactions and amounts which are subject to clearing
Deposit liabilities		3,155,369	Peso and foreign currency-denominated deposits with annual fixed interest rates ranging from 0.0% to 4.95% and maturities up to 4 years
Net withdrawals	339,101		Net withdrawals during the period
Bills payable		–	Foreign currency-denominated bills payable with ACB
Settlements	13,758		with interest rate of 4.0%
Due to other banks		65	Foreign currency-denominated clearing accounts used for funding and settlement of remittances with GRFC, IIC, PNB Europe, and ACB
Accrued interest payable		21,113	Accrued interest on deposit liabilities and bills payable
Interest income	187,821		Interest income on receivables from customers, due from other banks and interbank loans receivable
Interest expense	201,534		Interest expense on deposit liabilities and bills payable
Service fees and commission income	5,209		Various services rendered by PNB to its subsidiaries covered by a service level agreement; also includes PNB's share in service fees
Miscellaneous other income	2,580		Management and other professional fees; includes share of subsidiaries in maintenance costs of the HR system
Service fees and commission expense	57		Fees and other commission expense
Securities transactions			
Purchases	1,097,734		Outright purchase of securities
Sales	690,027		Outright sale of securities
Trading loss	42		Loss from sale of investment securities
Other Related Parties			
Receivables from customers		55,298,956	Partly secured by real estate, vehicles, deposits, government securities, among others; with interest rates ranging from 2.75% to 12.00% with remaining maturity terms ranging from 7 days to over 8 years and payment terms ranging from monthly to quarterly payments; with aggregate allowance for credit losses of ₱169.6 million
Loan releases	31,771,690		
Loan collections	18,659,908		
Credit facilities		77,116,535	Includes omnibus line and revocable revolving credit lines and domestic bills purchase lines; also includes irrevocable standby letters of credit which are partly secured by either cash or government securities
Sales contract receivable		2,173	Receivable from sale of property paid in installments; with interest rate of 5.0% and maturing in July 2027
Financial assets at FVOCI		24,587,068	Majority represents the retained 49.00% interest in PNB Holdings, with unrealized gain of ₱1.7 billion recorded in OCI (refer to Note 12.4 for further discussion)
Accrued interest receivable		297,551	Accrued interest on receivables from customers
Security deposit		176,082	Amount given to fulfill the terms of the lease contract
Right-of-use assets		3,136,508	Lease of office space with terms up to 10 years and the

(Forward)



2023			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Accumulated depreciation of right-of-use assets		₱1,081,498	corresponding accumulated amortization
Deposit liabilities		46,333,463	Peso-denominated and foreign currency-denominated demand, savings and time deposits with maturity terms ranging from 7 days to over 13 years
Net deposits	₱5,980,997		Net deposits during the period
Accrued interest payable		267,825	Accrued interest payable from various deposits
Bills payable		–	Short-term borrowings with interest rate of 6.41%
Avalment	400,000		
Settlement	400,000		
Lease liabilities		2,107,960	Lease of office space with terms ranging from 20 months to 10 years
Accrued other expenses		402,589	Accruals in relation to promotional and utilities expenses
Deferred revenue		41,111	Unamortized portion of income related to the bancassurance agreement with ABIC
Service fees and commission income	3,334		Amortization of fees under the bancassurance agreement with ABIC
Interest income	1,997,271		Interest income on receivables from customers
Interest expense	1,644,192		Interest expense on deposit liabilities, bonds payable, bills payable and lease liabilities
Depreciation expense	671,137		Depreciation of right-of-use asset relating to leases of office spaces
Occupancy and equipment-related costs	760,547		Rentals from short-term leases
Miscellaneous expenses	572,875		Includes CUSA charges for the Parent Company's share in common areas on premises owned by PNB Holdings; promotional expenses for Mabuhay Miles redemption; includes management fees paid to Eton Properties Philippines, Inc.; and other expenses
Rental income	151		Payment received for the use or occupation of property
Service fees and commission expenses	114		Fees and other commission expense
Securities transactions			
Purchases	7,106,329		Outright purchase of securities
Sales	9,103,280		Outright sale of securities
Remittance transactions			
Fund transfers	3,957,891		Peso equivalent of funds transferred
Service fees	10,976		Income share and commission on remittance transactions
Purchase of merchandise	249		Cost of various merchandise purchased
Associate			
Credit facilities		120,000	Pre-settlement risk line
Deposit liabilities		128,165	Peso and foreign currency-denominated deposits with annual interest rates ranging from 0% to 0.10%
Net withdrawals	339,881		
Accrued interest payable		41	Accrued interest on deposit liabilities
Rental deposits		27	Advance rental and security deposits received for three months
Deferred revenue		548,993	Unamortized portion of income related to the sale of APLII
Service fees and commission income	431,287		Bancassurance fees earned based on successful referrals and income related to the sale of APLII
Interest expense	1,300		Interest expense on deposit liabilities

(Forward)



2023			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Key Management Personnel			
Loans to officers		₱1,071	Housing loans to senior officers with interest rates ranging from 3% to 15%; Secured and unimpaired
Loan releases	₱1,071		
Loan collections	2,778		
Accrued interest receivable		12	Accrued interest on loans
Interest income	277		Interest income on housing loans
Deposit liabilities		119,449	Peso and foreign currency-denominated deposits with interest rates ranging from 0.0% to 4.75%
Net deposits	118,975		Net deposits during the period
Interest expense	3,372		Interest expense on deposits
Accrued interest payable		801	Accrued interest on deposit liabilities

Remedies over a loan exposure to a related party

In April 2022, the Parent Company entered into a dacion agreement with a related party over an investment property with fair value at the time of dacion of ₱1.4 billion in settlement of certain loans. The remedy to settle the loan also provided for the conversion of the remaining debt to equity shares of the former borrower, where the Bank received 19.9 million shares. These shares were subsequently subjected to a share swap, as discussed in Note 9.2.

Transactions relating to the investment in PNB Holdings

As discussed in Note 12.4, the Parent Company executed a proxy in favor of LTG to vote for the remaining 49.00% held by the Group in PNB Holdings. As a result, the Group accounted for its retained interest in PNB Holdings as financial asset at FVOCI with no recycling to profit and loss. The Group and the Parent Company recognized in 2021 a gain of ₱33.5 billion from the loss of control and remeasurement of the retained interest in PNB Holdings (refer to Note 12.4).

In relation to the property dividend declaration, the Parent Company, as a withholding agent, remitted ₱404.4 million to the BIR in January 2022, representing final withholding taxes on the property dividends of concerned stockholders. This was recorded under 'Accounts receivable' in the statement of financial position. The Parent Company collected ₱162.7 million of its receivable from stockholders in 2024.

Financial assets at FVTPL traded through PNB Securities

As of December 31, 2024 and 2023, the Parent Company's financial assets at FVTPL include equity securities traded through PNB Securities with a fair value of ₱2.9 million and ₱2.6 million, respectively. The Parent Company recognized trading gains (losses) amounting to ₱0.2 million in 2024, (₱0.04 million) in 2023 and ₱0.1 million in 2022 from the transactions facilitated by PNB Securities.

Joint arrangements with Eton Properties Philippines, Inc. (EPPI)

The Parent Company and EPPI signed two agreements for the development of two real estate properties of the Parent Company included under 'Other assets' (refer to Note 15) and with carrying values of ₱1.2 billion at the time of signing. EPPI and the Group are under common control. These two projects are among the Parent Company's strategies in reducing its non-performing assets. The Parent Company made available the aforementioned properties which was approved by BSP. EPPI, on the other hand, provided its resources and technical expertise for the development of the properties. Income from the sale of the properties are shared by the Parent Company and EPPI in accordance with the terms of the agreement.



In July 2016, the Parent Company executed deeds of conveyance to EPPI on the areas of the land under the arrangement. The execution of the deeds of conveyance was made to facilitate the issuance of the condominium certificates of title to the buyers.

On December 27, 2024, EPPI and the Bank have agreed to terminate the arrangement due to market conditions. The termination of the arrangement involved the settlement of unsold condominium units and undeveloped properties between EPPI and the Bank. As of December 31, 2024, the carrying value of the properties subject of the arrangement included in 'Other assets' amounted to ₱220.64 million representing undeveloped property.

Transactions with PMLFC and PMERC

The Parent Company entered into the following transactions with PMLFC and PMERC as part of their winding down procedures:

- On various dates in 2022 and 2023, PMLFC transferred to the Parent Company certain receivables either via direct purchase or assignment. Details are as follows:

Year of transfer	Underlying contract	Aggregate carrying values	Total consideration paid
2022	Direct Purchase	₱122,306	₱115,866
2023	Direct Purchase	51,235	51,612
	Receivables Purchase Agreement	287,040	278,998
	Deed of Assignment	210,734	185,572

- On various dates in 2023, the BOD of the Parent Company approved to accept certain properties of PMLFC and PMERC as settlement through dacion en pago to partially pay their respective outstanding loans to the Parent Company. Details are as follows:

Date of BOD approval	Borrower	Subject properties/ assets	Aggregate fair values	Dacion amount
April 28, 2023	PMLFC	Condominium units	₱100,258	₱100,258
April 28, 2023	PMERC	Equipment and other properties held for lease (EOPL)	261,407	245,984
December 15, 2023	PMLFC	Reposessed chattels	7,867	3,933

In 2023, rental income amounting to ₱54.6 million from the EOPL that were subject of the April 2023 dacion have accrued to the Parent Company after the dacion was implemented.

- Considering the transfer of the major assets of PMLFC and PMERC to the Parent Company and no other remaining leviable properties of PMLFC and PMERC to foreclose, on December 15, 2023, the BOD of the Parent Company approved to write off the remaining balance of the loans of PMLFC and PMERC amounting to ₱736.4 million and ₱242.4 million, respectively.



33.2 Remuneration of Key Management Personnel and Directors

The compensation of the key management personnel for the Group and Parent Company follows:

	2024	2023	2022
Short-term employee benefits	₱527,036	₱526,038	₱517,114
Post-employment benefits	60,916	53,041	47,424
	₱587,952	₱579,079	₱564,538

Non-executive directors are entitled to a per diem as follows: ₱50,000 for each BOD meeting attended and ₱25,000 for each BOD committee meeting attended, provided that in no case shall the total per diem exceed ₱0.25 million per month for committee meetings. No other emoluments are granted to non-executive directors of the Parent Company except for the aforementioned per diem. There is no profit-sharing arrangement between the Parent Company and its BOD. In 2024 and 2023, total per diem given to non-executive directors amounted to ₱96.3 million and ₱71.3 million, respectively, recorded in 'Miscellaneous expenses' in the statements of income. Directors' remuneration covers all BOD activities and membership of committees and subsidiary companies.

33.3 Transactions with Retirement Plans

Management of the retirement funds of the Group and the Parent Company is handled by TBG. The fair values and carrying values of the funds of the Group amounted to ₱9.3 billion and ₱8.6 billion as of December 31, 2024 and 2023, respectively, and the fair values of the funds of the Parent Company amounted to ₱9.2 billion and ₱8.5 billion as of December 31, 2024 and 2023, respectively.

Relevant information on transactions with the retirement plans follows:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Investment in PNB UITFs	₱946,347	₱559,461	₱944,562	₱556,626
Deposits with PNB	13,274	313,976	10,774	313,813
Investment in PNB shares	227,678	152,059	227,678	152,059
Investment in Mutual Fund PNB	1,782			
Total Fund Assets	₱1,189,081	₱1,025,496	₱1,183,014	₱1,022,498
Unrealized gain (loss) on PNB shares	₱75,618	(₱4,110)	₱75,618	(₱4,110)
Unrealized gain on PNB UITF	11,535	1,440	11,535	1,440
Interest income	12,860	27,584	11,345	26,063
	100,013	24,914	98,498	23,393
Trust fees	(10,220)	(9,496)	(10,066)	(9,350)
Net Fund Income	₱89,793	₱15,418	₱88,432	₱14,043

As of December 31, 2024 and 2023, the retirement funds of the Group and the Parent Company include 8,219,406 PNB shares, respectively, classified as financial assets at FVTPL. There are no limitations and restrictions over the PNB shares while the corresponding voting rights are exercised by a trust officer or any of its designated alternate officer of TBG.

In addition to the regular retirement funds, TBG also manages the funds of the Parent Company's EIP and fund for e-money products.



34. Provisions, Contingent Liabilities and Other Commitments

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not presented in the financial statements including several suits and claims which remain unsettled. The Group and its legal counsel believe that any losses arising from these contingencies which are not specifically provided for will not have a material adverse effect on the financial statements.

There were no significant settlements made in 2024 and 2023.

In the ordinary course of the Group's operations, certain entities within the Group have pending tax assessments/claims which are in various stages of protest/appeal with the tax authorities, the amounts of which cannot be reasonably estimated. Management believes that the bases of said protest/appeal are legally valid such that the ultimate resolution of these assessments/claims would not have material effects on the consolidated financial position and results of operations.

35. Offsetting of Financial Assets and Liabilities

The effects of rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements to the Group and the Parent Company's financial statements are disclosed in the succeeding tables.

Consolidated

2024						
Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative assets	₱87,097,900	₱86,010,793	₱1,087,107	₱104,745	₱—	₱982,362
Securities held under agreements to resell (Note 8)	103,480,119	—	103,480,119	—	104,909,516	—
Total	₱190,578,019	₱86,010,793	₱104,567,226	₱104,745	₱104,909,516	₱982,362
2023						
Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative assets	₱108,139,719	₱107,390,520	₱749,199	₱37,098	₱—	₱712,101
Securities held under agreements to resell (Note 8)	69,694,538	—	69,694,538	—	57,785,321	11,909,217
Total	₱177,834,257	₱107,390,520	₱70,443,737	₱37,098	₱57,785,321	₱12,621,318



2024						
Financial liabilities recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities	P61,485,068	P60,561,015	P924,053	P350,702	P–	P573,351
Securities sold under agreements to repurchase (Notes 9 and 19)*	12,338,999	–	12,338,999	–	14,221,461	–
Total	P73,824,067	P60,561,015	P13,263,052	P350,702	P14,221,461	P573,351

* Included in bills and acceptances payable in the statements of financial position

2023						
Financial liabilities recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
				Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities	₱65,163,569	₱64,607,758	₱555,811	₱196,010	₱–	₱359,801
Securities sold under agreements to repurchase (Notes 9 and 19)*	10,053,531	–	10,053,531	–	11,972,805	–
Total	₱75,217,100	₱64,607,758	₱10,609,342	₱196,010	₱11,972,805	₱359,801

* Included in bills and acceptances payable in the statements of financial position

Parent Company

2024						
Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative assets	₱87,097,088	₱86,010,793	₱1,086,295	₱102,386	₱–	₱983,909
Securities held under agreements to resell (Notes 8 and 19)	103,480,119	–	103,480,119	–	104,909,516	–
Total	₱190,577,207	₱86,010,793	₱104,566,414	₱102,386	104,909,516	₱983,909

2023						
Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative assets	P108,134,733	P107,390,520	P744,213	P37,098	P—	P707,115
Securities held under agreements to resell (Notes 8 and 19)	69,694,538	—	69,694,538	—	57,785,321	11,909,217
Total	P177,829,271	P107,390,520	P70,438,751	P37,098	P57,785,321	P12,616,332



2024						
Financial liabilities recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
				Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities	₱61,482,708	₱60,561,015	₱921,693	₱348,343	₱–	₱573,350
Securities sold under agreements to repurchase (Notes 9 and 19)*	12,338,999	–	12,338,999	–	14,221,461	–
Total	₱73,821,707	₱60,561,015	₱13,260,692	₱348,343	₱14,221,461	₱573,350

* Included in bills and acceptances payable in the statements of financial position

2023						
Financial liabilities recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
				Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities	₱65,163,569	₱64,607,758	₱555,811	₱196,010	₱–	₱359,801
Securities sold under agreements to repurchase (Notes 9 and 19)*	10,053,531	–	10,053,531	–	11,972,805	–
Total	₱75,217,100	₱64,607,758	₱10,609,342	₱196,010	₱11,972,805	₱359,801

* Included in bills and acceptances payable in the statements of financial position

The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. This includes amounts related to financial collateral both received and pledged, excluding the extent of over-collateralization.

36. Events After the Reporting Date

There are no significant reportable events which occurred from December 31, 2024 until the date of this report.

37. Notes to Statements of Cash Flows

37.1 Cash Flows from Financing Activities

The changes in liabilities arising from financing activities in 2024 and 2023 follow:

	Consolidated			
	2024			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱20,162,603	₱378,200	(₱332,352)	₱20,208,451
Bonds payable	41,490,871	(26,079,791)	1,893,341	17,304,421
Lease liabilities	3,832,884	(1,127,583)	1,103,696	3,808,997
	₱65,486,358	(₱26,829,174)	₱2,664,685	₱41,321,869



	Consolidated			
	2023			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱14,980,373	₱4,937,366	₱244,864	₱20,162,603
Bonds payable	58,439,097	(16,560,000)	(388,226)	41,490,871
Lease liabilities	3,636,391	(1,314,516)	1,511,009	3,832,884
	₱77,055,861	(₱12,937,150)	₱1,367,647	₱65,486,358

	Parent Company			
	2024			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱20,162,603	₱378,200	(₱332,352)	₱20,208,451
Bonds payable	41,490,871	(26,079,791)	1,893,341	17,304,421
Lease liabilities	3,723,316	(1,052,523)	1,051,926	3,722,719
	₱65,376,790	(₱26,754,114)	₱2,612,915	₱41,235,591

	Parent Company			
	2023			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱13,888,035	₱6,029,703	₱244,865	₱20,162,603
Bonds payable	58,439,097	(16,560,000)	(388,226)	41,490,871
Lease liabilities	3,604,077	(1,232,928)	1,352,167	3,723,316
	₱75,931,209	(₱11,763,225)	₱1,208,806	₱65,376,790

Others include the effects of foreign exchange revaluations, additional lease liabilities, amortization of transaction costs, and accretion of interest.

37.2 Non-Cash Transactions

The following are non-cash transactions of the Group and the Parent Company in 2024 and 2023 relating to their long-term leases:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Additions to right-of-use assets (Note 11)	₱950,548	₱1,425,032	₱936,169	₱1,292,130
Additional lease liabilities (Note 29)	956,755	1,340,509	907,278	1,185,129

On December 17, 2021, the BOD of PNB Capital approved the declaration of cash dividends amounting to ₱300.0 million. The Parent Company received such cash dividends from PNB Capital on June 29, 2022 (refer to Note 12.2).

The Group and the Parent Company acquired investment properties through foreclosure, dacion and rescission amounting to ₱2.3 billion, ₱3.0 billion, and ₱4.3 billion in 2024, 2023 and 2022, respectively (refer to Note 13). Included in the foreclosures in 2024 and 2023 are dacion transactions in settlement of certain loans in exchange for an investment property (refer to Note 33.1). Foreclosures in 2023 also include the debt-to-equity conversion of the remaining loan exposures of a former borrower (refer to Note 33.1).

The Group and the Parent Company applied creditable withholding taxes against its income tax payable amounting to ₱1.5 billion, ₱1.2 billion and ₱2.4 billion in 2024, 2023 and 2022, respectively.



38. Approval of the Release of the Financial Statements

The accompanying financial statements of the Group and of the Parent Company were authorized for issue by the Parent Company's BOD on February 25, 2025.

39. Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010, which provides that the notes to the financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

39.1 Taxes Paid or Accrued During the Taxable Year

The Parent Company paid or accrued the following types of taxes for the tax period January to December 2024 (in absolute amounts):

Taxes and licenses

	Amount
Gross receipts tax	₱2,705,491,144
Documentary stamp taxes	4,200,000,000
Real estate tax	38,153,906
Local taxes	211,094,722
Others	101,375,401
	<u>₱7,256,115,173</u>

Withholding taxes

	Remitted	Outstanding
Withholding taxes on compensation and benefits	₱963,287,855	₱177,975,255
Final income taxes withheld on interest on deposits and yield on deposit substitutes	2,672,422,915	233,287,067
Expanded withholding taxes	240,096,410	22,821,111
Withholding taxes on the amount withdrawn from the decedent's deposit account	21,808,620	2,114,025
VAT withholding taxes	46,206,773	3,454,043
Other final taxes	263,128,522	34,488,472
	<u>₱4,206,951,095</u>	<u>₱474,139,973</u>

39.2 Tax Cases and Assessments

As of December 31, 2024 and 2023, the Parent Company has no final tax assessment but has outstanding cases filed in courts for various claims for tax refund. Management is of the opinion that the ultimate outcome of these cases will not have a material impact on the financial statements of the Parent Company.



40. Report on the Supplementary Information Required Under Section 174 of the Manual of Regulations for Banks

40.1 Basic Quantitative Indicators of Financial Performance

The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			Parent Company		
	2024	2023	2022	2024	2023	2022
Return on average equity	10.39%	9.95%	7.00%	10.49%	10.15%	7.10%
Return on average assets	1.72%	1.53%	0.99%	1.72%	1.54%	0.99%
Net interest margin on average earning assets	4.50%	4.23%	3.61%	4.50%	4.23%	3.62%

40.2 Description of Capital Instruments Issued

As of December 31, 2024 and 2023, the Parent Company has only one class of capital stock, which are common shares.

40.3 Significant Credit Exposures as to Industry Sector

An industry sector analysis of the Group's and the Parent Company's receivables from customers before taking into account allowance for credit losses is shown below.

	Consolidated				Parent Company			
	2024		2023		2024		2023	
	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%
Primary target industry:								
Wholesale and retail	₱118,612,698	17.86	₱122,887,990	19.15	₱112,781,724	17.34	₱116,820,739	18.60
Financial intermediaries	96,992,698	14.60	92,281,412	14.38	97,024,603	14.92	92,321,118	14.70
Electricity, gas and water	100,800,669	15.18	83,942,305	13.08	100,800,669	15.50	83,942,305	13.36
Manufacturing	68,291,738	10.28	63,947,942	9.96	66,250,095	10.19	61,863,476	9.85
Transport, storage and communication	35,413,742	5.33	46,249,754	7.21	34,979,930	5.38	45,835,091	7.30
Agriculture, hunting and forestry	8,960,007	1.35	8,187,717	1.28	8,801,474	1.35	8,032,017	1.28
Public administration and defense	1,739,998	0.26	4,101,202	0.64	1,739,998	0.27	4,101,202	0.65
Secondary target industry:								
Real estate, renting and business activities	109,274,926	16.45	110,728,706	17.25	106,134,407	16.32	107,586,053	17.13
Construction	46,132,885	6.95	38,833,938	6.05	46,132,885	7.09	38,775,374	6.17
Others	78,017,344	11.74	70,637,302	11.00	75,817,596	11.64	68,902,271	10.96
	₱664,236,705	100.00	₱641,798,268	100.00	₱650,463,381	100.00	₱628,179,646	100.00



40.4 Breakdown of Total Loans

40.4.1 As to Security

The information relating to receivables from customers (gross of allowance for credit losses) as to secured and unsecured and as to collateral follows:

	Consolidated				Parent Company			
	2024		2023		2024		2023	
	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%
Secured:								
Real estate mortgage	₱68,136,306	10.26	₱126,721,614	19.74	₱57,583,167	8.85	₱115,956,460	18.46
Chattel mortgage	6,919,452	1.04	15,319,855	2.39	6,824,061	1.05	15,104,719	2.40
Bank deposit hold-out	3,855,505	0.58	7,439,901	1.16	3,686,444	0.57	7,195,384	1.15
Others	17,558,212	2.64	1,551,354	0.24	16,404,021	2.52	191,774	0.03
	96,469,475	14.52	151,032,724	23.53	84,497,693	12.99	138,448,337	22.04
Unsecured	567,767,230	85.48	490,765,544	76.47	565,965,689	87.01	489,731,309	77.96
	₱664,236,705	100.00	₱641,798,268	100.00	₱650,463,382	100.00	₱628,179,646	100.00

40.4.2 As to Status

The table below shows the status of the Group and the Parent Company's loans (gross allowance for credit losses) as to performing and non-performing loans (NPL) per product line:

	Consolidated			
	2024		2023	
	Performing	NPL	Performing	NPL
Corporate	₱564,341,348	₱34,714,958	₱541,116,157	₱33,347,894
Commercial	12,490,418	1,547,719	14,804,205	2,493,093
Credit cards	17,060,935	1,002,950	14,394,103	838,742
Consumer	25,364,872	7,700,175	24,647,541	10,156,533
	₱619,257,573	₱44,965,802	₱594,962,006	₱46,836,262

	Parent Company			
	2024		2023	
	Performing	NPL	Performing	NPL
Corporate	₱552,110,058	₱34,156,343	₱528,492,120	₱33,228,430
Commercial	12,291,386	1,547,719	15,315,245	1,883,944
Credit cards	17,060,935	1,002,950	14,394,103	838,742
Consumer	24,633,945	7,646,716	23,923,855	10,103,207
	₱606,096,324	₱44,353,728	₱582,125,323	₱46,054,323

Loans and receivables are considered NPL, even without any missed contractual payments, when considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, are considered NPL 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. Microfinance and other small loans with similar credit characteristics are considered NPL after contractual due date or after they have become past due. Restructured loans are considered NPL. However, if prior to restructuring, the loans were categorized as performing, such classification is retained.

NPLs remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least six (6) months; or (b) written-off.



In 2022, the Parent Company adopted BSP Memorandum No. M-2021-056, *Regulatory Treatment of Restructured Loans for Purposes of Measuring Expected Credit Losses*, which provides guidance on the regulatory treatment of loans with terms and conditions that have been modified due to the impact of the COVID-19 pandemic, especially consumption loans, for purposes of measuring ECL and classifying the accounts as NPL.

The table below shows the gross and net NPL ratios of the Group and the Parent Company as reported to the BSP (with certain adjustments) as of December 31, 2024 and 2023:

	2024		2023	
	Gross NPL	Net NPL	Gross NPL	Net NPL
Consolidated	5.68%	1.81%	6.26%	2.46%
Parent Company	5.72%	1.77%	6.29%	2.49%

40.5 Information on Related Party Loans

In the ordinary course of business, the Parent Company has loans and other transactions with its subsidiaries and affiliates, and with certain Directors, Officers, Stockholders and Related Interests (DOSRI). These loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. The amount of direct credit accommodations to each of the Parent Company's DOSRI, 70.00% of which must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Parent Company.

In the aggregate, DOSRI loans generally should not exceed the Parent Company's equity or 15.00% of the its total loan portfolio, whichever is lower. Total outstanding exposures to each of the Parent Company's subsidiaries and affiliates shall not exceed 10.00% of the Group's net worth, the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20.00% of the net worth of the Parent Company. As of December 31, 2024 and 2023, the Parent Company is in compliance with such regulations.

The information relating to the DOSRI loans of the Parent Company follows:

	2024		2023	
	DOSRI loans	Related party loans (inclusive of DOSRI loans)	DOSRI loans	Related party loans (inclusive of DOSRI loans)
Total outstanding loans	₱136,867	₱37,817,926	₱2,701	₱36,185,463
Percent of DOSRI/related party loans to total loan portfolio	0.02%	4.87%	0.00%	4.95%
Percent of unsecured DOSRI/related party loans to total DOSRI/related party loans	0.00%	85.25%	0.00%	83.48%
Percent of past due DOSRI/related party loans to total DOSRI/related party loans	0.00%	0.00%	45.40%	0.31%
Percent of non-performing DOSRI/related party loans to total DOSRI/related party loans	0.04%	0.00%	43.08%	0.31%

40.6 Aggregate Amount of Secured Liabilities and Assets Pledged as Security

As of December 31, 2024 and 2023, 'Bills payable' amounting to ₱12.3 billion and ₱10.1 billion in Note 19, respectively, are secured by a pledge of certain 'Financial assets at FVOCI' amounting to ₱12.0 billion and ₱6.5 billion respectively, and 'Investment securities at amortized cost' amounting to ₱5.5 billion.



40.7 Contingencies and Commitments Arising from Off-Balance Sheet Items

The following is a summary of various commitments, contingent assets and contingent liabilities at their equivalent peso contractual amounts as reported to BSP:

	Consolidated		Parent Company	
	2024	2023	2024	2023
Derivative forwards	₱132,737,169	₱195,661,001	₱126,839,248	₱190,805,863
Trust department accounts	190,585,195	168,037,276	190,585,195	168,037,276
Standby letters of credit	77,763,321	65,344,786	77,493,348	65,255,715
Unutilized credit card lines	51,886,113	45,354,961	51,886,113	45,354,961
Deficiency claims receivable	27,250,819	23,953,740	27,250,819	23,953,740
Derivative spots	22,847,762	21,141,791	22,847,762	21,141,791
Unused commercial letters of credit	353,457	440,767	353,457	440,767
Inward bills for collection	1,019,948	434,566	996,613	431,741
Outward bills for collection	210,031	236,311	89,460	118,836
Confirmed export letters of credit	100,940	93,852	100,940	93,852
Items held as collateral	23,101	58,887	23,092	58,876
Shipping guarantees issued	21,284	23,101	21,284	20,975
Other contingent accounts	38,677	7,182	2,663	7,181



Philippine National Bank and Subsidiaries

Unaudited Interim Condensed Consolidated
Financial Statements
As at June 30, 2025 and for the six-months
ended June 30, 2025 and 2024
*(With Comparative Audited Statement of
Financial Position as at December 31, 2024)*

and

Report on Review of Interim Condensed
Consolidated Financial Statements



REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Stockholders and the Board of Directors
Philippine National Bank and Subsidiaries

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Philippine National Bank and Subsidiaries (the Group), which comprise the interim consolidated statement of financial position as at June 30, 2025 and the related interim consolidated statements of income, interim consolidated statements of comprehensive income, interim consolidated statements of changes in equity and interim consolidated statements of cash flows for the six-month periods ended June 30, 2025 and 2024, and other explanatory information. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with Philippine Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with PAS 34, *Interim Financial Reporting*.

SYCIP GORRES VELAYO & CO.



Ray Francis C. Balagtas

Partner

CPA Certificate No. 108795

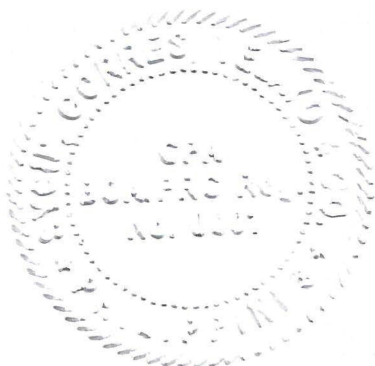
Tax Identification No. 216-950-288

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

BIR Accreditation No. 08-001998-107-2023, September 12, 2023, valid until September 11, 2026

PTR No. 10465263, January 2, 2025, Makati City

November 10, 2025



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2025****(With Comparative Audited Figures as at December 31, 2024)
(In Thousands)**

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
ASSETS		
Cash and Other Cash Items	₱15,314,202	₱20,638,033
Due from Bangko Sentral ng Pilipinas (Note 6)	45,903,970	55,128,316
Due from Other Banks (Note 20)	19,942,751	20,183,894
Interbank Loans Receivable (Notes 20 and 22)	44,088,233	22,787,194
Securities Held Under Agreements to Resell	60,926,438	103,480,119
Trading and Investment Securities		
Financial Assets at Fair Value Through Profit or Loss (FVTPL) (Note 7)	26,252,416	17,920,985
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Notes 7 and 19)	236,904,634	211,742,783
Investment Securities at Amortized Cost (Note 7)	115,671,665	112,422,382
Loans and Receivables (Note 8)	669,243,329	636,819,625
Property and Equipment (Note 9)	10,141,611	10,195,539
Investment in an Associate	3,187,115	3,446,613
Investment Properties (Note 10)	16,940,749	15,964,267
Deferred Tax Assets (Note 18)	7,998,455	7,460,676
Intangible Assets (Note 11)	1,178,512	1,084,955
Goodwill (Note 11)	10,184,843	10,184,843
Other Assets (Note 12)	9,088,298	8,150,629
TOTAL ASSETS	₱1,292,967,221	₱1,257,610,853
LIABILITIES AND EQUITY		
LIABILITIES		
Deposit Liabilities (Notes 14 and 20)		
Demand	₱247,310,595	₱244,369,119
Savings	596,532,354	575,335,527
Time	159,220,838	147,368,732
Long Term Negotiable Certificates of Deposit	—	4,598,770
	1,003,063,787	971,672,148
Financial Liabilities at FVTPL	922,268	924,053
Bills and Acceptances Payable (Notes 20 and 22)	14,392,401	20,208,451
Bonds Payable (Notes 14, 20 and 22)	16,855,560	17,304,421
Lease Liabilities (Notes 20 and 21)	3,595,562	3,808,997
Accrued Taxes, Interest and Other Expenses (Note 20)	9,011,978	8,798,553
Income Tax Payable	655,957	159,233
Other Liabilities (Note 12)	18,542,833	18,106,056
TOTAL LIABILITIES	1,067,040,346	1,040,981,912

(Forward)

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		
Capital Stock (Note 16)	₱61,030,594	₱61,030,594
Capital Paid in Excess of Par Value	32,116,560	32,116,560
Surplus Reserves (Notes 8 and 16)	5,170,727	4,967,037
Surplus	121,806,262	113,663,851
Net Unrealized Gains on Financial Assets at FVOCI (Note 7)	745,957	142,134
Remeasurement Losses on Retirement Plan	(1,989,638)	(2,655,218)
Accumulated Translation Adjustment	2,118,077	2,357,844
Other Equity Reserves	1,189,003	1,189,003
Share in Aggregate Reserves (Losses) on Life Insurance Policies	(1,245)	21,209
Other Equity Adjustment	13,959	13,959
	222,200,256	212,846,973
NON-CONTROLLING INTERESTS	3,726,619	3,781,968
TOTAL EQUITY	225,926,875	216,628,941
TOTAL LIABILITIES AND EQUITY	₱1,292,967,221	₱1,257,610,853

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Earnings Per Share)
(Unaudited)

	For the Semesters Ended June 30		For the Quarters Ended June 30	
	2025	2024	2025	2024
INTEREST INCOME ON				
Loans and receivables (Notes 8 and 20)	₱22,230,373	₱21,625,024	₱11,324,386	₱11,019,301
Investment securities at amortized cost and financial assets at FVOCI (Note 7)	8,782,482	7,888,653	4,423,571	4,025,278
Interbank loans receivable and securities held under agreements to resell	2,542,832	2,214,841	1,214,355	1,170,519
Deposits with banks and others (Notes 6 and 20)	567,262	950,260	196,687	486,853
Financial assets at FVTPL (Note 7)	509,720	290,359	307,433	183,646
	34,632,669	32,969,137	17,466,432	16,885,597
INTEREST EXPENSE ON				
Deposit liabilities (Notes 14 and 20)	8,168,711	8,077,796	4,065,850	4,109,536
Bonds payable (Notes 14 and 20)	419,663	729,499	205,966	372,141
Bills payable and other borrowings (Note 20)	278,683	131,660	143,713	66,996
	8,867,057	8,938,955	4,415,529	4,548,673
NET INTEREST INCOME	25,765,612	24,030,182	13,050,903	12,336,924
Service fees and commission income (Notes 17 and 20)	3,826,881	3,002,120	1,960,501	1,477,216
Service fees and commission expense	1,008,299	728,126	566,457	386,055
NET SERVICE FEES AND COMMISSION INCOME	2,818,582	2,273,994	1,394,044	1,091,161
OTHER INCOME				
Net gains on sale or exchange of assets (Notes 9 and 10)	1,300,285	506,130	388,380	255,501
Foreign exchange gains – net	987,721	500,482	347,741	163,132
Trading and investment securities gains - net (Note 7)	449,490	376,134	227,203	191,157
Equity in net earnings of an associate	172,096	241,940	121,980	101,062
Miscellaneous	235,281	715,637	129,208	441,605
TOTAL OTHER INCOME	3,144,873	2,340,323	1,214,512	1,152,457
TOTAL OPERATING INCOME	31,729,067	28,644,499	15,659,459	14,580,542
PROVISION FOR IMPAIRMENT, CREDIT AND OTHER LOSSES (Note 13)	341,934	2,069,411	64,826	1,449,655
OPERATING EXPENSES				
Compensation and fringe benefits	6,050,574	5,421,951	3,033,486	2,620,694
Taxes and licenses	2,974,456	2,602,295	1,348,231	1,207,423
Depreciation and amortization	1,698,001	1,668,165	866,822	809,880
Occupancy and equipment-related costs	582,920	464,717	293,885	265,669
Miscellaneous (Note 17)	4,336,805	4,147,078	2,032,763	2,058,032
TOTAL OPERATING EXPENSES	15,642,756	14,304,206	7,575,187	6,961,698
INCOME BEFORE INCOME TAX	15,744,377	12,270,882	8,019,446	6,169,189
PROVISION FOR INCOME TAX (Note 18)	3,227,551	1,980,689	1,592,573	1,185,320
NET INCOME	₱12,516,826	₱10,290,193	₱6,426,873	₱4,983,869
ATTRIBUTABLE TO:				
Equity Holders of the Parent Company (Note 19)	₱12,456,163	₱10,215,912	₱6,397,612	₱4,952,760
Non-controlling Interests	60,663	74,281	29,261	31,109
NET INCOME	₱12,516,826	₱10,290,193	₱6,426,873	₱4,983,869
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 19)	₱8.16	₱6.70	₱4.19	₱3.25

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)

(Unaudited)

	For the Semesters Ended June 30		For the Quarters Ended June 30	
	2025	2024	2025	2024
NET INCOME	₱12,516,826	₱10,290,193	₱6,426,873	₱4,983,869
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items that recycle to profit or loss in subsequent periods:</i>				
Net change in unrealized gains on debt securities at FVOCI, net of tax	480,452	484,163	84,076	552,494
Share in changes in net unrealized gains on financial assets at FVOCI of an associate	(67,702)	(236,068)	(53,897)	(598,460)
	412,750	248,095	30,179	(45,966)
Accumulated translation adjustment	(352,233)	716,836	243,873	845,225
	60,517	964,931	274,052	799,259
<i>Items that do not recycle to profit or loss in subsequent periods:</i>				
Net change in unrealized gains on equity securities at FVOCI	292,122	273,100	(94,054)	273,100
Share in the changes in aggregate reserves (losses) on life insurance policies	(22,454)	110,905	(14,778)	96,407
Remeasurement gains (losses) on retirement plan	665,580	(4,141)	663,805	4,035
	935,248	379,864	554,973	373,542
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	995,765	1,344,795	829,025	1,172,801
TOTAL COMPREHENSIVE INCOME	₱13,512,591	₱11,634,988	₱7,255,898	₱6,156,670
ATTRIBUTABLE TO:				
Equity Holders of the Parent Company	₱13,564,394	₱11,369,300	₱7,300,376	₱5,981,771
Non-controlling Interests	(51,803)	265,688	(44,478)	174,899
	₱13,512,591	₱11,634,988	₱7,255,898	₱6,156,670

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands)

(Unaudited)

For the Six Months Ended June 30, 2025

	Equity Attributable to Equity Holders of the Parent Company											Non-Controlling Interests	Total Equity
	Capital Stock (Note 16)	Capital Paid in Excess of Par Value	Surplus Reserves (Notes 8 and 16)	Surplus	Net Unrealized Gains on Financial Assets at FVOCI (Note 7)	Remeasurement Losses on Retirement Plan	Accumulated Translation Adjustment	Other Equity Reserves	Share in Aggregate Reserves (Losses) on Life Insurance Policies	Other Equity Adjustment	Total		
Balance at January 1, 2025	₱61,030,594	₱32,116,560	₱4,967,037	₱113,663,851	₱142,134	(₱2,655,218)	₱2,357,844	₱1,189,003	₱21,209	₱13,959	₱212,846,973	₱3,781,968	₱216,628,941
Total comprehensive income (loss) for the period	—	—	—	12,456,163	704,872	665,580	(239,767)	—	(22,454)	—	13,564,394	(51,803)	13,512,591
Dividends by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(3,546)	(3,546)
Sale of FVOCI equity securities	—	—	—	101,049	(101,049)	—	—	—	—	—	—	—	—
Declaration of cash dividends	—	—	—	(4,211,111)	—	—	—	—	—	—	(4,211,111)	—	(4,211,111)
Transfer to surplus reserves	—	—	203,690	(203,690)	—	—	—	—	—	—	—	—	—
Balance at June 30, 2025	₱61,030,594	₱32,116,560	₱5,170,727	₱121,806,262	₱745,957	(₱1,989,638)	₱2,118,077	₱1,189,003	(₱1,245)	₱13,959	₱222,200,256	₱3,726,619	₱225,926,875

For the Six Months Ended June 30, 2024

	Equity Attributable to Equity Holders of the Parent Company											Non-Controlling Interests	Total Equity
	Capital Stock (Note 16)	Capital Paid in Excess of Par Value	Surplus Reserves (Notes 8 and 16)	Surplus	Net Unrealized Losses on Financial Assets at FVOCI (Note 7)	Remeasurement Losses on Retirement Plan	Accumulated Translation Adjustment	Other Equity Reserves	Share in Aggregate Reserves on Life Insurance Policies	Other Equity Adjustment	Total		
Balance at January 1, 2024	₱61,030,594	₱32,116,560	₱4,677,930	₱91,979,317	(₱1,722,653)	(₱2,728,542)	₱1,999,668	₱248,830	₱24,246	₱13,959	₱187,639,909	₱3,508,745	₱191,148,654
Total comprehensive income (loss) for the period	—	—	—	10,215,912	521,195	(4,141)	525,429	—	110,905	—	11,369,300	265,688	11,634,988
Dividends by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(3,546)	(3,546)
Reversal of general loan loss reserves under BSP Circular 1011	—	—	147,806	(147,806)	—	—	—	—	—	—	—	—	—
Balance at June 30, 2024	₱61,030,594	₱32,116,560	₱4,825,736	₱102,047,423	(₱1,201,458)	(₱2,732,683)	₱2,525,097	₱248,830	₱135,151	₱13,959	₱199,009,209	₱3,770,887	₱202,780,096

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	For the Semesters Ended June 30	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱15,744,377	₱12,270,882
Adjustments for:		
Amortization of discount, net on investment securities	(3,622,493)	(2,123,236)
Depreciation and amortization	1,698,001	1,668,165
Net gains on sale or exchange of assets (Notes 9 and 10)	(1,300,285)	(506,130)
Net gains on financial assets at FVTPL (Note 7)	(431,828)	(369,127)
Provision for impairment, credit and other losses (Note 13)	341,934	2,069,411
Equity in net earnings of an associate	(172,096)	(241,940)
Unrealized foreign exchange losses on bonds, bills and acceptances payable	52,534	2,124,809
Net gains on sale of debt financial assets at FVOCI and investment securities at amortized cost (Note 7)	(17,662)	(7,007)
Amortization of transaction costs on borrowings	2,758	37,137
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Interbank loans receivable	1,096,232	2,227,211
Financial assets at FVTPL	(7,899,603)	(11,686,927)
Loans and receivables	(33,844,759)	(17,476,325)
Other assets	(1,537,513)	(1,538,677)
Increase (decrease) in:		
Financial liabilities at FVTPL	(1,785)	277,267
Deposit liabilities	35,990,410	21,234,074
Accrued taxes, interest and other expenses	335,352	(1,143,460)
Other liabilities	(1,805,980)	11,946,491
Net cash provided by operations	4,627,594	18,762,618
Income taxes paid	(2,222,903)	(2,762,625)
Net cash provided by operating activities	2,404,691	15,999,993
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/maturities of:		
Financial assets at FVOCI	315,171,197	409,487,500
Investment securities at amortized cost	13,183,270	56,425,853
Investment properties	1,330,673	456,594
Property and equipment	56,390	47,679
Return of investment from an associate	343,000	122,500
Acquisitions of:		
Financial assets at FVOCI	(336,439,511)	(409,385,834)
Investment securities at amortized cost	(16,488,910)	(47,197,904)
Software cost (Note 11)	(662,538)	(515,108)
Property and equipment (Note 9)	(183,431)	(212,511)
Net cash provided by (used in) investing activities	(23,689,860)	9,228,769

(Forward)



	For the Semesters Ended June 30	
	2025	2024
CASH FLOWS FROM FINANCING ACTIVITIES		
Settlement of bills and acceptances payable (Note 22)	(₱88,787,138)	(₱86,091,871)
Proceeds from bills and acceptances payable (Note 22)	82,468,166	86,003,810
Settlement of LTNCD (Note 14)	(4,600,000)	–
Cash dividends paid (Note 16)	(2,105,555)	–
Payment of principal portion of lease liabilities (Note 22)	(636,034)	(592,326)
Net cash used in financing activities	(13,660,561)	(680,387)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(34,945,730)	24,548,375
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
Cash and other cash items	20,638,033	21,151,391
Due from Bangko Sentral ng Pilipinas	55,128,316	95,410,350
Due from other banks	20,183,894	21,243,856
Interbank loans receivable (Note 22)	19,861,641	30,955,766
Securities held under agreements to resell	103,480,119	69,694,538
	219,292,003	238,455,901
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and other cash items	15,314,202	17,180,496
Due from Bangko Sentral ng Pilipinas	45,903,970	110,198,990
Due from other banks	19,942,751	20,881,818
Interbank loans receivable (Note 22)	42,258,912	30,668,382
Securities held under agreements to resell	60,926,438	84,074,590
	₱184,346,273	₱263,004,276
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest received	₱30,288,312	₱30,625,957
Interest paid	8,911,954	9,346,829

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousand Pesos Except When Otherwise Indicated)

1. Corporate Information

Philippine National Bank (PNB or the Parent Company) is a universal bank established in the Philippines in 1916. On June 21, 1989, PNB's shares were listed with the Philippine Stock Exchange (PSE). As of June 30, 2025 and December 31, 2024, the shares of PNB are held by the following:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
LT Group, Inc. (LTG) (indirect ownership through its various holding companies)	59.83%	59.83%
PCD Nominee Corporation*	13.71%	14.35%
Other stockholders owning less than 10% each	26.46%	25.82%
	100.00%	100.00%

* Acts as a trustee-nominee for PNB shares lodged under the PCD system

PNB's immediate parent company, LTG, and ultimate parent company, Tangent Holdings Corporation, are also incorporated in the Philippines.

The Parent Company provides a full range of banking and other financial services, which include deposit-taking, lending, bills discounting, trade finance, foreign exchange dealings, investment banking, treasury operations, fund transfers, remittance and trust services, through its 631 domestic branches as of June 30, 2025 and December 31, 2024. As of the same dates, the Parent Company has 70 and 71 overseas branches, representative offices, remittance centers and subsidiaries, respectively, in 17 jurisdictions in Asia, North America and Europe, respectively.

The subsidiaries of the Parent Company are engaged in a number of diversified financial and related businesses such as remittance, banking, leasing, stock brokerage, foreign exchange trading and/or related services. The Parent Company and the subsidiaries are collectively referred hereinto as the Group.

The principal place of business of the Parent Company is at PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City, Metro Manila, Philippines.

2. Preparation of the Interim Financial Statements

2.1 Basis of Preparation of the Unaudited Interim Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements of the Group as of June 30, 2025 and for the six months ended June 30, 2025 and 2024 have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2024 prepared under the Philippine Financial Reporting Standards (PFRS) Accounting Standards.



2.2 Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements of the Group are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2024, except for the adoption of the following amended standards, which became effective beginning January 1, 2025. Unless otherwise indicated, the adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- 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.

2.3 Significant Judgments and Assumptions

The significant judgments and assumptions made in the unaudited interim condensed consolidated financial statements of the Group are consistent with the most recent annual financial statements issued.

2.4 Seasonality or Cyclicalality of Interim Operations

Seasonality or cyclicalality of interim operations is not applicable to the Group's type of business.

3. Financial Risk Management

3.1 Enterprise Risk Management Framework

The Parent Company's Board of Directors (BOD), through the Risk Oversight Committee (ROC), exercises oversight and provides guidance to experienced Senior Management Team who, through the Management Risk Committee (MRC), works closely with the business lines in managing risk. There is a rich risk culture, which seamlessly flows through not only within the Bank, but also across the Group subsidiaries.

The BOD has delegated specific responsibilities to various board committees, which are integral to PNB's risk governance framework and allow executive management, through Management Committees, to evaluate the risks inherent in the business and to manage them effectively. On the other hand, executive officers are assigned to various Management Committees that provide the leadership and execution of the vision and policies approved by the BOD. Business strategies are driven, for most part by the day-to-day directions decided by these Management Committees with approvals and notation by the various Board Committees.

The PNB Board ROC is created by the PNB Board of Directors to assist the board to oversee the risk profile and approve enterprise risk management framework of PNB. It is mandated to advise on the risk appetite, approve frameworks, policies, plans, programs and processes for managing risk.

The risk management policy includes:

- a comprehensive risk management approach;
- a detailed structure of limits, guidelines and other parameters used to govern risk-taking;
- a clear delineation of lines of responsibilities for managing risk;
- an adequate system for measuring risk;



- effective internal controls and a comprehensive monitoring and risk-reporting process; and
- adherence to standards and regulations.

The approach to managing risk is outlined in PNB's Enterprise Risk Management Framework (ERMF), which creates the context for setting policies and standards, and establishing the right practices throughout the PNB Group. It defines the risk management processes and sets out the activities, tools, and organizational structure to ensure material risks are identified, measured, monitored and managed.

The Management Risk Committee (MRC) is a forum ensuring that PNB's ERMF is operationalized and that senior management has an enterprise level view and awareness of all key risks that the Bank is facing and must deal with. It will be a forum for dialogue amongst the businesses, operations and control functions with respect to risk issues that arise from the conduct of business, changes to laws and regulations, and the general business environment.

Mainly composed of the Bank's Sector and Group Heads, the MRC will be responsible for reviewing and monitoring enterprise level risks and assessing risk responses proposed or taken by the relevant risk owner, and for providing inputs to the ERMF process. The Committee shall periodically assess that the Bank's risk appetite statements are aligned with the business strategy and the overall objectives.

The Enterprise Risk Management Group (ERMG) is primarily responsible for the monitoring of risk management functions to ensure that a robust risk-oriented organization is maintained. ERMG is independent from the business lines and is organized into the following:

- Credit Risk Management;
- Market, Liquidity and Interest Rate Risk Management;
- Operational and Fraud Risk Management;
- Integrated Risk Management covering Trust Risk, ICAAP, Model Risk, Environmental & Social Risk and Subsidiaries & Overseas Branches Risk;
- IT/IS Project Risk Management & Governance, Cyber Security Operations; and,
- Data Privacy.

Each Division is tasked to monitor the implementation of the processes and procedures that support the policies for risk management applicable to PNB. These board approved policies clearly establish the types of risks to be managed, define the risk organizational structure, and provide appropriate training necessary to manage and control risks. The policies also provide for the validation, audits and compliance testing to measure the effectiveness and suitability of the risk management structure.

ERMG also performs as the Secretariat to both MRC and ROC which meets monthly to discuss the most recent risk profile of the Bank according to the material risks defined in the Bank's Internal Capital Adequacy Assessment Process (ICAAP) document.

Further, each risk division engages with all levels of the Bank's business and support groups, including domestic and overseas branches and offices and domestic and foreign subsidiaries. This ensures that the risk management and monitoring are embedded at origination.

The PNB ERMF banks on a dynamic process that supports the development and implementation of the overall Bank strategy. The process revolves around methodically addressing risks associated with the business lines of PNB. The ERMF, with regular reviews and updates, has served the Bank well and has been resilient through economic cycles. The organization has placed a strong reliance on this risk governance framework with the three-line model of The Institute of Internal Auditors (IIA).



The first line roles are the lines of business who are directly involved in managing risks. This entails the proactive self-identification of risks as well as the design and implementation of appropriate controls. Within the business lines, a culture of open communication is key to sustainable risk-return thinking. Discussions about new products, existing and new positions, and other issues must be broad and not just limited to meeting financial targets. Data and information availability are a must to ensure that front office and top management undertake relevant and timely decisions with respect to risk taking. Finally, limits and other basic controls must be respected. For example, limit setting and limit monitoring shall be done within prescribed policies and procedures, front-liners who manage clients and handle cash shall be subject to mandatory leaves, and segregation of duties should be clear and enforced.

The second line roles are the support units who provide expertise and insight to the first line in managing risks. For the Bank, second line roles include the Enterprise Risk Management Group (ERMG) and Global Compliance Group (GCG): ERMG implements the risk management framework and assists risk owners in reporting adequate risk-related information to the ROC. GCG ensures that a strong compliance program is in place, effectively monitored, and aligned with the risks of the Bank's individual business processes. The second line roles may also recommend implementation of action plans, corrective actions or service recovery in managing the risk impact and prevent recurrence. ERMG reports to the ROC, while GCG reports to the BACC.

The third line role is the internal audit function which provides independent and objective assurance and advise on the adequacy and effectiveness of Bank's control, governance and risk management processes. It reports its findings to Management and the Board Audit & Compliance Committee to promote and facilitate continuous improvement. Internal audit's independence from the responsibilities of management is critical to its objectivity, authority, and credibility. It is established through accountability to the governing body, unfettered access to people, resources and data needed to complete its work; and freedom from bias or interference in the planning and delivery of audit services.

All roles, when working together, collectively contribute to the creation and protection of value when they are aligned with each other and with the prioritized interests of stakeholders. Alignment of activities is achieved through communication, cooperation, and collaboration. This ensures the reliability, coherence, and transparency of information needed for risk-based decision making.

The risk management system and the directors' criteria for assessing its effectiveness are revisited on an annual basis and limit settings are discussed with the business units and presented to the ROC for endorsement for final BOD Approval.

In line with the integration of the BSP required ICAAP and risk management processes, PNB currently monitors 11 Material Risks (3 for Pillar 1 and 8 for Pillar 2). These material risks are as follows:

Pillar 1 Risks:

1. Credit Risk (includes Counterparty and Country Risks)
2. Market Risk
3. Operational Risk

Pillar 2 Risks:

1. Credit Concentration Risk
2. Human Resource Risk
3. Information Security/ Cyber Security / Data Privacy Risk
4. Information Technology Risk



5. Interest Rate Risk in Banking Book (IRRBB)
6. Liquidity Risk
7. Reputational Risk
8. Strategic Business Risk

Pillar 1 Risk Weighted Assets are computed based on the guidelines set forth in BSP Circular No. 538, Series of 2006 using the Standard Approach for Credit and Market Risks and Basic Indicator Approach for Operational Risks. Discussions that follow below are for Pillar 1 Risks with specific discussions relating to Pillar 2 risks mentioned above.

3.2 Risk Categories and Definitions

Under our ERM framework, all risk-taking business units, including domestic and foreign subsidiaries, shall perform comprehensive assessment of all material risks. This is accomplished annually, and more often, as needed. The process includes:

- Determining the most significant risks based on the business impact;
- Quantifying the potential losses of each of these significant risks;
- Providing various risk mitigation and control measures to manage these identified risks; and
- Consolidating computed potential losses for capital computation.

The identification of risks is based on what is considered by the Bank as material after undergoing an evaluation process. These key risks, namely, credit, market, operational, credit concentration, human resource, information security/ cyber security/ data privacy, information technology, interest rate, liquidity, reputational, and strategic business risks, are not only monitored under their separate and distinct components but also monitored across all interrelated business risks.

The Bank broadly classifies and defines risks into the following categories and manage the risks according to their characteristics. These are monitored accordingly under the enterprise ICAAP 2025 program:

Risk Category	Risk Definition	Risk Management Tools
Credit Risk (including Credit Concentration Risks and Counterparty Risks))	Credit risk is the risk to earnings or capital that arises from an obligor/s, customer/s or counterparty's failure to perform and meet the terms of its contract. Credit concentration risk arises from excessive exposures to individual counterparties, groups of related counterparties and groups of counterparties with similar characteristics (e.g., counterparties in specific geographical locations, economic or industry sector). Its potential loss implications are large enough relative to a bank's capital, total assets, or overall risk level, to threaten a financial institution's health or ability to maintain its core operations. It is inherent in a bank's assets, liabilities or off-balance sheet items, through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. The potential for loss reflects the size of the position and the extent of loss given a particular adverse circumstance (BSP MORB Sec 301.6, Series of 2009; BCBS)	<u>Enterprise-wide Tools</u> ▪ Internal risk rating for corporate accounts ▪ Credit Scoring for consumer loans ▪ Credit limits (statutory/ regulatory & internal limits) ▪ Manual of Signing Authority (MSA) ▪ Updated & responsive credit policies ▪ Performance vs. target ▪ Pre-approval review of loan recommendations ▪ Post-approval review of booked loans ▪ Expanded Real Estate Exposure Reporting ▪ Uniform Stress Test BSP Report <u>ERMG Tools</u> ▪ Trend Analysis (Portfolio / Past Due and NPL Levels)



Risk Category	Risk Definition	Risk Management Tools
		▪ Stress testing/Rapid Loan Portfolio Reviews ▪ CRR Migration ▪ Tracking the movements of loan portfolio ▪ Monitoring of large exposures ▪ Monitoring of credit risk concentration ▪ Capital Adequacy Ratio (quarterly report) ▪ Review of adequacy of loan loss reserves and impairment loss ▪ Specialized Credit Monitoring (REST/EREE for Real Estate and Industry Limits) ▪ Concentrations and Demographics Review ▪ Counterparty Limits Monitoring
Human Resource Risk	Human Resource Risk covers PNB's risk of financial loss due to the inadequate training, inexperience or illegal activities of risk-taking behavior of personnel. This risk is closely related to operations risk and its internal control aspects. It highlights the human side of risk-taking and the role and adequacy of code of conduct, personnel policies, training and development programs, ability to recruit and retain employees through adequate compensation and benefits and ability to sustain adequate workforce through succession planning.	▪ Talent Acquisition/Retention and Career Management ▪ Remuneration Management ▪ Performance Appraisal System ▪ Training and Development ▪ Labor Management Relations ▪ Code of Conduct/Personnel Policies ▪ Employee Welfare/Wellness ▪ Employee Engagement Program ▪ Rewards System ▪ Compensation Package Review ▪ Attendance Reports ▪ Performance Appraisal Report ▪ Monitoring of employee's deliberate non-submission of acknowledgement receipts of personnel policies issued by HRG ▪ Grievance Reports/Complaints ▪ Attrition rates, separation reports and exit interview forms ▪ Disciplinary Cases Report ▪ Recruitment Turnaround Time Report ▪ Number of training programs conducted Report ▪ Hiring and Attrition Tracking
Information Security/ Cyber Security/ Data Privacy Risk	Data Privacy (DP) Risk is the risk associated to potential loss due to unauthorized collection, processing, or access to personal data. It includes risks that the confidentiality, integrity and/or availability of personal data will not be maintained, or the risk that processing will violate the rights of data subjects or the general privacy principles (transparency, legitimate purpose and proportionality). Consequently, the data privacy risks may negatively impact the Bank's reputation and may result to financial losses.	▪ Information Security Risk Assessment (ISRA) ▪ Information Asset Register ▪ Information Security Management System Implementation ▪ RCO/BISO Checklist ▪ User Access and UAM Review ▪ Network Security Protection / Network monitoring tool ▪ Installation of firewalls, anti-virus, IPS/IDS, enterprise security



Risk Category	Risk Definition	Risk Management Tools
		solution (endpoint security, email and internet) ▪ Vulnerability assessments and penetration testing (to include social engineering tests) and follow through on remediation of threats and risks ▪ Logs Review ▪ Incident Reporting Management ▪ Independent Operations Review and Quality Assurance ▪ Scanning of outbound and inbound digital traffic ▪ Continuous InfoSec/Cyber Risk awareness ▪ Enterprise-wide data privacy risk management framework which complies with both domestic and global requirements ▪ Conduct of Privacy Impact Assessment (PIA) as required by DPA of 2012 ▪ Institutionalization of data protection culture within the group through regular awareness program ▪ Data Privacy Management System
Information Technology Risk	Information Technology Risk is any potential adverse outcome, damage, loss, violation, failure or disruption associated with the use of or reliance on computer hardware, software, devices, systems, applications and networks. (BSP Circular 808). It is also a business risk that is associated with the use, ownership, operation, involvement, influence and adoption of IT within PNB. It consists of IT-related events that could potentially impact the business. IT Risk includes Information Security Risk that could result from non-preservation of any or all of the domains of information security; that is, confidentiality, integrity and availability of information asset. (ISACA Risk IT Framework)	▪ IT Risk Assessment (ITRA) ▪ Project Risk Assessment (PRA) ▪ Incident Reporting Management ▪ Patch Management ▪ Technology Operations Management Policies & Guidelines ▪ Maintenance and upgrades of disaster recovery sites ▪ Business Users / IT joint engagement for problem resolution ▪ Formal Project Management Program adoption ▪ Maintenance and upgrades of disaster recovery sites ▪ Business Impact Analysis ▪ Change Management Process ▪ Capacity Monitoring ▪ Data Loss Prevention tool ▪ Privilege Access Management (PAM) ▪ Network Security Protection / Network monitoring tool ▪ Installation of firewalls, anti-virus, IPS/IDS, enterprise security solution (endpoint security, email and internet) ▪ IT Service Management tool ▪ Vulnerability assessments and penetration testing ▪ Logs Review



Risk Category	Risk Definition	Risk Management Tools
Interest Rate Risk in the Banking Books (IRRBB)	Interest rate risk is the current and prospective risk to earnings or capital arising from movements in interest rates. It arises from differences between the timing of rate changes and the timing of cash flows (repricing risk); from changing rate relationships among different yield curves affecting financial institution (FI) activities (basis risk); from changing rate relationships across the spectrum of maturities (yield curve risk); and from interest-related options embedded in FI products (options risk). The amount at risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position. (BSP Cir. No. 1044, Series of 2019)	▪ EAR Limits ▪ Balance Sheet Profiling ▪ Interest Repricing Gap Analysis ▪ Delta EVE ▪ Stress testing ▪ BSP Uniform Stress Testing
Liquidity Risk	Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Bank's inability to meet its obligations when they come due, without incurring unacceptable losses or costs. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. (BSP Cir. No. 981)	▪ MCO Limits ▪ Liquidity Ratios Limits ▪ Liquid Assets Monitoring ▪ Large Fund Provider Analysis ▪ Funding Liquidity/Contingency Planning ▪ Liquidity Stress Testing
Market Risk	Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of financial instruments, products and transactions in an institution's overall portfolio, both on or off-balance sheet and contingent financial contracts. Market risk arises from market-making, dealing and position taking in interest rate, foreign exchange, equity, and commodities market. (BSP Cir. No. 544, Series of 2006)	▪ VaR Limits ▪ Stop Loss Limits ▪ Management Action Triggers for FVOCI cumulative losses ▪ Duration Report ▪ FX Position Limit ▪ ROP Exposure Limit ▪ Limit to Derivatives / Structured Products ▪ Exception Report on Traders' Limit ▪ Exception Report on Rate Tolerance ▪ TPR computation ▪ Monthly validation/ preparation of the Market Risk Weighted Exposures in the CAR Report ▪ Stress testing / Scenario analysis ▪ BSP Uniform Stress Testing ▪ Backtesting
Operational Risk	Operational Risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes Legal Risk but excludes Strategic and Reputational Risk. Operational Risk is inherent in all activities, products and services, and cuts across multiple activities and business lines within the financial institution and across the different entities in a banking group or conglomerate where the financial institution belongs. (BSP Circular 900, dated 18 January 2016)	▪ Internal Control ▪ Risk and Control Self-Assessment (RCSA) ▪ Loss Events Report (LER) ▪ Board approved Product Manuals ▪ Board approved Operating Policies and Procedures Manuals ▪ Key Risk Indicators (KRI) ▪ Business Continuity Plan (BCP) ▪ Disaster Recovery Plan (DRP) ▪ Business Continuity Playbooks ▪ Business Continuity Risk Assessment (BCRA) ▪ Business Impact Analysis (BIA) ▪ Crisis Management Plan (CMP)



Risk Category	Risk Definition	Risk Management Tools
		▪ BCP Drills/Testing ▪ Incident Monitoring ▪ Vendor Risk Assessment (VRA) ▪ Vendor Risk Rating (VRR) ▪ Vendor Performance Evaluation (VPE) ▪ Materiality Determination template ▪ Statistical Analysis ▪ Awareness Campaign – Operational Risk, Business Continuity, Vendor Risk
Reputational Risk	Reputational risk is the risk to earnings, capital, and liquidity arising from negative perception on the Bank of its customers, shareholders, investors, and employees, market analysts, the media, and other stakeholders such as regulators and other government agencies, that can adversely affect the Bank's ability to maintain existing business relationships, establish new businesses or partnerships, or continuously access varied sources of funding". (BSP Circular 1114, dated 08 April 2021). Reputational Risk also covers Customer Franchise Risk and Consumer Protection Risk. Customer Franchise Risk is defined in PNB's Policy on ICAAP, as the failure to find, attract, and win new clients, nurture and retain those PNB already has, and entice former clients back into the fold as well as the failure to meet client's expectation in delivering PNB's products and services. Consumer Protection Risk is defined as failure of PNB to deliver its mandate to provide appropriate service and protection to its financial consumers.	▪ Customer Engagement and Consolidated Complaints Report ▪ After Call and After Email Survey ▪ Security Measures for Digital Banking ▪ Market research on digital trends and profiling of digital users, statistics on usage, and transactions to anticipate and respond to changes in overall trends related to demands of customers and clients in relation to digital services platforms ▪ Fraud Management Program ▪ Social Media Management Framework ▪ Social Media Risk Management ▪ Use of Social Media metrics/ Social Media Analytics ▪ Website Management ▪ Website Analytics ▪ Public Relations Campaign ▪ Mainstream media monitoring tool ▪ Customer feedback mechanism ▪ Products and marketing promotions review
Strategic Business Risk	Strategic business risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. This risk is a function of the compatibility of the firm's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation. The resources needed to carry out business strategies are both tangible and intangible. They include communication channels, operating systems, delivery networks, and managerial capacities and capabilities. The organization's internal characteristics must be evaluated against the impact of economic, technological, competitive, regulatory, and other environmental changes. (BSP Cir. No. 510, dated 03 Feb 2006)	▪ Regular ALCO reports on latest financials, monthly CAR, NPL & NIM projections, weekly performance on deposits, loans, treasury assets (levels, YTD, ADB) ▪ Regular updates on the status of sale of ROPA and other properties as well as NPL reduction ▪ Economic briefings for ALCO, Treasury and Senior Management by the Bank economist ▪ Corplan's banking, industry reports and research studies ▪ Research Division's regular economic reports and forecasting and equities reports ▪ Budget Performance Report (BPR) distributed to concerned sector/group heads and PNB President (Key Result Areas



Risk Category	Risk Definition	Risk Management Tools
		[KRA] actual performance against targets) - Compliance updates on new, revised regulations - Annual Strategic Planning activities - Performance and monitoring reports and surveys on bank products and services
Environmental and Social Risk	E & S Risk refers to potential financial, legal /or reputational negative effect of environmental issues on the Bank. This includes environmental pollution, climate risk (physical and transition risks), hazards to human health, safety, security and threats to community, biodiversity and cultural heritage among others	- Loss Events Report (LER) - Risk and Control Self-Assessment (RCSA) - Business Continuity Risk Assessment (BCRA) - Hazard Hunter PH - Key Risk Indicators (KRI) monitoring - Enhanced Due Diligence E&S Scorecard - Stress Testing

4. Fair Value Measurement

The Group uses the following methods and assumptions in estimating the fair value of its assets and liabilities:

Assets and Liabilities	Fair value methodologies
Cash equivalents	At carrying amounts due to their relatively short-term maturity
Derivatives	Based on either: - quoted market prices; - prices provided by independent parties; or - prices derived using acceptable valuation models
Debt securities	For quoted securities – based on market prices from debt exchanges For unquoted securities ¹ – estimated using either: - quoted market prices of comparable investments; or - discounted cash flow methodology
Equity securities	For quoted securities – based on market prices from stock exchanges For unquoted securities – estimated using either: - quoted market prices of comparable investments ²; or - adjusted net asset value method ³ and applying a discount for lack of marketability
Loans and receivables	For loans with fixed interest rates – estimated using the discounted cash flow methodology ⁴ For loans with floating interest rates – at their carrying amounts



Assets and Liabilities	Fair value methodologies
Investment properties	Appraisal by independent external and in-house appraisers based on highest and best use of the property (i.e., current use of the properties) ⁵ using either: • market data approach ⁶; or • replacement cost approach ⁷
Short-term financial liabilities	At carrying amounts due to their relatively short-term maturity
Long-term financial liabilities	For quoted debt issuances – based on market prices from debt exchanges For unquoted debt issuances – estimated using the discounted cash flow methodology ⁸

Notes:

¹ using interpolated PHP BVAL rates provided by the Philippine Dealing and Exchange Corporation (for government securities) and PHP BVAL rates plus additional credit spread (for corporate/private securities)

² using the most relevant multiples (e.g., earnings, book value)

³ measures the company's value by adjusting the carrying value of its assets to their fair values, and then subtracting the fair value of its liabilities

⁴ using the current incremental lending rates for similar loans

⁵ considering other factors such as size, shape and location of the properties, price per square meter, reproduction costs new, time element, discount, among others

⁶ using recent sales of similar properties within the same vicinity and considering the economic conditions prevailing at the time of the valuations and comparability of similar properties sold

⁷ estimating the investment required to duplicate the property in its present condition

⁸ using the current incremental borrowing rates for similar borrowings

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities:

- Level 1 - Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level of input that is significant to their fair value measurement is unobservable

As of June 30, 2025 and December 31, 2024, the Group held the following assets and liabilities measured at fair value, and at cost but for which fair values are disclosed:

	June 30, 2025				
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	₱24,970,985	₱19,414,304	₱5,556,681	₱–	₱24,970,985
Private debt securities	2,318	2,318	–	–	2,318
Derivative assets	1,276,259	–	1,276,259	–	1,276,259
Equity securities	2,854	2,854	–	–	2,854
Financial assets at FVOCI:					
Government securities	191,481,411	151,706,724	39,774,687	–	191,481,411
Private debt securities	17,473,735	6,673,106	10,800,629	–	17,473,735
Equity securities	27,949,488	151,831	1,252,499	26,545,158	27,949,488
	₱263,157,050	₱177,951,137	₱58,660,755	₱26,545,158	₱263,157,050

(Forward)



June 30, 2025					
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱922,268	₱–	₱922,268	₱–	₱922,268
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	₱115,671,665	₱83,950,848	₱31,219,737	₱–	₱115,170,585
Receivables from customers**	657,730,270	–	–	677,842,862	677,842,862
	₱773,401,935	₱83,950,848	₱31,219,737	₱677,842,862	₱793,013,447
Nonfinancial Assets					
Investment property:					
Land***	₱13,269,522	₱–	₱–	₱34,790,964	₱34,790,964
Buildings and improvements***	3,671,227	–	–	6,152,763	6,152,763
	₱16,940,749	₱–	₱–	₱40,943,727	₱40,943,727
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	₱159,220,838	₱–	₱–	₱159,179,325	₱159,179,325
Bonds payable	16,855,560	–	17,244,353	–	17,244,353
Bills payable	10,832,405	–	–	10,832,405	10,832,405
	₱186,908,803	₱–	₱17,244,353	₱170,011,730	₱187,256,083

* Net of expected credit losses

** Net of expected credit losses and unearned and other deferred income

*** Net of impairment losses

December 31, 2024					
	Carrying Value	Level 1	Level 2	Level 3	Total
Measured at fair value:					
Financial Assets					
Financial assets at FVTPL:					
Government securities	₱16,181,821	₱9,280,986	₱6,900,835	₱–	₱16,181,821
Private debt securities	649,191	646,996	2,195	–	649,191
Derivative assets	1,087,107	–	1,087,107	–	1,087,107
Equity securities	2,866	2,866	–	–	2,866
Financial assets at FVOCI:					
Government securities	167,824,773	84,332,614	83,492,159	–	167,824,773
Private debt securities	15,578,200	8,144,021	7,434,179	–	15,578,200
Equity securities	28,339,810	2,390,053	671,154	25,278,603	28,339,810
	₱229,663,768	₱104,797,536	₱99,587,629	₱25,278,603	₱229,663,768
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱924,053	₱–	₱924,053	₱–	₱924,053
Fair values are disclosed:					
Financial Assets					
Financial assets at amortized cost:					
Investment securities at amortized cost*	₱112,422,382	₱44,626,557	₱67,159,150	₱–	₱111,785,707
Receivables from customers**	626,089,235	–	–	657,189,212	657,189,212
	₱738,511,617	₱44,626,557	₱67,159,150	₱657,189,212	₱768,974,919
Nonfinancial Assets					
Investment property:					
Land***	₱12,656,948	₱–	₱–	₱30,731,999	₱30,731,999
Buildings and improvements***	3,307,319	–	–	5,820,255	5,820,255
	₱15,964,267	₱–	₱–	₱36,552,254	₱36,552,254

(Forward)



	December 31, 2024				
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Liabilities					
Financial liabilities at amortized cost:					
Time deposits	₱147,368,732	₱–	₱–	₱147,177,687	₱147,177,687
LTNCDs	4,598,770	–	4,541,491	–	4,541,491
Bonds payable	17,304,421	–	17,001,745	–	17,001,745
Bills payable	14,152,442	–	–	14,152,442	14,152,442
	₱183,424,365	₱–	₱21,543,236	₱161,330,129	₱182,873,365

* Net of expected credit losses

** Net of expected credit losses and unearned and other deferred income

*** Net of impairment losses

As of June 30, 2025 and December 31, 2024, there were no transfers between Level 1 and Level 2 fair value measurements.

The following table summarizes the significant unobservable inputs used to calculate the fair value of Level 3 financial assets at FVOCI of the Group as of June 30, 2025 and December 31, 2024 and the range of values indicating the highest and lowest level input used in the valuation techniques.

	Significant Unobservable Input	-2%	+2%
Equity securities	Discount for lack of marketability	₱601,974	(₱601,974)

For certain unquoted equity securities, the Group imputes a discount for lack of marketability which is a valuation consideration often based on observed data and empirical evidence. Certain valuation studies suggest that private companies typically sell at lower transaction pricing multiples than similar public companies.

5. Segment Information

5.1 Business Segments

The Group's operating businesses are determined and managed separately according to the nature of services provided and the different markets served with each segment representing a strategic business unit.

The Group's business segments follow:

- Retail Banking - principally handling individual customer's deposits, and providing consumer type loans, credit card facilities and fund transfer facilities;
- Corporate Banking - principally handling loans and other credit facilities and deposit accounts for corporate and institutional customers;
- Treasury - principally providing money market, trading and treasury services, as well as the management of the Group's funding operations by use of Treasury bills, government securities and placements, and acceptances with other banks, through treasury and wholesale banking; and
- Other Segments - include, but not limited to, trust, leasing, remittances, and other support services. Other support services of the Group comprise of operations and finance.

Transactions between segments are conducted at prevailing market rates on an arm's length basis. Interest is credited to or charged against business segments based on market rates which approximate the marginal cost of funds.



For management purposes, business segment report is done on a quarterly basis. Business segment information provided to the BOD, the chief operating decision maker (CODM), is based on the reportorial requirements under Regulatory Accounting Principles of the Bangko Sentral ng Pilipinas (BSP), which differ from PFRS due to the manner of provisioning for impairment and credit losses, measurement of investment properties, and the fair value measurement of financial instruments. The report submitted to CODM represents only the results of operation for each of the reportable segment.

Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment revenues pertain to the net interest margin and other operating income earned by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

The Group has no significant customer which contributes 10.00% or more of the consolidated revenue.

Business segment information of the Group follows:

For the Semesters Ended June 30, 2025 (Unaudited)						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	(P1,135,848)	P14,886,316	P11,418,963	P82,383	P513,798	P25,765,612
Inter-segment	15,364,628	(8,629,806)	(6,734,822)	—	—	—
Net interest margin after inter-segment transactions	14,228,780	6,256,510	4,684,141	82,383	513,798	25,765,612
Other income	2,985,098	1,726,655	1,284,420	724,576	251,005	6,971,754
Segment revenue	17,213,878	7,983,165	5,968,561	806,959	764,803	32,737,366
Other expenses	7,624,785	1,664,541	783,266	527,891	764,803	11,365,286
Segment result	P9,589,093	P6,318,624	P5,185,295	P279,068	P—	21,372,080
Unallocated expenses						5,627,703
Net income before income tax						15,744,377
Income tax						3,227,551
Net income						12,516,826
Non-controlling interests						(60,663)
Net income for the period attributable to equity holders of the Parent Company						P12,456,163
Other segment information						
Capital expenditures	P200,582	P5,064	P76,347	P1,762	P—	P283,755
Unallocated capital expenditures						562,214
Total capital expenditures						P845,969
Depreciation and amortization	P530,256	P230,490	P11,173	P66,670	P—	P838,589
Unallocated depreciation and amortization						859,412
Total depreciation and amortization						P1,698,001
Provision for (reversal of) impairment, credit and other losses	P409,670	(P108,666)	P37,831	P3,099	P—	P341,934

* The eliminations and adjustments column mainly represent the RAP to PFRS adjustments



For the Semesters Ended June 30, 2024 (Unaudited)						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	(P1,082,202)	P14,777,404	P10,288,852	P—	P46,128	P24,030,182
Inter-segment	12,898,139	(6,098,440)	(6,799,699)	—	—	—
Net interest margin after inter-segment transactions	11,815,937	8,678,964	3,489,153	—	46,128	24,030,182
Other income	2,455,751	883,478	844,610	1,401,567	(242,963)	5,342,443
Segment revenue	14,271,688	9,562,442	4,333,763	1,401,567	(196,835)	29,372,625
Other expenses	6,632,078	3,664,089	696,970	452,410	(196,835)	11,248,712
Segment result	P7,639,610	P5,898,353	P3,636,793	P949,157	P—	18,123,913
Unallocated expenses						5,853,031
Net income before income tax						12,270,882
Income tax						1,980,689
Net income						10,290,193
Non-controlling interests						(74,281)
Net income for the period attributable to equity holders of the Parent Company						P10,215,912
Other segment information						
Capital expenditures	P133,033	P26,629	P1,652	P5,100	P—	P166,414
Unallocated capital expenditures						561,205
Total capital expenditures						P727,619
Depreciation and amortization	P524,245	P237,248	P11,374	P73,260	P—	P846,127
Unallocated depreciation and amortization						822,038
Total depreciation and amortization						P1,668,165
Provision for impairment, credit and other losses	P14,966	P2,054,052	P315	P78	P—	P2,069,411

* The eliminations and adjustments column mainly represent the RAP to PFRS adjustments

As of June 30, 2025 (Unaudited)						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Segment assets	P696,578,773	P410,992,486	P106,200,280	P96,814,010	(P17,618,328)	P1,292,967,221
Segment liabilities	P698,685,896	P343,382,637	P16,080,779	P27,100,261	(P18,209,227)	P1,067,040,346

* The eliminations and adjustments column mainly represent the RAP to PFRS adjustments

As of December 31, 2024 (Audited)						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Segment assets	P720,134,571	P355,055,573	P85,145,453	P114,961,848	(P17,686,592)	P1,257,610,853
Segment liabilities	P696,116,123	P294,672,764	P46,098,678	P23,847,015	(P19,752,668)	P1,040,981,912

* The eliminations and adjustments column mainly represent the RAP to PFRS adjustments



5.2 Geographical Segments

Although the Group's businesses are managed on a worldwide basis, the Group operates in four principal geographical areas of the world. The distribution of assets, liabilities, credit commitments, capital expenditures, and revenues by geographic region of the Group follows:

	Non-Current Assets*		Liabilities		Credit Commitments	
	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Philippines	₱595,827,505	₱512,659,841	₱1,034,999,463	₱1,004,841,665	₱53,578,923	₱53,614,874
Asia (excluding Philippines)	10,725,314	14,987,916	28,225,365	32,134,134	—	—
USA and Canada	2,244,322	2,705,244	3,668,499	3,879,385	—	—
United Kingdom	451	645	147,019	126,728	—	—
	₱608,797,592	₱530,353,646	₱1,067,040,346	₱1,040,981,912	₱53,578,923	₱53,614,874

* Gross of allowance for impairment and credit losses and unearned and other deferred income

	Capital Expenditures		Revenues	
	June 30, 2025 (Unaudited)	June 30, 2024 (Unaudited)	June 30, 2025 (Unaudited)	June 30, 2024 (Unaudited)
Philippines	₱842,966	₱726,409	₱39,862,130	₱36,140,722
Asia (excluding Philippines)	1,986	238	1,281,782	1,656,813
USA and Canada	1,017	972	397,112	452,724
United Kingdom	—	—	63,399	61,321
	₱845,969	₱727,619	₱41,604,423	₱38,311,580

6. Due from Bangko Sentral ng Pilipinas

This account consists of:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Demand deposit	₱42,903,970	₱44,628,316
Overnight deposit facility (ODF)	—	10,500,000
Term deposit facility (TDF)	3,000,000	—
	₱45,903,970	₱55,128,316

For the six months ended June 30, 2025 and 2024, Due from BSP bears annual interest rates ranging from 4.75% to 6.00% and from 6.00% to 6.60%, respectively.

7. Trading and Investment Securities

This account consists of:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Financial assets at FVTPL	₱26,252,416	₱17,920,985
Financial assets at FVOCI	236,904,634	211,742,783
Investment securities at amortized cost	115,671,665	112,422,382
	₱378,828,715	₱342,086,150



7.1 Financial Assets at FVTPL

This account consists of:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Government securities	₱24,970,985	₱16,181,821
Private debt securities	2,318	649,191
Derivative assets	1,276,259	1,087,107
Equity securities	2,854	2,866
	₱26,252,416	₱17,920,985

The nominal interest rates of debt securities at FVTPL range from:

	For the Semesters Ended June 30	
	2025	2024
Government securities	1.5% - 9.3%	1.4% - 9.3%
Private debt securities	4.9% - 6.6%	4.9% - 6.9%

7.2 Financial Assets at FVOCI

This account consists of:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Government securities	₱191,481,411	₱167,824,773
Private debt securities	17,473,735	15,578,200
Equity securities		
Quoted	2,404,064	2,831,277
Unquoted (Note 20)	25,545,424	25,508,533
	₱236,904,634	₱211,742,783

Unquoted equity securities include the Parent Company's retained 49.00% interest in PNB Holdings Corporation (PNB Holdings) amounting to ₱25.1 billion as of June 30, 2025 and December 31, 2024 (refer to Note 20). The Group determines its fair value using the net asset value method after applying a 16.50% discount for lack of marketability by referring to a number of recent initial public offerings.

The effective interest rates of debt securities at FVOCI range from:

	For the Semesters Ended June 30	
	2025	2024
Government securities	0.6% - 12.6%	0.6% - 17.2%
Private debt securities	1.4% - 6.9%	1.0% - 6.4%

As of June 30, 2025 and December 31, 2024, net unrealized gains on financial assets at FVOCI amounted to ₱746.0 million and ₱142.1 million, respectively.



7.3 Investment Securities at Amortized Cost

This account consists of:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Government securities	₱104,791,368	₱96,817,380
Private debt securities	11,036,849	15,752,472
	115,828,217	112,569,852
Less allowance for credit losses (Note 13)	156,552	147,470
	₱115,671,665	₱112,422,382

The effective interest rates of investment securities at amortized cost range from:

	For the Semesters Ended June 30	
	2025	2024
Government securities	0.8% - 6.3%	0.8% - 7.5%
Private debt securities	2.3% - 8.3%	1.8% - 8.3%

7.4 Interest Income on Investment Securities at Amortized Cost and FVOCI

This account consists of:

	For the Semesters Ended June 30	
	2025 (Unaudited)	2024 (Unaudited)
Financial assets at FVOCI	₱5,521,513	₱4,617,742
Investment securities at amortized cost	3,260,969	3,270,911
	₱8,782,482	₱7,888,653

7.5 Trading and Investment Securities Gains (Losses) - net

This account consists of:

	For the Semesters Ended June 30	
	2025 (Unaudited)	2024 (Unaudited)
Financial assets at FVTPL		
Government securities	₱429,758	₱337,992
Private debt securities	2,063	20,274
Equity securities	(12)	6
Derivatives	19	10,855
Financial assets at FVOCI		
Private debt securities	6	7,007
Investment securities at amortized cost	17,656	—
	₱449,490	₱376,134

Trading gains on investment securities at amortized cost pertain to investments which were redeemed by the respective issuers prior to their contractual maturity



8. Loans and Receivables

This account consists of:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Receivables from customers (Note 20):		
Loans and discounts	₱661,913,730	₱627,885,539
Credit card receivables	19,936,284	18,063,885
Customers' liabilities on letters of credit and trust receipts	8,036,628	9,177,471
Customers' liabilities on acceptances	3,390,731	6,126,005
Bills purchased	2,701,781	3,829,665
	695,979,154	665,082,565
Other receivables:		
Accrued interest receivable (Note 20)	9,504,942	8,783,078
Accounts receivable (Note 20)	3,783,925	3,964,379
Sales contract receivables (Note 20)	1,672,565	1,589,298
Miscellaneous	572,596	454,556
	15,534,028	14,791,311
	711,513,182	679,873,876
Less: Unearned and other deferred income	686,599	845,862
Allowance for credit losses (Note 13)	41,583,254	42,208,389
	₱669,243,329	₱636,819,625

Included in 'Surplus reserves' is the amount of ₱4.4 billion and ₱4.2 billion as of June 30, 2025 and December 31, 2024, respectively, which pertains to the excess of 1.00% general loan loss provisions over the computed ECL for Stage 1 accounts as prescribed by BSP Circular 1011, *Guidelines on the Adoption of PFRS 9* (refer to Note 16.2).

As of June 30, 2025 and December 31, 2024, 72.7% and 72.6%, respectively, of the total receivables from customers of the Group were subject to interest repricing. For the six months ended June 30, 2025 and 2024, remaining receivables carry annual fixed interest rates ranging from 1.1% to 9.0% for foreign currency-denominated receivables, and from 1.2% to 31.5%, respectively, for peso-denominated receivables.

9. Property and Equipment

For the six months ended June 30, 2025 and 2024, the Group purchased assets with cost of ₱0.2 billion. For the same periods, the Group disposed property and equipment with net book value of ₱20.7 million and ₱20.9 million, respectively, recognizing gain on sale of ₱35.7 million and ₱26.8 million, respectively.

10. Investment Properties

For the six months ended June 30, 2025, and 2024, the Group foreclosed investment properties amounting to ₱831.0 million and ₱521.9 million, respectively, and disposed investment properties with net book value of ₱225.4 million and ₱130.3 million, respectively. For the same periods, the Group recognized gain on sale of investment properties and certain real estate inventories amounting to ₱1.1 billion and ₱326.3 million, respectively (see Note 12.1).



11. Goodwill and Intangible Assets

11.1 Software Costs

For the six months ended June 30, 2025 and 2024, the Group purchased software with cost of ₱662.5 million and ₱515.1 million, respectively.

11.2 Goodwill

As of June 30, 2025 and December 31, 2024, goodwill for each cash-generating unit amounted to:

Retail Banking	₱6,110,312
Treasury	2,038,163
Corporate Banking	2,036,368
	<u>₱10,184,843</u>

Goodwill is reviewed for impairment annually in the fourth quarter of the reporting period, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. As of June 30, 2025, the Group assessed no events or changes in circumstances that will require impairment testing of its goodwill.

12. Other Assets and Other Liabilities

12.1 Other Assets

This account consists of:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Financial		
Fund for electronic money products	₱400,000	₱400,000
Returned checks and other cash items	151,944	25,003
Security deposits (Note 20)	19,328	19,662
Miscellaneous	4,221	2,808
	<u>575,493</u>	<u>447,473</u>
Nonfinancial		
Deferred charges (Note 20)	4,702,741	3,969,199
Creditable withholding taxes	1,778,116	1,467,670
Prepaid expenses	516,344	474,397
Documentary stamps on hand	366,891	406,790
Retirement assets	302,797	302,797
Real estate inventories held under development (Note 10)	181,178	521,114
Chattel mortgage properties - net of depreciation	133,584	75,432
Stationeries and supplies	93,587	81,937
Other investments	26,565	26,842
Miscellaneous	1,469,670	1,427,061
	<u>9,571,473</u>	<u>8,753,239</u>
	<u>10,146,966</u>	<u>9,200,712</u>
Less: Allowance for credit and impairment losses (Note 13)	1,058,668	1,050,083
	<u>₱9,088,298</u>	<u>₱8,150,629</u>



12.2 Other Liabilities

This account consists of:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Financial		
Accounts payable	₱3,905,134	₱3,714,056
Dividends payable	2,105,555	—
Bills purchased - contra	1,953,680	3,196,612
Due to other banks (Note 20)	1,759,127	2,038,261
Dormant credits	1,424,255	1,700,209
Manager's checks and demand drafts outstanding	1,053,835	1,383,750
Accounts payable - electronic money	704,674	759,059
Payment order payable	172,979	180,883
Deposits on lease contracts (Note 20)	73,347	72,975
Transmission liability	38,839	48,612
Margin deposits and cash letters of credit	23,216	27,719
Deposit for keys on safety deposit boxes	15,512	15,639
	13,230,153	13,137,775
Nonfinancial		
Due to Treasurer of the Philippines	1,690,075	1,431,240
Provisions	888,810	878,874
Deferred revenue - Credit card-related	589,289	598,593
Withholding tax payable	353,970	473,641
Deferred revenue - Bancassurance	291,581	322,031
Deferred tax liabilities	167,687	167,524
SSS, Philhealth, Employer's compensation premiums and Pag-IBIG contributions payable	73,798	65,404
Retirement benefit liability	71,313	9,455
Miscellaneous	1,186,157	1,021,519
	5,312,680	4,968,281
	₱18,542,833	₱18,106,056

'Dividends payable' pertains to the recognition of cash dividends of ₱1.38 per share from the second tranche of dividends declared in February 2025 which were paid on October 1, 2025 (see Note 16.1).

13. Allowance for Impairment, Credit and Other Losses

Movements in this account follow:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Balance at beginning of period:		
Due from other banks	₱4,744	₱9,898
Interbank loans receivable	6,138	8,045
Securities held under agreements to resell	46,240	14,152
Financial assets at FVOCI	68,923	45,673
Investment securities at amortized cost (Note 7)	147,470	155,835

(Forward)



	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Loans and receivables (Note 8)	₱42,208,389	₱42,571,906
Property and equipment	1,124,779	1,133,292
Investment properties	2,620,097	2,318,900
Other assets (Note 12)	1,050,083	1,035,620
	47,276,863	47,293,321
Movements during the period:		
Provision for impairment, credit and other losses	341,934	2,386,116
Accounts charged-off	(1,189,433)	(2,977,647)
Transfers and others	(35,129)	575,073
	(882,628)	(16,458)
Balance at end of period:		
Due from other banks	9,315	4,744
Interbank loans receivable (Note 22)	9,659	6,138
Securities held under agreements to resell	30,916	46,240
Financial assets at FVOCI	104,785	68,923
Investment securities at amortized cost (Note 7)	156,552	147,470
Loans and receivables (Note 8)	41,583,254	42,208,389
Property and equipment	1,121,686	1,124,779
Investment properties	2,319,398	2,620,097
Other assets (Note 12)	1,058,670	1,050,083
	₱46,394,235	₱47,276,863

14. Financial Liabilities

14.1 Deposit Liabilities

As of June 30, 2025, and December 31, 2024, noninterest-bearing deposit liabilities amounted to ₱27.9 billion and ₱26.8 billion, respectively. For the six months ended June 30, 2025, and 2024, the remaining deposit liabilities of the Group generally bear annual fixed interest rates ranging from 0.1% to 6.6% and 0.1% to 6.1%, respectively, for peso-denominated deposit liabilities, and from 0.01% to 5.2% and 0.01% to 5.5%, respectively, for foreign currency-denominated deposit liabilities.

LTNCDs issued by the Parent Company consist of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value	
					June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
October 11, 2019	April 11, 2025	₱4,600,000	4.38%	Quarterly	₱—	₱4,598,770

Interest expense on deposit liabilities consists of:

	For the Semesters Ended June 30	
	2025 (Unaudited)	2024 (Unaudited)
Savings	₱4,741,328	₱4,808,990
Time	3,257,343	2,819,565
Demand	112,908	101,454
LTNCD	57,132	347,787
	₱8,168,711	₱8,077,796



14.2 Bonds Payable

This account consists of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value	
					June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Fixed rate medium term senior notes						
October 23, 2024	October 23, 2029	USD300,000	4.85%	Semi-annually	₱16,855,560	₱17,304,421

As of June 30, 2025, and December 31, 2024, the unamortized transaction costs of bonds payable amounted to ₱45.5 million and ₱49.1 million. For the six months ended June 30, 2025 and 2024, amortization of transaction costs amounting to ₱2.8 million and ₱26.3 million were charged to 'Interest expense on bonds payable' in the statements of income.

15. Maturity Analysis of Assets and Liabilities

The following tables show an analysis of assets (gross of allowance for impairment and credit losses) and liabilities of the Group and Parent Company analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from reporting date:

	June 30, 2025			December 31, 2024		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and other cash items	₱15,314,202	₱—	₱15,314,202	₱20,638,033	₱—	₱20,638,033
Due from BSP (Note 6)	45,903,970	—	45,903,970	55,128,316	—	55,128,316
Due from other banks (Note 20)	19,952,067	—	19,952,067	20,188,638	—	20,188,638
Interbank loans receivable (Notes 20 and 22)	44,097,892	—	44,097,892	22,793,332	—	22,793,332
Securities held under agreements to resell	60,957,354	—	60,957,354	103,526,359	—	103,526,359
Financial assets at FVTPL (Note 7)	26,252,416	—	26,252,416	17,920,985	—	17,920,985
Financial assets at FVOCI (Notes 7 and 20)	111,178,902	125,725,732	236,904,634	125,158,359	86,584,424	211,742,783
Investment securities at amortized cost (Note 7)	10,609,817	105,218,401	115,828,218	17,873,615	94,696,237	112,569,852
Loans and receivables (Note 8)	333,679,551	377,833,631	711,513,182	330,821,051	349,052,823	679,873,874
Other assets (Note 12)	555,665	19,828	575,493	427,311	20,162	447,473
	668,501,836	608,797,592	1,277,299,428	714,475,999	530,353,646	1,244,829,645
Nonfinancial Assets						
Property and equipment (Note 9)	—	25,325,217	25,325,217	—	25,122,850	25,122,850
Investment in an associate	—	3,187,115	3,187,115	—	3,446,613	3,446,613
Investment properties (Note 10)	—	21,305,312	21,305,312	—	20,562,196	20,562,196
Deferred tax assets (Note 18)	—	7,998,455	7,998,455	—	7,460,676	7,460,676
Goodwill (Note 11)	—	10,184,843	10,184,843	—	10,184,843	10,184,843
Intangible assets (Note 11)	—	10,632,438	10,632,438	—	10,004,004	10,004,004
Other assets (Note 12)	7,193,157	2,378,316	9,571,473	6,942,022	1,811,217	8,753,239
	7,193,157	81,011,696	88,204,853	6,942,022	78,592,399	85,534,421
Less: Allowance for impairment and credit losses (Note 13)			46,287,079			47,207,940
Unearned and other deferred income (Note 8)			686,599			845,859
Accumulated depreciation and amortization			25,563,382			24,699,414
			₱1,292,967,221			₱1,257,610,853

(Forward)



	June 30, 2025			December 31, 2024		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Financial Liabilities						
Deposit liabilities (Notes 14 and 20)	₱997,138,521	₱5,925,266	₱1,003,063,787	₱966,381,587	₱5,290,561	₱971,672,148
Financial liabilities at FVTPL	922,268	—	922,268	924,053	—	924,053
Bills and acceptances payable (Notes 20 and 22)	14,392,401	—	14,392,401	20,208,451	—	20,208,451
Accrued interest payable (Note 20)	1,985,464	1,028	1,986,492	2,145,487	350	2,145,837
Accrued other expenses payable (Note 20)	1,707,671	—	1,707,671	1,816,398	—	1,816,398
Bonds payable (Notes 14 and 22)	—	16,855,560	16,855,560	—	17,304,421	17,304,421
Other liabilities (Note 12)	11,887,321	1,342,832	13,230,153	11,510,963	1,626,812	13,137,775
	1,028,033,646	24,124,686	1,052,158,332	1,002,986,939	24,222,144	1,027,209,083
Nonfinancial Liabilities						
Lease liabilities (Notes 20 and 22)	904,058	2,691,504	3,595,562	997,127	2,811,870	3,808,997
Accrued taxes and other expenses (Note 20)	3,693,780	1,624,035	5,317,815	3,204,301	1,632,017	4,836,318
Income tax payable	655,957	—	655,957	159,233	—	159,233
Other liabilities (Note 12)	2,203,213	3,109,467	5,312,680	2,294,638	2,673,643	4,968,281
	7,457,008	7,425,006	14,882,014	6,655,299	7,117,530	13,772,829
	₱1,035,490,654	₱31,549,692	₱1,067,040,346	₱1,009,642,238	₱31,339,674	₱1,040,981,912

16. Equity

16.1 Capital Stock

This account consists of (amounts in thousands, except for par value and number of shares):

	Shares	Amount
Common - ₱40 par value		
Authorized	1,750,000,001	₱70,000,000
Issued and outstanding		
Balance at the beginning and end of the period	1,525,764,850	₱61,030,594

As of June 30, 2025 and December 31, 2024, the Parent Company had 35,740 and 35,918 stockholders, respectively.

On February 28, 2025, the Board of Directors approved the declaration of cash dividends in the amount of ₱2.76 per Common Share, to be taken out of the Bank's Unrestricted Retained Earnings as of December 31, 2024, to be paid as follows:

	Amount per Common Share	Record Date	Payment Date
First Tranche	₱1.38	March 14, 2025	April 2, 2025
Second Tranche	₱1.38	September 15, 2025	October 1, 2025

16.2 Surplus Reserves

This account consists of:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Reserves under BSP Circular 1011 (Note 8)	₱4,352,964	₱4,187,284
Reserves for trust business	712,763	674,753
Reserves for self-insurance	105,000	105,000
	₱5,170,727	₱4,967,037



16.3 Regulatory Reporting for Capital Management

As of June 30, 2025 and December 31, 2024, Common Equity Tier 1 (CET1) ratio and Total Capital Adequacy Ratio (CAR) are as follows:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Consolidated		
a) CET1 Capital/Tier 1 Capital	₱167,589,649	₱159,087,364
b) Total Qualifying Capital	175,010,015	166,432,551
c) Total Risk-Weighted Assets	869,049,752	828,154,132
CET 1 Ratio/Tier 1 Ratio (a/c)	19.28%	19.21%
Total CAR (b/c)	20.14%	20.10%
Parent Company		
d) CET1 Capital/Tier 1 Capital	₱144,919,476	₱136,470,638
e) Total Qualifying Capital	152,145,839	143,600,795
f) Total Risk-Weighted Assets	844,688,655	801,791,184
CET 1 Ratio/Tier 1 Ratio (d/f)	17.16%	17.02%
Total CAR (e/f)	18.01%	17.91%

17. Other Operating Income and Expenses

17.1 Service Fees and Commission Income

This account consists of:

	For the Semesters Ended June 30	
	2025 (Unaudited)	2024 (Unaudited)
Deposit-related	₱1,214,314	₱937,081
Credit card-related	651,930	563,992
Loan-related	573,993	414,468
Remittance	318,531	332,043
Interchange fees	278,779	273,324
Bancassurance	277,959	131,662
Trust fees	201,579	183,346
Underwriting fees	122,463	102,262
Miscellaneous	187,333	63,942
	₱3,826,881	₱3,002,120



17.2 Miscellaneous Expenses

This account consists of:

	For the Semesters Ended June 30	
	2025	2024
	(Unaudited)	(Unaudited)
Secretarial, janitorial and messengerial	₱975,772	₱963,713
Insurance	975,190	945,020
Marketing	579,144	706,567
Information technology	566,496	513,003
Litigation and assets acquired	359,370	164,871
Travelling	209,053	219,701
Stationery and supplies	128,153	162,982
Management and other professional fees	113,407	114,672
Postage, telephone and cable	81,896	69,662
Common use service area charges	53,274	54,937
Entertainment, amusement and recreation	42,506	77,380
Repairs and maintenance	10,483	22,772
Freight	7,471	10,008
Fuel and lubricants	5,309	5,620
Others	229,282	116,170
	₱4,336,806	₱4,147,078

18. Income Taxes

Provision for (benefit from) income:

	For the Semesters Ended June 30	
	2025	2024
	(Unaudited)	(Unaudited)
Current		
Regular	₱1,022,032	₱1,045,881
Final	2,167,536	1,898,323
	3,189,568	2,944,204
Deferred	37,983	(963,515)
	₱3,227,551	₱1,980,689

As of June 30, 2025 and December 31, 2024, the Group recognized deferred tax assets amounting to ₱8.0 billion and ₱7.5 billion, respectively, with the increase in 2025 mainly coming from deferred tax assets on allowance for impairment and credit losses.



19. Earnings Per Share

Earnings per share attributable to equity holders of the Parent Company are calculated as follows:

	For the Semesters Ended June 30	
	2025 (Unaudited)	2024 (Unaudited)
a) Net income attributable to equity holders of the Parent Company	₱12,456,163	₱10,215,912
b) Weighted average number of common shares for basic earnings per share	1,525,765	1,525,765
c) Basic and diluted earnings per share (a/b)	₱8.16	₱6.70

There are no potential common shares with dilutive effect on the basic earnings per share.

20. Related Party Transactions

Balances of significant related party transactions of the Group as of June 30, 2025 and December 31, 2024 are shown in the following table (transactions with subsidiaries have been eliminated in the consolidated financial statements). Transactions reported under subsidiaries represent companies where the Parent Company has control. Transactions reported under other related parties represent companies which are under common control.

	Significant Investors		Subsidiaries		Other Related Parties		Associate		Key Management Personnel	
	June 30, 2025	December 31, 2024	June 30, 2025	December 31, 2024	June 30, 2025	December 31, 2024	June 30, 2025	December 31, 2024	June 30, 2025	December 31, 2024
Receivables from customer	₱—	₱—	₱—	₱—	₱46,947,874	₱43,455,926	₱—	₱—	₱—	₱—
Credit facilities	—	—	12,105,451	11,293,839	67,360,601	92,058,444	120,000	120,000	—	—
Sales contract receivable	—	—	—	—	514	734	—	—	—	—
Financial assets at FVOCI	—	—	—	—	26,404,970	26,687,751	—	—	—	—
Interbank loans receivable	—	—	66,086	3,015	—	—	—	—	—	—
Due from other banks	—	—	122,575	197,801	—	—	—	—	—	—
Loans to officers	—	—	—	—	—	—	—	—	166,963	162,370
Accounts receivable	—	—	47,916	36,152	176,473	116,760	—	—	—	—
Accrued interest receivable	—	—	184	2	—	175,958	—	—	224	399
Sales Contract Receivable	—	—	—	—	—	—	—	—	3,084	1,359
Right-of-use assets	—	—	—	—	2,845,490	2,959,837	—	—	—	—
Accumulated depreciation of right-of-use assets	—	—	—	—	1,263,748	1,236,440	—	—	—	—
Security deposit	—	—	—	—	175,513	175,513	—	—	—	—
Deposit liabilities	4,497,973	3,054,420	4,296,275	4,230,583	60,575,755	49,367,453	328,187	881,014	1,427,989	910,771
Accrued interest payable	19,796	8,729	15,506	30,733	238,922	162,221	1	2	2,110	1,227
Accrued other expenses	—	—	—	—	229,143	655,134	—	—	—	—
Lease liabilities	—	—	—	—	1,655,671	1,920,896	—	—	—	—
Rental deposits	—	—	—	—	—	—	—	27	—	—
Deferred revenues	—	—	—	—	36,111	37,778	457,494	322,031	—	—
Due to other banks	—	—	7,207	13,880	—	—	—	—	—	—

Significant related party transactions of the Group for the six months ended June 30, 2025 and 2024 follow (transactions with subsidiaries have been eliminated in the consolidated financial statements):

	Significant Investors		Subsidiaries		Other Related Parties		Associate		Key Management Personnel	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Interest income	₱—	₱—	₱332	₱—	₱1,322,143	₱1,730,262	₱—	₱—	₱5,653	₱—
Interest expense	69,687	58,700	85,017	102,420	939,028	788,346	6,095	496	7,508	—
Miscellaneous other income	—	—	1,634	1,621	—	—	—	—	—	—
Miscellaneous expenses	—	—	—	—	147,234	490,344	—	—	—	—
Purchases of securities	—	—	3,552	23,024	6,138,392	5,940,404	—	—	—	—
Sale of securities	—	—	2,516,988	523,204	12,466,394	2,635,593	—	—	—	—
Trading gains (losses)	—	—	—	130	8,927	890	—	—	—	—
Service fee income	—	—	—	—	—	—	36,600	36,600	—	—

Transactions with related parties are made on similar terms and conditions as disclosed in the most recent annual audited financial statements.



21. Provisions, Contingencies and Other Commitments

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not presented in the accompanying unaudited interim condensed financial statements including several suits and claims which remain unsettled. The Group and its legal counsel believe that any losses arising from these contingencies which are not specifically provided for will not have a material adverse effect on the unaudited interim condensed financial statements.

There were no significant settlements made in the second quarter of 2025.

In the ordinary course of the Group's operations, certain entities within the Group have pending tax assessments/claims which are in various stages of protest/appeal with the tax authorities, the amounts of which cannot be reasonably estimated. Management believes that the bases of said protest/appeal are legally valid such that the ultimate resolution of these assessments/claims would not have material effects on the consolidated financial position and results of operations.

22. Notes to the Statement of Cash Flows

22.1 Interbank Loans Receivable

The amount of the Group's interbank loans receivable considered as cash and cash equivalents follow:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Interbank loans receivable	₱44,097,892	₱22,793,332
Less: Allowance for credit losses	9,659	6,138
	44,088,233	22,787,194
Less: Interbank loans receivable not considered as cash and cash equivalents	1,829,321	2,925,553
	₱42,258,912	₱19,861,641

22.2 Cash Flows from Financing Activities

The changes in liabilities arising from financing activities for the six-months ended June 30, 2025 and 2024 follow:

	June 30, 2025 (Unaudited)			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱20,208,451	(₱6,318,972)	₱502,922	₱14,392,401
Bonds payable	17,304,421	—	(448,861)	16,855,560
Lease liabilities	3,808,997	(636,034)	422,599	3,595,562
	₱41,321,869	(₱6,955,006)	₱476,660	₱34,843,523



	June 30, 2024 (Unaudited)			
	Beginning balance	Net cash flows	Others	Ending balance
Bills and acceptances payable	₱20,162,603	(₱88,061)	(₱307,455)	₱19,767,087
Bonds payable	41,490,871	—	2,458,563	43,949,434
Lease liabilities	3,832,884	(592,326)	423,996	3,664,554
	₱65,486,358	(₱680,387)	₱2,575,104	₱67,381,075

22.3 Non-Cash Transactions

For the six months ended June 30, 2025 and 2024, additions to right-of-use assets amounted ₱0.4 billion, while additional lease liabilities amounted to ₱0.4 billion.

For the six months ended June 30, 2025 and 2024, the Group foreclosed investment properties amounting to ₱831.0 million and ₱521.9 million, respectively.

For the six months ended June 30, 2025 and 2024, the Group applied creditable withholding taxes against its income tax payable amounting to ₱469.9 million and ₱181.6 million, respectively

23. Subsequent Events

On July 25, 2025, the PNB Board of Directors approved and confirmed the issuance of ₱3.0 billion, with option to upsize up to ₱20.0 billion, in single or dual tranche, out of the ₱50.0 billion Bond and Commercial Paper Program.

24. Contingencies and Commitments Arising from Off-Balance Sheet Items

The following is a summary of various commitments, contingent assets and contingent liabilities at their equivalent peso contractual amounts:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Trust department accounts	₱215,835,639	₱190,585,195
Derivative forwards	164,866,102	132,737,169
Standby letters of credit	75,220,248	77,763,321
Unutilized credit card lines	52,092,258	51,886,113
Deficiency claims receivable	28,974,162	27,250,819
Derivative spots	15,589,271	22,847,762
Inward bills for collection	4,677,347	1,019,948
Outward bills for collection	345,581	210,031
Unused commercial letters of credit	198,500	353,457
Items held as collateral	22,449	23,101
Confirmed export letters of credit	13,801	100,940
Shipping guarantees issued	13,247	21,284
Other contingent accounts	11,465	38,677



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(A banking corporation organized and existing under Philippine law)

PRICING SUPPLEMENT DATED 11 DECEMBER 2025

**PHP10,880,000,000 5.4877% p.a. Series A ASEAN Sustainability Bonds due 2028
and**

PHP4,820,000,000 5.7764% p.a. Series B ASEAN Sustainability Bonds due 2030

under its PHP50,000,000,000 Bond and Commercial Paper Programme

at an Offer Price of 100% of Face Value

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

Joint Lead Arrangers and Bookrunners



PNBCapital

ING



standard
chartered

Selling Agents



PNB

ING



standard
chartered

**OFFER OF SERIES A and SERIES B ASEAN SUSTAINABILITY BONDS
BY PHILIPPINE NATIONAL BANK
UNDER ITS PHP 50,000,000,000 BOND AND COMMERCIAL PAPER PROGRAMME**

This document constitutes the Pricing Supplement relating to the Series A Bonds and the Series B Bonds (collectively, 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 “General Terms and Conditions”) set forth in the Trust Agreement dated November 11, 2025, and the Offering Circular dated November 11, 2025. This Pricing Supplement contains the indicative terms of the Offer and each of the Bonds and must be read in conjunction with the Offering Circular. Full information on the Bank and the Bonds 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.

The Bank confirms that (i) the Offering Circular and this Pricing Supplement contains, and at the date of publication or issue contained, all material information with respect to the Bank, the Group, the Programme and the Contracts (including all information which is necessary to enable investors and their professional advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Bank, the Group and the rights attaching to the relevant Series or Tranche of Bonds), (ii) the Offering Circular and this Pricing Supplement does not contain an untrue statement of material fact or omit to state a material fact that is necessary in order to make the statements made in the Offering Circular and this Pricing Supplement, in the light of the circumstances under which they were made, not misleading, and there is no other fact or matter omitted from the Offering Circular and this Pricing Supplement which was or is necessary to enable investors and their professional advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Bank or the Group and of the rights attaching to the Series A Bonds and the Series B Bonds; (iii) the other financial data set forth in the Offering Circular and this Pricing Supplement relating to the Bank is accurately presented and prepared on a basis consistent with the consolidated financial statements and books and records of the Group; (iv) all statistical and market related data included in the Offering Circular and this Pricing Supplement (if any) is based on or derived from sources that the Bank reasonably believes to be reliable and accurate in all material respects, has been accurately extracted from such source and the Bank has obtained the written consent to the use of such data from such sources to the extent required; (v) any statements of intention, opinion, belief, or expectation contained in the Offering Circular and this Pricing Supplement and the Marketing Materials are honestly and reasonably made or held; and (vi) all reasonable enquiries have been made to ascertain such facts and to verify the accuracy of all such statements.

Neither the delivery of the Offering Circular or this Pricing Supplement nor any sale made pursuant to the Offer shall, under any circumstance, create any implication that the information contained or referred to in the Offering Circular or this Pricing Supplement is accurate as of any time subsequent to the date hereof. To the fullest extent permitted by law, none of the Joint Lead Arrangers and Bookrunners and the Selling Agents (or any of their respective subsidiaries and holding company and the subsidiaries of that holding company, directors, officers, employees, representatives, agents and advisers, each, taken together is collectively referred to as “Joint Lead Arrangers and Bookrunners” and “Selling Agents”, respectively), accept any responsibility for the contents of the Offering Circular or this Pricing Supplement or for any other statement, made or purported to be made by the Joint Lead Arrangers and Bookrunners or the Selling Agents or on their respective behalf in connection with the Bank, the Offer or the Series A Bonds and the Series B Bonds. Each of the Joint Lead Arrangers and Bookrunners and the Selling Agents disclaims all and any liability whether arising in tort

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None of the Joint Lead Arrangers and Bookrunners and the Selling Agents has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of the Joint Lead Arrangers and Bookrunners or any of the Selling Agents as to the accuracy or completeness of the information contained or incorporated in the Offering Circular or this Pricing Supplement or any other information provided by the Bank in connection with the Bonds.

The contents of the Offering Circular or this Pricing Supplement are not to be considered as legal, business, or tax advice. Neither the Offering Circular or this Pricing Supplement nor any other information supplied in connection with the Series A Bonds or the Series B Bonds (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Bank, the Joint Lead Arrangers and Bookrunners, and/or the Selling Agents that any recipient of the Offering Circular or this Pricing Supplement or any other information supplied in connection with the Series A Bonds or the Series B Bonds should purchase, hold, or sell any of the Series A Bonds or the Series B Bonds. Each investor contemplating purchasing the Series A Bonds or the Series B Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of, the Bank. None of the Offering Circular, this Pricing Supplement, or any other information supplied in connection with the Series A Bonds and the Series B Bonds, constitutes an offer or invitation by or on behalf of the Bank, any of the Joint Lead Arrangers and Bookrunners or any of the Selling Agents to any person to subscribe for or to purchase any of the Bonds.

Neither the delivery of the Offering Circular or this Pricing Supplement nor the offering, sale, or delivery of any Bonds shall in any circumstances 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 Series A Bonds or the Series B Bonds is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Arrangers and Bookrunners and the Selling Agents expressly do not undertake to review the financial condition or affairs of the Bank during the life of the Series A Bonds or the Series B Bonds or to advise any investor on any information coming to their attention regarding any of such Bonds. Neither the delivery of the Offering Circular or this Pricing Supplement nor any offering, sale, or delivery made in connection with the Series A Bonds or the Series B Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Bank since the date hereof or thereof or the date upon which the Offering Circular and this Pricing Supplement has been most recently amended or supplemented or create any implication that the information contained herein or therein is correct as at any date subsequent to the date hereof or thereof or the date upon which the Offering Circular and this Pricing Supplement has been most recently amended or supplemented. Investors should review publicly available information on the Bank and its subsidiaries and holding company

and the subsidiaries of that holding company, directors, officers, and employees, including the most recently published documents incorporated by reference into the Offering Circular and this Pricing Supplement when determining whether or not to purchase any of the Bonds.

None of the Joint Lead Arrangers and Bookrunners and the Selling Agents accepts any responsibility for any losses howsoever arising, directly or indirectly, from this Pricing Supplement or its contents including for any social, environmental, and sustainability assessment of the Series A Bonds or the Series B Bonds or makes any representation or warranty or assurance (i) whether the Series A Bonds or the Series B Bonds will meet any investor expectations or requirements regarding such “green”, “social”, “sustainable”, or similar labels, (ii) whether the net proceeds of the issuance of the Series A Bonds or the Series B Bonds will be used to finance, refinance and/or invest in relevant eligible green, social or sustainable projects, or (iii) as to the characteristics of relevant eligible green, social or sustainable projects in which the proceeds of the Series A Bonds or the Series B Bonds are applied or invested.

Any second party opinion issued provides opinions on certain environmental and related considerations and are not intended to address any credit, market, or other aspects of an investment in any securities, including without limitation, market price, marketability, investor preference, or suitability of any security.

Any second party opinion is a statement of opinion, not a statement of fact. Second party opinions are not, nor should be deemed to be, a recommendation by the Joint Lead Arrangers and Bookrunners and the Selling Agents or any other person to buy, sell or hold any securities. No representation or assurance is given by the Joint Lead Arrangers and Bookrunners and the Selling Agents as to the suitability or reliability of the second party opinions or any other opinion or certification of any third party made available in connection with the Series A Bonds or the Series B Bonds, nor is any such opinion or certification a recommendation by any Joint Lead Arrangers and Bookrunners and the Selling Agents to buy, sell or hold any such securities. Furthermore, any second party opinion is for information purposes only and none of the Joint Lead Arrangers and Bookrunners and the Selling Agents accepts any form of liability for the substance of any second party opinion and/or any liability for loss arising from the use of any second party opinion and/or the information provided in each of it. The Joint Lead Arrangers and Bookrunners and the Selling Agents have not undertaken, nor are they responsible for, any assessment of the eligibility of the assets within the definition of eligible green assets or the monitoring of the use of proceeds from the offering of the Series A Bonds and the Series B Bonds. In the event any such securities are, or are intended to be, listed, or admitted to trading on a dedicated “green”, “social”, “sustainable”, or other equivalently labelled segment of a stock exchange or securities market, no representation or assurance is given by the Joint Lead Arrangers and Bookrunners and the Selling Agents that such listing or admission will be obtained or maintained for the lifetime of the securities.

Investors should refer to the Bank’s Sustainable Finance Framework (as defined in the Offering Circular) and Opinion (as defined in the Offering Circular) for information and should determine for themselves the relevance of the information contained in the Offering Circular and/or this Pricing Supplement regarding the use of proceeds and its investment in any of the Bonds should be based upon such investigation as it deems necessary. The information in the Bank’s Sustainable Finance Framework and Opinion, has not been verified. None of the Bank’s Sustainable Finance Framework or Opinion provided in respect of the Bank’s Sustainable Finance Framework or any of the above reports or verification assessments are incorporated in, or form part of, the Offering Circular or this Pricing Supplement and should not be relied upon in connection with making any investment decision with respect to any of the Bonds.

Issuer	PHILIPPINE NATIONAL BANK ("PNB", "Issuer", the "Bank")
Issuer Rating	Baa2 (Stable) by Moody's
Issue	PHP-denominated fixed-rate Series A ASEAN Sustainability Bonds and Series B ASEAN Sustainability Bonds (the "Bonds"), each constituting the direct, unconditional, unsecured and unsubordinated Peso-denominated obligations of the Bank
Specified Currency	Philippine Peso
The Issue Size	Series A Bonds: Aggregate principal amount of PHP10,880,000,000 Series B Bonds: Aggregate principal amount of PHP4,820,000,000
Manner of Distribution	Public Offer
Issue Price	Series A Bonds: At par (or 100% of face value) Series B Bonds: At par (or 100% of face value)
Use of Proceeds	The net proceeds of the Bonds will be used by the Issuer to finance or refinance, in whole or in part, the Eligible Assets in accordance with certain prescribed eligibility criteria as described in the Sustainability Financing Framework.
Form and Denomination of the Bonds	The Bonds shall be issued in scripless form in minimum denominations of PHP100,000 each, and in multiples of PHP50,000 thereafter, and traded in denominations of PHP50,000 in the secondary market.
Offer Period	The offer of the Bonds shall commence at 10:00 am on 26 November 2025 and end at 5:00 pm on 2 December 2025.
Issue Date	Series A Bonds: 11 December 2025 Series B Bonds: 11 December 2025
Interest Commencement Date	Series A Bonds: 11 December 2025 Series B Bonds: 11 December 2025
Interest Payment Date (s)	Series A Bonds: March 11, June 11, September 11 and December 11 of each year Series B Bonds: March 11, June 11, September 11 and December 11 of each year
Interest Rate	Series A Bonds: Fixed interest rate of 5.4877% per annum. Series B Bonds: Fixed interest rate of 5.7764% per annum.
Day Count Fraction	30/360 day count basis

Maturity Date	Series A Bonds: 3 years, which is on 11 December 2028. Series B Bonds: 5 years, which is on 11 December 2030.
Bond Rating	Unrated
Ranking	The Bonds constitute direct, unconditional, unsecured, and unsubordinated Peso-denominated obligations of the Bank, enforceable according to the Trust Agreement and the General 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 direct, unconditional, unsecured, and unsubordinated Peso-denominated obligations of the Bank, except for any obligation enjoying a statutory preference or priority established under Philippine laws other than the preference under Article 2244, paragraph 14(a), of the Civil Code of the Philippines.
Final Redemption Amount	Unless previously purchased and cancelled in accordance with the Early Redemption Option and the General Terms and Conditions, each series of Bonds shall be redeemed at par, or 100% of face value on the Maturity Date plus accrued and unpaid interest thereon up to, but excluding, the Maturity Date specified in the General Terms and Conditions of the Bonds. However, if the Maturity Date is not a Business Day, payment of all amounts due on such date will be made on the succeeding Business Day, without adjustment in computation as to the amount of interest payable.
Prohibited Bondholders	Prohibited Bondholders means, persons and entities which are prohibited from purchasing and/or holding the Bonds pursuant to regulations governing the Bank, specifically: (a) the Issuer including its related parties as defined in the MORB, (A) including but not limited to (i) subsidiaries as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities) that the Issuer exerts direct/indirect control over or that exerts direct/indirect control over the Issuer, (ii) the Issuer's directors, officers, stockholders, and their related interests ("DOSRI"), and their close family members, as well as corresponding persons in affiliated companies including such other person/juridical entity whose interests may pose potential conflict with the interest of the Issuer, (iii) linkages to the foregoing, whether direct or indirect as defined in the MORB, except where the Issuer purchases and cancels the Bonds under the conditions listed in Condition 6(b)(iii) of these General Terms and Conditions, and (B) excluding (i) the Issuer's trust department or related trust entities, or (ii) an underwriter or arranger that is an Issuer's related party, provided that the holding of the Bonds is part of the underwriting agreement, and such underwriter or arranger

has complied with the requirements of Governing Regulations; or provided, that without limiting the generality of the foregoing, the term "Prohibited Holders" includes the Issuer's related parties who are in possession or have access to material and non-public information which can affect the pricing and marketability of upcoming and outstanding PNB bond issuances, such as:

- (i) Subsidiaries
- (ii) Affiliates
- (iii) Directors
- (iv) Officers holding positions of senior vice president or higher
- (v) Officers and staff of the Issuer in the following departments/divisions/ sectors:
 - (A) Global Banking and Markets Sector
 - (B) Office of the Chief Financial Officer
 - (C) Enterprise Risk Management Group
 - (D) Global Compliance Group
 - (E) Office of the Corporate Secretary
 - (F) Legal Group
 - (G) All Asset/ Liability Committee Attendees
- (vi) Spouses, children and parents of all individuals covered by items (III), (IV) and (V) above.
- (vii) With respect to any issuance of the Bonds, the following persons for the duration that they are engaged for a proposed issuance of any tranche/series of Bonds:
 - (A) Select officers and staff of Arrangers and Selling Agents
 - (B) Select officers and staff of Legal Counsels
 - (C) Select officers and staff of Auditors
 - (D) Select officers and staff engaged in the booking of the Bonds; or
- (b) such persons who are otherwise not qualified under the Governing Regulations including any other person whose acquisition, holding, or transfer of the Bonds 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) persons classified as U.S. Persons under the Foreign Account Tax Compliance Act of the United States, as this may be amended from time to time ("**FATCA**"), which include: (a) a U.S. citizen (including a dual citizen who may have another

citizenship besides having a U.S citizenship); (b) 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); (c) a U.S. partnership, U.S. corporation, or U.S. entity; (d) a U.S. estate; (e) 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 (f) any other person that is not a non-US person under the FATCA; or

(d) persons classified as a Restricted Party.

For purposes of the definition of Prohibited Bondholders, 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. For a corporation to be **controlled** by another means that the other (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) has power over more than one-half of the voting rights by virtue of an agreement with other stockholders, power to govern the financial and operating policies of the enterprise under a statute or an agreement, the power to appoint or remove the majority of the members of the board of directors or other equivalent governing body of that company, power to cast the majority votes at meetings of the board of directors or equivalent governing body, or otherwise controls or has the power to control the company through similar arrangements.

Taxation	Interest income on the Bonds is subject to a final withholding tax at rates ranging from 20% to 25% depending on the tax status of the relevant Bondholder under relevant law, regulation, or tax treaty. Pursuant to the General Terms and Conditions, in the event there is a change in the tax treatment of the Bonds or on the tax rates applicable to a Bondholder of the Series A Bonds or the Series B Bonds 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 such 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 sole account of the Bondholders of the Series A Bonds or the Series B Bonds, as applicable.
Early Redemption Option	In accordance with the General Terms and Conditions and Governing Regulations, the Bank has the option (but not the obligation) to pre-terminate and redeem any Series of the Bonds in whole, but not in part, before Maturity Date at the Early Redemption Amount on any Early Redemption Date in the event of a Change in Tax or a Change in Law or Circumstance.
Payment Account Name	For Series A Bonds: “PDTC as Paying Agent of PNB FAO Series A Bondholders due 2028” For Series B Bonds: “PDTC as Paying Agent of PNB FAO Series B Bondholders due 2030”
Listing	The Bonds are intended to be listed with the Philippine Dealing & Exchange Corp., or such other securities exchange licensed as such by the Securities and Exchange Commission.
Governing Law	Philippine Law
PARTIES/DISTRIBUTION	
Trustee	DEVELOPMENT BANK OF THE PHILIPPINES Trust Banking Group
Registrar & Paying Agent	PHILIPPINE DEPOSITORY & TRUST CORP.
Joint Lead Arrangers and Bookrunners	ING Bank N.V., Manila Branch (“ING”) PNB Capital and Investment Corporation (“PNB Capital”) Standard Chartered Bank (“SCB”)

Selling Agents	PNB ING SCB
Market Maker for the Series A Bonds and the Series B Bonds	ING SCB

ADDITIONAL INFORMATION

Amendment or Supplement to the Offering Circular

RECENT DEVELOPMENTS

The Bank has, on 14 November 2025, released its unaudited interim consolidated financial statements, including those of its subsidiaries, as of 30 September 2025, and for the nine months ended 30 September 2025 and 2024 (the “Third Quarter 2025 Financial Statements”). These statements shall be incorporated by reference into the Offering Circular and can be accessed and downloaded from the PSE Edge (<https://edge.pse.com.ph/>) and the Bank’s website (www.pnb.com.ph). Prospective investors are advised to review and consider the Third Quarter 2025 Financial Statements before making any decision or taking any action with respect to the proposed offering of the Bonds.

See also the section entitled “Investment Considerations – Risks Relating to the Information in this Offering Circular – Potential investors should not place undue reliance on the Third Quarter 2025 Financial Statements” of this Pricing Supplement.

INVESTMENT CONSIDERATIONS

This section supplements and updates the risk factors disclosed in Section 6 of the Offering Circular. The following section is qualified in its entirety by, and should be read in conjunction with, the information found in the Offering Circular.

Risks Relating to the Information in this Offering Circular

Potential investors should not place undue reliance on the Third Quarter 2025 Financial Statements.

The Third Quarter 2025 Financial Statements have not been audited or reviewed by the independent auditors of the Bank or any other independent accountants, and may be subject to adjustments if reviewed or audited. As such, the financial information therein may differ from future audited or reviewed financial information. There can be no assurance that, had the financial information been audited or reviewed, the financial statements would not have changed, that any such changes would not be material, or that such financial information was prepared and presented in a manner consistent with the accounting policies normally adopted by the Bank and applied in its audited consolidated financial statements as at and for the years ended 31 December 2024 and 2023.

The Third Quarter 2025 Financial Statements should not be relied upon by potential investors as providing the same quality of information as information that has been subject to an audit or review. The Third Quarter 2025 Financial Statements should not be considered as indicative of the expected financial condition or results of operations of the Group for the full financial year ending December 31, 2025. Potential investors must therefore exercise caution when relying on such data to evaluate the Bank’s financial condition or performance. None of the Joint Lead Arrangers and the Selling Agents makes any representation or warranty, express or implied, regarding the accuracy, completeness, and sufficiency of the Third Quarter 2025 Financial Statements.

RESPONSIBILITY

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

PHILIPPINE NATIONAL BANK

As Issuer and Selling Agent

By:



FRANCIS B. ALBALATE
Executive Vice President
Chief Financial Officer

By:



ROBERTO D. BALTAZAR
Executive Vice President
Head, Global Banking and Markets Sector